

**VCL NO. 9 S.A.**

*(incorporated with limited liability in Luxembourg with registered number B 121 667)*

**EUR 940,200,000**

**Class A Asset Backed Floating Rate Notes of 2007/2012**

(the "Class A Notes")

**Issue Price: 100 per cent.**

**EUR 30,350,000**

**Class B Asset Backed Floating Rate Notes of 2007/2012**

(the "Class B Notes")

**Issue Price: 100 per cent.**

Each Class A Note and each simultaneously issued subordinated Class B Note (together the "Notes") entitles the holder to demand the payment of a particular amount of interest and/or principal only, if and to the extent such amounts have been received by VCL No. 9 S.A. ("the Issuer", or the "VCL 9") from Collections, from a Cash Collateral Account, from the enforcement of the Security and from the Swap Agreements. The sum of the Nominal Amount of the Notes plus the overcollateralisation amount plus the Subordinated Loan equals the present value of the Purchased Lease Receivables discounted to the Issue Date using the Discount Rate. In case of payment in full by the respective Lessees in accordance with the underlying Lease Contracts and/or utilisation of the Cash Collateral Account to the extent any shortfall of Purchased Lease Receivables is fully covered thereby and subject to receipt in full of the amounts payable under the Swap Agreements, each holder of a Class A Note is entitled to payment of the amount of EUR 50,000 plus interest equivalent to one-month EURIBOR plus 0.05 per cent. per annum and each holder of a subordinated Class B Note, respectively, to payment of the amount EUR 50,000 plus interest equivalent to one-month EURIBOR plus 0.13 per cent. per annum, calculated in each case with reference to the principal amount of each Note remaining outstanding immediately prior to the time of each payment and published pursuant to Condition 12. Payments of principal and interest on each class of Notes will be made monthly in arrear on the 21<sup>st</sup> day of each month in each year, unless such date is not a Business Day in which case payments shall be due on the next following Business Day commencing on the Payment Date falling in March 2007.

This Prospectus constitutes a prospectus under article 8 of the Luxembourg law of 10 July 2005 on prospectus for securities (*loi relative aux prospectus pour valeurs mobilières*), implementing the Prospectus Directive 2003/71/EC.

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes for trading on the "Bourse de Luxembourg" (a regulated market for the purposes of the Investment Services Directive 93/22/EC) of the Luxembourg Stock Exchange.

Application has been made to the Commission de Surveillance de Secteur Financier (the "CSSF") for approval of this Prospectus.

Each of the Notes in the denomination of EUR 50,000 will be governed by the laws of Germany, be issued in new global note ("NGN") form, and will be initially represented by a temporary global bearer note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 26 February 2007 (the "**Closing Date**") with a Common Safekeeper for Clearstream Luxembourg and Euroclear. The Temporary Global Notes will be exchangeable for permanent global notes (the "**Permanent Global Notes**"), without interest coupons, not earlier than 40 days and not later than 180 days after the Closing Date upon delivery of certifications as set forth in Condition 1(3). The Temporary Global Notes and the Permanent Global Notes shall together be referred to as the "**Global Notes**". The Permanent Global Notes will not be exchangeable for definitive Notes. The Notes are intended to be held in a manner which will allow Eurosystem eligibility. See "SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES – Global Notes."

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

For reference to the definitions of capitalised terms appearing in this Prospectus and certain interpretation rules, see "THE MASTER DEFINITIONS SCHEDULE".

Bookrunner

**Société Générale Corporate & Investment Banking**

Co-Arrangers

**Volkswagen Financial Services AG**

**Société Générale Corporate & Investment Banking**

Joint-Lead Managers

**Société Générale Corporate & Investment Banking**

**Dresdner Kleinwort**

Managers

**Caboto**

**Fortis Bank NV-SA**

**Landesbank Baden-Württemberg**

The date of this Prospectus is 22 February 2007

The Issuer accepts full responsibility for the information contained in this Prospectus (other than information describing the Seller and Servicer, the Security Trustee, the Data Protection Trustee, the Swap Counterparties, the Account Bank or any other party where any of these parties has expressly accepted responsibility for its own description in this Prospectus). Subject to the foregoing, the Issuer has taken all reasonable care to ensure that the information given in this Prospectus is to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import and the Issuer has taken all reasonable care to ensure that the information stated herein is true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. VWL as the Seller and Servicer only accepts full responsibility for information in this Prospectus relating to the Purchased Lease Receivables, the disclosure of servicing related risk factors, risk factors relating to the Purchased Lease Receivables, the information contained in "DESCRIPTION OF THE PORTFOLIO", "BUSINESS PROCEDURES OF VOLKSWAGEN LEASING GMBH", "THE SELLER AND THE SERVICER", "ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT" and "BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH".

No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, VWL, the Security Trustee, the Servicer, the Data Protection Trustee or by the Joint-Lead Managers, Co-Arrangers and the Managers shown on the cover page.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. Persons.

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

No action has been taken by the Issuer, the Joint-Lead Managers, or the Managers other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any information memorandum, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and the Issuer, the Joint-Lead Managers and the Managers have represented that all offers and sales by them have been made on such terms.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of any offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. The distribution of this Prospectus (or of any part thereof) and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer, the Joint-

Lead Managers and the Managers to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION AND SALE".

**If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

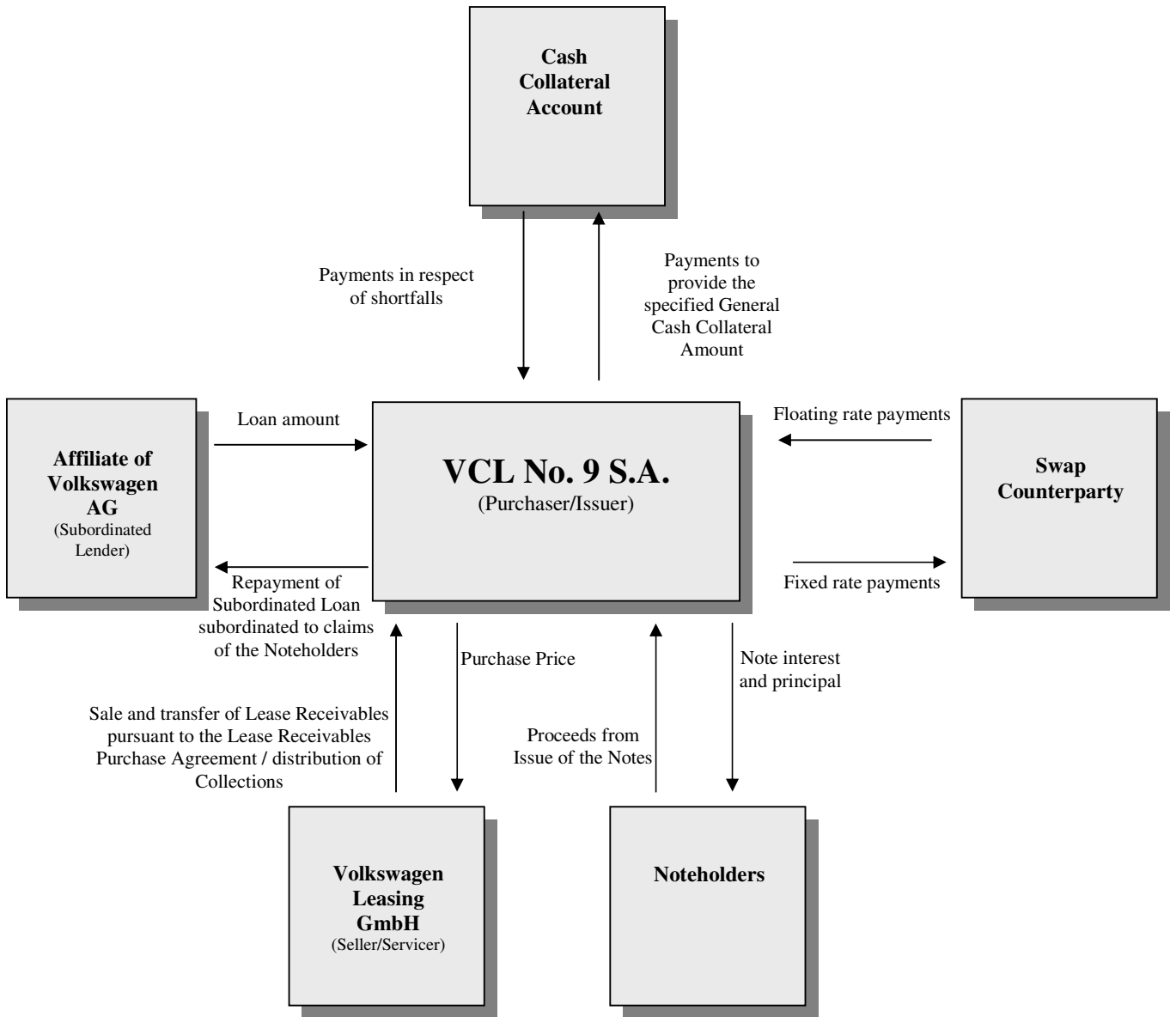
**An investment in these Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.**

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

**In connection with the Issue of the Notes, Société Générale as Stabilising Manager or any Person acting on behalf of the Stabilising Manager may over-allot Notes (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any 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 of the Notes and 60 days after the date of the allotment of the Notes.**

**Any stabilising of Société Générale will only be effected in compliance with the German Ordinance outlining the Prohibition of Exchange Quote and Market Price Manipulation (*Verordnung zur Konkretisierung des Verbotes der Kurs- und Marktpreismanipulation*).**

# STRUCTURE DIAGRAMM



**PRINCIPAL FEATURES OF THE NOTES**

	<b>Class A Notes</b>	<b>Class B Notes</b>
<i>Nominal Amount</i>	EUR 940,200,000	EUR 30,350,000
<i>Rate of Interest</i>	EUR- EURIBOR-rate for one month deposits (with interpolation of the first interest period) plus 0.05 per cent. per annum	EUR- EURIBOR-rate for one month deposits (with interpolation of the first interest period) plus 0.13 per cent. per annum
<i>Issue Price</i>	100 per cent.	100 per cent.
<i>Scheduled Repayment Date</i>	Payment Date in April 2011	Payment Date in April 2011
<i>Legal Maturity Date</i>	Payment Date in April 2012	Payment Date in April 2012
<i>Expected Ratings on Issue</i>	AAA by Fitch Aaa by Moody's AAA by S&P	A+ by Fitch A1 by Moody's A+ by S&P
<i>Form</i>	Global bearer in NGN form	Global bearer in NGN form
<i>Listing</i>	Application for listing on the Luxembourg Stock Exchange	Application for listing on the Luxembourg Stock Exchange
<i>Clearing</i>	Clearstream Luxembourg/ Euroclear	Clearstream Luxembourg/ Euroclear

*ISIN*

XS0284056776

XS0284061180

*Common Code*

028405677

028406118

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## SUMMARY OF THE PROSPECTUS

*The following "SUMMARY OF THE PROSPECTUS" must be read as an introduction to this Prospectus and must be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere herein. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole. Following implementation of the relevant provisions of the Prospectus Directive in each EEA Member State, the Issuer may have civil liability in respect of this "SUMMARY OF THE PROSPECTUS" if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA Member State, the plaintiff may, under the national legislation of the EEA Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Capitalised terms not specifically defined in this SUMMARY OF THE PROSPECTUS shall have the respective meanings set out in Clause 1 of the MASTER DEFINITIONS SCHEDULE dated on or about the Issue Date and signed for identification purposes by the Transaction Parties.*

### THE PARTIES

Issuer	VCL No. 9 S.A., a securitisation company within the meaning of the Luxembourg Securitisation Law, 7 Val Sainte Croi, L-1371 Luxembourg. The Issuer will be liquidated after the Legal Maturity Date.
Seller	Volkswagen Leasing GmbH, Gifhorner Straße 57, 38112 Braunschweig, Federal Republic of Germany, a wholly-owned subsidiary of Volkswagen Financial Services AG.
Servicer	Volkswagen Leasing GmbH, Gifhorner Straße 57, 38112 Braunschweig, Federal Republic of Germany, a wholly-owned subsidiary of Volkswagen Financial Services AG.
Co-Arrangers	Société Générale and Volkswagen Financial Services AG.
Joint-Lead Managers	Société Générale and Dresdner Bank AG London Branch.
Managers	Landesbank Baden-Württemberg, Fortis Bank NV-SA and Banca Caboto S.p.A..
Class A Swap Counterparty	Société Générale, a bank (i) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where an entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) will have taken measures agreed with

the Rating Agencies for the rating of the Notes.

Class B Swap Counterparty	Société Générale, a bank (i) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where an entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) will have taken measures agreed with the Rating Agencies for the rating of the Notes.
Subordinated Lender	An Affiliate of Volkswagen AG (the " <b>Subordinated Lender</b> ") will provide the Subordinated Loan to the Issuer.
Cash Collateral Account Bank	Société Générale Frankfurt, Mainzer Landstrasse 36, 60325 Frankfurt am Main, Germany.
Distribution Account Bank	Société Générale Frankfurt, Mainzer Landstrasse 36, 60325 Frankfurt am Main, Germany.
Security Trustee	Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany.
Data Protection Trustee	Volkswagen Bank GmbH, Gifhorner Straße 57, 38112 Braunschweig, Federal Republic of Germany.
Principal Paying Agent	Société Générale Bank & Trust, 11 avenue Emile Reuter, L-2420 Luxembourg.
Calculation Agent and Interest Determination Agent	Fortis Intertrust (Netherlands) B.V., Prins Bernardplein 200, 1097JB Amsterdam, PO Box 990, 1000AZ Amsterdam, The Netherlands.
Luxembourg Paying Agent	Société Générale Bank & Trust, 11 avenue Emile Reuter, L-2420 Luxembourg.
Listing Agent	Société Générale Bank & Trust, 11 avenue Emile Reuter, L-2420 Luxembourg.
Corporate Services Provider	SFM (Luxembourg) S.A., 7 Val Ste Croix, L-1371 Luxembourg.
Rating Agencies	Fitch, Moody's and S&P.

Process Agent Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany.

Clearing Systems Clearstream Banking société anonyme, Luxembourg, 42 Avenue JF Kennedy, L-1885 Luxembourg and Euroclear Banking S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

## THE NOTES

Class A Notes Total Nominal Amount: EUR 940,200,000, consisting of 18,804 Class A Notes each in the nominal amount of EUR 50,000.

Class B Notes Total Nominal Amount: EUR 30,350,000, consisting of 607 Class B Notes each in the nominal amount of EUR 50,000. The Class B Notes rank below the Class A Notes with respect to payment of interest and principal (as hereinafter described).

Closing Date/Issue Date 26 February 2007

Interest and Principal Each Class A Note entitles the Class A Noteholder thereof to receive from the Available Distribution Amount on each Payment Date interest at the rate equivalent to one-month EURIBOR (with interpolation for the first interest period) for euro deposits plus 0.05 per cent. per annum (the "**Class A Note Interest Rate**") on the nominal amount of each Class A Note outstanding immediately prior to such Payment Date and, thereafter from the remaining Available Distribution Amount on each Payment Date, provided that the payment of interest due and payable on the Class B Notes has been paid, payment of principal in an amount equal to the Class A Principal Payment Amount.

Each Class B Note entitles the Class B Noteholder thereof to receive on each Payment Date, out of the amounts remaining from the Available Distribution Amount on each Payment Date after payment of interest due and payable on the Class A Notes, interest at the rate equivalent to one-month EURIBOR (with interpolation for the first interest period) for euro deposits plus 0.13 per cent. per annum (the "**Class B Note Interest Rate**") on the nominal amount of each Class B Note outstanding immediately prior to such Payment Date; and thereafter from the remaining Available Distribution Amount on each Payment Date, provided that the payment of interest due and payable on the Class A and Class B Notes as well as principal due on such date on the Class A Notes has been paid, payment of principal in an amount equal to the Class B Principal Payment Amount.

With respect to payments of interest and principal, particular attention should be paid to the risk factor descriptions as set forth in "RISK FACTORS" and in particular the risk factor outlined under "RISK FACTORS - Liability and Limited Recourse under

the Notes".

Ratings	<p>The Class A Notes are expected to be rated AAA by Fitch, Aaa by Moody's and AAA by S&amp;P. The Class B Notes are expected to be rated A+ by Fitch, A1 by Moody's and A+ by S&amp;P. The ratings indicate the ultimate payment of principal and the timely payment of interest. The Moody's ratings address the expected loss posed to investors until the Legal Maturity Date. Moody's believes that the structure allows for timely payment of interest. The ratings should not be regarded as a recommendation by the Issuer, the Seller and Servicer (if different), the Joint-Lead-Managers, the Co-Arrangers, the Managers, the Security Trustee, the Principal Paying Agent, the Luxembourg Paying Agent, the Listing Agent, the Data Protection Trustee, the Interest Determination Agent, the Swap Counterparty, the Account Bank or the Rating Agencies to buy, sell or hold the Notes; the ratings are subject to revision or withdrawal at any time.</p>
Discount Rate	<p>The Discount Rate of 5.136 per cent. is used for the calculation of the present value of the Lease Receivables. It equals the weighted average of (i) the fixed rates under the Swap Agreements and (ii) an estimate of the hypothetical swap rate (being higher than the fixed rate under both Swap Agreements) theoretically needed to swap the floating rate interest payments under the Subordinated Loan, plus the Servicer Fee at a rate of 1 per cent. per annum, plus 0.03 per cent. for any administrative cost and fees.</p>
Discounted Lease Balance	<p>The Discounted Lease Balance means as of the end of any Monthly Period the present value of a single Lease Receivable or the relevant Lease Receivables remaining to be paid in the future, calculated using a discount rate equal to the Discount Rate.</p>
Order of Priority	<p>All payments of the Issuer under the Transaction Documents have to be made subject to, and in accordance with, the Order of Priority. See "TRUST AGREEMENT".</p>
Payment Dates	<p>Each 21<sup>st</sup> of a month, beginning March 2007, or, in the event such day is not a Business Day, then the next following Business Day, unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day, (each a "<b>Payment Date</b>").</p>
Business Day	<p>Business Day means any day on which the Trans-European Automated Real-time Gross Settlement Express System (TARGET) or the successor system to TARGET is open for business, provided that this day is also a business day in London.</p>
Available Distribution Amount	<p>The "Available Distribution Amount" on each Payment Date shall equal the sum of the following amounts:</p> <ul style="list-style-type: none"><li>– Collections received or collected by the Servicer; plus</li></ul>

	<ul style="list-style-type: none"> <li>- the Issuer's portion in the proceeds from the realisation of Leased Vehicles pursuant to Clause 8 (<i>Realisation of Leased Vehicles</i>) of the Lease Receivables Purchase Agreement; plus</li> <li>- the Net Swap Receipts" under the Class A Swap Agreement and the Class B Swap Agreement and certain other amounts; plus</li> <li>- payments from the Cash Collateral Account as provided for in Clause 25.2 of the Trust Agreement and the German Trade Tax Risk Reserve Decrease Amount (if any) as defined in Clause 25.4 of the Trust Agreement.</li> </ul>
Distribution Account	A Distribution Account of the Issuer will be maintained with Société Générale into which the Servicer will remit Collections.
Scheduled Repayment Date	Payment Date falling in April 2011.
Legal Maturity Date	Payment Date falling in April 2012.
Applicable Law	The Notes are governed by the laws of Germany.
Tax Status of the Notes	See "TAXATION".
Selling Restrictions	See "SUBSCRIPTION AND SALE - Selling Restrictions".
Clearing System	Clearstream Banking société anonyme, Luxembourg, and Euroclear Bank S.A./N.V.
Clearing Codes	<p>Class A Notes            ISIN: XS0284056776            Common Code: 028405677</p> <p>Class B Notes            ISIN: XS0284061180            Common Code: 028406118</p>
Listing and Trading	Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trade the Notes on the regulated market of the Luxembourg Stock Exchange.
ASSETS AND COLLATERAL	The assets and collateral backing payments under the Class A Notes, the Class B Notes and the Subordinated Loan (together the " <b>Funding</b> ") consist of the following:
Lease Receivables	Under the Lease Receivables Purchase Agreement the Issuer has purchased from VWL the Purchased Lease Receivables with related security. The Purchased Lease Receivables will include payments by Lessees for the use of the vehicles from Lease Contracts originated by Volkswagen, Audi, SEAT, Skoda and Volkswagen <i>Nutzfahrzeuge</i> dealers as agents and to a lesser extent



also by certain other third parties. Under the Lease Receivables, the Lessees make monthly payments to amortise, over the life of the Lease Contract, the difference between the purchase price of the vehicle and such vehicle's predetermined calculation of value at the expiration of the Lease Contract. The Issuer has not purchased portions of the Lease Receivables which reflect value-added tax and the residual value in the vehicles. If the Lease Receivables should partially or totally fail to conform at the Cut-Off Date or the Closing Date (as applicable) to the warranties given by VWL in the Lease Receivables Purchase Agreement (for a detailed description of the warranties (eligibility criteria) which apply to the Lease Receivables see Section VII below) and such failure materially and adversely affects the interests of the Issuer or the Noteholders, VWL shall have until the end of the Monthly Period which includes the 60th day (or, if VWL elects, an earlier date) after the date that VWL became aware or was notified of such failure to cure or correct such failure. Any such breach or failure will not be deemed to have a material and adverse effect if such failure does not affect the ability of the Issuer to receive and retain timely payment in full on such Lease Receivable. If VWL does not cure or correct such failure prior to such time, then VWL is required to repurchase any Lease Receivable affected by such failure on the Payment Date following the expiration of such period.

Cut-Off Date	31 January 2007.
Additional Rights	Under the Lease Receivables Purchase Agreement the Issuer has purchased certain rights associated with the premature termination of the Lease Contracts or with the transfer of Lease Receivables.
Cash Collateral Account	On the Issue Date, the Issuer will deposit EUR 17,862,220 in the Cash Collateral Account of the Issuer with the Account Bank. This amount consists of (i) EUR 12,132,220 (1.2 per cent. of the initial Aggregate Discounted Lease Balance) in respect of the General Cash Collateral Amount and (ii) EUR 5,730,000 in respect of the initial "German Trade Tax Risk Reserve" which is dedicated to cover any potential German trade tax risk. Drawings from the Cash Collateral Account will be made in accordance with the Order of Priority.
Subordinated Loan	Subordinated Lender will grant the Subordinated Loan in a total nominal amount of EUR 28,300,000 to the Issuer on the Issue Date. The Subordinated Loan serves as credit enhancement and ranks below the Notes with respect to payment of interest and principal and will provide credit enhancement in the form of subordination for the Class A Notes and the Class B Notes.
Overcollateralisation	As at the Closing Date, the Aggregate Discounted Lease Balance will exceed the sum of the Nominal Amount of the Notes and the nominal amount of the Subordinated Loan by EUR 12,168,292.

Title to the Leased Vehicles      In order to secure the existence and fulfilment of the Purchased Lease Receivables outstanding at any one time, of all claims of the Issuer against VWL under the Lease Receivables Purchase Agreement and the Servicing Agreement as well as the claims of the Issuer in the event of invalidity of the assignment of the Purchased Lease Receivables and the respective claims of the Issuer against VWL for participation in realisation proceeds in the event of early termination of the respective Lease Contracts as well as any present and future claims arising from the cancellation of the Lease Receivables Purchase Agreement, VWL will no later than the Issue Date transfer title to the Leased Vehicles with respect to the Purchased Lease Receivables to the Issuer by way of security (*Sicherungseigentum*).

IMPORTANT  
TRANSACTION  
DOCUMENTS AND  
TRANSACTION FEATURES

Lease Receivables Purchase Agreement      Pursuant to the provisions of the agreement for the purchase of Lease Receivables entered into by VWL and the Issuer (the "**Lease Receivables Purchase Agreement**"), the Issuer acquired from VWL the Purchased Lease Receivables.

Early Settlement      Pursuant to the provisions of the Lease Receivables Purchase Agreement, the Issuer is, in certain circumstances, entitled to demand from VWL the retransfer of the Lease Receivables under a contract against payment of the Settlement Amount. These circumstances include *inter alia* the assertion of invalidity of the Lease Contract or of rights to refuse to perform by the Lessee. The Settlement Amount to be paid by VWL to the Issuer equals to the present value of the relevant Purchased Lease Receivables becoming payable during the remaining term of the Lease Contract, absent an instance of settlement, calculated using the Discount Rate.

In case of a reduction of the Purchased Lease Receivables due to any amendment to the relevant Lease Contract the Settlement Amount shall be equal to the difference of the present value of the Purchased Lease Receivables agreed upon at the inception of the Lease Contract and the present value of the future outstanding Purchased Lease Receivables becoming due according to such amendment, discounted with the Discount Rate.

Each Early Settlement may lead to earlier payments of the Notes than would be the case in the event of Collection of the Purchased Lease Receivables in accordance with the relevant Lease Receivables Purchase Agreement as set forth in more detail in "RISK FACTORS - Risk of Early Repayment".

## Clean-up Call

VWL will have the right at its option to exercise a clean-up call (the "Clean-up Call") and to repurchase the Lease Receivables from the Issuer at any time when the sum of the Discounted Lease Balances for all Lease Contracts (the "Aggregate Discounted Lease Balance") is less than 9 per cent. of the sum of the Discounted Lease Balances for all Lease Contracts as of the Cut-Off Date (the "Aggregate Cut-Off Date Discounted Lease Balance") provided that all payment obligations under the Notes will be thereby fulfilled. The exercise of the Clean-up Call will lead to early final repayment of interest and principal on the Notes.

## Servicing Agreement

Under the Servicing Agreement between the Issuer, the Security Trustee and VWL, VWL has agreed to:

- administer the Lease Contracts and in particular to collect the Purchased Lease Receivables in accordance with its usual business practices as they exist from time to time;
- repossess the respective Leased Vehicles on behalf of the Issuer upon termination of a Lease Contract and consistent with its customary practices as they exist from time to time;
- administer the Cash Collateral Account;
- transfer to the Issuer Collections made in a Monthly Period on each relevant Payment Date unless the Monthly Remittance Condition is breached; if the Monthly Remittance Condition is breached Collections will be required to be remitted to the Distribution Account at the fourth, at the tenth, at the fifteenth and at the last Business Day of each Monthly Period; and
- perform other tasks incidental to the above.

## Trust Agreement

The Issuer has entered into the Trust Agreement with the Security Trustee and VWL, under which the Issuer has instructed the Security Trustee to act as trustee (*Treuhänder*) for the Transaction Creditors and has undertaken to the Security Trustee to duly make all payments owed under the Transaction Documents to the holders of the Notes, to the Subordinated Lender and the other Transaction Creditor or, in case of non-performance, to the Security Trustee for purposes of transfer of the respective amounts to the relevant Transaction Creditors (the "Trustee Claim").

To provide collateral for the Trustee Claim, the Issuer has assigned and/or pledged, as applicable, the Purchased Lease Receivables, the claims to the Cash Collateral Account, the claims to the Distribution Account, the claims from obligations of VWL in case of breach of warranties, the claims arising from the comprehensive insurance policies concluded for the Leased Vehicles, the rights to unilaterally alter the Lease Contracts (*Gestaltungsrechte*), the rights under the Swap Agreements, and all other surrender claims

to which the Issuer is entitled under the Lease Receivables Purchase Agreement as well as the Issuer's ownership interest in the Leased Vehicles. VWL has transferred the title to the Leased Vehicles to the Issuer for security purposes (*Sicherungseigentum*) and the Issuer has transferred the title to the Leased Vehicles for security purposes (*Sicherungseigentum*) to the Security Trustee. The Security Trustee has agreed to realise the ownership in the Leased Vehicles for security purposes (*Sicherungseigentum*) or have the ownership for security purposes (*Sicherungseigentum*) realised and to distribute the proceeds from such realisation between the Issuer and VWL in accordance with the provisions of the Trust Agreement. The Issuer has also assigned to the Security Trustee its claims to disbursement of the portion of the realisation proceeds due to the Issuer.

Data Protection Trust Agreement

No later than the Closing Date VWL appoints Volkswagen Bank GmbH, Braunschweig, Germany, as Data Protection Trustee under the provisions of the Data Protection Trust Agreement and delivers to the Data Protection Trustee an electronically readable medium with a Portfolio Decryption Key for the identification of the names and addresses of the Lessees in respect of the Purchased Lease Receivables. The Data Protection Trustee will keep the data list in safe custody and protect it against unauthorised access by any third party. Delivery of the data list to the Issuer or the Security Trustee is only permissible if VWL so directs or the Issuer and the Security Trustee concurrently declare in writing that knowledge of the respective data is required for proper legal action and that legal action by VWL itself is not sufficient. The Data Protection Trustee will notify the Lessees of the assignment of the Purchased Lease Receivables to the Issuer and instruct the Lessees to make all payments in respect of the Purchased Lease Receivables to the Distribution Account of the Issuer upon the occurrence of a Lessee Notification Event (i.e. the earlier of (i) the institution of Insolvency Proceedings in respect of VWL and/or (ii) non-compliance of VWL with its statutory obligation to transfer any VAT (*Umsatzsteuer*) on the Lease Receivables to the tax office when such VAT becomes due) and/or (iii) any notification in connection with a Servicer Replacement Event.

Bank Account Agreement

Under the terms of the Bank Account Agreement, the Issuer will hold the Cash Collateral Account with the Cash Collateral Account Bank and maintain the Distribution Account with the Distribution Account Bank. Should the Cash Collateral Account Bank or the Distribution Account Bank (together the "**Account Bank**") cease to have the Account Bank Required Ratings, the Account Bank shall within thirty (30) days do one of the following: (i) procure transfer of the accounts held with it to an Eligible Collateral Bank, or (ii), provide a guarantee from an Eligible Collateral Bank, or (iii) take any other action as Fitch and S&P confirm in writing shall not cause their respective rating of the Notes to be reduced or withdrawn. If the Account Bank's short term rating by S&P is A-1 amounts deposited with such Account Bank must not represent

more than 20 per cent. of the outstanding principal amount of the Class A Notes from time to time and each such deposit must mature within 30 days.

Swap Agreements

The Issuer will enter into the Class A Swap Agreement and the Class B Swap Agreement, each with the Swap Counterparty. Each Swap Agreement will hedge the interest rate risk deriving from fixed rate interest payments owed by the Lessees to the Issuer under the Purchased Lease Receivables and floating rate interest payments owed by the Issuer under the Notes.

Corporate Services Agreement

The Issuer will enter into the Corporate Services Agreement with Structured Finance Management (Luxembourg) S.A. as Corporate Services Provider, pursuant to which the Corporate Services Provider shall perform certain services for the Issuer, particularly taking over the accounting for the Issuer and providing the managing directors of the Issuer in any company law matters and providing the registered residence of the Issuer.

Risk factors

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

## **RISK FACTORS**

The following is a summary of certain aspects of the Notes prospective Noteholders should be aware of. This summary is not intended to be exhaustive and prospective Noteholders should also read and understand the detailed information set out elsewhere in this Prospectus and make their own risk assessment prior to investing into any Class of Notes.

### ***Risks relating to the assets and the Transaction Documents***

#### **Historical and Other Information**

The historical information set out in particular in "DESCRIPTION OF THE PORTFOLIO" reflects the historical experience and sets out the procedures applied by the initial Servicer to the Portfolio of the Seller. None of the Issuer, the Swap Counterparties, the Managers, the Security Trustee, the Principal Paying Agent, or the Corporate Services Provider has undertaken or will undertake any investigation or review of, or search to verify the historical information. The past performance of financial assets is no assurance as to the future performance of the respective assets.

#### **Termination for Good Cause (*Kündigung aus wichtigem Grund*)**

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

#### **Risk of Late Payment of Monthly Instalments**

In the event of late payment of Purchased Lease Receivables due in the respective Monthly Period, the risk of late payment under the Notes is in part mitigated for the Noteholders by funding from the General Cash Collateral Amount to the extent that funds are available therein.

#### **Risk of Early Repayment**

In the event that Lease Contracts underlying Purchased Lease Receivables are prematurely terminated or otherwise settled early, Noteholders will (barring the loss of some or all of the Lease Receivables, which is covered below) be repaid principal, but will receive interest for a period shorter than that provided in the respective Lease Contract.

#### **Risk of Losses on the Purchased Lease Receivables**

The risk to the Class A Noteholders that they will not receive the amount due to them under the Class A Notes is mitigated by the amount of funds in the General Cash Collateral Amount, by the investment of principal of the holders of Class B Notes and the Subordinated Lender due to the subordination of the Class B Notes and the Subordinated Loan to the Class A Notes and by the excess of the Aggregate Discounted Lease Balance over the sum of the total nominal amounts of the Class A Notes, the Class B Notes and the Subordinated Loan.

The risk to the Class B Noteholders that they will not receive the amount due to them under the Class B Notes as stated on the cover page of this Prospectus is mitigated by the amount of funds in the General Cash Collateral Amount to the extent the Class A Noteholders are not entitled to such amounts, by the investment of the Subordinated Lender due to the subordination of the

Subordinated Loan to the Class A Notes and the Class B Notes and by the excess of the Aggregate Discounted Lease Balance over the sum of the total nominal amounts of the Class A Notes, the Class B Notes and the Subordinated Loan.

There is no assurance that the Class A Noteholders will receive for each Class A Note the total nominal amount of EUR 50,000 plus interest at the Class A Interest Rate nor that the distributions which are made will correspond to the monthly payments originally agreed upon in the underlying Lease Contracts.

There is no assurance that the Class B Noteholders will receive for each Class B Note the total nominal amount of EUR 50,000 plus interest at the Class B Interest Rate nor that the distributions which are made will correspond to the monthly payments originally agreed upon in the underlying Lease Contracts.

### **Risks regarding the Sale of Used Vehicles**

This rate of repayment may itself be influenced by various economic, tax, legal and other factors such as changes in the value of the Leased Vehicles or the level of interest rates from time to time. There might be various risks involved in the sales of used vehicles which could have the potential of significantly influencing the proceeds generated from the sale of vehicles, e.g. disproportionately high damages and mileages, correlation between the age of the vehicle and its value on the balance sheet of VWL, less popular configuration of cars (e.g. engine, colour), oversized special equipment (the sale value of special vehicle equipment is comparatively low in relation to the resale value of the vehicle), huge numbers of homogeneous types of vehicles in short time intervals (e.g. fleet vehicles), general price volatility in the used vehicles market or seasonal impacts on sales (e.g. winter vs. spring).

### **Market Value of Purchased Lease Receivables**

There is no assurance that the present value of the Purchased Lease Receivables will at any time be equal or greater than the principal amount outstanding of the Notes.

### **Credit Risk of the Parties**

The ability of the Issuer to make any principal and interest payments in respect of the Notes depends to a large extent upon the ability of the parties to the Transaction Documents to perform their contractual obligations. In particular, and without limiting the generality of the foregoing, the timely payment of amounts due in respect of the Notes depends on the ability of the Servicer to collect the Purchased Lease Receivables and on the maintenance of the level of interest rate protection offered by the Swap Agreements.

### **Risks Resulting from German Insolvency Law**

The following risk factors are relevant to transactions in which lease receivables are securitised by a German seller:

### **Risks Relating to the Insolvency of the Seller of the Purchased Lease Receivables**

In case insolvency proceedings are commenced in relation to VWL as German seller of the Purchased Lease Receivables, the expected cash flows of the Purchased Lease Receivables could be adversely affected as laid out below.

The legal existence of the Purchased Lease Receivables assigned under the Lease Receivables Purchase Agreement would generally survive the institution of insolvency proceedings against VWL pursuant to section 108 para. 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) under the condition that (i) the Leased Vehicles were financed by a third party and (ii) the title to the Purchased Leased Vehicles were transferred to such third party as security for such financing.

The transaction relies on the interpretation of section 108 para. 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) that, if applied to the transaction, the insolvency administrator of VWL will not have the right to discontinue Lease Contracts on the grounds that the acquisition finance of the Leased Vehicles has been refinanced through securitisation. However, it should be noted that there is no case law on this point. However should a court come to the conclusion that section 108 para. 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) does not apply this would have under section 103 of the German Insolvency Code (*Insolvenzordnung*) the following consequences:

Section 103 of the German Insolvency Code (*Insolvenzordnung*) grants VWL's insolvency receiver for mutual contracts which have not been (or have not been completely) performed by VWL and the Lessees at the date when insolvency proceedings were opened against VWL the right to opt whether or not such contracts will be continued.

If VWL's insolvency administrator chooses not to confirm any Lease Contracts with the Lessees, then the Purchased Lease Receivables arising from such Lease Contracts will be extinguished. If the insolvency administrator chooses to continue a Lease Contract, the payment obligation of the Lessee will be continued and such obligation will remain, however, the payment obligation of the Lessee will be reinstated and such reinstated payment obligation would not be subject to any assignment under the Lease Receivables Purchase Agreement which was effected prior to the commencement of insolvency proceedings against VWL. However, the Issuer's shortfall would be covered by the Issuer's security title (*Sicherungseigentum*) in the Leased Vehicle which would entitle the Issuer to the realisation of the Leased Vehicle. In this case, VWL's insolvency administrator may, however, deduct his fees from such proceeds; such fees may amount up to 9 per cent. of the enforcement proceeds plus applicable VAT (section 166 (2) German Insolvency Code (*Insolvenzordnung*)).

### **Risk of Re-characterisation of the Transaction as Loan Secured by Purchased Lease Receivables**

The sale of the Purchased Lease Receivables under the Lease Receivables Purchase Agreement has been structured to qualify a true sale from VWL to the Issuer. In particular, total default risk enhancement in respect of the Purchased Lease Receivables will be not higher than 9 per cent. of the purchase price. However, there are no statutory or case law based tests with respect to when a securitisation transaction qualifies as an effective sale or as a secured loan. Therefore there is a risk that a court re-characterises the sale of Lease Receivables under the Lease Receivables Purchase Agreement to a secured loan. In such case sections 166 and 51 No. 1 of the German Insolvency Code (*Insolvenzordnung*) would apply with the following consequences:

If the insolvency administrator has possession of Lease Receivables or other movable objects assigned as security, the Issuer is barred from enforcing the security. Further, an insolvency administrator of VWL as transferor of the Purchased Lease Receivables which have been assigned for security purposes is authorised by German law to enforce the assigned Purchased Lease Receivables (on behalf of the assignee) and the Issuer is barred from enforcing the Purchased Lease Receivables assigned to it itself or through an agent. The insolvency administrator is obligated to transfer the proceeds from such realisation of the Leased Vehicles to



the Issuer. He may, however, deduct his fees from such proceeds; such fees may amount up to 9 per cent. of the enforcement proceeds plus applicable VAT (section 166 (2) German Insolvency Code (*Insolvenzordnung*)).

### **Restriction on Assignment**

VWL standard vehicle leasing conditions for the leasing of business vehicles and the standard vehicle leasing conditions with private customers do not prohibit VWL from assigning claims arising from such Leasing Contracts. In case VWL should have agreed or will agree with any Lessee that it is restricted to assign the Purchased Lease Receivables arising from the respective Lease Contract, such Purchased Lease Receivable could generally not be validly assigned to the Issuer under the Lease Receivables Purchase Agreement. Any assignment of a Purchased Lease Receivable which contravenes such assignment restriction will be invalid. However, under an exception contained in section 354a of the German Commercial Code, the assignment of monetary claims (i.e. claims for the payment of money) governed by German law cannot effectively be contractually excluded if the underlying agreement between the contracting parties constitutes a commercial transaction (*Handelsgeschäft*) provided that such restriction on assignment was agreed on or after the coming into force of section 354a of the German Commercial Code on 30 July 1994. In such circumstances, monetary claims to which such restriction applies can be validly assigned notwithstanding a contractual restriction on assignment in the underlying contract provided that the debtor under such claim is a merchant (*Kaufmann*). Notwithstanding that German courts would not enforce restrictions on the assignment of monetary claims to the extent to which section 354a of the German Commercial Code provides that they are not enforceable, that same section allows the Lessee of an assigned claim to discharge its obligations by payment to the original creditor (i.e. VWL) even if it is notified of the assignment of its debt obligation. In the event that some of the Lessees would not be merchants but instead sole traders or professionals, contractually stipulated restrictions on assignment would render any assignment in violation of such restrictions to be invalid.

### **Risks Resulting from Consumer Credit Legislation**

The Lease Contracts are structured to qualify as operating lease agreements and not as financial leases so that section 500 of the German Civil Code containing special provisions for consumer financing should not apply. However, in case a court would re-characterise the Lease Contracts as financial leases, such re-characterisation would have, among others, the following consequences in case the lessor is a consumer within the meaning of the German Civil Code:

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

## **Risk of Defences and other Set-Off Rights of Lessees against Assignment**

With respect to a Purchased Lease Receivable assigned by VWL to the Issuer in fulfilment of the Lease Receivables Purchase Agreement, the Issuer's claim to payment may further to possible defences and objections resulting from consumer credit legislation (as described in detail above under the section "Risks Resulting from Consumer Credit Legislation") be subject to defences and set-off rights of the Lessees of such Purchased Lease Receivable; provided such rights (i) were in existence and due at the time of the assignment of such Purchased Lease Receivable (section 404 of the German Civil Code) or (ii) were acquired by the Lessee after such assignment without such Lessee having knowledge of the assignment at the time of acquiring the right or at the time when the right falls due (in cases where the right's maturity falls beyond the maturity of the respective right under the Purchased Lease Receivable) (section 406 of the German Civil Code). In addition, as long as the Lessee has no knowledge of the assignment, e.g. because it is not notified by VWL, it may discharge its debt by paying to VWL. In such case, the Issuer would have a claim for compensation against VWL and would therefore be subject to VWL insolvency risk. Because it would not be typical for VWL to have other legal relationships with Lessees than the relevant Lease Contracts the likelihood of counterclaims or defences other than those arising from consumer credit legislation in connection with Lease Contracts is rather small. In this context it should be noted that VWL is not a bank and does not offer bank deposits. Also VWL warrants as of the Cut-Off Date that each Purchased Lease Receivable is free of defences (see "DESCRIPTION OF THE PORTFOLIO", "Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables").

## **Further German Civil Law Aspects**

The assignment of the Purchased Lease Receivables may only be disclosed to the relevant Lessees at any time by the Servicer or by any substituted entity to the Servicer in accordance with the Servicing Agreement. Until the relevant Lessees have been notified of the assignment of the relevant Purchased Lease Receivables, they may undertake payment with discharging effect to the Seller. Each Lessee may further raise defences against the Issuer arising from its relationship with the Seller which are existing at the time of the assignment of the Purchased Lease Receivables. Moreover, each Lessee is entitled to set-off against the Issuer its claims against the Seller or such claims against the Seller which become due only after the Lessee acquires such knowledge and after the relevant Purchased Lease Receivables themselves become due.

## **Risks Resulting from Data Protection Rules**

German Data Protection Rules allow the transfer and processing of data only if the relevant customer has consented to such transfer or such transfer or processing is admissible under the applicable laws. The provisions of the German Data Protection Act (*Bundesdatenschutzgesetz*) allows, among others, the transfer and processing provided such transfer (i) is required to execute a contract with the customer or (ii) the interest of the data storer prevails over the customer's interest to prevent the processing and use of data. In order to take these principles into account the Seller has appointed the Data Protection Trustee in accordance with a circular of the German Banking Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

## **Risk of Non-Existence of Purchased Lease Receivables**

In the event that any of the Purchased Lease Receivables has not come into existence at the time of its assignment to the Issuer under the Lease Receivables Purchase Agreement, such assignment would not result in the Issuer acquiring ownership title in such Purchased Lease Receivable. The Issuer would not receive adequate value in return for its purchase price payment. This result is independent of whether the Issuer, at the time of assignment, is not aware of the non-existence

and therefore acts in good faith (*gutgläubig*) with respect to the existence of such Purchased Lease Receivable. This risk, however, will be mitigated by contractual representations and warranties and the contractual obligation that VWL shall purchase from the Issuer any Lease Receivables affected by such breach at a price equal to the present value of the Purchased Lease Receivables remaining due under such a Lease Contract, using the Discount Rate.

### **Reliance on Warranties**

If the Purchased Lease Receivables should partially or totally fail to conform at the Closing Date with the warranties given by VWL in the Lease Receivables Purchase Agreement and such failure materially and adversely affects the interests of the Issuer or the Noteholders, VWL shall have until the end of the Monthly Period which includes the 60th day (or, if VWL elects, an earlier date) after the date that VWL became aware or was notified of such failure to cure or correct such failure. Any such breach or failure will not be deemed to have a material and adverse effect if such failure does not affect the ability of the Issuer to receive and retain timely payment in full on such Purchased Lease Receivable. If VWL does not cure or correct such failure prior to such time, then VWL is required to purchase any Purchased Lease Receivable materially and adversely affected on the Payment Date following the expiration of such period.

### **Reliance on Servicing and Collection Procedures**

VWL, in its capacity as Servicer, will carry out the servicing, collection and enforcement of the Purchased Lease Receivables, including foreclosure on the Purchased Lease Receivables, in accordance with the Servicing Agreement (see "ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT"). VWL's repurchase obligations however are not secured and accordingly Noteholders bear VWL's credit risk.

Accordingly, the Noteholders are relying on the business judgment and practices of VWL as they exist from time to time, in its capacity as Servicer to collect and enforce claims against the Lessees.

### **Risk of Change of Servicer**

In the event VWL is replaced as Servicer, there may be losses or delays in processing payments or losses on the Purchased Lease Receivables due to a disruption in service because a successors not immediately available, or because the successor Servicer is not as experienced and efficient as VWL. This may cause delays in payments or losses on the Notes.

### **Commingling Risk**

If the Monthly Remittance Condition as defined in Clause 6.3 of the Servicing Agreement is met (i.e. the Monthly Remittance Condition will be deemed to be satisfied if (i) VWL is the Servicer and (ii) VWL has a long term rating for unsecured debt of at least Baa3 from Moody's), VWL, as the Servicer, is entitled to commingle funds such as Collections from the Purchased Lease Receivables and proceeds from the disposition of any Leased Vehicles with its own funds during each Monthly Period and will be required to make a single deposit to the Distribution Account on each Payment Date. Commingled funds may be used or invested by VWL at its own risk and for its own benefit until the relevant Payment Date. If VWL ceases to be entitled to commingle funds, it shall remit at the fourth, at the tenth, at the fifteenth and at the last Business Day of each of the Monthly Period such amounts which have been collected from the Purchased Lease Receivables by these dates. If VWL were unable to remit such amounts or were to become an insolvent debtor, losses or delays in distributions to investors may occur.

## **Conflicts of Interest**

VWL is acting in a number of capacities in connection with the transaction. VWL will have only those duties and responsibilities expressly agreed to by it in the relevant agreement and will not, by virtue of it or any of its Affiliates' acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided in each agreement to which it is a party. VWL in its various capacities in connection with the Transaction may enter into business dealings from which it may derive revenues and profits without any duty to account therefore to any other Transaction Parties.

VWL may hold and/or service claims against Lessees other than the Purchased Lease Receivables. The interests or obligations of VWL in its respective capacities with respect to such other claims may in certain aspects conflict with the interests of the Noteholders.

VWL may freely engage in other commercial relationships with other parties. In such relationships VWL is not obliged to take into account the interests of the Noteholders. Accordingly, because of these relationships, potential conflicts of interest may arise.

## **Investment Risk related to Permitted Investments**

Permitted Investments may be subject to investment risk. Pursuant to Clause 24.2 of the Trust Agreement the Issuer is authorised and obliged to invest its funds with the bank with which the Accounts are held in investments for the selection of which VWL shall have the right to make non-binding suggestions. However, it may be the case that such Permitted Investments will be irrecoverable due to insolvency of a debtor under such Permitted Investments or of a financial institution involved in such Permitted Investments. In such case, none of the Transaction Parties will be responsible for any consequential loss or shortfall. However, afore-described credit risk is limited as each Permitted Investment, at the time of investment, must be rated as required.

## ***Risks relating to the Notes***

### **German Tax Issues**

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

### ***Value Added Tax***

On 3 June, 2004 the Federal Ministry of Finance issued a circular regarding VAT on the purchase and the collection of receivables ("Circular"). According to this Circular no VAT arises on the purchase of receivables provided that the seller of the receivables retains the servicing of the receivables sold. Otherwise the transaction must be characterised as factoring with the consequence that the difference between the nominal value of the sold receivables and the purchase price would be subject to German VAT. The Issuer and VWL as seller of the Lease Receivables will enter into the Servicing Agreement according to which VWL has agreed in particular to collect the Lease Receivables. Due to this obligation of VWL to collect the Lease Receivables the transaction will fall into the VAT exemption set out in the Circular and will therefore not be characterised as factoring subject to VAT.

With regard to the right of the Issuer to dismiss VWL as Servicer and to appoint a new Servicer it is uncertain how the German tax authorities would classify the subsequent collection of the Lease Receivables by the new Servicer for VAT purposes. In general, the subsequent replacement of VWL as Servicer should not change the VAT classification of the transaction at the Cut-Off Date. With regard to the servicing after the date of replacement of VWL one could argue that the new

Servicer merely acts as an auxiliary person (*Erfüllungsgehilfe*) of the Issuer and therefore the replacement of VWL leads to that the Issuer assumes the collection of the Lease Receivables which must then be considered as factoring in the meaning of the Circular. This interpretation would give rise to the issue of the calculation of the tax base for VAT purposes. Since the replacement of VWL by the new Servicer should not affect the tax treatment of the Lease Receivables already collected by VWL it may be possible that the difference between the nominal value and the purchase price of those receivables which are still outstanding and subject to further Collections must serve as VAT base. This would mean, that the Issuer would be obliged to pay VAT at a rate of 19 per cent. of this difference to the German tax authorities.

### ***Income tax***

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

Even if the Issuer does not have its place of effective management and control in Germany, the German tax authorities may treat the Issuer as maintaining a permanent establishment or having a permanent representative in Germany. The Issuer does not maintain any business premises or office facilities in Germany, thus it cannot be expected that the Issuer has a permanent establishment in Germany. In addition, the Issuer qualifies for protection under the Double Taxation Treaty of August 23, 1958 (in its updated version of June 15, 1973) between Luxembourg and Germany Treaty which overrules German domestic law with respect to the determination of a permanent establishment in Germany. The German Ministry of Finance has expressed its view that the mere collection activity carried out by the Seller on behalf of the Issuer does not result in the Issuer having a permanent establishment (*Betriebsstätte*) in Germany (see Finanznachrichten 22/2001 as of 19 September 2001, p.5). However, it cannot be excluded that the German tax authorities will treat the Servicer as being a permanent representative of the Issuer in Germany. In the latter case, all income attributable to the functions rendered by the Servicer is subject to German taxation.

## **Trade tax**

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

As outlined above, there are good and valid reasons to treat the Issuer as not being managed and controlled in Germany. However, it cannot be excluded that the German tax authorities treat the Issuer as being effectively managed and controlled from within Germany. In this case, trade tax will, in principle, be levied on business profits derived by the Issuer. In that case, pursuant to section 8 no. 1 of the German Trade Tax Act (*GewStG — Gewerbesteuergesetz*) only half of the interest payable on long-term indebtedness would generally be deductible from the trade tax base.

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

It cannot be excluded that the Issuer might be subject to German trade tax (*Gewerbesteuer*) calculated on the basis of 50 % of the interest the Issuer pays to the Noteholders and the Subordinated Lender. For covering such potential German trade tax risk, the Issuer has funded a German Trade Tax Risk Reserve in the amount of EUR 5,730,000. The German Trade Tax Risk Reserve will be adjusted to the potential trade tax risk reserve in case of an increase or decrease of such trade tax risk.

## **Market and Liquidity Risk for the Notes**

Presently, there is no secondary market for the Notes and there is no guarantee that a liquid secondary market will develop in future. If there are no market activities (i.e. bids and offers), it is unlikely that a liquid secondary market will develop. Even if such a market is established, there is no guarantee that it will provide sufficient liquidity to sell each Note. Accordingly, investors should be prepared to hold their investment in the Notes until final maturity.

To facilitate the continuous valuation and the trading in the Notes, the Issuer will, pursuant to the Conditions of the Notes, each month publish or procure the publication of a Note Factor for each Class of Notes, which will be the ratio of the aggregate nominal amount of each Class of Notes then outstanding to the original principal amount of such Class of Notes. The calculation of the Notes Factor is described in Condition 6 (iii) of the Conditions of the Notes.

## **Responsibility of Prospective Investors**

The purchase of Notes is only suitable for investors (i) that possess adequate knowledge and experience in structured finance investments and have the necessary background and resources to evaluate all relevant risks related with such investments; (ii) that are able to bear the risk of loss of their investment (up to a total loss of the investment) without having to prematurely liquidate the investment; and (iii) that are able to assess the tax aspects and implications of such investment independently.

Furthermore, each potential investor should base its investment decision on its own and independent investigation and on the advice of its professional advisors (with whom the investor may deem it necessary to consult), be able to assess if an investment in the Notes (i) is in compliance with its financial requirements, its targets and situation (or if it is acquiring the Notes in a fiduciary capacity, those of the beneficiary); (ii) is in compliance with its principles for

investments, guidelines for or restrictions on investments (regardless of whether it acquires the Notes for itself or as a trustee); and (iii) is an appropriate investment for itself (or for any beneficiary if acting as a trustee), notwithstanding the risks of such investment.

### **Interest Rate Risk / Risk of Swap Counterparty Insolvency**

The Purchased Lease Receivables bear interest at fixed rates while the Notes will bear interest at floating rates based on EURIBOR. The Issuer will hedge afore-described interest rate risk and will use payments made by the Swap Counterparties to make payments on the Notes on each Payment Date.

During periods in which floating rates interests payable by a Swap Counterparty under a Swap Agreement are substantially greater than the fixed rates interests payable by the Issuer under such Swap Agreement, the Issuer will be more dependent on receiving net payments from such Swap Counterparty in order to make interest payments on the Notes. If in such a period a Swap Counterparty fails to pay any amounts when due under a Swap Agreement, the Collections from the Purchased Lease Receivables and the General Cash Collateral Amount may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or reductions in the interest and principal payments on the Notes.

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

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

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

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

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

A Swap Counterparty may transfer its obligations under the Swap Agreement to a third party with the required ratings, which are (i) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where such entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) measures agreed with the Rating Agencies for the rating of the Notes have been taken.

### **Liability and Limited Recourse under the Notes**

The Notes and the Subordinated Loan represent obligations of the Issuer only, and do not represent obligations of the Managers, the Security Trustee, VWL or Volkswagen AG or any of its Affiliates (together the "Volkswagen Group") or any other third party or entity. Neither the Managers, nor the Security Trustee, nor VWL, nor the Volkswagen Group, nor any affiliate of the Issuer, nor any other third person or entity, assumes any liability to the Noteholders if the Issuer fails to make a payment due under the Notes or the Subordinated Loan.

All payment obligations of the Issuer under the Notes and the Subordinated Loan constitute limited recourse obligations to pay only the Available Distribution Amount which includes *inter alia* amounts received by the Issuer from the Purchased Lease Receivables and under the Transaction Documents. The Available Distribution Amount may not be sufficient to pay amounts accrued under the Notes, which may result in an Interest Shortfall, however, an Interest Shortfall will not constitute a Foreclosure Event. The Notes shall not give rise to any payment obligation in addition to the foregoing. The enforcement of the payment obligations under the Notes and the Subordinated Loan shall only be effected by the Security Trustee in accordance with the Trust Agreement. If the Security Trustee enforces the claims under the Notes, such enforcement will be limited to the assets which were transferred to the Security Trustee for



security purposes<sup>1</sup>. To the extent that such assets, or the proceeds of the realisation thereof, prove ultimately insufficient to satisfy the claims of all Noteholders in full, then any shortfall arising shall be extinguished and neither any Noteholder, nor the Security Trustee shall have any further claims against the Issuer. Such assets and proceeds shall be deemed to be "ultimately insufficient" at such time when no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and neither assets nor proceeds will be so available thereafter.

If any of the events which require the Security Trustee to take action should occur, the Security Trustee will have legal access to the Security only. The Security Trustee itself is not a guarantor, nor have any guarantees been given by other Transaction Parties, with respect to which the Security Trustee could assert claims on behalf of the Noteholders and/or the Subordinated Lender.

### **Limitation of Time**

Claims arising from a bearer note (*Inhaberschuldverschreibung*) i. e. claims to interest and principal cease to exist with the expiration of thirty years after the occurrence of time determined for performance, unless the bearer note is submitted to the Issuer for redemption prior to the expiration of thirty years. In case of a submission, the claims will be time-barred in two years beginning with the end of the period for submission. The submission equals a judicial assertion of the claim arising from the bearer note.

### **No gross up of payments**

The Notes will not provide for gross-up of payments in the event that the payments on the Notes become subject to withholding taxes.

### **Council Directive 2003/48/EC of 3 June 2003 on taxation of savings as interest payments**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State will be bound to automatically communicate to the tax authorities of another Member State detailed information on the interest payments and similar income (notably premiums and lots related to all kinds of receivables and the accrued or capitalised interest gained from the sale, repayment of these receivables to these loans) paid by an individual resident in its jurisdiction for the benefit of a resident of that other Member State. As an exception, and only for a transitional period (which will come to an end as soon as an agreement on a procedure for the exchange of information has been reached between the European Union and some third-party States), Belgium, Luxembourg and Austria will not take part in the exchange of information and will apply a withholding tax at the source on the said payments. The withholding tax will not, however, apply if the beneficiary of the income (a) expressly authorises the paying establishment to declare the payments or (b) provides a certificate issued in its name by the competent tax authorities allowing it to benefit from an exemption from withholding tax. By legislative regulations dated January 26, 2004 the Federal Government enacted provisions implementing the directive into German law. These provisions apply from July 1, 2005. The attention of the Noteholders is drawn to the "Summary of the Terms and Conditions of the Notes – Taxation" stating that no gross-up will be available with respect to any withholding tax imposed as a result of the EU Directive 2003/48/EC of 3 June 2003.

***Risks relating to the Issuer***

The Issuer is a special purpose entity with limited resources and with no business operations other than to issue, and make payments in respect of the Notes, to refinance the Purchased Lease Receivables and to enter into and perform in respect of the Transaction Documents. The Issuer is not affiliated with VWL. Payment of interest and principal under the Notes is conditional upon receipt by the Issuer of the necessary funds arising from the Purchased Lease Receivables. Payment of interest and principal under the Notes will not be guaranteed by the Co-Arrangers, Joint-Lead Managers, Managers, VWL, or its Affiliates.

## **USE OF PROCEEDS**

The aggregate gross proceeds from the issuance of the Notes and the borrowings under the Subordinated Loan amount to approximately EUR 998,850,000 and will be used in full to purchase the Portfolio from VWL, to pay costs related to the Issue of the Notes, the borrowing of the Subordinated Loan and to endow the Cash Collateral Account with EUR 17,862,220 which is the sum of the initial General Cash Collateral Amount and the initial German Trade Tax Risk Reserve. On the Issue Date, the discounted value of the Purchased Lease Receivables will be EUR 1,011,018,286.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

### General Summary of the Terms and Conditions of the Notes

No obligation of Volkswagen Leasing GmbH whatsoever will arise from the Notes.

#### Denomination

The issue in the aggregate Nominal Amount of EUR 940,200,000 consists of 18,804 transferable Class A Notes with a Nominal Amount of EUR 50,000 each, ranking equally among themselves and of 607 transferable Class B Notes of EUR 50,000 nominal amount each, ranking equally among themselves but subordinated to the Class A Notes.

#### Global Notes

Each of the Notes will be represented by a Temporary Global Note without coupons. The Temporary Global Notes will be exchangeable for Permanent Global Notes without interest coupons not earlier than 40 days and not later than 180 days of the issue of the Temporary Global Notes upon delivery of notifications as set forth in Condition 1(3). The Temporary Global Notes and the Permanent Global Notes will bear the personal signature of a duly authorised director of the Issuer.

The Global Notes shall be deposited with a Common Safekeeper for Clearstream Luxembourg and Euroclear and be held in a manner which will allow Eurosystem eligibility. The interests in the Notes are transferable according to applicable rules and regulations of Clearstream Luxembourg and Euroclear. The Global Notes will not be exchangeable for definitive Notes.

In addition, the Temporary Global Notes and the Permanent Global Notes will contain provisions which modify the Conditions of the Notes as they apply to the Temporary Global Notes and the Permanent Global Notes. The following is a summary of certain of those provisions:

Notwithstanding Condition 12 (*Notices*), while all the Notes are represented by the Permanent Global Note and the Permanent Global Note is deposited with a Common Safekeeper Clearstream Luxembourg and Euroclear, notices to Noteholders may be given by delivery of the relevant notice through Clearstream Luxembourg and Euroclear and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 12 (*Notices*) on the seventh day after the date of delivery to Clearstream Luxembourg; provided, however, that, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, all notices concerning the Notes shall be published in an official journal with nation-wide circulation of the respective stock exchange to which the Notes are admitted and listed for trading (which is expected to be the *d'Wort* ) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

#### Payments of Principal and Interest

Payments of principal and interest, if any, on the Notes shall be made by the Principal Paying Agent on the Issuer's behalf for further payment to Clearstream Luxembourg and Euroclear or to its order for credit to the relevant account holders of Euroclear and Clearstream, Luxembourg. All payments in respect of any Note made by, or on behalf of, the Issuer to, or to the order of Euroclear or Clearstream Luxembourg shall discharge the liability of the Issuer under such Note to the extent of sums so paid.

The first payment shall take place on 21 March 2007. The final payment of the then outstanding principal amount plus interest thereon is expected to take place on or before the Payment Date which is the last day on which a lease payment on outstanding Purchased Lease Receivables becomes due, falling in April 2011 (the "**Class A Scheduled Repayment Date**") for the Class A Notes and the Payment Date falling in April 2011 (the "**Class B Scheduled Repayment Date**") for the Class B Notes. All payments of interest on and principal of each Class of Notes will be due and payable at the latest in full on the legal final maturity date of such Class of Notes (a "**Legal Maturity Date**"), which shall be 12 months after the Scheduled Repayment Date and which shall be the Payment Date falling in April 2012 for the Class A Notes (the "**Class A Legal Maturity Date**") and the Payment Date falling in April 2012 for the Class B Notes (the "**Class B Legal Maturity Date**").

On 21 March 2007 and thereafter until the final payment on the 21<sup>st</sup> day of each month or, in the event such day is not a Business Day, then on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day (a "**Payment Date**") the Issuer shall subject to Condition 4(3) of the Conditions of the Notes pay to each holder of a Class A Note interest on the nominal amount of such Class A Note immediately prior to the respective Payment Date at the rate of the Class A notes floating rate of interest (the "**Class A Notes Floating Rate of Interest**") and shall make repayments of the nominal amount of such Class A Notes by paying to the holders thereof the Class A Principal Payment Amount from any amounts remaining from the Available Distribution Amount after payment of interest due on such Payment Date on the Class B Notes.

On 21 March 2007 and thereafter until the final payment on each Payment Date the Issuer shall subject to Condition 4(3) of the Conditions of the Notes pay to each holder of a Class B Note interest on the nominal amount of such Class B Note immediately prior to the respective Payment Date at the rate of the Class B notes floating rate of interest (the "**Class B Notes Floating Rate of Interest**") and shall make repayments of the nominal amount of such Class B Notes by paying to the holders thereof the Class B Principal Payment Amount from any amounts remaining from the Available Distribution Amount after payment of interest due on such Payment Date on the Class A Notes and the Class B Notes and the payment of the Class A Principal Payment Amount.

Such Available Distribution Amount consists of (i) the Collections received or collected by the Servicer for the Monthly Period, plus (ii) the Issuer's portion in the proceeds from the realisation of Purchased Leased Vehicles pursuant to Clause 8 of the Lease Receivables Purchase Agreement, plus (iii) the Net Swap Receipts under the Class A Swap Agreement and the Class B Swap Agreement and certain other amounts, plus (iv) drawings from the Cash Collateral Account as provided for in Clause 25(2) of the Trust Agreement.

The Issuer is only obligated to make any payments to the Noteholders if it has first received such amounts to freely dispose of them. It is understood that interest and principal on the Notes other than interest on the Class A Notes will not be due on any Payment Date prior to the Legal Maturity Date except to the extent there are sufficient funds in the Available Distribution Amount to pay such amounts in accordance with the Order of Priority. Payments to the holders of Class A Notes of principal will be effected only after the payment to the holders of Class B Notes of interest on the respective Payment Date. All payment obligations of the Issuer are limited recourse and constitute solely obligations of the Issuer to distribute amounts out of the Available Distribution Amount according to the Order of Priority.

## **Principal Payment Amounts**

On each Payment Date, to the extent of the Available Distribution Amount in accordance with the Order of Priority of distributions set forth below, the Issuer will pay to the holders of the Class A Notes an aggregate amount in respect of principal equal to the Class A Principal Payment Amount and out of the amounts remaining from the Available Distribution Amount to the holders of the Class B Notes an aggregate amount in respect of principal equal to the Class B Principal Payment Amount. The Class A Principal Payment Amount is the amount necessary to reduce the outstanding principal amount of the Class A Notes to the Targeted Class A Note Balance. The Class B Principal Payment Amount for any Payment Date is equal to the amount necessary to reduce the outstanding principal amount of the Class B Notes to the Targeted Class B Note Balance respectively. The Class A Principal Payment Amount and the Class B Principal Payment Amount are intended to reduce the aggregate outstanding principal amounts of the Class A and Class B Notes to amounts which would leave an amount of overcollateralisation constant as a percentage of the Aggregate Discounted Lease Balance subject to certain specified increases in those percentages in case a Credit Enhancement Increase Condition is in effect because the Cumulative Net Loss Ratio for a Payment Date exceeds specified thresholds.

## **Order of Priority of Distributions**

Prior to the occurrence of an Enforcement Event, distributions (other than repayments due to VWL in accordance with Clause 10.2 of the Lease Receivables Purchase Agreement) will be made on each Payment Date from the Available Distribution Amount according to the following order of priority (the "Order of Priority"):

*first*, amounts payable in respect of taxes (if any) by the Issuer;

*second*, amounts (excluding any payments under the Trustee Claim) payable (i) to the Security Trustee under the Trust Agreement and (ii) *pari passu* to any successor of the Security Trustee (if applicable) appointed pursuant to Clauses 34 and 35 of the Trust Agreement or under any agreement replacing the Trust Agreement;

*third*, of equal rank amounts payable (i) to the Corporate Services Provider under the Corporate Services Agreement, (ii) to the Data Protection Trustee under the Data Protection Trust Agreement; (iii) to the Servicer, the Servicer Fee, and (iv) to the Rating Agencies the fees for the monitoring;

*fourth*, of equal rank amounts payable (i) to the directors of the Issuer and (ii) in respect of other administration costs and expenses of the Issuer including without limitation, any costs relating to the listing of the Notes, or paying agency fees, any auditors' fees, any tax filing fees and any annual return or exempt company status fees;

*fifth*, amounts payable to the Account Bank maintaining the Accounts for account management fees due under the Account Agreement;

*sixth*, amounts payable by the Issuer to the Swap Counterparty in respect of any Net Swap Payments or any Swap Termination Payments under the Interest Rate Swap Agreements (if any and provided that the Swap Counterparty is not the defaulting party (as defined in the relevant Interest Rate Swap Agreement) and there has been no termination of the transaction under the Interest Rate Swap Agreement due to a termination event relating to the Swap Counterparty's

downgrade); if the amounts paid by the Issuer to the Swap Counterparty are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*seventh*, amounts payable in respect of accrued and unpaid interest on the Class A Notes (including, without limitation, overdue interest);

*eighth*, amounts payable in respect of accrued and unpaid interest on the Class B Notes (including, without limitation, overdue interest);

*ninth*, to the Cash Collateral Account, until the General Cash Collateral Amount is equal to the Specified General Cash Collateral Account Balance;

*tenth*, after a German Trade Tax Increase Event, to the Cash Collateral Account, until the amount of funds in the Cash Collateral Account is equal to the sum of the Specified General Cash Collateral Account Balance plus the Increased German Trade Tax Risk Reserve Amount;

*eleventh*, to the holders of the Class A Notes, an aggregate amount equal to the "Class A Principal Payment Amount" for such Payment Date, which is equal to the amount necessary to reduce the outstanding principal amount of the Class A Notes to the Targeted Class A Note Balance;

*twelfth*, to the holders of the Class B Notes, an aggregate amount equal to the "Class B Principal Payment Amount" for such Payment Date, which is equal to the amount necessary to reduce the outstanding principal amount of the Class B Notes to the Targeted Class B Note Balance;

*thirteenth*, by the Issuer to the Swap Counterparties, any payments under the Interest Rate Swap Agreements other than those made under step *sixth* above; if the amounts paid by the Issuer to the Swap Counterparties are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*fourteenth*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*fifteenth*, to the Subordinated Lender, principal amounts until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*sixteenth*, to pay all remaining excess to VWL by way of a final success fee.

Following the occurrence of an Enforcement Event, distributions (other than repayments due to VWL in accordance with Clause 10.2 of the Lease Receivables Purchase Agreement) will be made by the Security Trustee from the Available Distribution Amount according to the following Order of Priority:

*first*, amounts payable in respect of taxes (if any) by the Issuer;

*second*, amounts (excluding any payments under the Trustee Claim) payable (i) to the Security Trustee under the Trust Agreement and (ii) *pari passu* to any successor of the Security Trustee (if applicable) appointed pursuant to Clauses 34 and 35 of the Trust Agreement or under any agreement replacing the Trust Agreement;

*third*, of equal rank amounts payable (i) to the Corporate Services Provider under the Corporate Services Agreement, (ii) to the Data Protection Trustee under the Data Protection Trust Agreement; (iii) to the Servicer, the Servicer Fee, and (iv) to the Rating Agencies the fees for the monitoring;

*fourth*, of equal rank amounts payable (i) to the directors of the Issuer and (ii) in respect of other administration costs and expenses of the Issuer including without limitation, any costs relating to the listing of the Notes, or any paying agents' fees, any auditors' fees, any tax filing fees and any annual return or exempt company status fees;

*fifth*, amounts payable to the Account Bank maintaining the Accounts for account management fees due under the Account Agreement;

*sixth*, amounts payable by the Issuer to the Swap Counterparty in respect of any Net Swap Payments or any Swap Termination Payments under the Interest Rate Swap Agreements (if any and provided that the Swap Counterparty is not the defaulting party (as defined in the relevant Interest Rate Swap Agreement) and there has been no termination of the transaction under the Interest Rate Swap Agreement due to a termination event relating to the Swap Counterparty's downgrade); if the amounts paid by the Issuer to the Swap Counterparty are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*seventh*, amounts payable in respect of accrued and unpaid interest on the Class A Notes (including, without limitation, overdue interest);

*eighth*, to the holders of the Class A Notes in respect of principal until the Class A Notes are redeemed in full;

*ninth*, amounts payable in respect of accrued and unpaid interest on the Class B Notes (including, without limitation, overdue interest);

*tenth*, to the holders of the Class B Notes in respect of principal until the Class B Notes are redeemed in full;

*eleventh*, by the Issuer to the Swap Counterparties, any payments under the Interest Rate Swap Agreements other than those made under step *sixth* above; if the amounts paid by the Issuer to the Swap Counterparties are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have



been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*twelfth*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*thirteenth*, to the Subordinated Lender, principal amounts until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*fourteenth*, to pay all remaining excess to VWL by way of a final success fee.

### **Cash Collateral Account**

On the Issue Date, the Issuer deposited EUR 17,862,220 in the Cash Collateral Account at the Account Bank and has agreed to keep this account at all times with a bank that has Account Bank Required Ratings and if the S&P short-term rating of the Account Bank is A-1 not to let the amounts held with such Collateral Cash Account Bank exceed 20 per cent. of the outstanding principal amount of the Class A Notes from time to time. In the event that the Cash Collateral Account Bank ceases to have the Account Bank Required Ratings, the Issuer shall within 30 days of the occurrence of such downgrade do one of the following: (i) procure the transfer of all rights and obligations to an Eligible Collateral Bank, or (ii) procure another Eligible Collateral Bank to become co-obligor in respect of the obligations of Société Générale Frankfurt under the Cash Collateral Account, or (iii) take such other action acceptable to the Rating Agency in question.

From the amount of EUR 17,862,220, an amount of EUR 12,132,220 (1.2 per cent. of the initial Aggregate Cut-Off Date Discounted Lease Balance) serves as the initial General Cash Collateral Amount and an amount of EUR 5,730,000 is the initial "German Trade Tax Risk Reserve". The German Trade Tax Risk Reserve is exclusively reserved for covering any potential German trade tax risk (*Gewerbesteuerisiko*). VWL has obligated itself under the Lease Receivables Purchase Agreement to pay any shortfalls of the amounts paid under step *tenth* of the Order of Priority to the German Trade Tax Risk Reserve Amount on the third Payment Date following a German Trade Tax Increase Event. The funds in the Cash Collateral Account will be invested by or on behalf of the Issuer in Permitted Investments.

On each Payment Date, after the payment of interest on the Notes and certain other amounts payable by the Issuer, any remaining portion of the Available Distribution Amount will be deposited in the Cash Collateral Account until the General Cash Collateral Amount on deposit in the Cash Collateral Account equals the Specified General Cash Collateral Account Balance.

On each Payment Date amounts will be withdrawn from the General Cash Collateral Amount (a) to cover any shortfall in the amounts payable under clauses *first* through *eighth* of the Order of Priority (this will include *inter alia* shortfalls in amounts payable in respect of accrued and unpaid interest on the Notes), (b) for the amounts payable under Clause 24(3)(ii) of the Trust Agreement, and (c) on the earlier of (i) the Scheduled Repayment Date or (ii) the date on which the Aggregate Discounted Lease Balance has been reduced to zero for amounts payable under steps *eleventh* and *twelfth* of the Order of Priority described above for any class of Notes (this will include *inter alia* amounts payable in respect of the outstanding principal of the Notes).

On each Payment Date, any amount in the General Cash Collateral Amount in excess of the Specified General Cash Collateral Account Balance for that Payment Date provided that no Credit Enhancement Increase Condition is in effect will be released for payment to the Subordinated Lender (until all amounts payable in respect of accrued and unpaid interest have

been made and the principal of the Subordinated Loan has been reduced to zero) and thereafter to VWL as provided for under the terms of the Servicing Agreement.

### **Duties of the Issuer**

In addition to its obligation to make payments to the holders of the Notes as set out in the Conditions of the Notes, the Issuer undertakes to hold, administer and collect or realise in accordance with the Conditions of the Notes, the Purchased Lease Receivables (including damage claims in case of default of the respective Lessee) and ancillary rights arising from Lease Contracts which VWL has concluded with private individual and commercial Lessees, claims against the insurer pursuant to loss insurance policies covering the respective Leased Vehicles, damage claims arising from a breach of contract or in tort against a respective Lessee, in particular claims to lump-sum damages in case of default of the Lessee as well as any interest due and claims against third parties due to damage or loss of the Leased Vehicles, any claims arising from the acceptance by a third party to purchase the respective Leased Vehicles upon the expiration of the Lease Contract and the right to require VWL to repurchase the Lease Receivables purchased by the Issuer under the Lease Receivables Purchase Agreement and further described below under "DESCRIPTION OF THE PORTFOLIO", the General Cash Collateral Amount, the rights arising from the Swap Agreements and the Security, as well as any further rights arising from the Lease Receivables Purchase Agreement, particularly the right to payment of the amount provided for in the event of a settlement.

### **Duties of VWL**

VWL shall deliver to the Issuer at all times upon demand and to the extent available to VWL the following documents insofar as such documents are required for the assertion of the rights transferred herein:

- (i) the certificates of receipt signed by the Lessee concerning the acceptance of the Leased Vehicles;
- (ii) the documents concerning the execution of the Lease Contract;
- (iii) the respective original vehicle registration certificate (*Fahrzeugbrief* or *Zulassungsbescheinigung Teil II*);
- (iv) to the extent that VWL is entitled to a disclosure, any information concerning the Lessee, especially regarding financial standing, which is available to VWL;
- (v) proof of VWL's unrestricted title to the Leased Vehicles through presentation of the invoice with the provision for passage of title and the proof of payment; and
- (vi) any further information or documents which are of substantial importance to the Lease Contracts, including, for instance, the commitment of a third party to acquire the Leased Vehicles upon the expiration of the respective Lease Contract.

In accordance with the Data Protection Trust Agreement, VWL promptly after the execution of the Lease Receivables Purchase Agreement is obliged to provide the Data Protection Trustee with a sealed envelope containing an electronically readable media of data indicating the name and address of the respective Lessee for each number relating to a Lease Contract. The Issuer shall treat as confidential all information on the Lessees and on the business operations of VWL acquired in connection with the performance of this Agreement. The foregoing shall not apply (i) to information which is generally known or becomes generally known without the Issuer being

responsible for such disclosure, (ii) to information the disclosure of which VWL has expressly or tacitly permitted, (iii) if the Issuer is legally obligated to disclose information, and (iv) if the disclosure of information by the Issuer is necessary for asserting rights arising from the Issue or the agreements concluded in connection with the Issue.

### **Realisation of Security**

The Security Trustee is authorised and obligated to adequately realise the ownership interest given in the form of a directly enforceable security interest in the Leased Vehicles by selling the Leased Vehicles or having the Leased Vehicles sold by third parties commissioned by the Security Trustee. The proceeds of realisation thus gained shall be divided between the Issuer and VWL, as provided in Clause 20 of the Trust Agreement.

### **Clean-up Call**

VWL will have the right at its option to exercise a Clean-Up Call and to repurchase the Purchased Lease Receivables from the Issuer at any time when the then outstanding Aggregate Discounted Lease Balance is less than 9 per cent. of the Aggregate Cut-Off Date Discounted Lease Balance provided that all payment obligations under the Notes will be thereby fulfilled. If VWL repurchases the Purchased Lease Receivables, the outstanding Notes, if any, will be redeemed at a price equal to their outstanding principal balance, plus accrued and unpaid interest on the Notes.

### **Principal Paying Agent**

Payments shall be made from the Issuer's accounts with Société Générale Bank & Trust as Principal Paying Agent without having to execute an affidavit or fulfil any formalities other than the compliance with tax, currency exchange or other regulations of the country where the distribution takes place. Société Générale Bank & Trust is an independent credit institution and is not Affiliated to VWL or the Issuer and may be substituted as provided for in Condition 8(5) of the Conditions of the Notes.

### **Security, Security Trustee and Enforcement**

For the benefit of the Transaction Creditors, the Issuer has appointed the Security Trustee pursuant to the Trust Agreement and has assigned for security purposes (*Sicherungseigentum*) and pledged to the Security Trustee as security under German law, the Purchased Lease Receivables and Lease Collateral and all its rights under the Transaction Documents and has transferred for security purposes (*Sicherungseigentum*) to the Security Trustee the title to the Leased Vehicles acquired from VWL for these purposes (including title to newly fitted parts and accessories), whereby the act of delivery has been substituted by the assignment of its delivery claims (*Herausgabeansprüche*) (collectively the "Security"). The Security serves to secure the respective obligations of the the Issuer arising from the Notes and the Subordinated Loan.

The Trust Agreement establishes the right and duty of the Security Trustee – to the extent necessary – to hold, administer or realise the Security for the benefit of the Transaction Creditors and to perform only those other duties which are necessarily incidental thereto. The Transaction Creditors are entitled, subject to the provisions of Clauses 19 – 22f of the Trust Agreement, to demand from the Security Trustee the fulfilment of its duties as specified under the Conditions of the Notes. The Security Trustee is not obligated to monitor the fulfilment of the duties of the Issuer under the Notes, the Conditions of the Notes, the Subordinated Loan or any other Transaction Documents to which the Issuer is a party. All rights of the Noteholders shall remain at all times and under all circumstances vested in the Noteholders.

The Security can be realised pursuant to Clause 19 of the Trust Agreement if (i) insolvency proceedings or other proceedings are instituted against the assets of the Issuer, which affects or prejudices the performance of the obligations arising from the Notes or the Transaction Documents or the Security, or the institution of such proceedings is refused for insufficiency of assets; (ii) the Issuer defaults in the payment of any interest on any Note of when the same becomes due and payable, and such default shall continue for a period of five days; or (iii) the Issuer defaults in the payment of principal of any Note at the related Legal Maturity Date. Amounts generally, except interest on the Class A Notes, will not be due and payable on any Payment Date except to the extent there are sufficient funds in the Available Distribution Amount to pay such amounts in accordance with the Order of Priority.

VWL shall undertake all steps necessary to protect the Security Trustee's security interest in the Lease Collateral and to hold the Leased Vehicles harmless or free from attachments or secured rights of third parties.

### **Servicer**

Subject to revocation by the Issuer after a Servicer Replacement Event, VWL is commissioned pursuant to the Servicing Agreement as Servicer to collect the Purchased Lease Receivables in accordance with the Servicer's customary practices in effect from time to time using the same degree of skill and attention that the Servicer exercises with respect to comparable vehicle Lease Contracts that the Servicer collects for itself or others.

The Servicer has also been empowered to administer the Cash Collateral Account and the Security for and on behalf of the Issuer. The Servicer has undertaken to transfer to the Distribution Account maintained by the Issuer with the Account Bank amounts received from Purchased Lease Receivables collected, drawn from the Cash Collateral Account or realised from the Leased Vehicles, as the case may be.

Subject to the terms of the Servicing Agreement the Servicer is entitled to hold, use and invest at its own risk the Purchased Lease Receivables and other amounts collected by it during any Monthly Period without segregating such funds from the Servicer's other funds, and the Servicer will be required to make a single deposit to the Distribution Account on the following Payment Date. However, if the Monthly Remittance Condition is not satisfied, Collections will be required to be remitted to the Distribution Account at the fourth, at the tenth, at the fifteenth and at the last business day of each of the Monthly Period. The Monthly Remittance Condition will be deemed to be satisfied if (i) VWL is the Servicer and (ii) VWL has a long term rating for unsecured debt of at least Baa3 from Moody's.

Information as to the present leasing business procedures of VWL are described in "BUSINESS PROCEDURES OF VOLKSWAGEN LEASING GMBH" and "ADMINISTRATION OF THE LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT", however, VWL will be permitted to change those business procedures from time to time in its discretion.

The Servicer is permitted to delegate some or all of its duties to other entities, including its affiliates and subsidiaries, although the Servicer will remain liable for the performance of any duties that it delegates to another entity.

The Servicer will be entitled to receive the Servicer Fee on each Payment Date for the preceding Monthly Period. The Servicer Fee for any Payment Date will be an amount equal to the product of (1) one-twelfth, (2) 1.0 per cent. per annum and (3) the Aggregate Discounted Lease Balance as of the first day of the preceding Monthly Period (or as of the Closing Date, in the case of the first Monthly Period). As additional compensation, the Servicer will be entitled to retain all late

fees, fees for cheques with insufficient funds, other administrative fees, any investment earnings from the Cash Collateral Account and the Distribution Account and success fee. The Servicer will pay all expenses incurred by it in connection with its collection activities and will not be entitled to reimbursement of those expenses except for auction, painting, repair or refurbishment expenses and similar expenses with respect to the Leased Vehicles. The Servicer will have no responsibility, however, to pay any credit losses with respect to the Purchased Lease Receivables.

### **Dismissal and Replacement of the Servicer**

After a Servicer Replacement Event, the Issuer is entitled to dismiss the Servicer as outlined below.

### **Replacement of Issuer**

Subject to certain preconditions the Issuer is entitled to appoint another company (the "**New Issuer**") in place of itself as debtor for all obligations arising from and in connection with the Notes.

### **Notices**

All notices to the Noteholders regarding the Notes shall be (i) published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require and (ii) delivered to the applicable clearing systems for communication by them to the Noteholders. Any notice referred to under (ii) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was delivered to the respective clearing system. Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### **Applicable Law, Place of Performance and Place of Jurisdiction**

The form and content of the Notes and all of the rights and privileges of the Noteholders, the Issuer, the Principal Paying Agent and the Servicer under the Notes shall be subject in all respects to the laws of Germany.

Place of performance and venue is Frankfurt am Main.

For any litigation in connection with the Conditions of the Notes, which will be initiated against the Issuer in a court of Germany, the Issuer has appointed Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, D-60311 Frankfurt am Main, Federal Republic of Germany, to accept serve of process.

## SWAP AGREEMENTS AND SWAP COUNTERPARTY

The Issuer will enter into a Class A Notes Interest Rate Swap Agreement with Société Générale (the "**Class A Swap Counterparty**") and a Class B Notes Interest Rate Swap Agreement with Société Générale (the "**Class B Swap Counterparty**" and together with the Class A Swap Counterparty, the "**Swap Counterparties**"). Each Swap Agreement will hedge the floating interest rate risk on the applicable Class of Notes. Each Swap Counterparty (or its guarantor) will have ratings at least equal to (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where an entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) the rating obtained by the Swap Counterparty after having taking measures agreed with the Rating Agencies.

Under the Class A Swap Agreement the Issuer will undertake to pay to the Class A Swap Counterparty on each Payment Date an amount equal to the amount of interest on the nominal amount of the Class A Notes outstanding on each Payment Date, calculated on the basis of a fixed rate of interest of 4.0895 per cent. per annum. The Class A Swap Counterparty will undertake to pay to the Issuer on each Payment Date an amount equal to the floating rate of interest on such outstanding nominal amount of the Class A Notes, calculated on the basis of EURIBOR plus 0.05 per cent. per annum on the basis of the actual number of days elapsed in an interest period divided by 360.

Under the Class B Swap Agreement the Issuer will undertake to pay to the Class B Swap Counterparty on each Payment Date an amount equal to the amount of interest on the nominal amount of the Class B Notes outstanding on each Payment Date, calculated on the basis of a fixed rate of interest of 4.1795 per cent. per annum. The Class B Swap Counterparty will undertake to pay to the Issuer on each Payment Date an amount equal to the floating rate of interest on such outstanding nominal amount of the Class B Notes, calculated on the basis of EURIBOR plus 0.13 per cent. per annum on the basis of the actual number of days elapsed in an interest period divided by 360.

Payments under each Swap Agreement will be exchanged on a net basis on each Payment Date. Payments made by the Issuer under the Swap Agreements (other than termination payments related to an event of default where the Swap Counterparty is a defaulting party, or termination event due to the failure by the Swap Counterparty to take required action after a downgrade of its credit rating) rank higher in priority than all payments on the Notes. If the amounts paid by the Issuer to the Swap Counterparties are insufficient to meet the Issuer's payment obligations under the Swap Agreements, such payments by the Issuer will be used for payments due under the "Class A Swap Agreement" and, to the extent such payment obligations have been fully satisfied, will be used for payments due under the "Class B Swap Agreement". Payments by the Swap Counterparties to the Issuer under the Swap Agreements will be made into the Distribution Account and will, to the extent necessary, be increased to insure that such payments are free and clear of all taxes.

Events of default under the Swap Agreements applicable to the Issuer are limited to, and (among other things) events of default applicable to the Swap Counterparties include, the following:

- failure to make a payment under the Swap Agreements when due, if such failure is not remedied within three business days of notice of such failure being given; or
- the occurrence of certain bankruptcy and insolvency events.

Termination events under the Swap Agreements include, among other things, the following:

- illegality of the transactions contemplated by the Swap Agreements; or
- a Foreclosure Event under the Trust Agreement occurs or any Clean-Up Call or prepayment in full, but not in part, of the Notes occurs; or
- failure of the Swap Counterparty to maintain its credit rating at certain levels required by the Swap Agreement, which failure may not constitute a termination event if (in the time set forth in the applicable Swap Agreement) the Swap Counterparty:
  - posts an amount of collateral (in the form of cash and/or securities) as set forth in the Swap Agreement; or
  - obtains a guaranty from an institution with an acceptable rating; or
  - assigns its rights and obligations under the Swap Agreement to a substitute Swap Counterparty with an acceptable rating; or
  - takes such other action as agreed with the Rating Agencies.

Upon the occurrence of any event of default or termination event specified in a Swap Agreement, the non-defaulting party, an affected party or the party which is not the affected party (as the case may be, depending on the termination event) may, after a period of time set forth in the Swap Agreement, elect to terminate such Swap Agreement. If a Swap Agreement is terminated due to an event of default or a termination event, a swap termination payment may be due to the Swap Counterparty by the Issuer out of its available funds. The amount of any such swap termination payment may be based on the actual cost or market quotations of the cost of entering into a similar swap transaction or such other methods as may be required under the Swap Agreement, in each case in accordance with the procedures set forth in the Swap Agreement. Any such swap termination payment could, if market rates or other conditions have changed materially, be substantial. Under certain circumstances, Swap Termination Payments required to be made by the Issuer to a Swap Counterparty will rank higher in priority than all payments on the Notes. In such event, the Purchased Lease Receivables and the General Cash Collateral Amount may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or reductions in the interest and principal payments on the Notes. If a Swap Termination Payment is due to the Swap Counterparty, any Swap Replacement Proceeds shall to the extent of that Swap Termination Payment be paid directly to such Swap Counterparty causing the event of default or termination event without regard to the Order of Priority as specified in the relevant Swap Agreement.

A Swap Counterparty may, at its own cost, transfer its obligations under the Swap Agreement to a third party with the required ratings, which are (i) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term

senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where such entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) measures agreed with the Rating Agencies for the rating of the Notes have been taken. There can be no assurance that the credit quality of the replacement Swap Counterparty will ultimately prove as strong as that of the original Swap Counterparty. Any Swap Termination Payments exceeding Swap Replacement Proceeds will be paid to such Swap Counterparty in accordance with the Order of Priority.



## TAXATION

The following information is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective investor of the Notes. It should be read in conjunction with the section entitled "RISK FACTORS". Potential investors of the Notes are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes and, therefore, to consult their professional tax advisors.

### Taxation in Germany

#### *Interest*

Interest paid to a Noteholder resident in Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) is subject to personal or corporate income tax (plus solidarity tax (*Solidaritätszuschlag*) thereon currently at a rate of 5.5 per cent.). Such interest is also subject to trade tax on income if the Notes form part of the property of a German trade or business. Where the Notes are kept in a custodial account maintained with a German financial institution or financial services institution (including a German branch of a non-German financial institution or financial services institution, but excluding a non-German branch of a German financial institution or financial services institution, the "Institution") such Institution is generally required to withhold tax currently at a rate of 30 per cent. (plus solidarity tax thereon currently at a rate of 5.5 per cent. thus resulting in a total withholding at 31,65 per cent.) of the gross amount of interest paid to a Noteholder resident in Germany. Such withholding tax (*Zinsabschlagsteuer*) is credited against the Noteholder's final liability for personal or corporate income tax.

Interest derived by a non-resident Noteholder is subject to German personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5 per cent.) only if the Notes form part of the business property of a permanent establishment in Germany (in which case such interest may also be subject to trade tax on income) or a fixed base maintained in Germany by the Noteholder. Tax treaties concluded by Germany generally permit Germany to tax the interest income in this situation.

Where the non-resident Noteholder keeps the Notes in a custodial account maintained with a German Institution such Institution is generally required to withhold a tax currently at a rate of 30 per cent. (plus solidarity tax thereon currently at a rate of 5.5 per cent.) of the gross amount of interest paid, provided the interest constitutes income from German sources (for instance, because the Notes form part of the business property of a permanent establishment which the Noteholder maintains in Germany). Such withholding tax is credited against the Noteholder's final liability for personal or corporate income tax.

Interest accrued until the sale of the Notes and shown separately on the respective settlement statement (*Stückzinsen*) is also subject to income tax and solidarity tax. This applies also to non-resident Noteholder if the Notes form part of the business property of a permanent establishment in Germany (in which case such interest may also be subject to trade tax on income) or a fixed base maintained in Germany by the Noteholder.

Where the Notes are kept in a custodial account maintained with a German Institution such Institution is generally required to withhold tax currently at a rate of 30 per cent. (plus solidarity tax thereon currently at a rate of 5.5 per cent.) of the gross amount of accrued interest. This also applies to non resident-Noteholders provided the income from accrued interest constitutes income from German sources (for instance, because the Notes form part of the business property of a

permanent establishment which the Noteholder maintains in Germany). Such withholding tax is credited against the Noteholder's final liability for personal or corporate income tax.

In general, German individual resident Noteholders are exempt from withholding tax on interest, if (i) their Notes do not form part of the property; a trade or business nor give rise to income from the letting and leasing of property and (ii) if they filed a withholding exemption certificate (*Freistellungsauftrag*) with the German institute having the respective Notes in custody but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Noteholder submitted to the German Institute having the respective Notes in custody a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

### ***Capital Gains***

Gains from the alienation or redemption of the Notes, including gains derived by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity ("Capital Gains") derived by an individual Noteholder resident in Germany not holding the Notes as business assets are subject to personal income tax, regardless of the period between acquisition and alienation of the Notes as the payment of interest on the Notes is contingent on an uncertain event. This based on the assumption, that the Notes qualify as so called financial innovations (*Finanzinnovation*). If the Notes held by an individual Noteholder resident in Germany do not qualify as financial innovation, as the case may be, Capital Gains are only taxable if the Notes are disposed of within one year after their acquisition, provided the Notes do not form part of a German trade or business. Capital Gains derived by an individual Noteholder resident in Germany holding the Notes as a part of a business in Germany are subject to personal income tax (plus solidarity tax thereon currently at a rate of 5.5 per cent.) and may be trade tax on income. Capital Gains derived by a corporate Noteholder resident in Germany are subject to corporate income tax (plus solidarity tax thereon currently at a rate of 5.5 per cent.) and trade tax on income.

Capital Gains derived by a non-resident Noteholder are subject to personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5 per cent.) if the Notes form part of the business property of a permanent establishment (in which case such gains may also be subject to trade tax on income) or a fixed base maintained in Germany by the Noteholder.

If the Notes qualify as financial innovations and are kept in a custodial account maintained with a German Institution such Institution is generally required to withhold tax currently at a rate of 30 per cent. (plus solidarity tax thereon currently at a rate of 5.5 per cent.) of an amount equal to currently 30 per cent. of the proceeds from the alienation or redemption of the Notes. Where such Institution has since the issuance or acquisition of the Notes held such Notes in custody, withholding tax at a rate of 30 per cent. is applied to the excess of the sales or redemption proceeds over the issue or purchase price of the Notes. Withholding tax exemptions are available as explained under "Interest" above. If the Notes do not qualify as financial innovations, no tax will be withheld from Capital Gains.

Tax treaties concluded by Germany generally do not permit Germany to tax the Capital Gains derived by a Noteholder resident in the other treaty country, unless the Notes form part of the business property of a permanent establishment or a fixed base maintained in Germany by the Noteholder. Where Germany is allowed to tax the Capital Gains, any tax withheld by the Institution will be credited against the resident or non-resident Noteholder's assessed liability for personal or corporate tax.

### ***Value Added Tax***

On 3 June, 2004 the Federal Ministry of Finance issued a circular regarding VAT on the purchase and the collection of receivables (the "Circular"). This Circular rules, that no VAT arises on the purchase of receivables provided that the seller of the receivables retains the servicing of the sold receivables. Otherwise the transaction must be considered as factoring and the difference between the nominal value of the sold receivables and the purchase price would be subject to German VAT. The Issuer and VWL as seller of the Lease Receivables will enter into the Servicing Agreement according to which VWL has agreed in particular to collect the Lease Receivables. Due to this obligation of VWL to collect the Lease Receivables the transaction will fall into the tax exemption set out in the Circular and will therefore not be considered as factoring subject to German VAT.

With regard to the right of the Issuer to dismiss VWL as Servicer and to appoint a new Servicer it is uncertain how the German tax authorities would classify the subsequent collection of the Lease Receivables by this new Servicer for VAT purposes. In general, the subsequent replacement of VWL as Servicer should not change the VAT classification of the transaction at the Cut-Off Date. With regard to the servicing after the date of replacement of VWL one could argue that the new Servicer merely acts as an auxiliary person (*Erfüllungsgehilfe*) of the Issuer and therefore the replacement of VWL leads to that the Issuer assumes the collection of the Lease Receivables which must then be considered as factoring in the meaning of the Circular. This interpretation would give rise to the issue of the calculation of the tax base for VAT purposes. Since the replacement of VWL by the new Servicer should not affect the tax treatment of the Lease Receivables already collected by VWL it may be possible that the difference between the nominal value and the purchase price of those receivables which are still outstanding and subject to further collections must serve as tax base. This would mean, that the Issuer would be obliged to pay VAT at a rate of 19 per cent. of this difference to the German tax authorities.

### ***Gift or Inheritance Tax***

The gratuitous transfer of a Note by a Noteholder as a gift or by reason of the death of the Noteholder is subject to German gift or inheritance tax if the Noteholder or the recipient is resident or deemed to be resident in Germany under German law at the time of the transfer. If neither the Noteholder nor the recipient is resident, or deemed to be resident, in Germany at the time of the transfer no German gift or inheritance tax is levied unless the Notes form part of the business property for which a permanent establishment or fixed base is maintained in Germany by the Noteholder. Exceptions from this rule apply to certain German expatriates. Tax treaties concluded by Germany generally permit Germany to tax the transfer of a Note in this situation.

### ***Other Taxes***

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

### **Luxembourg Taxation**

By a law of June 21, 2005 (the "**Savings Law**"), Luxembourg has implemented a directive adopted on June 3, 2003 by the Council of Economic and Finance Ministers of the European Union (the "EU") regarding the taxation of savings income. Under the Savings Law, which is in effect as of July 1, 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in another EU member state unless such individual agrees to an exchange of information regarding

the interest or similar income it received between the tax authorities of Luxembourg and the relevant EU member state. The rate of the withholding tax is equal to 15 per cent. as from July 1, 2005, 20 per cent. as from July 1, 2008 and 35 per cent. as from July 1, 2011.

Payments under the Notes will only be made after deduction or withholding of any mandatory withholding or deductions on account of tax. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Taxes*)".

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

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

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

### **EU Savings Directive**

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

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

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

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

The attention of prospective Noteholders is drawn to Condition 9 of the Notes (*Taxes*). According to Condition 8 (*Payment obligations; Agents*), the Issuer undertakes to maintain a principal paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

## DESCRIPTION OF THE PORTFOLIO

### **The Purchased Lease Receivables under the Lease Receivables Purchase Agreement**

The majority of the Purchased Lease Receivables are receivables from Lease Contracts originated by Volkswagen, Audi, SEAT, Skoda and Volkswagen Nutzfahrzeuge dealers as agents. The contracts generally contain VWL's leasing conditions for business vehicles ("Business Vehicle Leasing Agreements") or leasing conditions with private customers ("Private Vehicle Leasing Agreements"); the contracts with "large customers" have essentially these conditions (hereinafter collectively the "Lease Contracts") as used by VWL in accordance with its customary business practices as in place from time to time. They are non full payment Lease Contracts under which the Lessees amortise over the life of the contract the difference between the purchase price of the vehicle and its (calculated) value at the expiration of the contract. Other payments may also be agreed upon in these contracts. Payments under the contracts are due monthly. 99.4 per cent. of the Purchased Leased Vehicles are Volkswagen, Audi, SEAT, Skoda or Volkswagen Nutzfahrzeuge vehicles.

The Purchased Lease Receivables substantially include the monthly payments for the use of the Leased Vehicles. The amounts payable in each month which have been acquired pursuant to the Lease Receivables Purchase Agreement do not include claims to special payments or insurance premiums or turnover tax attributable to any payments for the use of the Leased Vehicles or claims arising from service components such as maintenance fees or fees for the excessive use of the Leased Vehicle.

The Purchased Lease Receivables include Lease Receivables originated under open end Lease Contracts (*Verträge mit Gebrauchtwagenabrechnung* - "Open End Lease Contracts") and closed end Lease Contracts (*Verträge ohne Gebrauchtwagenabrechnung* - "Closed End Lease Contract"). Open End Lease Contracts have no fixed residual values guaranteed by the dealers but the buy back of the car is based on the state of the vehicle and the general state of the market on the date of the return of the Leased Vehicle to VWL. Therefore, upon the re-marketing of the car, the Lessee bears the risk of a loss and partly participates in a profit. Closed End Lease Contracts are based on fixed residual values based on the contractual mileage and term of the contract, both being guaranteed by the vehicle dealer in respect of a return of the car in compliance with the term of the contract at the end of the contract term arranging the conclusion of the respective Closed End Lease Contract and VWL. In case of under mileage or if the mileage is exceeded on the return of the car, the residual value will be adjusted by a mileage rate (*Mehr-/Minderkilometersatz*) which has been agreed at the conclusion of the contract. Under these Closed End Lease Contracts, the respective vehicle-dealer will buy the Leased Vehicle from VWL at an adjusted previously agreed upon repurchase price. The Lessee will get charged or will be refunded with the adjustment.

Under Closed End Lease Contracts, the risk of realisation of the residual value is borne entirely by the respective vehicle dealer.

### **Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables**

In the Lease Receivables Purchase Agreement VWL has warranted and guaranteed the following in the form of a separate guarantee undertaking pursuant to section 311 (1) German Civil Code as of the Cut-Off Date:

1. that the Lease Contracts are legally valid and binding agreements;

2. that the Purchased Lease Receivables are assignable and the Lease Contracts require monthly payments;
3. that the vehicles leased under the Lease Contracts are existing;
4. that it may dispose of the Purchased Lease Receivables free from rights of third parties;
5. that the Purchased Lease Receivables are free of defences, whether peremptory or otherwise (*Einwendungen oder Einreden*) for the agreed term of the Lease Contract as well as free from rights of third parties and that the Lessees in particular have no set-off claim;
6. that no Purchased Lease Receivable was overdue at the last day of the month preceding the Closing Date;
7. that the status and enforceability of the Purchased Lease Receivables is not impaired due to warranty claims or any other rights (including claims which may be set-off) of the Lessee (even if the Issuer knew or could have known of the existence of such defences or rights on the Cut-Off Date);
8. that none of the Lessees is an Affiliate of Volkswagen AG;
9. that (according to VWL's records) terminations of the Lease Contracts have not occurred and are not pending;
10. that the Lease Contracts shall be governed by the laws of Germany;
11. that the Lease Contracts have been entered into exclusively with Lessees which, if they are corporate entities have their registered office or, if they are individuals have their place of residence in Germany;
12. that on the Cut-Off Date at least two lease instalments have been paid in respect of each of the Lease Contracts and that the Lease Contracts require substantially equal monthly payments to be made within 54 months of the date of origination of the Lease Contract;
13. that the total amount of Purchased Lease Receivables assigned hereunder resulting from Lease Contracts with one and the same Lessee will not exceed EUR 1,500,000 in respect of any single Lessee;
14. that at least 95 per cent. of the Leased Vehicles are Volkswagen, Audi, SEAT, Skoda or Volkswagen Nutzfahrzeuge vehicles;
15. that those Lease Contracts which are subject to the provisions of the German Civil Code on consumer financing, comply in all material respects with the requirements of such provisions and, in particular contain orderly instructions in respect of the right of revocation of the Lessees and that none of the Lessees has used its right of revocation within the term of revocation;
16. that the acquisition of the Leased Vehicles by VWL is financed in compliance with the requirements of section 108 subsection 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*);
17. that it may freely dispose of title to the Leased Vehicles and that no third-party's rights prevent such dispositions;

18. that (according to VWL's records) no insolvency proceedings have been initiated against any of the Lessees during the term of the Lease Contracts up to the at the last day of the month preceding the Closing Date; and
19. that the receivables assigned do not represent a separately conducted business or business segment of VWL.

In the event of a breach of any of the warranties set forth above at the Closing Date which materially and adversely affects the interests of the the Issuer or the Noteholders, VWL shall have until the end of the Monthly Period which includes the 60th day (or, if VWL elects, an earlier date) after the date that VWL became aware or was notified of such breach to cure or correct such breach. Any such breach or failure will not be deemed to have a material and adverse effect if such breach or failure does not affect the ability of the Issuer to receive and retain timely payment in full on the related Lease Contract. If VWL does not cure or correct such breach prior to such time, then VWL shall settle any Purchased Lease Receivables affected by such breach which materially and adversely affects the interests of the Issuer or the Noteholders from the Issuer on the Payment Date following the expiration of such period. Any such settlement by VWL shall be at a price equal to the present value of the Purchased Lease Receivables remaining due under such Lease Contract, using the Discount Rate. Upon payment of the Settlement Amount by VWL, the Issuer and the Security Trustee shall release and shall execute and deliver such instruments of release, transfer or assignment, in each case without recourse or representation, as shall be reasonably necessary to vest in VWL or its designee any Purchased Lease Receivable settled. The right to cause VWL to purchase any Lease Receivable as described above will constitute the sole remedy respecting such breach available to the Issuer and the Security Trustee. Neither the Issuer nor the Security Trustee will have any duty to conduct an affirmative investigation as to the occurrence of any condition requiring the settlement of any Purchased Lease Receivable.

The Purchased Lease Receivables acquired and transferred by assignment under any Lease Receivables Purchase Agreement from VWL generally have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes, however, VWL does not warrant the solvency (credit standing) of the relevant Lessees.



## Description of the Lease Contracts, Lease Receivables, Leased Vehicles and Lessees as at the Cut-Off Date

The Portfolio information presented in this Prospectus is based on a pool as of the Cut-Off Date.

### 1. Distribution of Lease Contracts and Vehicles per Lessee

Distribution of Lease Contracts by Lessee/ Contract	Number of Lessees	% of Total	Number of Contracts	% of Discounted Amounts Total Not Yet Due in EUR	% of Total	Average Discounted Amount per Lessee in EUR	Average Discounted Amount per Contract in EUR	
1	47,379	85.9%	47,379	61.2%	635,866,553.07	62.9%	13,420.85	13,420.85
2 - 10	7,471	13.5%	22,087	28.5%	285,252,499.08	28.2%	38,181.30	12,914.95
11 - 20	221	0.4%	3,134	4.0%	37,713,499.35	3.7%	170,649.32	12,033.66
21 - 50	88	0.2%	2,623	3.4%	30,338,226.39	3.0%	344,752.57	11,566.23
> 50	25	0.0%	2,210	2.9%	21,847,508.21	2.2%	873,900.33	9,885.75
<b>Total</b>	<b>55,184</b>	<b>100.0%</b>	<b>77,433</b>	<b>100.0%</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>	<b>18,320.86</b>	<b>13,056.68</b>

### 2. Customer Concentration: Top 20 Lessees

Top 20	Number of Contracts	% of Total	Discounted Amounts Not Yet Due in EUR	% of Total
1	144	0.19%	1,499,797.12	0.15%
2	133	0.17%	1,497,541.10	0.15%
3	147	0.19%	1,496,595.83	0.15%
4	186	0.24%	1,493,710.22	0.15%
5	101	0.13%	1,323,750.20	0.13%
6	113	0.15%	1,268,042.82	0.13%
7	78	0.10%	1,031,963.27	0.10%
8	83	0.11%	1,020,533.47	0.10%
9	57	0.07%	889,196.82	0.09%
10	91	0.12%	888,270.79	0.09%
11	66	0.09%	856,506.60	0.08%
12	49	0.06%	826,774.21	0.08%
13	66	0.09%	810,539.08	0.08%
14	23	0.03%	806,322.77	0.08%
15	122	0.16%	743,030.80	0.07%
16	59	0.08%	740,049.79	0.07%
17	95	0.12%	718,762.28	0.07%
18	62	0.08%	697,854.51	0.07%
19	44	0.06%	671,978.87	0.07%
20	92	0.12%	666,178.80	0.07%
<b>Total 1 - 20</b>	<b>1,811</b>	<b>2.34%</b>	<b>19,947,399.35</b>	<b>1.97%</b>
<b>Total</b>	<b>77,433</b>	<b>100.0%</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>

3. *Distribution of the Remaining Terms of Lease Contract and of the Discounted Amounts not yet due of the Purchased Lease Receivables at the Time of Assignment*

Remaining Term of Contract	Number of Contracts	% of Total	Monthly Instalments	Discounted Amounts Not Yet Due in EUR	% of Total	Average Discounted Amount per Contract Not Yet Due in EUR	Minimum Discounted Amount Not Yet Due in EUR	Maximum Discounted Amount Not Yet Due in EUR
20	760	1.0%	358,381.21	6,862,268.18	0.7%	9,029.30	1,416.95	48,827.29
21	987	1.3%	471,927.50	9,468,771.41	0.9%	9,593.49	1,331.65	51,785.28
22	790	1.0%	393,663.32	8,257,600.50	0.8%	10,452.66	639.57	62,635.24
23	138	0.2%	73,312.50	1,604,426.93	0.2%	11,626.28	2,188.48	40,049.12
24	3,020	3.9%	1,228,866.78	28,005,194.39	2.8%	9,273.24	660.89	58,295.41
25	940	1.2%	396,878.14	9,402,185.69	0.9%	10,002.33	1,633.69	39,870.88
26	995	1.3%	448,244.12	11,021,211.04	1.1%	11,076.59	741.81	44,823.05
27	4,060	5.2%	1,759,466.63	44,832,868.04	4.4%	11,042.58	789.91	69,639.42
28	4,740	6.1%	2,065,074.56	54,457,347.12	5.4%	11,488.89	513.70	61,628.20
29	4,431	5.7%	1,912,332.76	52,123,766.47	5.2%	11,763.43	572.39	66,397.18
30	4,008	5.2%	1,748,564.83	49,202,771.82	4.9%	12,276.14	787.89	59,601.10
31	4,231	5.5%	1,831,496.56	53,145,592.65	5.3%	12,561.00	612.56	79,682.27
32	4,872	6.3%	2,155,936.86	64,446,446.69	6.4%	13,227.92	1,225.59	77,127.86
33	5,433	7.0%	2,383,543.45	73,327,032.25	7.3%	13,496.60	928.15	66,911.43
34	5,304	6.8%	2,371,992.57	75,029,854.30	7.4%	14,145.90	983.11	72,626.09
35	446	0.6%	199,124.19	6,470,671.13	0.6%	14,508.23	1,932.84	52,318.01
36	2,082	2.7%	770,752.36	25,709,323.54	2.5%	12,348.38	575.06	84,824.66
37	814	1.1%	327,018.95	11,188,312.43	1.1%	13,744.86	2,123.26	64,560.01
38	963	1.2%	390,661.57	13,699,083.40	1.4%	14,225.42	2,628.58	61,225.88
39	2,699	3.5%	1,033,136.50	37,106,283.34	3.7%	13,748.16	1,472.56	99,925.91
40	3,142	4.1%	1,205,510.70	44,317,448.39	4.4%	14,104.85	2,249.86	65,106.18
41	2,724	3.5%	1,019,806.69	38,349,929.80	3.8%	14,078.54	2,369.12	71,374.48
42	2,522	3.3%	921,427.74	35,423,644.10	3.5%	14,045.85	1,922.21	61,126.44
43	3,405	4.4%	1,197,664.13	47,044,249.97	4.7%	13,816.23	2,099.12	61,983.85
44	3,609	4.7%	1,319,123.17	52,912,976.12	5.2%	14,661.40	1,604.49	156,437.71
45	3,800	4.9%	1,403,564.24	57,463,313.83	5.7%	15,121.92	1,129.15	131,543.41
46	3,823	4.9%	1,414,076.09	59,060,727.26	5.8%	15,448.79	668.26	63,045.40
47	721	0.9%	255,299.39	10,872,734.06	1.1%	15,080.08	2,789.95	47,911.69
48	686	0.9%	238,575.21	10,355,743.02	1.0%	15,095.84	1,122.50	60,942.89
49	644	0.8%	217,313.08	9,609,944.19	1.0%	14,922.27	2,934.99	47,051.84
50	644	0.8%	227,533.05	10,246,564.04	1.0%	15,910.81	2,251.66	51,292.93
<b>Total</b>	<b>77,433</b>	<b>100.0%</b>	<b>31,740,268.85</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>	<b>13,056.68</b>	<b>513.70</b>	<b>156,437.71</b>

4. *Distribution of Lease Contracts by Original Contract Terms*

<b>Contract Term</b>	<b>Number of Contracts</b>	<b>% of Total</b>	<b>Discounted Amounts Not Yet Due in EUR</b>	<b>% of Total</b>
24	2,232	2.9%	21,077,916.09	2.1%
30	1,320	1.7%	16,511,858.49	1.6%
32	1	0.0%	8,645.30	0.0%
36	39,767	51.4%	484,558,267.14	47.9%
42	4,004	5.2%	61,125,086.58	6.0%
48	24,466	31.6%	347,037,806.26	34.3%
50	1	0.0%	6,264.38	0.0%
54	5,642	7.3%	80,692,441.86	8.0%
<b>Total</b>	<b>77,433</b>	<b>100.0%</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>

5. *Distribution of Lease Contracts by Discounted Amounts not yet due*

<b>Distribution of Lease Contracts by Discounted Amounts Not Yet Due in EUR</b>	<b>Number of Contracts</b>	<b>% of Total</b>	<b>Discounted Amounts Not Yet Due in EUR</b>	<b>% of Total</b>
Up to Euro 7,500	14,735	19.0%	79,748,132.08	7.9%
Up to Euro 10,000	13,858	17.9%	121,701,150.14	12.0%
Up to Euro 12,500	14,693	19.0%	164,914,798.74	16.3%
Up to Euro 15,000	11,488	14.8%	157,077,029.15	15.5%
Up to Euro 17,500	7,436	9.6%	120,044,298.61	11.9%
Up to Euro 20,000	4,727	6.1%	88,165,538.50	8.7%
Up to Euro 25,000	5,510	7.1%	122,404,594.22	12.1%
Up to Euro 30,000	2,756	3.6%	74,856,638.67	7.4%
Up to Euro 35,000	1,183	1.5%	38,128,323.54	3.8%
Up to Euro 40,000	567	0.7%	21,124,622.18	2.1%
Up to Euro 50,000	367	0.5%	16,094,465.97	1.6%
More th. Euro 50,000	113	0.1%	6,758,694.30	0.7%
<b>Total</b>	<b>77,433</b>	<b>100.0%</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>

6. *Distribution of Lease Contracts by Contract Type (Open End Lease Contracts (Verträge mit Gebrauchtwagenabrechnung) - versus Closed End Lease Contracts (Verträge ohne Gebrauchtwagenabrechnung))*

<b>Type of Contract</b>	<b>Number of Contracts</b>	<b>% of Total</b>	<b>Discounted Amounts Not Yet Due in EUR</b>	<b>% of Total</b>
Closed End Contract	72,678	93.86%	956,406,545.63	94.60%
Open End Lease Contract	4,755	6.14%	54,611,740.47	5.40%
<b>Total</b>	<b>77,433</b>	<b>100.00%</b>	<b>1,011,018,286.10</b>	<b>100.00%</b>

7. *Description of the Leased Vehicles: Type of Vehicles*

Type of Vehicle	Number of Contracts	% of Total	Discounted Amounts Not Yet Due in EUR	% of Total	Average Discounted Amount per Contract in EUR	Minimum Discounted Amount Not Yet Due in EUR	Maximum Discounted Amount Not Yet Due in EUR
New Vehicle	70,567	91.13%	918,444,207.29	90.84%	13,015.21	572.39	156,437.71
Used Vehicle	2,254	2.91%	27,389,435.37	2.71%	12,151.48	1,111.74	56,736.06
Demonstration Vehicle	4,612	5.96%	65,184,643.44	6.45%	14,133.70	513.70	61,225.88
<b>Total</b>	<b>77,433</b>	<b>100.00%</b>	<b>1,011,018,286.10</b>	<b>100.00%</b>	<b>13,056.68</b>	<b>513.70</b>	<b>156,437.71</b>

8. *Type of Payment*

Payment Type	Number of Contracts	% of Total	Discounted Amounts Not Yet Due in EUR	% of Total
Direct Debit	71,114	91.84%	937,849,291.91	92.76%
Others	6,319	8.16%	73,168,994.19	7.24%
<b>Total</b>	<b>77,433</b>	<b>100.00%</b>	<b>1,011,018,286.10</b>	<b>100.00%</b>

9. *Description of the Leased Vehicles: Distribution by Vehicle Brands and Models*

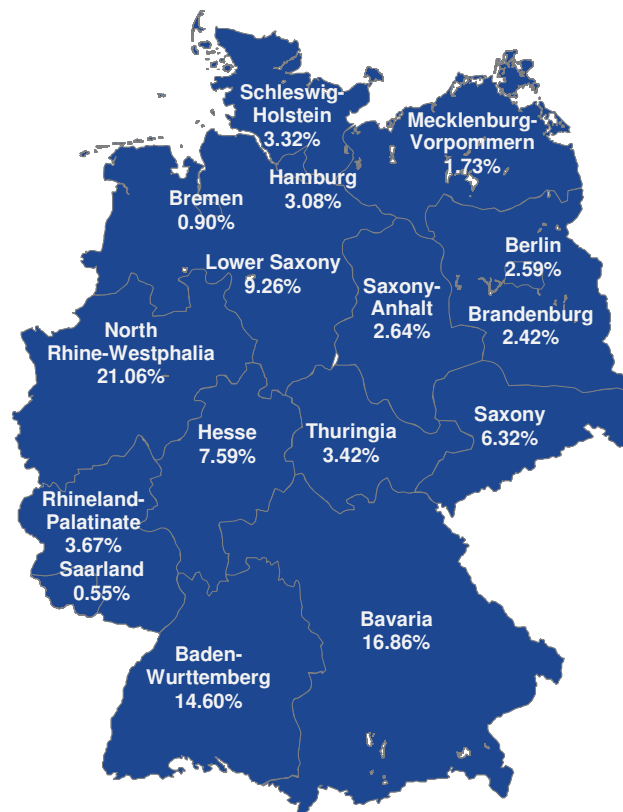
Make	Model	Number of Contracts	% of Make	% of Total	Discounted Amounts Not Yet Due in EUR	% of Make	% of Total
VW	Bora	1	0.0%	0.0%	7,814.02	0.0%	0.0%
	Bora Variant	3	0.0%	0.0%	29,261.77	0.0%	0.0%
	Eos	687	2.1%	0.9%	8,443,022.22	2.3%	0.8%
	Fox	2,180	6.7%	2.8%	9,269,015.85	2.6%	0.9%
	Golf	4,276	13.1%	5.5%	37,531,245.60	10.4%	3.7%
	Golf Plus	1,528	4.7%	2.0%	13,498,717.18	3.7%	1.3%
	Golf Variant	745	2.3%	1.0%	6,134,231.96	1.7%	0.6%
	Jetta	239	0.7%	0.3%	2,358,470.37	0.7%	0.2%
	Lupo	10	0.0%	0.0%	34,089.83	0.0%	0.0%
	New Beetle	60	0.2%	0.1%	528,130.89	0.1%	0.1%
	New Beetle Cabrio	223	0.7%	0.3%	2,000,812.79	0.6%	0.2%
	Passat	984	3.0%	1.3%	12,135,658.32	3.4%	1.2%
	Passat Variant	10,880	33.4%	14.1%	138,394,989.40	38.3%	13.7%
	Phaeton	483	1.5%	0.6%	9,486,153.89	2.6%	0.9%
	Polo	2,678	8.2%	3.5%	15,796,507.11	4.4%	1.6%
	Sharan	962	2.9%	1.2%	13,572,092.09	3.8%	1.3%
	Touareg	1,974	6.1%	2.5%	41,890,080.59	11.6%	4.1%
Touran	4,709	14.4%	6.1%	50,070,669.53	13.9%	5.0%	
<b>Total</b>		<b>32,622</b>	<b>100.0%</b>	<b>42.1%</b>	<b>361,180,963.41</b>	<b>100.0%</b>	<b>35.7%</b>
VWN	Caddy	3,506	27.4%	4.5%	28,715,488.16	18.2%	2.8%
	Crafter	1,110	8.7%	1.4%	18,284,286.30	11.6%	1.8%
	LT	567	4.4%	0.7%	8,244,587.85	5.2%	0.8%
	Transporter	7,605	59.5%	9.8%	102,283,086.78	64.9%	10.1%
<b>Total</b>		<b>12,788</b>	<b>100.0%</b>	<b>16.5%</b>	<b>157,527,449.09</b>	<b>100.0%</b>	<b>15.6%</b>

Make	Model	Number of Contracts	% of Make	% of Total	Discounted Amounts Not Yet Due in EUR	% of Make	% of Total
<b>Audi</b>	Audi A2	29	0.1%	0.0%	214,824.13	0.0%	0.0%
	Audi A3	5,140	20.6%	6.6%	54,020,755.33	12.5%	5.3%
	Audi A4	1,259	5.0%	1.6%	17,514,992.26	4.1%	1.7%
	Audi A4 Avant	6,460	25.9%	8.3%	95,758,351.67	22.2%	9.5%
	Audi A4 Cabrio	1,032	4.1%	1.3%	17,810,358.65	4.1%	1.8%
	Audi A6	2,125	8.5%	2.7%	39,448,782.50	9.2%	3.9%
	Audi A6 Avant	5,883	23.5%	7.6%	125,380,291.63	29.1%	12.4%
	Audi A8	951	3.8%	1.2%	31,048,189.28	7.2%	3.1%
	Audi Q7	1,642	6.6%	2.1%	42,746,902.12	9.9%	4.2%
	TT Coupé	388	1.6%	0.5%	6,132,095.46	1.4%	0.6%
	TT Roadster	80	0.3%	0.1%	873,955.77	0.2%	0.1%
<b>Total</b>		<b>24,989</b>	<b>100.0%</b>	<b>32.3%</b>	<b>430,949,498.80</b>	<b>100.0%</b>	<b>42.6%</b>
<b>Seat</b>	Alhambra	302	16.6%	0.4%	3,531,712.48	25.0%	0.3%
	Altea	361	19.9%	0.5%	2,876,203.91	20.3%	0.3%
	Arosa	3	0.2%	0.0%	8,558.39	0.1%	0.0%
	Cordoba	9	0.5%	0.0%	61,334.28	0.4%	0.0%
	Ibiza	572	31.5%	0.7%	3,040,855.04	21.5%	0.3%
	Leon	493	27.2%	0.6%	4,059,573.92	28.7%	0.4%
	Toledo	74	4.1%	0.1%	566,183.59	4.0%	0.1%
<b>Total</b>		<b>1,814</b>	<b>100.0%</b>	<b>2.3%</b>	<b>14,144,421.61</b>	<b>100.0%</b>	<b>1.4%</b>
<b>Skoda</b>	Fabia	508	10.7%	0.7%	2,534,767.74	6.3%	0.3%
	Fabia Combi	664	14.0%	0.9%	3,766,012.04	9.4%	0.4%
	Fabia Sedan	2	0.0%	0.0%	11,407.01	0.0%	0.0%
	Octavia	350	7.4%	0.5%	3,027,347.33	7.5%	0.3%
	Octavia Kombi	2,790	58.9%	3.6%	26,683,911.31	66.3%	2.6%
	Roomster	147	3.1%	0.2%	1,130,288.86	2.8%	0.1%
	Superb	269	5.7%	0.3%	2,993,688.90	7.4%	0.3%
	other	7	0.1%	0.0%	77,630.65	0.2%	0.0%
	Favorit	1	0.0%	0.0%	7,967.84	0.0%	0.0%
<b>Total</b>		<b>4,738</b>	<b>100.0%</b>	<b>6.1%</b>	<b>40,233,021.68</b>	<b>100.0%</b>	<b>4.0%</b>
<b>Other Makes</b>	Mercedes-Benz	44	9.1%	0.1%	971,141.22	13.9%	0.1%
	BMW	48	10.0%	0.1%	761,723.79	10.9%	0.1%
	Bentley	11	2.3%	0.0%	655,683.76	9.4%	0.1%
	Opel	42	8.7%	0.1%	431,892.34	6.2%	0.0%
	Other	337	69.9%	0.4%	4,162,490.40	59.6%	0.4%
<b>Total</b>		<b>482</b>	<b>100.0%</b>	<b>0.6%</b>	<b>6,982,931.51</b>	<b>100.0%</b>	<b>0.7%</b>
<b>Total</b>		<b>77,433</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1,011,018,286.10</b>	<b>100.0%</b>	<b>100.0%</b>

## 10. Geographical Distribution of Lessees

Geographic Distribution	East/ West	Number of Contracts	% of Discounted Amounts Not		% of Total
			Total	Yet Due in EUR	
Baden-Wuerttemberg	West	11,304	14.60%	151,943,851.12	15.03%
Bavaria	West	13,053	16.86%	177,007,508.16	17.51%
Berlin	West/ East (*)	2,005	2.59%	24,250,652.37	2.40%
Brandenburg	East	1,874	2.42%	22,778,843.60	2.25%
Bremen	West	699	0.90%	8,793,068.36	0.87%
Hamburg	West	2,385	3.08%	29,736,960.26	2.94%
Hesse	West	5,877	7.59%	79,622,918.75	7.88%
Mecklenburg-Vorpommern	East	1,336	1.73%	16,318,479.96	1.61%
Lower Saxony	West	7,171	9.26%	91,899,536.70	9.09%
North Rhine-Westphalia	West	16,307	21.06%	216,936,425.82	21.46%
Rhineland-Palatinate	West	2,838	3.67%	39,187,353.74	3.88%
Saarland	West	427	0.55%	6,065,067.24	0.60%
Saxony	East	4,896	6.32%	57,487,754.29	5.69%
Saxony-Anhalt	East	2,041	2.64%	24,916,681.18	2.46%
Schleswig-Holstein	West	2,570	3.32%	32,100,646.37	3.18%
Thuringia	East	2,650	3.42%	31,972,538.18	3.16%
<b>Total</b>		<b>77,433</b>	<b>100.00%</b>	<b>1,011,018,286.10</b>	<b>100.00%</b>
	<b>West</b>	<b>63,634</b>	<b>82.18%</b>	<b>845,418,662.71</b>	<b>83.62%</b>
	<b>East</b>	<b>13,800</b>	<b>17.82%</b>	<b>165,599,623.40</b>	<b>16.38%</b>

(\*) Allocation West/East - 50/50 %



(percentages refer to Discounted Amounts not yet due)

11. *Distribution of Lease Contracts by Industry*

<b>Industry</b>	<b>Number of Contracts</b>	<b>% of Total Discounted Amounts Not Yet Due in EUR</b>	<b>% of Total</b>
Agriculture/Forestry	644	0.83%	0.86%
Chemical Industry	1,042	1.35%	1.43%
Communications and Information Transmission	2,458	3.17%	3.20%
Construction	8,083	10.44%	10.49%
Energy/ Mining	1,475	1.90%	1.80%
Financial Services, Leasing and Housing	4,003	5.17%	5.17%
Hotel/Restaurant Industry	1,621	2.09%	2.03%
Other Services	11,171	14.43%	15.00%
Manufacturing Industry	14,465	18.68%	20.32%
Private	991	1.28%	0.92%
Public Administration, Education, Health Care and Public Services	18,626	24.05%	21.91%
Retail/ Wholesale	12,623	16.30%	16.61%
Other	231	0.30%	0.26%
<b>Total</b>	<b>77,433</b>	<b>100.00%</b>	<b>100.00%</b>

## Historical Performance Data

### Portfolio Losses

VWL has extracted data on the historical performance of the entire German auto lease portfolio. The tables below show historical data on net losses, for the period from January 2002 to December 2006 from contracts originated since January 2002 and been written off by Volkswagen Leasing GmbH before October 2006.

### Portfolio Delinquencies

The following data indicates, for the auto leasing portfolio of VWL (originated under Closed End Lease Contracts and Open End Lease Contracts), and for a given month the outstanding balance of the receivables which are current, one (1) instalment, two (2) instalments, or more than two (2) instalments in arrears, expressed as a percentage of the total outstanding balance of the auto leasing portfolio at the beginning of such period.

#### Arrear status credit portfolio VWL Germany

in per cent. of receivables volume

<b>Ageing Report Leasing</b>	<b>31.12.2003</b>	<b>31.12.2004</b>	<b>31.12.2005</b>	<b>30.06.2006</b>
0 instalments in arrears	94.0%	94.9%	94.3%	93.7%
1 instalment	3.1%	2.9%	3.4%	3.7%
2 instalments	1.0%	0.8%	0.9%	1.2%
3 instalments	0.1%	0.1%	0.1%	0.4%
4 instalments	0.5%	0.4%	0.3%	0.1%
5 instalments	0.3%	0.3%	0.3%	0.3%
6 instalments	0.2%	0.2%	0.1%	0.1%
> 6 instalments	0.8%	0.4%	0.6%	0.5%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Total Portfolio

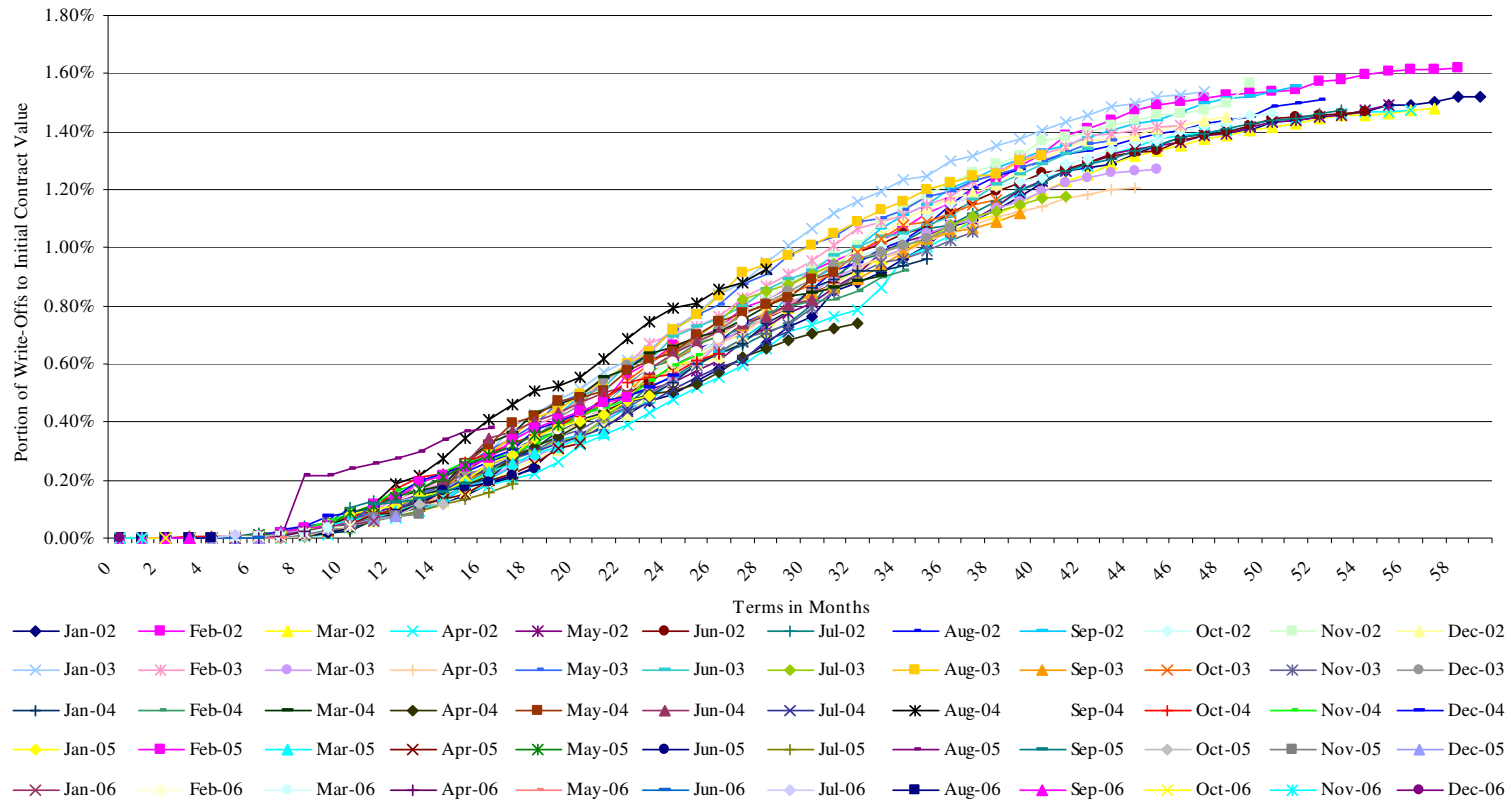
The net losses data displayed below are in static format and show the cumulative net losses realised after the specified number of months since origination, for each portfolio of leases originated in a particular quarter, expressed as a percentage of the original lease balance of that portfolio. Net losses are calculated by deducting the vehicle sales proceeds as well as any other recoveries from the outstanding balances of the respective leases up to the final write-off of the lease (net losses are shown in the quarter where the write-off of the Lease Contract has been carried out by the Seller).





	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59
Jan-02	0.85%	0.88%	0.91%	0.96%	1.01%	1.07%	1.09%	1.13%	1.18%	1.22%	1.26%	1.27%	1.29%	1.32%	1.35%	1.38%	1.39%	1.40%	1.40%	1.43%	1.44%	1.45%	1.46%	1.47%	1.49%	1.49%	1.50%	1.52%	1.52%
Feb-02	0.96%	0.98%	1.03%	1.07%	1.12%	1.15%	1.18%	1.23%	1.28%	1.32%	1.39%	1.41%	1.44%	1.47%	1.49%	1.51%	1.52%	1.52%	1.53%	1.54%	1.55%	1.57%	1.58%	1.60%	1.61%	1.61%	1.62%	1.62%	
Mar-02	0.87%	0.93%	0.96%	0.99%	1.03%	1.06%	1.09%	1.11%	1.15%	1.19%	1.23%	1.25%	1.29%	1.32%	1.33%	1.35%	1.38%	1.39%	1.40%	1.42%	1.43%	1.44%	1.45%	1.46%	1.46%	1.48%	1.48%		
Apr-02	0.76%	0.78%	0.86%	0.96%	1.00%	1.04%	1.10%	1.14%	1.20%	1.23%	1.27%	1.28%	1.32%	1.34%	1.37%	1.39%	1.40%	1.41%	1.42%	1.43%	1.44%	1.45%	1.46%	1.47%	1.47%				
May-02	0.86%	0.91%	0.98%	1.02%	1.04%	1.08%	1.10%	1.14%	1.20%	1.23%	1.26%	1.29%	1.32%	1.34%	1.35%	1.37%	1.39%	1.39%	1.42%	1.43%	1.44%	1.45%	1.46%	1.47%	1.49%				
Jun-02	0.87%	0.98%	1.01%	1.05%	1.07%	1.12%	1.16%	1.19%	1.22%	1.26%	1.27%	1.30%	1.32%	1.33%	1.34%	1.37%	1.39%	1.40%	1.42%	1.45%	1.45%	1.46%	1.46%	1.47%					
Jul-02	0.90%	0.96%	0.98%	1.02%	1.06%	1.08%	1.12%	1.16%	1.20%	1.22%	1.27%	1.29%	1.31%	1.34%	1.35%	1.38%	1.39%	1.41%	1.43%	1.44%	1.44%	1.46%	1.47%						
Aug-02	0.92%	0.95%	1.00%	1.03%	1.08%	1.15%	1.20%	1.24%	1.27%	1.30%	1.32%	1.34%	1.35%	1.38%	1.39%	1.41%	1.43%	1.44%	1.45%	1.48%	1.50%	1.51%							
Sep-02	0.93%	1.00%	1.07%	1.11%	1.15%	1.20%	1.24%	1.28%	1.30%	1.33%	1.35%	1.38%	1.40%	1.43%	1.44%	1.47%	1.50%	1.51%	1.52%	1.54%	1.55%								
Oct-02	0.92%	0.97%	1.00%	1.04%	1.11%	1.15%	1.18%	1.21%	1.23%	1.24%	1.29%	1.30%	1.34%	1.36%	1.37%	1.40%	1.42%	1.43%	1.46%	1.46%									
Nov-02	0.97%	1.01%	1.08%	1.13%	1.18%	1.23%	1.26%	1.29%	1.32%	1.37%	1.38%	1.40%	1.42%	1.44%	1.46%	1.46%	1.47%	1.50%	1.57%										
Dec-02	0.94%	0.99%	1.04%	1.09%	1.14%	1.17%	1.19%	1.22%	1.27%	1.31%	1.35%	1.37%	1.38%	1.39%	1.41%	1.42%	1.44%	1.45%											
Jan-03	1.12%	1.16%	1.20%	1.23%	1.25%	1.30%	1.32%	1.35%	1.38%	1.40%	1.43%	1.46%	1.49%	1.50%	1.52%	1.53%	1.54%												
Feb-03	1.01%	1.07%	1.09%	1.11%	1.15%	1.18%	1.23%	1.26%	1.30%	1.32%	1.34%	1.39%	1.39%	1.40%	1.41%	1.42%													
Mar-03	0.90%	0.93%	0.97%	1.00%	1.05%	1.08%	1.10%	1.13%	1.16%	1.20%	1.22%	1.24%	1.26%	1.26%	1.27%														
Apr-03	0.87%	0.93%	0.97%	0.98%	1.02%	1.05%	1.08%	1.11%	1.13%	1.14%	1.17%	1.18%	1.20%	1.21%															
May-03	1.04%	1.09%	1.10%	1.13%	1.18%	1.20%	1.23%	1.26%	1.28%	1.30%	1.33%	1.36%	1.37%																
Jun-03	0.98%	1.00%	1.04%	1.05%	1.08%	1.11%	1.17%	1.22%	1.25%	1.29%	1.32%	1.34%																	
Jul-03	0.94%	0.96%	0.99%	1.01%	1.03%	1.08%	1.11%	1.12%	1.15%	1.17%	1.18%																		
Aug-03	1.05%	1.09%	1.13%	1.16%	1.20%	1.22%	1.25%	1.25%	1.30%	1.32%																			
Sep-03	0.86%	0.89%	0.94%	0.99%	1.03%	1.05%	1.06%	1.09%	1.12%																				
Oct-03	0.92%	0.98%	1.03%	1.08%	1.09%	1.12%	1.15%	1.16%																					
Nov-03	0.85%	0.91%	0.95%	0.96%	0.99%	1.03%	1.05%																						
Dec-03	0.94%	0.96%	0.99%	1.01%	1.03%	1.07%																							
Jan-04	0.89%	0.92%	0.92%	0.94%	0.96%																								
Feb-04	0.82%	0.85%	0.90%	0.92%																									
Mar-04	0.86%	0.89%	0.90%																										
Apr-04	0.72%	0.74%																											
May-04	0.92%																												
Jun-04																													
Jul-04																													
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### Portion of Write-Offs to Initial Contract Value



## Weighted Average Lives of the Notes/Assumed Amortisation of the Purchased Lease Receivables and Notes

### Weighted Average Lives of the Notes

Weighted average lives of the Notes refers to the average amount of time that will elapse (on a 30/360 basis) from the date of issuance of a security to the date of distribution of amounts to the investor distributed in reduction of principal of such security (assuming no losses). The weighted average life of the Notes will be influenced by, amongst other things, the rate at which the Lease Receivables are paid, which may be in the form of scheduled amortisation, prepayments or liquidations.

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

Remaining Term of Contracts	Monthly Installments in EUROS
Up to 20 Months	358,381.21
Up to 21 Months	471,927.50
Up to 22 Months	393,663.32
Up to 23 Months	73,312.50
Up to 24 Months	1,228,866.78
Up to 25 Months	396,878.14
Up to 26 Months	448,244.12
Up to 27 Months	1,759,466.63
Up to 28 Months	2,065,074.56
Up to 29 Months	1,912,332.76
Up to 30 Months	1,748,564.83
Up to 31 Months	1,831,496.56
Up to 32 Months	2,155,936.86
Up to 33 Months	2,383,543.45
Up to 34 Months	2,371,992.57
Up to 35 Months	199,124.19
Up to 36 Months	770,752.36
Up to 37 Months	327,018.95
Up to 38 Months	390,661.57
Up to 39 Months	1,033,136.50
Up to 40 Months	1,205,510.70
Up to 41 Months	1,019,806.69
Up to 42 Months	921,427.74
Up to 43 Months	1,197,664.13
Up to 44 Months	1,319,123.17
Up to 45 Months	1,403,564.24
Up to 46 Months	1,414,076.09
Up to 47 Months	255,299.39
Up to 48 Months	238,575.21
Up to 49 Months	217,313.08
Up to 50 Months	227,533.05
<b>Total</b>	<b>31,740,268.85</b>

The table assumes, among other things, that if:

- (a) the Issuer holds a pool of Purchased Lease Receivables with the following characteristics:
- (b) the Portfolio is subject to a constant annual rate of prepayment as set out under "CPR";
- (c) no Purchased Lease Receivables are repurchased by the Seller;
- (d) the Notes are purchased on the Issue Date of 26 February 2007;
- (e) the Payment Date is assumed to be the 21<sup>st</sup> of each month;
- (f) the Clean-Up Call is exercised;
- (g) the Purchased Lease Receivables are fully performing;
- (h) the original outstanding balance of each class of Notes is equal to the Nominal Amount set forth on the front cover of this Prospectus;
- (i) the Discount Rate is assumed to be 5.136 per cent. and the Monthly Payments are discounted back to the assumed Cut-Off Date of 31 January 2007;
- (j) third party expenses and servicing fees together are assumed to be 1.03 per cent.; and
- (k) the fixed rates under the Swap Agreement are 4.0895 per cent. for the Class A Notes and 4.1795 per cent. for the Class B Notes;

the approximate average lives of the Notes, at various assumed rates of prepayment of the Purchased Lease Receivables, would be as follows:

CPR (per cent.)	Class A Notes			Class B Notes		
	Average Life in Years	First Principal Payment Date	Expected Maturity	Average Life in Years	First Principal Payment Date	Expected Maturity
0.00%	1.52	21/03/2007	21/02/2010	1.89	21/11/2007	21/02/2010
5.00%	1.44	21/03/2007	21/01/2010	1.80	21/10/2007	21/01/2010
9.00%	1.38	21/03/2007	21/12/2009	1.73	21/09/2007	21/12/2009
13.00%	1.32	21/03/2007	21/11/2009	1.65	21/09/2007	21/11/2009

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

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

#### **Amortisation Profile of the Purchased Lease Receivables**

This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and on a CPR of 0%.

Payment Date falling in	Amortisation Profile of the Discounted Lease Receivables in EUROS	Scheduled Amortisation of Discounted Lease Receivables in EUROS
	1,011,018,286	
Mar-07	983,506,719	27,511,567
Apr-07	955,880,076	27,626,643
May-07	928,137,882	27,742,194
Jun-07	900,279,653	27,858,229
Jul-07	872,304,903	27,974,749
Aug-07	844,213,146	28,091,757
Sep-07	816,003,893	28,209,254
Oct-07	787,676,651	28,327,242
Nov-07	759,230,927	28,445,724
Dec-07	730,666,225	28,564,701
Jan-08	701,982,049	28,684,176
Feb-08	673,177,898	28,804,151
Mar-08	644,253,270	28,924,628
Apr-08	615,207,662	29,045,608
May-08	586,040,567	29,167,095
Jun-08	556,751,478	29,289,089
Jul-08	527,339,884	29,411,594
Aug-08	497,805,273	29,534,611
Sep-08	468,147,130	29,658,143
Oct-08	438,364,938	29,782,192
Nov-08	408,816,561	29,548,378
Dec-08	379,616,521	29,200,040
Jan-09	350,688,012	28,928,509
Feb-09	321,711,819	28,976,193
Mar-09	293,843,297	27,868,522
Apr-09	266,255,090	27,588,207
May-09	238,999,736	27,255,354
Jun-09	213,389,850	25,609,886
Jul-09	189,737,923	23,651,927
Aug-09	167,899,402	21,838,521
Sep-09	147,718,103	20,181,299
Oct-09	129,283,890	18,434,213
Nov-09	112,928,512	16,355,379
Dec-09	98,888,268	14,040,244
Jan-10	87,161,292	11,726,976
Feb-10	75,584,391	11,576,901
Mar-10	64,729,820	10,854,570
Apr-10	54,156,869	10,572,952
May-10	43,930,356	10,226,513
Jun-10	34,694,206	9,236,150
Jul-10	26,624,935	8,069,270
Aug-10	19,541,721	7,083,214
Sep-10	13,350,308	6,191,413
Oct-10	8,330,663	5,019,645
Nov-10	4,609,146	3,721,517
Dec-10	2,275,627	2,333,519
Jan-11	1,346,425	929,203
Feb-11	668,635	677,790
Mar-11	226,585	442,049
Apr-11	0	226,585
May-11	0	0
Jun-11	0	0
Jul-11	0	0
Aug-11	0	0
Sep-11	0	0
Oct-11	0	0
Nov-11	0	0
Dec-11	0	0
Jan-12	0	0
Feb-12	0	0
Mar-12	0	0
Apr-12	0	0

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

### Assumed Amortisation of the Notes

This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and a CPR of 9 per cent.:

<i>IN EUROS</i>				
Payment Date falling in	Principal Amount Outstanding Class A Notes	Principal Amount Outstanding Class B Notes	Amortisation of Class A Notes	Amortisation of Class B Notes
Mar-07	940,200,000	30,350,000	36,359,907	0
Apr-07	903,840,093	30,350,000	35,110,596	0
May-07	868,729,496	30,350,000	34,831,913	0
Jun-07	833,897,583	30,350,000	34,356,595	0
Jul-07	799,540,988	30,350,000	34,078,411	0
Aug-07	765,462,577	30,350,000	32,149,523	0
Sep-07	733,313,054	30,350,000	29,849,223	168,384
Oct-07	703,463,831	30,181,616	29,541,650	1,267,464
Nov-07	673,922,181	28,914,153	29,236,675	1,254,379
Dec-07	644,685,506	27,659,774	28,934,279	1,241,405
Jan-08	615,751,227	26,418,369	28,634,442	1,228,540
Feb-08	587,116,785	25,189,829	28,337,142	1,215,785
Mar-08	558,779,642	23,974,044	28,042,361	1,203,138
Apr-08	530,737,281	22,770,906	27,750,078	1,190,597
May-08	502,987,204	21,580,309	27,460,273	1,178,164
Jun-08	475,526,931	20,402,146	27,172,926	1,165,835
Jul-08	448,354,005	19,236,310	26,888,019	1,153,611
Aug-08	421,465,986	18,082,699	26,605,532	1,141,491
Sep-08	394,860,455	16,941,208	26,325,445	1,129,475
Oct-08	368,535,010	15,811,733	26,047,740	1,117,560
Nov-08	342,487,270	14,694,173	25,494,512	1,093,824
Dec-08	316,992,757	13,600,349	24,861,383	1,066,660
Jan-09	292,131,374	12,533,689	24,297,037	1,042,447
Feb-09	267,834,337	11,491,242	23,983,311	1,028,987
Mar-09	243,851,026	10,462,255	22,803,532	978,369
Apr-09	221,047,494	9,483,886	22,264,163	955,228
May-09	198,783,331	8,528,658	21,694,283	930,778
Jun-09	177,089,048	7,597,880	20,168,333	865,308
Jul-09	156,920,715	6,732,572	18,445,229	791,379
Aug-09	138,475,486	5,941,192	16,862,447	723,471
Sep-09	121,613,039	5,217,721	15,424,670	661,785
Oct-09	106,188,369	4,555,937	13,952,493	598,622
Nov-09	92,235,876	3,957,315	13,371,922	0
Dec-09	78,863,954	3,957,315	78,863,954	3,957,315
Jan-10	0	0	0	0
Feb-10	0	0	0	0
Mar-10	0	0	0	0
Apr-10	0	0	0	0
May-10	0	0	0	0
Jun-10	0	0	0	0
Jul-10	0	0	0	0
Aug-10	0	0	0	0
Sep-10	0	0	0	0
Oct-10	0	0	0	0
Nov-10	0	0	0	0
Dec-10	0	0	0	0
Jan-11	0	0	0	0
Feb-11	0	0	0	0
Mar-11	0	0	0	0
Apr-11	0	0	0	0
May-11	0	0	0	0
Jun-11	0	0	0	0
Jul-11	0	0	0	0
Aug-11	0	0	0	0
Sep-11	0	0	0	0
Oct-11	0	0	0	0
Nov-11	0	0	0	0
Dec-11	0	0	0	0
Jan-12	0	0	0	0
Feb-12	0	0	0	0
Mar-12	0	0	0	0
Apr-12	0	0	0	0

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

### **Additional Rights**

### **Settlement and Reduction**

The Issuer may demand from VWL a Settlement Amount for any Purchased Lease Receivables in respect of which the respective Lessee legitimately terminates or invalidates the lease or asserts a right to refuse performance or to performance by setoff.

Under the Lease Receivables Purchase Agreement, VWL offers at the beginning of each month to buy – against the payment of a Settlement Amount – Purchased Lease Receivables which become due in the future back from the Issuer, and the Issuer revocably accepts this offer by VWL, if and to the extent that VWL wishes to reduce or materially alter the lease payments by termination or alteration of the Lease Contract in question, if the termination or alteration of the Lease Contract is based on grounds other than the deterioration of the credit-worthiness of the Lessee as determined in accordance with VWL's customary practices as in place from time to time. VWL's right to buy back may only be exercised for Purchased Lease Receivables not yet due under the respective Lease Contract upon the exercise of such right.

To the extent that, by modifying the Leased Vehicle, VWL intends to amend the respective Lease Contract such that the amount of Purchased Lease Receivable is increased, VWL shall arrange such increase of the Purchased Lease Receivable, as far as possible, in such manner that the increment is a receivable legally independent from the Purchased Lease Receivable.

In case of a reduction of the Purchased Lease Receivables due to any amendments to a Lease Contract the Settlement Amount shall be equal to the difference of the present value of the Lease Receivables agreed upon at the inception of the Lease Contract and the present value of the future outstanding Purchased Lease Receivables becoming due according to such amendment, discounted with the Discount Rate.

The Settlement Amount to be paid in the case of a Clean-Up Call (the "Clean-Up Call Settlement Amount") which could be exercised if all payment obligations under the Notes will be thereby fulfilled is equal to the present value of all Purchased Lease Receivables which would have become due if the Clean-Up Call had not occurred, calculated using the Discount Rate provided that all payment obligations under the Notes will thereby be fulfilled. For the calculation of such Clean-Up Call Settlement Amount the risk of losses, if any, shall be taken into account, by applying the principles of impairment of such Lease Receivables pursuant to German Generally Accepted Accounting Principles (*Grundsätze ordnungsgemäßer Buchführung*) resulting in a flat-rate value adjustment (*Pauschalwertberichtigung*) or – if applicable – in an adjustment of the single Purchased Lease Receivable (*Einzelwertberichtigung*).

### **Realisation of Leased Vehicles**

The Issuer is entitled to payments from the realisation of Leased Vehicles as follows:

Proceeds which VWL has received from the realisation of Leased Vehicles on its own behalf and for the account of the Security Trustee or which the Security Trustee has received on its own behalf shall be divided between the Issuer and VWL as follows: If the Lessee has more than one Lease Contract, any payments by the Lessee will be allocated in accordance with the instructions



of the Lessee and, if there are no instructions from the Lessee, or with respect to sale proceeds not made by the Lessee, all payments and disposition and other proceeds with respect to the Leased Vehicle will be allocated between Lease Contracts for which Purchased Lease Receivables are held by the Issuer and other Lease Contracts proportionately based on the present value of all amounts payable under each Lease Contract, including the agreed residual value determined at the inception of the related Lease Contract. With respect to the allocation of proceeds between delinquent Lease Receivables, current Lease Receivables, and the residual value of Lease Contracts for which Purchased Lease Receivables are held by the Issuer, (i) in the event of assertion of claims of the Issuer against VWL resulting from a breach of warranties as set forth in Clause 4(3) of the Lease Receivables Purchase Agreement or of the obligation to credit Collections to the Distribution Account as provided for in the Servicing Agreement in such a way that first of all, such claims have to be fully satisfied and any remainder has to be allocated as described in (ii) hereafter, and (ii) in all other cases, proportional to the sum of the present value of the Purchased Lease Receivables which are still outstanding on one hand and the sum of the present value of the agreed residual value of the Leased Vehicle, on the other hand. In case of excess proceeds resulting from any realisation, such excess proceeds shall be allocated proportionally to the Purchased Lease Receivables which are due, but not yet paid, and other claims, if any; claims of the Issuer are limited to the sum of the present value of the Purchased Lease Receivables which are due, but not yet paid, and the present value of the Purchased Lease Receivables which are outstanding. VWL is entitled to any residual amounts. The discounting to the present value shall take place at the Discount Rate beginning on the respective maturity date of the delinquent Lease Receivable on the basis of a year of 12 months of 360 days, each month consisting of 30 days. In case of a termination of a Lease Contract, VWL is entitled to all payments on Purchased Lease Receivables it receives after the final write-off of a Lease Contract made by the Servicer in accordance with its customary practices as applicable from time to time.

## Security

The Issuer has also acquired as security for the Purchased Lease Receivables and as security for all of the Issuer's current and future claims against VWL arising from the Lease Receivables Purchase Agreement, and the Servicing Agreement, including all future damage claims pursuant to section 280 (1) in connection with section 280 (3) German Civil Code (*Schadensersatz statt der Leistung*) and including all claims arising out of a withdrawal from the Lease Receivables Purchase Agreement, security title (*Sicherungsbesitz*) to the Leased Vehicles and,

- (a) notwithstanding the transfer of auxiliary or preferential rights pursuant to section 401 German Civil Code, when the assignment is effectuated pursuant to Clause 3(1) of the Lease Receivables Purchase Agreement, the following receivables and rights:
  - Unilateral right to alter legal relationships (*Gestaltungsrechte*), especially the right of termination. Until revoked, these rights will be exercised by VWL for the Issuer's benefit. VWL may exercise such rights in conformity with VWL's customary practices in effect from time to time. In no event will any Early Settlement or other payment be required by VWL unless there is an alteration or reduction of Lease Contracts by VWL which results in a reduction of the Discounted Lease Balance of the Lease Receivables under the Lease Contract.
  - Damage claims arising from a breach of contract or in tort against the respective Lessee, in particular claims to lump-sum damages in case of default of the Lessee as well as any interest due and claims against third parties due to damage to or loss of the Leased Vehicles.

- The claims arising from the insurance certificate or without an insurance certificate against the respective vehicle insurer for payment of the insurance benefit. The Issuer is entitled to notify the respective insurer of the assignment on behalf of VWL. Although each Lease Contract contains provisions which require the Lessee to obtain insurance with respect to the Leased Vehicle, VWL will have no requirement to monitor the compliance by the Lessees with these provisions and VWL will have no liability for any failure by a Lessee to comply with these provisions.
- (b) all its present and future claims and other rights arising from the Transaction Documents, as defined in the preamble of the Lease Receivables Purchase Agreement, (including the rights to alter the legal relationship (*Gestaltungsrechte*)) and from all present and future contracts the Issuer has entered or may enter into in connection with the Notes, the Subordinated Loan or the Purchased Lease Receivables and Lease Collateral.

To the extent that a third party has accepted to purchase the respective Leased Vehicle upon the expiration of a Lease Contract, VWL assigns to the Issuer any claims arising from such acceptance as security for all current claims of the Issuer under this Agreement. The Issuer accepts such assignment. VWL is entitled, also after this assignment, within the scope of its usual business policy at the time this Agreement is entered into, to waive such claims. The Issuer must be notified of any waiver without undue delay.

Each right, claim or title assigned to the Issuer as security is to be reassigned to VWL when the right or claim to be secured no longer exists.

#### **Amendments to the Lease Receivables Purchase Agreement**

VWL will be entitled to unilaterally amend any term or provision of the Lease Receivables Purchase Agreement with the consent of the Issuer but without the consent of any Noteholder, any Swap Counterparties, the Subordinated Lender or any other Person; provided that (if such amendment is not only a correction of a manifest error or of a formal, minor or technical nature) such amendment shall only become valid,

- (A) if it is notified to the Security Trustee and the Rating Agencies and the Issuer and VWL have received a confirmation (x) from the Security Trustee that in the sole professional judgment of the Security Trustee, such amendment will not be materially prejudicial to the interests of any such Transaction Creditor and (y) Fitch and S&P that the ratings then assigned to the Notes will not be adversely affected by such amendment and that the Rating Agency Confirmation is satisfied thereby; and
- (B) if any of the amendments relate to the amount, the currency or the timing of the cashflow received by the Issuer under the Purchased Lease Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparty in the Order of Priority, then the consent of the Swap Counterparties will be required; and
- (C) in case of amendments which materially and adversely affect the interests of the Issuer, the Security Trustee, the Swap Counterparties or the Subordinated Lender if such parties that are materially and adversely affected have consented to such amendment.

All amendments to the Lease Receivables Purchase Agreement shall be notified to the Rating Agencies.

The Security Trustee shall have the right to request a reputable international law firm to confirm the legal validity of such amendment and/or to describe the legal effects of such amendment and to incur reasonable expenses for such consultation which shall be reimbursed by VWL.

The Lease Receivables Purchase Agreement may also be amended from time to time by VWL with the consent of (a) the Issuer and (b) Class A Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class A Notes, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Lease Receivables Purchase Agreement or of modifying in any manner the rights of the Noteholders; (x) provided that no such amendment shall (i) reduce the interest rate or principal amount of any Note or delay the Scheduled Repayment Date or Legal Maturity Date of any Note without the consent of the respective Noteholder, or (ii) reduce the percentage of the aggregate outstanding principal amount of the Class B Notes without the consent of Class B Noteholders evidencing not less than a majority of the aggregate outstanding principal amount of the outstanding Class B Notes, and (y) provided further that if any of the amendments relate to the amount, the currency or the timing of the cashflow received by VWL under the Purchased Lease Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparties in the Order of Priority, or materially and adversely affects the interests of the Swap Counterparties, then the consent of the Swap Counterparties will be required. It will not be necessary for the consent of Noteholders to approve the particular form of any proposed amendment or consent, but it will be sufficient if such consent approves the substance thereof. The manner of obtaining such consents (and any other consents of Noteholders provided for in the Lease Receivables Purchase Agreement) and of evidencing the authorisation of the execution thereof by Noteholders will be subject to such reasonable requirements as the Security Trustee may prescribe, including the establishment of record dates. Upon full redemption of all Class A Notes, the foregoing sentence shall apply with the modification that the required Class A Noteholder consent as set out under (b) shall be replaced by consent of Class B Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class B Notes.

## **BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH**

### **Auto Lease Business in Germany**

In the first three quarters of 2006 GDP growth of the German economy increased to about 2.3 per cent from 0.8 per cent in the previous year. Due to an ongoing strong export performance and a revival of domestic demand the economic upswing continued in spite of the revaluation of the Euro and a strong increase in energy and raw material prices. However, the growth rate of private consumption remained moderate despite a reduction in the average unemployment rate from 10.9 per cent in November 2005 to 9.6 per cent in November 2006. In 2007 higher inflation and interest rates are to be expected. Prospects for a continuation of the upswing in 2007 are nevertheless good, though the growth in the first half of the year will be dampened due to a higher value added tax and a decrease in external demand growth.

In the first nine months of 2006 a total of 2.77 million vehicles (January – September 2005: 2.72 million / +1.9 per cent) were registered in Germany. The number of newly registered passenger cars increased by 1.0 per cent to 2.54 million vehicles (2.52 million). Total automobile production in the first three quarters of 2006 reached 4.37 million vehicles, up 1.7 per cent versus previous year (4.30 million). The Volkswagen Group increased its deliveries by 10.3 per cent (Jan. - Sept. 2006) and remained the number one automobile manufacturer in Germany.

### **Incorporation, Registered Office and Purpose**

Volkswagen Leasing GmbH ("VWL") is Seller of the Lease Receivables and servicer under the Servicing Agreement

VWL was established in 1966. Its registered share capital of EUR 51 million is held by Volkswagen Financial Services AG, Braunschweig, which in turn is a wholly-owned subsidiary of Volkswagen AG, Wolfsburg.

VWL is responsible for the leasing business of the Volkswagen Group in Germany.

VWL has four branches in Braunschweig (Audi Leasing, SEAT-Leasing, Skoda-Leasing and Europcar Leasing) and one in Teltow as well as two branches in Italy (Milan and Verona). It holds a 100 per cent. interest in Volkswagen Leasing Anlagen GmbH, Braunschweig.

The objectives of VWL are to lease motor vehicles, especially vehicles from the following brands: Volkswagen, Audi, SEAT, Skoda, and Volkswagen Nutzfahrzeuge and other movable assets as a modern and cost effective alternative to the purchase of vehicles in Germany and for the financing of investments, the latter in particular for the business partners of the Volkswagen Group.

VWL offers

- leasing of new Volkswagen, Audi, SEAT, Skoda and Volkswagen Nutzfahrzeuge vehicles
- service-leasing to commercial and non-commercial customers
- leasing of used vehicles of all makes.

The business purposes of VWL vis-à-vis customers and dealers are largely determined by its membership in the Volkswagen Group. VWL co-operates closely with the approximately 3,500

dealerships of the Volkswagen Group. A dealer can thus offer the customer complete, competent, personal service, at one stop and from a single source, including the financing.

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

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

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

## **BUSINESS PROCEDURES OF VOLKSWAGEN LEASING GMBH**

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

The normal business procedures of VWL currently include the following:

### **Negotiation of the Lease Contract and Appraisal of the Creditworthiness of the Prospective Lessee**

The customer writes and signs an application for the use of a specific vehicle against a specified monthly payment. By signing the application the customer signifies its acceptance of the leasing conditions.

Before it accepts an application, VWL checks the credit standing of the customer. For this purpose all the information from credit agencies, banks and other sources (for instance from dealers) are brought together in a credit report about the prospective Lessee. Since April 2006, this includes a credit scoring for commercial customers (the credit worthiness of retail customers is already scored for several years). Commercial clients are scored within 10 risk classes (from A+ to D, with A+ as the best possible score and D as the worst). Retail customers (private customers) are scored by a numeric system of 16 risk classes, going from 15 as the best down to 0 as the worst score. For customers who are classified as corporate customers under the definition of Basel II, the leasing application will be evaluated individually by at least two credit officers. The appropriate credit limit is then set, based on the value of the vehicle and the number of contracts to be signed by the respective Lessee. If, in the case of existing contractual relationships, additional vehicles are to be leased, a check is made as to whether additional vehicles can be leased to the customer under the existing limits and on the basis of the information on hand. Sometimes up-to-date information must be gathered so that a new credit appraisal may be made. Immediate access to the data banks of credit agencies makes it possible to obtain information quickly.

For leasing applications, which are not automatically approved by credit scoring but instead need to be modified (e.g. guarantee of a third person, additional documents need to be brought in etc.), there still might be decisions by qualified credit officers. Depending on the credit limit, one or more employees of the credit department of VWL jointly decide to accept or reject each leasing application. Each employee is personally assigned a credit ceiling up to which she/he may participate in decisions. The employees are qualified persons (generally with at least three years' training in banks or in industry or with degrees in business administration or similar business experience, etc.) and with several years' experience in the leasing business. Applications by private individuals may be automatically approved or rejected in the first instance if the information on the application demonstrates that the applicant meets or does not meet VWL's criteria for an automatic approval or rejection. Applications which are rejected at first instance have to be decided by employees of VWL.

## Collection

The first payment is due when the vehicle is handed over to the Lessee; all subsequent payments are typically due on the first of the month in advance for the month. The number of payments corresponds to the leasing period in months.

The leasing application includes a clause authorising VWL to debit the payments as they become due, directly on the bank account of the Lessee. In 2006, approximately 95 per cent. of the Lessees made use of the direct debit system offered by VWL. This should ensure that VWL receives amounts due promptly. The customers which do not authorise direct debiting give standing payment orders to their banks, write individual bank remittances or send a cheque.

The monthly instalments are generally billed four working days before the end of the month. VWL transmits the required information to the banks at which it has accounts, which in turn communicate with the banks of the Lessees. VWL receives the total amount of the instalments paid by direct debit on the first and second working day of the current month in its bank accounts. Instalments and receivables from the premature termination of contracts are generally billed weekly.

In case the direct debiting orders of VWL are not honoured or are rescinded, the banks immediately debit the respective accounts of VWL accordingly. The overdue payments for any given month are, therefore typically known by the 10<sup>th</sup> of the month and reminder notices can be sent out immediately. In 2006, 3.15 per cent. of the direct debit payments were not honoured. In 85 per cent. of the cases this was due to insufficient funds. In 15 per cent. this was due to objections, closing of accounts and the non-confirmation of account data. About 30 per cent. of the direct debit payments which were not immediately honoured were paid within two weeks by the customer.

In the case of the remaining approximately 70 per cent. of the outstanding direct debit orders, a reminder letter is generally sent to the customer 7 days after the due date for the instalment. If the Lessee does not pay then, a second reminder letter is generally sent after another two weeks, in which interest on arrears and other costs are also mentioned. The third reminder (after about one and a half months) includes charges for the remainder (graduated from EUR 8 to EUR 18), the threat of a summary court notice to pay (*Mahnbescheid*) and the threat of termination of the contract. In addition, the dealer who intermediated the contract is brought into the proceeding and requested to investigate the situation and to help with the collection of the claims. In addition, the accounting department of VWL may write an individual letter to the customer or be in touch with the customer or with the dealer by telephone or telefax.

The employees of the accounting department of VWL are authorised to grant justifiable payment extensions. The number of such agreements has been negligible.

When a commercial Lessee has failed to pay two or three instalments and the respective above described reminder process has been completed without having received the respective payments from the customer, the Lease Contract will be terminated. In the case of a payment default of a private individual Lessee and after having sent out the respective reminders, the Lease Contract will be terminated by VWL as long as the legal requirements and preconditions are fulfilled (see below "Termination of Lease Contracts"). If the customer pays the amount owed fully, the agreement continues to be effective. A sample check of the termination notices issued in 2005 showed that approximately two thirds of the Lease Contracts concerned could be continued, as the instalments due and overdue were paid. An application for a summary court notice to pay (*Mahnbescheid*) will normally only be made in order to enforce the claim after the settling of the Lease Contract (see below "Enforcement").

Since November 1994, individual collection is done by telephone. The purpose of this arrangement is to reduce the number of contracts terminated and the number of summary court notices to pay (*Mahnbescheide*) by asking the customer once more to pay the amounts due before filing the application for a summary court notice to pay and before giving notice of termination of a lease.

### **Termination of Lease Contracts**

The Lessee of a consumer Lease Contract is entitled to cancel his Lease Contract without giving reason by sending a letter, fax or email message, exercising such cancellation right within two weeks or receipt of a written notice informing him of such cancellation right.

Each party to a Lease Contract can terminate the contract without giving prior notice, if it has a material reason to do so, in particular, but not limited to:

1. when the other party is unable to pay or engaged in debt composition proceedings; when its cheques are not covered or its bills of exchange not honoured;
2. if the other party has made untrue statements in connection with the Lease Contract or has failed to state relevant facts and the lessor cannot, therefore, be reasonably expected to continue to honour the contract;
3. if the other party does not stop committing serious breaches of the contract in spite of written requests to this effect or if it fails to remedy immediately any effects of such breaches of contract; or
4. if the vehicle has been destroyed or if the cost of repairing the damage sustained in an accident exceeds 60 per cent. of the replacement cost of the vehicle to the end of a contract month.

VWL can terminate Lease Contracts without prior notice, especially in the following cases:

1. when two leasing instalments are overdue by commercial Lessees; or
2. when two instalments or more representing in the aggregate at least 10 per cent. of the total value of the Lease Contract (5 per cent. when the term of the Lease Contract exceeds three years) are overdue by private individual Lessees and the lessor has set a final two-week deadline for payment which the Lessee does not honour.

Approximately 80 per cent. of the Lease Contracts have a fixed, agreed upon life (Closed End Lease Contracts). Upon request of the Lessee, the parties can agree to prematurely terminate the Open End Lease Contract(s) in writing (a) not earlier than six months from the date of the beginning of the contract or (b) if the vehicle has been destroyed or if the cost of repairing the damage sustained in an accident exceeds 60 per cent. of the replacement cost of the vehicle, at any time. In such cases, the Lessee can then present the vehicle, state the actual number of kilometres driven and ask the lessor under what financial conditions it would be prepared to terminate the Lease Contract.

In case two lease instalments are overdue, VWL is entitled to repossess the vehicle without prior termination of the Lease Contract. In case of termination of contract for cause, the Lessee is requested to return the vehicle to the dealer who intermediated the lease. If the Lessee does not voluntarily return the vehicle and all respective appropriate means of VWL or the dealer are without success, external service providers (such as Excon Externe Controlling Services, Die



Wächter) are mandated to secure the vehicles. The leading companies in this area operate with a high level of reliability and trust with a view to protection of VWL's interests. About 95per cent. of the mandates are completed successfully (either by collection of overdue instalments or by securing the vehicle). In case all endeavours are in vain, a charge is levied against the Lessee and an action for restitution instituted in order to repossess the vehicle.

If VWL terminates a contract for cause, it can require the Lessee to reimburse it for the damages which it has sustained through the premature termination of the contract. "VWL is entitled for full reimbursement of its losses taking into account the procedure for open end Lease Contracts (*Verträge mit Gebrauchtwagenabrechnung* - "Open End Lease Contracts") and closed end Lease Contracts (*Verträge ohne Gebrauchtwagenabrechnung* – "Closed End Lease Contract") described below. Within a period of two weeks after returning the vehicle, the Lessee has the possibility to minimise the losses by nominating a prospective buyer who cash purchases the vehicle for the requested price; however, this option is only applicable for Open End Lease Contracts.

For those contracts which have been terminated by VWL and where the respective underlying vehicle has been sold, there are two ways of calculating the remainder of debt, depending on whether VWL is dealing with an Open End Lease Contract or a Closed End Lease Contract. Open End Lease Contracts have no fixed residual values guaranteed by the dealers but the buy back of the car is based on the state of the vehicle and the general state of the market. Therefore upon the re-marketing of the car, the Lessee bears the risk of a loss and partly participates in any profit. Closed End Lease Contracts are based on fixed residual values which are guaranteed by the dealers for approximately 95per cent. of all Closed End Lease Contracts (for the other 5per cent. VWL bears the risk). In case of under mileage, the dealers will be charged. If mileage is exceeded, the dealer will receive an adjustment payment. Under these agreements, the partner-dealer buys the vehicle from VWL at a previously agreed upon price. Under this type of contract the risk of realisation is borne entirely by the dealer-partner.

The remainder of a debt for Open End Lease Contracts is based on the difference between the actual realised price for the sold car and the originally calculated residual value of the car. The calculation takes into account the monthly instalments which would have to be paid by the Lessees in case of a contractually agreed end of the contract and additional costs, e.g. running costs or collection costs.

In relation to "Closed End Lease Contracts" the final invoice with the remainder of a debt for the customer has to be calculated based on a binding rule of the *BGH* (Highest German Federal Supreme Court, WM 2005, 996) from 2004. Here the remainder of a debt is calculated on the difference between the actual market value of the car at the time of the car sale and a forecasted car value for the agreed expiration of the contract. The calculation takes into account the monthly instalments which would have to be paid by the Lessees in case of a contractually agreed end of the contract and additional costs, e.g. running costs or collection costs.

The determination of both (i) the actual market value of the car at the time of the sale of the car and for the forecast of the value of the car at the time of the agreed expiration of the contract, is being made by an external authorised adjuster.

If a vehicle was totally destroyed or lost or if the estimate cost of repairing the damage is equal to or exceeds 60 per cent. of the replacement cost of the vehicle, and the contracting parties do not come to an understanding on a termination agreement and, as a result, one of the contracting parties terminates the contract, VWL may claim the full amortisation. The Lessee shall receive 75 per cent. of a surplus, if any, remaining after the final settling of the contract. If a full coverage insurance was taken out through Volkswagen-Versicherungsdienst GmbH (VVD), a full amortisation claim is limited to the amount of the deductible plus the cost of the delivery drive

which is taken into account in the calculation of the lease instalment, provided that the vehicle was stolen or if the estimated cost of repairing the damage is equal to or exceeds 60 per cent. of the replacement cost. However, the full amortisation claim will not be limited if the insurer refused to provide insurance coverage to the Lessee. The foregoing provisions shall apply *mutatis mutandis* to a compensation payment stipulated under a termination agreement. If the Lease Contract provides for any further services apart from the motor vehicle insurance against loss and damage, the above limitation shall also apply to a pro-rata calculation and claims for reimbursement of cost with respect to such other services.

In the event of a termination all claims and credits except for final settling of accounts by Volkswagen Leasing GmbH upon a termination shall be subject to turnover tax which is in force at such time.

### **Enforcement**

Leased vehicles which are repossessed are sold to dealers, or through the used vehicles' centre of Volkswagen Financial Services AG. The selling process is supported by a used vehicles' information system (on a SAP basis platform) which was developed for the specific purpose of selling used motor vehicles.

As a rule, an application for a court order for payment is made in order to enforce the claim after the settling of the Lease Contract. The payment order process is instituted by the Hanover Lower Court as part of automated summary proceedings. The collection and the seizure of Leased Vehicles is handled through the collection information system, an application which was specifically developed for such purpose. This procedure offers the advantage that the entire process of claims' management, collection and used vehicles' sales is represented in a homogenous systems environment resulting in shorter handling times and increased productivity.

### **Internal Audit**

The internal audit department of Volkswagen Bank GmbH audits VWL. Its controlling procedures include audits of customer and dealer receivables with respect to their amounts and their punctual payment. In case of losses of receivables of EUR 12,500 or more, special internal investigations are made by management. The internal audit department of the Volkswagen Group occasionally also carries out audits. Under German law the annual financial statements of a company must be audited by an independent audit company.

### **Auditors**

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft (formerly PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft), Fuhrberger Straße 5, 30625, Hannover, ("PwC") audits the annual financial statements of VWL. PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

## Volkswagen Leasing Group

Selected figures for the years 2001-2005:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
New Contracts (thou.)	223,8	207,7	187.2	180.5	187.7
Contracts Outstanding (thou.)	622,9	553,9	534.0	526.6	519.7
Capital investment (EUR m.)	5.270	4.804	4,269	3,802	3,800
Total turnover (EUR m)	5.302	4.826	4,653	4,524	4,235
– from leasing (EUR m.)	3.173	2.815	2,757	2,664	2,582
– from used vehicle sales (EUR m.)	2.129	2.011	1,896	1,860	1,653
Customers (thou.)	317.2	296.3	297.9	298.3	296.2
Total receivables (EUR m.)	11.326	10.007	9,206	8,670	8,496
– from leasing instalments (EUR m.)	4,491	4,168	3,880	3,770	3,750
– from residual values (EUR m.)	6,835	5,839	5,326	4,900	4,756
Doubtful leasing receivables value as % of turnover from leasing, at the end of the period	1,09	1.45	1.58	1.72	1.45
Loss from non-payment of leasing receivables as of % of turnover from leasing	1.43	1.32	1.40	0.96	0.77
Prematurely terminated contracts as % of total contracts, during the period	9.7	12.2	12.7	13.8	12.6

## **ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT**

VWL has agreed to act as Servicer under the Servicing Agreement. In this capacity it has agreed to perform the following tasks according to its usual business practices as they exist from time to time:

- To collect the Lease Receivables.
- To administer the contracts underlying the Lease Receivables and in particular to terminate a Lease Contract.
- VWL may allow Lessees to defer payments within the scope of VWL's general business policies as they exist from time to time.
- To repossess the respective vehicle on behalf of the Issuer upon termination of a Lease Contract and to realise such vehicles.
- To assert vis-à-vis the respective insurance companies, the claims to payment of other benefits under the vehicle insurance policies assigned to the Issuer pursuant to the Purchase Agreement.

### **Administration of Collections, Costs of Administration and Replacing of the Servicer**

The Servicer will thus be receiving payments in respect of the Purchased Lease Receivables due each month, of overdue Lease Receivables, sometimes of advance payments on Purchased Lease Receivables, Settlement Amounts and repurchase amounts from Lease Contracts, of the realisation of Leased Vehicles and of insurance on damaged vehicles.

Subject to the terms of the Servicing Agreement the Servicer is entitled to hold, use and invest at its own risk the Collections and other amounts collected by it during any Monthly Period without segregating such funds from the Servicer's other funds, and the Servicer will be required to make a single deposit to the Distribution Account on the following Payment Date. However, if the Monthly Remittance Condition is not satisfied (i.e. the Monthly Remittance Condition will be deemed to be satisfied if (i) VWL is the Servicer and (ii) VWL has a long term rating for unsecured debt of at least Baa3 from Moody's), collections will be required to be remitted to the Distribution Account at the fourth, at the tenth, at the fifteenth and at the last business day of each of the Monthly Period.

In the event of a premature settlement pursuant to Clause 9 of the Lease Receivables Purchase Agreement, the Servicer shall immediately collect the amount of settlement from VWL and transfer such amount in accordance with Clause 6 of the Servicing Agreement.

Unless this power is repealed, the Servicer is entitled and obligated to utilise the Cash Collateral Account to be opened by the Issuer up to the balance of the General Cash Collateral Amount:

- (i) to the extent, in the amounts and for the purposes described in Clause 25 of the Trust Agreement; or
- (ii) for costs as a result of the replacement of a Servicer, to the extent that they cannot be covered by income from the investment of the funds in the Distribution Account and the Cash Collateral Account.

The Servicer will be entitled to receive the Servicer Fee on each Payment Date for the preceding Monthly Period. As additional compensation, the Servicer will be entitled to retain all late fees, fees for cheques with insufficient funds, other administrative fees and any investment earnings from the Cash Collateral Account and the Distribution Account. The Servicer will pay all expenses incurred by it in connection with its collection activities and will not be entitled to reimbursement of those expenses except for auction, painting, repair or refurbishment expenses and similar expenses with respect to the Leased Vehicles. The Servicer will have no responsibility, however, to pay any credit losses with respect to the Purchased Lease Receivables. VWL is entitled to receive late collections on Purchased Lease Receivables which will be collected by the Servicer in case of a termination of a Lease Contract after the date of the final write-off of a Lease Contract made by the Servicer in accordance with its customary practices as applicable from time to time.

The Servicer may be replaced in case of a Servicer Replacement Event as outlined below. In that case the costs of replacing it are also to be paid from income from the investment of the funds in the Distribution Account and the Cash Collateral Account. If these proceeds do not cover the said costs, the difference is to be made up from the General Cash Collateral Amount.

To the extent to which VWL receives a full or partial advance payment of a Purchased Lease Receivable, it is to hold such amount until it becomes due.

#### **Reporting Duties of the Servicer**

Under the Servicing Agreement the Servicer has undertaken to report the following facts to the Issuer, the Security Trustee, the Principal Paying Agent and the Rating Agencies on each respective 16th day of a calendar month, or in the event this is not a banking day in Frankfurt am Main, then on the next succeeding banking day in Frankfurt am Main:

- (i) The aggregate amount to be distributed on each Class A Note, each Class B Note and on the Subordinated Loan on the Payment Date immediately following,
- (ii) the repayment of the nominal amount attributed to each Class A Note, to each Class B Note and to the Subordinated Loan as distributed together with the interest payment,
- (iii) the nominal amount still outstanding on each Class A Note, on each Class B Note and on the Subordinated Loan as of each respective Payment Date,
- (iv) the Note Factor of the Class A Notes, and of the Class B Notes,
- (v) the amounts still available in the General Cash Collateral Amount on the Payment Date following the immediately following Payment Date,
- (vi) the sums corresponding to the administration and servicing fees,
- (vii) the Cumulative Net Loss Ratio and whether a Credit Enhancement Increase Condition is in effect,
- (viii) the current Class A Overcollateralisation Percentage and the current Class B Overcollateralisation Percentage,
- (ix) the applicable targeted Class A Overcollateralisation Percentage and the applicable target Class B Overcollateralisation Percentage,

- (x) delinquency information for delinquency periods of up to one month, up to two months, up to three months and more than three months with respect to the number of delinquent Lease Contracts, the amount of delinquent Lease Receivables and the total outstanding Discounted Lease Balance of delinquent Lease Contracts,
- (xi) in the event of the final Payment Date, the fact that such date is the final payment date, and
- (xii) the confirmation that VWL has complied with its statutory obligation to pay VAT to its tax office on the Purchased Lease Receivables when such VAT became due for payment. Should VWL fail to deliver such confirmation, the Servicer will report the actual VAT deficiency ledger.

Under the aforementioned agreement, the Servicer will also provide the rating agencies with such other information as they may reasonably request.

### **Distribution Duties of the Servicer**

On the 21<sup>st</sup> day of each month or, if this day is not a Business Day, then the next following Business Day (unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day), is a Payment Date. No later than the Payment Date of each month, the Servicer will have made available to the Issuer in the Distribution Account in the manner stated below under "Distribution Procedure" (see below) the amount due and received from Lessees and other sources during the prior month.

### **Distribution Procedure**

The Servicer has undertaken to transfer by the Payment Date of each month to the Distribution Account maintained by the Issuer with the Account Bank the Collections to be paid to the Noteholders and to be paid to the Swap Counterparty under the Swap Agreements on the Payment Date of that month.

### **Administration of Insurance Benefits and Realisation of Security**

The Servicer is authorised and obligated to assert in accordance with its customary practices as they exist from time to time in relation to the respective insurance companies, the claims to payment or other benefits under the vehicle insurance policies assigned to the Issuer pursuant to the Purchase Agreement. Although each Lease Contract contains provisions which require the Lessee to obtain insurance with respect to the Leased Vehicle, VWL will have no requirement to monitor the compliance by the Lessees with these provisions and VWL will have no liability for any failure by a Lessee to comply with these provisions.

Upon the termination of a Lease Contract, the Servicer is authorised and obligated in accordance with its customary practices as they exist from time to time to appropriate the respective vehicles on behalf of the Security Trustee or upon the occurrence of an event described in the Security Agreement and to realise such vehicles on behalf of the Security Trustee by private sale or by another measure chosen by the Servicer, upon due assessment of the circumstances.

### **Amendments to the Servicing Agreement**

VWL will be entitled to unilaterally amend any term or provision of the Lease Receivables Purchase Agreement with the consent of the Issuer but without the consent of any Noteholder, any Swap Counterparties, the Subordinated Lender or any other Person; provided that (if such

amendment is not only a correction of a manifest error or of a formal, minor or technical nature) such amendment shall only become valid,

- (A) if it is notified to the Security Trustee and the Rating Agencies and the Issuer and VWL have received a confirmation (x) from the Security Trustee that in the sole professional judgment of the Security Trustee, such amendment will not be materially prejudicial to the interests of any such Transaction Creditor and (y) from Fitch and S&P that the ratings then assigned to the Notes will not be adversely affected by such amendment and that the Rating Agency Confirmation is satisfied thereby; and
- (B) if any of the amendments relate to the amount, the currency or the timing of the cashflow received by the Issuer under the Purchased Lease Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparty in the Order of Priority, then the consent of the Swap Counterparties will be required; and
- (C) in case of amendments which materially and adversely affect the interests of the Issuer, the Security Trustee, the Swap Counterparties or the Subordinated Lender if such parties that are materially and adversely affected have consented to such amendment.

All amendments to the Servicing Agreement shall be notified to the Rating Agencies.

The Security Trustee shall have the right to request a reputable international law firm to confirm the legal validity of such amendment and/or to describe the legal effects of such amendment and to incur reasonable expenses for such consultation which shall be reimbursed by VWL.

The Servicing Agreement may also be amended from time to time by VWL with the consent of (a) the Issuer and (b) Class A Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class A Notes, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Servicing Agreement or of modifying in any manner the rights of the Noteholders; (x) provided that no such amendment shall (i) reduce the interest rate or principal amount of any Note or delay the Scheduled Repayment Date or Legal Maturity Date of any Note without the consent of the respective Noteholder, or (ii) reduce the percentage of the aggregate outstanding principal amount of the Class B Notes without the consent of Class B Noteholders evidencing not less than a majority of the aggregate outstanding principal amount of the outstanding Class B Notes, and (y) provided further that if any of the amendments relate to the amount, the currency or the timing of the cashflow received by VWL under the Purchased Lease Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparties in the Order of Priority, or materially and adversely affects the interests of the Swap Counterparties, then the consent of the Swap Counterparties will be required. It will not be necessary for the consent of Noteholders to approve the particular form of any proposed amendment or consent, but it will be sufficient if such consent approves the substance thereof. The manner of obtaining such consents (and any other consents of Noteholders provided for in the Servicing Agreement) and of evidencing the authorisation of the execution thereof by Noteholders will be subject to such reasonable requirements as the Security Trustee may prescribe, including the establishment of record dates. Upon full redemption of all Class A Notes, the foregoing sentence shall apply with the modification that the required Class A Noteholder consent as set out under (b) shall be replaced by consent of Class B Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class B Notes.

## **Dismissal and Replacement of the Servicer**

After a Servicer Replacement Event, the Issuer is entitled to dismiss the Servicer by written notification and to appoint a new Servicer. The dismissal and the appointment of a new Servicer shall only become effective after the new Servicer has (i) taken over all the rights and obligations of the Servicer hereunder and (ii) agreed to indemnify and hold harmless the dismissed Servicer. However, the Servicer shall use best efforts that the appointment of the new Servicer shall become effective no later than 3 months after the Servicer Replacement Event.

The Issuer is entitled to transfer its right to dismiss the Servicer to the Security Trustee. The Servicer is obligated with respect to the Issuer, for the benefit of the Security Trustee by way of a third party beneficiary contract pursuant to section 328 German Civil Code, to hold the Security Trustee harmless from all procedures, claims, obligations and liabilities as well as all related costs, fees, damages claims and expenditures arising in the execution of the Security Trustee's duties or arising from an alleged fault in carrying out its duties except to the extent that any cost, expense, loss, claim, damage or liability arises out of or is incurred as a result of the negligence of the Security Trustee or the non-compliance by the Security Trustee with the provisions of the Transaction Documents.

"Servicer Replacement Event" means, *inter alia*, (i) an unremedied failure (and such failure is not remedied within three business days of notice of such failure being given) by the Servicer to deliver or cause to be delivered any required payment to the Issuer for distribution to the Noteholders, to the Swap Counterparties and the Subordinated Lender, (ii) unremedied failure (and such failure is not remedied within three business days of notice of such failure being given) to duly observe or perform in any material respect any other of its covenants or agreements, which materially and adversely affects the rights of the Issuer or the Noteholders, or (iii) the Servicer suffering an insolvency event; provided, however, that failure of performance referred to under clauses (i) or (ii) above for a period of 150 days will not constitute a Servicer Replacement Event if such delay or failure was caused by an event beyond the reasonable control of the Servicer, an act of god or other similar occurrence.

## **Audit of Activities of the Servicer**

The activities of the Servicer under the Servicing Agreement are to be audited annually by chartered accountants to be appointed by the Issuer. The costs of such audit are to be borne by the Servicer.



## SECURITY TRUSTEE

The Issuer has entered into a Trust Agreement with Faegre & Benson LLP as Security Trustee and VWL. The Security Trustee's address is at Main Tower, Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany. The Security Trustee is not affiliated with the Issuer or VWL and maintains no other non-arm's length business relationship with the Issuer or VWL. Under this agreement the Issuer has authorised the Security Trustee to act as fiduciary agent for the Transaction Creditors.

The Trust Agreement creates the Trustee Claim of the Security Trustee against the Issuer pursuant to which the Security Trustee shall be entitled to demand that the Issuer makes all payments owed to the Transaction Creditors directly or, in the event of non-performance, to the Security Trustee for transfer of such amounts to the respective Transaction Creditors.

As collateral for the Trustee Claim, the Issuer has assigned and pledged to the Security Trustee the Security under the Transaction Documents and has further assigned for security purposes (*Sicherungseigentum*) and pledged the title to the Leased Vehicles (including title to newly fitted parts and accessories) which it acquired from VWL, whereby the act of delivery has been substituted by the assignment of its surrender claims and has assigned to the Security Trustee its claims for payment of its share in the proceeds resulting from a realisation of the Leased Vehicles by the Security Trustee.

The Security Trustee has agreed to maintain and manage the Security, or, as the case may be, to realise them. However, until revocation by the Security Trustee the management/exercise of the Security remains vested in the Servicer, provided that the Issuer fulfils its obligations under the Notes.

The parties to the Trust Agreement have agreed that the Security Trustee, under the Trust Agreement, shall act exclusively for the benefit of the Transaction Creditors, except as regards the realisation of the Leased Vehicles and the distribution of the realisation proceeds achieved thereby.

Except as expressly provided for otherwise in the Trust Agreement, the Security Trustee is not required to monitor the fulfilment of the Issuer's obligations under the Notes, the Conditions of the Notes or any other agreement to which the Issuer is a party.

Notwithstanding the provisions of the Trust Agreement, all rights of the Noteholders under the Notes shall remain at all times and under all circumstances vested in the Noteholders.

The Trust Agreement does not obligate the Security Trustee to take any action (except to hold and realise the Security) unless any of the following events occur:

- (i) insolvency proceedings or other proceedings are instituted against the assets of the Issuer, which affect or prejudice the performance of the obligations arising from the Notes, the Subordinated Loan or the Transaction Documents or the Security, or the institution of such proceedings is refused due to insufficient assets;
- (ii) the Issuer defaults in the payment of any interest on any Note of when the same becomes due and payable, and such default shall continue for a period of five days; or
- (iii) the Issuer defaults in the payment of principal of any Note on the Legal Maturity Date.

Amounts generally, except interest on the Class A Notes, will not be due and payable on any Note on any Payment Date prior to the Legal Maturity Date of that Note except to the extent there are sufficient funds in the Available Distribution Amount and the General Cash Collateral Amount to pay such amounts in accordance with the Order of Priority of distributions described above.

VWL will be entitled to amend the Trust Agreement as provided for in Clause 44 of the Trust Agreement.

For the complete text of the Trust Agreement, see "TRUST AGREEMENT".

## RATINGS

The Class A Notes are expected to be rated AAA by Fitch, Aaa by Moody's and AAA by S&P.

The Class B Notes are expected to be rated A+ by Fitch, A1 by Moody's and A+ by S&P.

The rating of "AAA" is the highest rating that Fitch assigns to long term debts and "Aaa" is the highest rating that Moody's assigns to long term debts and "AAA" is the highest rating S&P assigns.

The rating of the Class A Notes addresses the ultimate payment of principal and timely payment of interest according to the Terms and Conditions of the Notes. The rating of the Class B Notes addresses the ultimate payment of principal and interest according to the Terms and Conditions of the Notes. The rating takes into consideration the characteristics of the Lease Receivables and the structural, legal, tax and Issuer-related aspects associated with the Notes. The Moody's rating addresses the expected loss posed to investors until the legal final maturity. Moody's believes that the structure allows for timely payment of interest.

The ratings assigned to the Notes should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time. In the event that the ratings initially assigned to any Class of the Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to such Class of Notes.

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

References to ratings of Fitch, Moody's and S&P in this Prospectus shall have the following meaning:

### **Ratings Definitions Fitch**

#### **Long-Term Issuer Credit Ratings**

##### **AAA**

The rating "AAA" denotes the lowest expectation of credit risk. It is assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

##### **A**

The rating "A" denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may nevertheless be more vulnerable to changes in circumstances or in economic conditions than it is the case for higher ratings.

##### **Plus (+) or minus (-)**

"+" or "-" may be appended to a rating to denote relative status within major rating categories. Such

suffix is not added to the "AAA" category.

### **Short-Term Issuer Credit Ratings**

#### **F1**

The rating "F1" indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

### **Ratings Definitions Moody's**

#### **Long-Term Ratings Definitions**

#### **Aaa**

Obligations rated "Aaa" are judged to be of the highest quality, with minimal credit risk.

#### **A**

Obligations rated "A" are considered upper-medium grade and are subject to low credit risk.

#### **Baa**

Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

### **Short-Term Ratings Definitions**

Moody's short-term ratings are opinions of the ability of issuers to honour short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

#### **P-1**

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

### **Ratings Definitions S&P**

#### **Long-Term Issuer Credit Ratings**

#### **AAA**

An obligor rated "AAA" has extremely strong capacity to meet its financial commitments. "AAA" is the highest Issuer Credit Rating assigned by Standard & Poor's.

**A** An obligor rated "A" has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

**Plus (+) or minus (-)** The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

**Short-Term Issuer Credit Ratings**

**A-1** An obligor rated "A-1" has strong capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.

## **THE ISSUER**

### **1. General**

The Issuer, VCL No.9 S.A., a company with limited liability (société anonyme), was incorporated under the laws of Luxembourg on 06 November 2006, for an unlimited period and with registered office at 7, Val Ste Croix, L-1371 Luxembourg (telephone: + 352 22 11 90). The Issuer is registered with the Luxembourg Commercial Register under registered number B 121 667 on 6 November 2006.

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

### **2. Corporate Purpose of the Issuer**

The company shall have as its business purpose the securitisation (within the meaning of the Luxembourg Securitisation Law which shall apply to the company) of receivables (the "Permitted Assets"). The company shall not actively source Permitted Assets but shall only securitise those Permitted Assets that are proposed to it by one or several originators. The company may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, provided it is consistent with (1) the Luxembourg Securitisation Law and (2) paragraph 35 of the Statement of Financial Accounting Standards No. 140 of the United States.

### **3. Business Activity**

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

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

### **4. Corporate Administration and Management**

The Directors of the Issuer are:

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

### **5. Capital, Shares and shareholders**

The subscribed capital of the Issuer is set at EUR 31,000 divided into 3100 shares fully paid up, registered shares with a par value of EUR 10 each.

The shareholder of the Issuer, who has an influence on the Issuer and control the Issuer, is Stichting Lauriet.

## **6. Capitalisation**

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

Share Capital

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

## **7. Indebtedness**

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

## **8. Holding Structure**

Stichting Lauriet, prenamed 3,100 shares

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Total 3,100 shares

## **9 Subsidiaries**

The Issuer has no subsidiaries or Affiliates.

## **10 Name of the Issuer's financial auditors**

PricewaterhouseCoopers Sàrl  
400, route d'Esch  
B.P. 1443 L-1014 Luxembourg

Luxembourg

PricewaterhouseCoopers Sàrl is a member of the Institut des Réviseurs d' Entreprises.

## **11. Main Process for Director's Meetings and Decisions**

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

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

The office of a director shall be vacated if:

He resigns his office by notice to the company, or

He ceases by virtue of any provision of the law or he becomes prohibited or disqualified by law from being a director, or

He becomes bankrupt or makes any arrangement or composition with his creditors generally, or

He is removed from office by resolution of the shareholders.

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

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

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

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

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

All powers not expressly reserved by law or by the present articles of association to the general meeting of shareholders fall within the competence of the Board of Directors. The Board of Directors may pay interim dividends in compliance with the relevant legal requirements.

The company will be bound in any circumstances by the joint signatures of two members of the Board of Directors unless special decisions have been reached concerning the authorized signature in case of delegation of powers or proxies given by the Board of Directors pursuant to article 10 of the present articles of association.

The Board of Directors may delegate its powers to conduct the daily management of the company to one or more directors, who will be called managing directors.

It may also commit the management of all the affairs of the company or of a special branch to one or more directors, and give special powers for determined matters to one or more proxy holders, selected from its own members or not, whether shareholders or not.

## **12. Financial Statements**

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

The business year of the Issuer extends from 1 January to 31 December. The first business year begins on 6 November 2006 and ends on 31 December 2007 so that the first annual general meeting of the shareholder will be held in 2008. As the Issuer is in its first year of business and the Issuer has not commenced operations since its incorporation, no annual accounts have yet been prepared or published.



### **13. Inspection of Documents**

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

- (a) the Articles of Incorporation of the Issuer;
- (b) the resolution of the board of directors of the Issuer approving the issue of the Notes;
- (c) the Prospectus, the Master Definitions Schedule and all the Transaction Documents referred in this Prospectus; and
- (d) the historical financial information (if any) of the Issuer.

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

*The Notes will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of Volkswagen Leasing GmbH, Volkswagen AG or any other person or entity. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by the Issuer, the Seller, the Servicer (if different), the Interest Determination Agent, the Security Trustee, the Joint-Lead Managers, the Managers, the Co-Arrangers or any of their respective Affiliates, the Subordinated Lender, the Account Bank, the Principal Paying Agent, the Calculation Agent, the Luxembourg Paying Agent, the Luxembourg Listing Agent, the Swap Counterparty, the Data Protection Trustee or the Corporate Services Provider.*

## **CORPORATE ADMINISTRATION AND ACCOUNTS**

### **Corporate Administration**

Pursuant to the Corporate Services Agreement, the Issuer has appointed Structured Finance Management (Luxembourg) S.A. as Corporate Services Provider to provide management, secretarial and administrative services to the Issuer including the provision of directors of the Issuer. The Corporate Services Provider is a company incorporated in Luxembourg. It is not in any manner associated with the Issuer or with the Volkswagen Group. The Corporate Services Provider will inter alia provide the following services:

- provide three Directors and secretarial, clerical, administrative services;
- convene meetings of shareholders;
- maintain accounting records; and
- procure that the annual accounts of the Issuer are prepared, audited and filed.

The Corporate Services Provider will, furthermore, fulfil or cause to be fulfilled all the obligations of the Issuer under the contracts to which it is a party and which are mentioned in this Prospectus, which are as follows:

- Lease Receivables Purchase Agreement;
- Servicing Agreement;
- Corporate Services Agreement;
- Trust Agreement and Deed of Charge and Assignment;
- Data Protection Trust Agreement;
- Swap Agreements;
- Agency Agreement;
- Subordinated Loan Agreement; and
- Account Agreement.

As consideration for the performance of its services and functions under the Corporate Services Agreement, the Issuer will pay the Corporate Services Provider a fee as separately agreed. Recourse of the Corporate Services Provider against the Issuer is limited accordingly. See "TERMS AND CONDITIONS OF THE NOTES".

## TERMS AND CONDITIONS OF THE CLASS A NOTES

The terms and conditions of the Class A Notes (the "**Conditions**") are set out below. Annex A to the Conditions sets out the "TRUST AGREEMENT", Annex B to the Conditions sets out the "MASTER DEFINITIONS SCHEDULE". In case of any overlap or inconsistency in the definition of a term or expression in the Conditions and elsewhere in this Prospectus, the definition contained in the Conditions will prevail. For Annex A referred to under the Conditions of the Class A Notes see "TRUST AGREEMENT".

### 1. Form and Nominal Amount

- (1) The issue by VCL No. 9 S.A. (the "**Issuer**") in an aggregate nominal amount of EUR 940,200,000 (the "**Nominal Amount**") is divided into

18,804 Class A Notes payable to bearer,  
(the "**Class A Notes**")  
each having a nominal amount of EUR 50,000

- (2) The Class A Notes are initially represented by a temporary global bearer note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall together be referred to as the Global Notes. The Temporary Global Note and the Permanent Global Note shall be deposited with a Common Safekeeper for Clearstream Luxembourg and Euroclear. The Global Note will bear the personal signatures of two managing directors of the Issuer and will be authenticated by an employee of Société Générale Bank & Trust (the "**Principal Paying Agent**").
- (3) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date for such exchange will not be earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a United States person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40<sup>th</sup> day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this Condition 1(3). Certifications may be issued after receipt of certifications by beneficial owners or owners of the Notes. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States and its possessions.
- (4) The interests in the Class A Notes are transferable only according to applicable rules and regulations of Clearstream Luxembourg, and Euroclear, as the case may be. The Global Note will not be exchangeable for definitive Class A Notes.
- (5) Simultaneously with the Class A Notes the Issuer has issued EUR 30,350,000 Class B Floating Rate Notes 2007/2012 (the "**Class B Notes**" and together with the Class A Notes, the "**Notes**"), which rank junior to the Class A Notes with respect to payment of interest and principal as described in the Order of Priority.

- (6) The Issuer will borrow from the Subordinated Lender the Subordinated Loan in the nominal amount of EUR 28,300,000, which ranks junior to the Notes with respect to payment of interest and principal as described in the Order of Priority.
- (7) The Notes are subject to the provisions of the Trust Agreement between the Issuer, the Security Trustee and VWL. The provisions of the Trust Agreement are set out in Annex A. Annex A constitutes part of these Conditions. The Trust Agreement is available for inspection during normal business hours at the specified offices of Société Générale Bank & Trust (the "**Listing Agent**").
- (8) For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream Luxembourg, each person (other than Euroclear or Clearstream Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream Luxembourg, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream Luxembourg, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any paying agent as the holder of such nominal amount of the Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any paying agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly).

## **2. Status and Ranking**

- (1) The Class A Notes constitute direct, unconditional and unsubordinated obligations of the Issuer. The Class A Notes rank *pari passu* among themselves.
- (2) The claims of the holders of the Class A Notes under the Class A Notes are ranked against the claims of all other creditors of the Issuer in accordance with the Order of Priority, unless mandatory provisions of law provide otherwise.

## **3. The Issuer**

The Issuer is a company incorporated with limited liability under the laws of Luxembourg and which has been founded solely for the purpose of issuing the Notes and raising the Subordinated Loan and concluding and executing various agreements in connection with the Issue of the Notes and the raising of the Subordinated Loan.

## **4. Assets of the Issuer for the Purpose of Payments on the Notes and on the Subordinated Loan, Provision of Security, Limited Payment Obligation**

- (1) The Issuer will use the proceeds of the Issue of the Notes and of the Subordinated Loan to acquire from VWL (a) pursuant to the Lease Receivables Purchase Agreement (i) Purchased Lease Receivables and ancillary rights arising from Lease Contracts which VWL has concluded with private individual and commercial Lessees and (ii) claims against the insurer pursuant to loss insurance policies covering the respective Leased Vehicles, damage claims arising from a breach of contract or in tort against a respective Lessee, in particular claims to lump-sum damages in case of default of the Lessee as well as any interest due and claims against third parties due to damage to or loss of the Leased Vehicles and the right to require VWL to repurchase the Lease Receivables in case of a breach of warranties and (b) pursuant to the Lease Receivables Purchase Agreement the

Collateral Ownership Interest in the Leased Vehicles. The Issuer has transferred the Collateral Ownership Interest in the Leased Vehicles to the Security Trustee and, in exchange thereof, it has obtained the right to receive a defined share of the realisation proceeds, if any. The collection and administration of the Purchased Lease Receivables and Lease Collateral, to which VWL has reserved itself the right and assumed the duty in the Lease Receivables Purchase Agreement, shall be carried out on the basis of the Servicing Agreement between the Issuer, VWL (in this capacity, the "Servicer") and the Security Trustee. In addition, subject to revocation by the Security Trustee, VWL is entitled and obligated according to the provisions of the Trust Agreement to realise the Leased Vehicles on behalf of the Security Trustee as necessary. Furthermore, the Issuer has entered into additional agreements in connection with the acquisition of the Purchased Lease Receivables and Lease Collateral and the Issue of the Notes and the raising of the Subordinated Loan, in particular, the Subordinated Loan Agreement with an Affiliate of Volkswagen AG, the Data Protection Trust Agreement with Volkswagen Bank GmbH and the Security Trustee, a Corporate Services Agreement with the Corporate Services Provider, two Swap Agreements with the Swap Counterparty, the Agency Agreement with VWL and the Principal Paying Agent, and the Accounts Agreement with the Account Bank and, if required, Swap Termination Payment Accounts. The agreements and documents referred to in this paragraph (1) are collectively referred to as the "**Transaction Documents**" and the creditors of the Issuer under these Transaction Documents are referred to as "**Transaction Creditors**".

- (2) The Issuer has transferred or pledged the Purchased Lease Receivables and Lease Collateral, the right to receive a defined share of the realisation proceeds of the Leased Vehicles and all of its claims arising under the Transaction Documents to the Security Trustee as collateral for its obligations under the Notes and the Subordinated Loan Agreement and other obligations specified in the Trust Agreement. As to the form and contents of such provision of security, reference is made to the provisions of the Trust Agreement.
- (3) All payment obligations of the Issuer under the Class A Notes, the Class B Notes and the Subordinated Loan Agreement constitute solely obligations to distribute amounts out of the Available Distribution Amount as generated, *inter alia*, by payments to the Issuer by the Lessees and by the Swap Counterparty under the Swap Agreement(s), as available on the respective Payment Dates. The Class A Notes shall not give rise to any payment obligation in excess of the foregoing and recourse shall be limited accordingly. The Issuer shall hold all moneys paid to it – save for certain investments permitted under Clause 24(2) of the Trust Agreement– pursuant to Clause 23 of the Trust Agreement in the Distribution Account. Further, the Issuer will on the Issue Date establish and thereafter maintain the Cash Collateral Account pursuant to Clause 25 of the Trust Agreement to provide limited coverage for payments of interest and principal on the Notes and certain other amounts. Furthermore, the Issuer shall exercise all of its rights under the Transaction Documents with the due care of a prudent businessman such that obligations under the Class A Notes may, subject always to the provisions of these Conditions of the Class A Notes as to the Order of Priority, be performed to the fullest extent possible. To the extent that upon the exercise of such rights funds in the Distribution Account and the General Cash Collateral Amount are insufficient to satisfy in full the claims of all Transaction Creditors any claims remaining unpaid shall be extinguished at the Class A Legal Maturity Date which is 12 months after the Class A Scheduled Repayment Date and the Issuer shall have no further obligations thereto and, for the avoidance of doubt, neither the holders of the Class A Notes nor the Security

Trustee shall have any further claims against the Issuer in respect of such claims remaining unpaid.

- (4) The enforcement of the payment obligations under the Class A Notes, the Class B Notes, the Swap Agreements and the Subordinated Loan Agreement pursuant to paragraph (3) shall only be effected by the Security Trustee for the benefit of all Class A Noteholders, Class B Noteholders, the Swap Counterparties and the Subordinated Lender. The Security Trustee is required to foreclose on the Purchased Lease Receivables and Lease Collateral in case of a Foreclosure Event, on the conditions and in accordance with the terms set forth in Clauses 19 through 22 of the Trust Agreement.
- (5) The other parties to the Transaction Documents shall not be liable for the obligations of the Issuer.
- (6) No shareholder, officer, director, employee or manager of the Issuer or of Volkswagen AG or its Affiliates shall incur any personal liability as a result of the performance or non-performance by the Issuer of its obligations under the Transaction Documents. Any recourse against such a person is excluded accordingly.

#### **5. Further Covenants of the Issuer**

- (1) As long as any of the Notes and/or the Subordinated Loan remains outstanding, the Issuer is not entitled, without the prior consent of the Security Trustee, to develop any activities described in Clause 41 of the Trust Agreement.
- (2) The counterparties of the Transaction Documents are not liable for covenants of the Issuer.

#### **6. Payment Date, Payment Related Information**

The Issuer shall inform the holders of the Class A Notes, not later than on the "Service Report Performance Date" which is the 16th day of each calendar month or in the event this day is not a Business Day, then on the next succeeding Business Day by means of the publication provided for under Condition 12, with reference to the Payment Date (as described below) of such month, as follows:

- (i) the repayment of the nominal amount payable on each of the Class A Notes (if any) and the amount of interest calculated and payable on the Class A Notes on the succeeding 21<sup>st</sup> day of such calendar month or, if this is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day (each respectively a "**Payment Date**");
- (ii) the nominal amount remaining outstanding on each of the Class A Notes as per each respective Payment Date and the amount of interest remaining unpaid, if any, on the Class A Notes as from such Payment Date;
- (iii) the Class A Notes Factor, which shall be calculated as follows:

$$\text{NF} = \frac{940,200,000 - \text{KR}}{940,200,000}$$

whereby NF means the Class A Notes Factor which is calculated to six decimal places and KR means the total of all repayments of the nominal amount of all Class A Notes paid and contained respectively in each payment up to each respective Payment Date;

- (iv) the remaining General Cash Collateral Amount; and
- (v) in the event of the final Payment Date with respect to the Class A Notes, the fact that this is the last Payment Date.

The Issuer shall make available for inspection by the holders of the Class A Notes, in its offices at 7 Val Ste Croix, L-1371 Luxembourg and during normal business hours, the documents from which the figures reported to the holders of the Class A Notes are calculated.

## 7. **Payments of Interest**

- (1) Subject to the limitations set forth in Condition 4(3) each outstanding principal amount in respect of the Class A Notes shall bear interest from (and including) 26 February 2007 (the "**Issue Date**") until (and including) the day preceding the day on which the principal amount has been reduced to zero.
- (2) The amount of interest payable in respect of each Class A Note on any Payment Date shall be calculated by applying the Interest Rate for the Relevant Interest Accrual Period to the principal amount outstanding immediately prior to the relevant Payment Date and multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360 and rounding the result to the nearest full cent, all as determined by Fortis Intertrust (Netherlands) B.V. (the "**Calculation Agent**").
- (3) The interest rate calculated pursuant to paragraph (2) shall be the EURIBOR rate for one month Euro deposits plus 0.05 per cent. (the "**Interest Rate**").
- (4) Accrued Interest not paid on a Class A Note on the Payment Date related to the Interest Accrual Period in which it accrued, will be an "**Interest Shortfall**" with respect to such Class A Note will be carried over to the next Payment Date and will not constitute a Foreclosure Event as defined in Clause 19(1) of the Trust Agreement.

## 8. **Payment obligations, Agents**

- (1) On each Payment Date the Issuer shall, subject to Condition 4(3), pay to each holder of a Class A Note interest at the Interest Rate on the Nominal Amount of the Class A Notes outstanding immediately prior to the respective Payment Date or, with respect to the first Payment Date EUR 940,200,000, and redeem the Nominal Amount of the Class A Notes by applying the amount remaining thereafter in accordance with the Order of Priority.
- (2) Sums which are to be paid to holders of a Class A Note shall be rounded down to the next lowest cent amount for each of the Class A Notes. The amount of such rounding down to the next cent amount shall be used in the next following Payment Date and the surplus carried over to the following Payment Date. The Servicer shall be entitled to any amount less than EUR 500 remaining on the Legal Maturity Date (as defined below).

- (3) Payments of principal and interest, if any, on the Notes shall be made by the Principal Paying Agent or Société Générale Bank & Trust (the "**Luxembourg Paying Agent**") on the Issuer's behalf for further payment to Clearstream Luxembourg and Euroclear or to its order for credit to the relevant account holders of Euroclear and Clearstream Luxembourg. All Payments in respect of any Note made by, or on behalf of, the Issuer to, or to their order of Euroclear or Clearstream Luxembourg shall discharge the liability of the Issuer under such Note to the extent of sums so paid.

The first Payment Date shall be 21 March 2007. The final payment of the then outstanding principal amount plus interest thereon is expected to take place on or before the Payment Date following the Monthly Period which includes the last day on which a lease payment on outstanding Purchased Lease Receivables becomes due, falling in April 2011 (the "**Class A Scheduled Repayment Date**"). All payments of interest on and principal of the Class A Notes will be due and payable at the latest in full on the Legal Maturity Date of the Class A Notes, which shall be 12 months after the Class A Scheduled Repayment Date and which shall be the Payment Date falling in April 2012 (the "**Class A Legal Maturity Date**").

- (4) Payments shall be made from the Issuer's accounts with Société Générale Frankfurt (the "**Account Bank**") by the Principal Paying Agent or the Luxembourg Paying Agent, which may also include a substitute or alternative paying agent pursuant to paragraph (5) without having to execute an affidavit or fulfil any formalities other than the compliance with tax, currency exchange or other regulations of the country where the payment takes place. The Issuer is entitled to transfer paid-in amounts to the Accounts Bank prior to the Payment Date and leave with the Accounts Bank any amounts not claimed by the Noteholders upon maturity. No interest shall be paid on the accounts held by the Accounts Bank.
- (5) In their capacity as such, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent and the Interest Determination Agent, respectively, shall act solely as the agent of the Issuer and shall not maintain an agency or trust relationship with the holders of the Class A Notes. The Issuer may appoint a new principal paying agent, Luxembourg paying agent, calculation agent and/or an interest determination agent, or if there are grounds to do so, appoint an alternative principal paying agent, Luxembourg paying agent, calculation agent and/or an alternative interest determination agent and revoke the appointment of the Principal Paying Agent and/or the Interest Determination Agent. Appointments and revocations thereof shall be announced pursuant to Condition 12. The Issuer will ensure that during the term of the Notes and as long as the Notes are listed on the Luxembourg Stock Exchange a paying agent located in Luxembourg will be appointed at all times and will be released from the restrictions of section 181 of the German Civil Code.

## **9. Taxes**

Payments shall only be made after the deduction and withholding of current or future taxes, levies or government charges, regardless of their nature, which are imposed, raised or collected ("taxes") on the basis of the applicable laws of, or for the account of, an authority or government agency authorised to levy taxes or of any country which claims fiscal jurisdiction, to the extent that such a collection is prescribed by statute. The Issuer shall render an account of the deducted or withheld taxes accruing to the competent government agencies and shall, upon a Class A Noteholder's request, provide proof thereof. It is not obligated to pay any additional amounts to settle tax claims.



## **10. Replacement of Issuer**

- (1) The Issuer is at any time entitled to appoint another company (the "**New Issuer**") in place of the Issuer as debtor for all obligations arising from and in connection with the Notes insofar as (i) the New Issuer assumes all rights and duties of the Issuer under or pursuant to the Class A Notes, the Class B Notes, the Subordinated Loan, the Lease Receivables Purchase Agreement, the Trust Agreement, the Servicing Agreement, the Corporate Services Agreement, the Data Protection Trust Agreement, the Swap Agreements and the Agency Agreement by means of an agreement with the Issuer; provided further, the Security is, upon the Issuer's replacement, to be held by the Trustee for the purpose of securing the obligations of the New Issuer, (ii) no further expenses or legal disadvantages of any kind arise for the holders of the Class A Notes, the holders of the Class B Notes or the Subordinated Lender of the Subordinated Loan from such an assumption of debt and this fact has been established in legal opinions which can be examined at the premises of the Principal Paying Agent, (iii) the New Issuer provides proof that it has obtained all of the necessary governmental approvals in the country in which it has its corporate seat and that it may fulfil all of the duties arising out of or in connection with the Trust Agreement without discrimination against the holders of the Class A Notes, the holders of the Class B Notes or the Subordinated Lender of the Subordinated Loan as a whole, (iv) the Issuer and the New Issuer conclude such agreements and execute such documents which the Trustee considers necessary for the effectiveness of the replacement and (v) Fitch, Moody's and S&P have agreed to the replacement and confirmed a rating of the Notes outstanding. Upon fulfilment of the aforementioned conditions the New Issuer shall in every respect replace the Issuer, and the Issuer shall be released from all obligations relating to the function of an issuer vis-à-vis the holders of the Class A Notes under or in connection with the Class A Notes, the holders of the Class B Notes under or in connection with the Class B Notes and the Subordinated Lender under or in connection with the Subordinated Loan.
- (2) Such replacement of the Issuer must be published in accordance with Condition 12.
- (3) In the event of such replacement of the Issuer, each reference to the Issuer in these Terms and Conditions of the Class A Notes shall be deemed to be a reference to the New Issuer.

## **11. Loss of Notes**

- (1) The period for presenting the Global Note prescribed in section 801 para. 1 German Civil Code shall end 5 years after the final Payment Date.
- (2) Should the Global Note become lost, stolen, damaged or destroyed, then it may be replaced at the Issuer's offices upon payment by the claimant of the costs arising in connection thereto. The Issuer may require proof of a declaration of exemption and/or adequate security prior to replacement. In the event of damage, the Global Note shall be surrendered before a replacement is issued. In the event of the loss or destruction of the Global Note, the possibility of invalidation under statutory provisions shall remain unaffected.

## **12. Notices**

All notices to the Noteholders regarding the Class A Notes shall be (i) published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require and (ii) delivered to the applicable clearing systems for communication by them to the Noteholders. Any notice referred to under (ii) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was delivered to the respective clearing system. Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **13. Miscellaneous**

- (1) The form and content of the Class A Notes and all of the rights and obligations of the holders of the Class A Notes, the Issuer, the Principal Paying Agent and the Servicer under these Class A Notes shall be subject in all respects to the laws of Germany.
- (2) Should any of the provisions hereof be or become invalid in whole or in part, the other provisions shall remain in force. The invalid provision shall, according to the intent and purpose of these Conditions, be replaced by such valid provision which in its economic effect comes as close as legally possible to that of the invalid provision.
- (3) The place of performance and venue is Frankfurt am Main. The German courts have jurisdiction for the annulment of the Global Note in the event of loss or destruction.
- (4) For any legal proceedings brought in connection with these Conditions of the Notes which have been initiated against the Issuer in a court of Germany, the Issuer grants Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany, the authority to accept service of process. The Issuer undertakes to maintain an agent for accepting such service in the Federal Republic of Germany as long as any of the Class A Notes are outstanding.

## TERMS AND CONDITIONS OF THE CLASS B NOTES

The terms and conditions of the Class B Notes (the "**Conditions**") are set out below. Annex A to the Conditions sets out the "TRUST AGREEMENT", Annex B to the Conditions sets out the "MASTER DEFINITIONS SCHEDULE". In case of any overlap or inconsistency in the definition of a term or expression in the Conditions and elsewhere in this Prospectus, the definition contained in the Conditions will prevail. For Annex A referred to under the Conditions of the Class B Notes see "TRUST AGREEMENT".

### 1. Form and Nominal Amount

- (1) The issue by VCL No. 9 S.A. (the "**Issuer**") in an aggregate nominal amount of EUR 30,350,000 (the "**Nominal Amount**") is divided into

607 Class B Notes payable to bearer,  
(the "**Class B Notes**")  
each having a nominal amount of EUR 50,000.

- (2) The Class B Notes are initially represented by a temporary global bearer note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall together be referred to as the Global Note. The Temporary Global Note and the Permanent Global Note shall be deposited with a Common Safekeeper for Clearstream Luxembourg and Euroclear. The Global Note will bear the personal signatures of two managing directors of the Issuer and will be authenticated by an employee of Société Générale Bank & Trust (the "**Principal Paying Agent**").
- (3) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date for such exchange will not be earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a United States person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this Condition 1(3). Certifications may be issued after receipt of certifications by beneficial owners or owners of the Notes. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States and its possessions.
- (4) The interests in the Class B Notes are transferable only according to applicable rules and regulations of Clearstream Luxembourg, and Euroclear, as the case may be. The Global Note will not be exchangeable for definitive Class B Notes.
- (5) Simultaneously with the Class B Notes the Issuer has issued EUR 940,200,000 Class A Floating Rate Notes 2007/2012 (the "**Class A Notes**" and together with the Class B Notes, the "**Notes**"), which rank senior to the Class B Notes with respect to payment of interest and principal as described in the Order of Priority.

- (6) The Issuer will borrow from the Subordinated Lender the Subordinated Loan in the nominal amount of EUR 28,300,000, which ranks junior to the Notes with respect to payment of interest and principal as described in the Order of Priority.
- (7) The Notes are subject to the provisions of the Trust Agreement between the Issuer, the Security Trustee and VWL. The provisions of the Trust Agreement are set out in Annex A. Annex A constitutes part of these Conditions of the Notes. The Trust Agreement is available for inspection during normal business hours at the specified offices of Société Générale Bank & Trust (the "**Listing Agent**").
- (8) For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream Luxembourg, each person (other than Euroclear or Clearstream Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream Luxembourg, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream Luxembourg, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any paying agent as the holder of such nominal amount of Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer and any paying agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly).

## **2. Status and Ranking**

- (1) The Class B Notes constitute direct and unconditional obligations of the Issuer. The Class B Notes rank *pari passu* among themselves.
- (2) The claims of the holders of the Class B Notes under the Class B Notes are ranked against the claims of all other creditors of the Issuer in accordance with the Order of Priority, unless mandatory provisions of law provide otherwise.

## **3. The Issuer**

The Issuer is a company incorporated with limited liability under the laws of Luxembourg and which has been founded solely for the purpose of issuing the Notes and raising the Subordinated Loan and concluding and executing various agreements in connection with the Issue of the Notes and the raising of the Subordinated Loan.

## **4. Assets of the Issuer for the Purpose of Payments on the Notes, and on the Subordinated Loan, Provision of Security, Limited Payment Obligation**

- (1) The Issuer has used the proceeds of the issue of the Notes and of the Subordinated Loan to acquire from VWL (a) pursuant to the Lease Receivables Purchase Agreement and (i) Lease Receivables and ancillary rights arising from Lease Contracts which VWL has concluded with private individual and commercial Lessees and (ii) claims against the insurer pursuant to loss insurance policies covering the respective Leased Vehicles, damage claims arising from a breach of contract or in tort against a respective Lessee, in particular claims to lump-sum damages in case of default of the Lessee as well as any interest due and claims against third parties due to damage to or loss of the Leased Vehicles and the right to require VWL to repurchase the Purchased Lease Receivables in case of a breach of warranties and (b) pursuant to the Lease Receivables Purchase

Agreement the title to the Leased Vehicles. The Issuer has transferred the title to the Leased Vehicles to the Security Trustee and in exchange thereof it has obtained the right to receive a defined share of the realisation proceeds, if any. The collection and administration of the Purchased Lease Receivables and Lease Collateral, to which VWL has reserved itself the right and assumed the duty in the Lease Receivables Purchase Agreement, shall be carried out on the basis of the Servicing Agreement between the Issuer, VWL (in this capacity, the "Servicer") and the Security Trustee. In addition, subject to revocation by the Security Trustee VWL, is entitled and obligated according to the provisions of the Trust Agreement to realise the Leased Vehicles on behalf of the Security Trustee as necessary. Furthermore, the Issuer has entered into additional agreements, described in Annex A, in connection with the acquisition of the Purchased Lease Receivables and Lease Collateral and the issue of the Notes and the raising of the Subordinated Loan, in particular, the Subordinated Loan Agreement with an Affiliate of Volkswagen AG, the Data Protection Trust Agreement with Volkswagen Bank GmbH and the Security Trustee, the Corporate Services Agreement with the Corporate Services Provider, two Swap Agreements with the Swap Counterparties, the Agency Agreement with VWL and the Principal Paying Agent, and the Account Agreement with the Account Bank and, if required, Swap Termination Payment Accounts. The agreements and documents referred to in this paragraph (1) are collectively referred to as the "**Transaction Documents**" and the creditors of the Issuer under these Transaction Documents are referred to as "**Transaction Creditors**".

- (2) The Issuer has transferred or pledged the Purchased Lease Receivables and Lease Collateral, the right to receive a defined share of the realisation proceeds of the Leased Vehicles and all of its claims arising under the Transaction Documents to the Security Trustee as collateral for its obligations under the Notes and the Subordinated Loan Agreement and other obligations specified in the Trust Agreement. As to the form and contents of such provision of security, reference is made to the provisions of the Trust Agreement.
- (3) All payment obligations of the Issuer under the Class B Notes constitute solely obligations to distribute amounts out of the Available Distribution Amount as generated, *inter alia*, by payments to the Issuer by the Lessees and by the Swap Counterparty under the Swap Agreement(s) as available on the respective Payment Dates according to the Order of Priority of distribution. The Class B Notes shall not give rise to any payment obligation in excess of the foregoing and recourse shall be limited accordingly. The Issuer shall hold all moneys paid to it - save for certain investments permitted under Clause 24(2) of the Trust Agreement - pursuant to Clause 23 of the Trust Agreement in the Distribution Account. Further, the Issuer will on the Issue Date establish and thereafter maintain the Cash Collateral Account pursuant to Clause 25 of the Trust Agreement to provide limited coverage for payments of interest and principal on the Notes and certain other amounts. Furthermore, the Issuer shall exercise all of its rights under the Transaction Documents with the due care of a prudent businessman such that obligations under the Class B Notes may, subject always to the provisions of these Conditions of the Class B Notes as to the Order of Priority, be performed to the fullest extent possible. To the extent that upon the exercise of such rights funds in the Distribution Account and the General Cash Collateral Amount are insufficient to satisfy in full the claims of all Transaction Creditors any claims remaining unpaid shall be extinguished at the Class B Legal Maturity Date which is 12 months after the Class B Scheduled Repayment Date and the Issuer shall have no further obligations thereto and, for the avoidance of doubt, neither the holders of the Class B Notes nor the Security

Trustee shall have any further claims against the Issuer in respect of such claims remaining unpaid.

- (4) The enforcement of the payment obligations under the Class B Notes, the Class B Notes, the Swap Agreements and the Subordinated Loan Agreement pursuant to paragraph (3) shall only be effected by the Security Trustee for the benefit of all Class B Noteholders, Class B Noteholders, the Swap Counterparties and the Subordinated Lender. The Security Trustee is required to foreclose on the Purchase Rights in case of a Foreclosure Event, on the conditions and in accordance with the terms set forth in Clauses 19 through 22 of the Trust Agreement.
- (5) The other parties to the Transaction Documents shall not be liable for the obligations of the Issuer.
- (6) No shareholder, officer, director, employee, or manager of the Issuer or of Volkswagen AG or its affiliates shall incur any personal liability as a result of the performance or non-performance by the Issuer of its obligations under the Transaction Documents. Any recourse against such a person is excluded accordingly.

#### **5. Further Covenants of the Issuer**

- (1) As long as any of the Notes and/or the Subordinated Loan remains outstanding, the Issuer is not entitled, without the prior consent of the Security Trustee, to develop any activities described in Clause 41 of the Trust Agreement.
- (2) The counterparties of the Transaction Documents are not liable for covenants of the Issuer.

#### **6. Payment Date, Payment Related Information**

The Issuer shall inform the holders of the Class B Notes, not later than on the "Service Report Performance Date" which is the 16th day of each calendar month or in the event this day is not a Business Day, then on the next succeeding Business Day by means of the publication provided for under Condition 12, with reference to the Payment Date (as defined below) of such month, as follows:

- (i) the repayment of the nominal amount payable on each of the Class B Notes (if any) and the amount of interest calculated and payable on the Class B Notes on the succeeding 21<sup>st</sup> day of such calendar month or, if this is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day (each respectively a "**Payment Date**");
- (ii) the nominal amount remaining outstanding on each of the Class B Notes as per each respective Payment Date and the amount of interest remaining unpaid, if any, on the Class B Notes as from such Payment Date;
- (iii) the Class B Notes Factor, which shall be calculated as follows:

$$\text{NF} = \frac{30,350,000 - \text{KR}}{30,350,000}$$

whereby NF means the Class B Notes Factor which is calculated to six decimal places and KR means the total of all repayments of the nominal amount of all Class B Notes paid and contained respectively in each payment up to each respective Payment Date;

- (iv) the remaining General Cash Collateral Amount; and
- (v) in the event of the final Payment Date with respect to the Class B Notes, the fact that this is the last Payment Date.

The Issuer shall make available for inspection by the holders of the Class B Notes, in its offices at 7 Val Ste Croix, L-1371 Luxembourg and during normal business hours, the documents from which the figures reported to the holders of the Class B Notes are calculated.

#### **7. Payments of Interest**

- (1) Subject to the limitations set forth in Condition 4(3) each outstanding principal amount in respect of the Class B Notes shall bear interest from (and including) 26 February 2007 (the "**Issue Date**") until (and including) the day preceding the day on which the principal amount has been reduced to zero.
- (2) The amount of interest payable in respect of each Class B Note on any Payment Date shall be calculated by applying the Interest Rate for the Relevant Interest Accrual Period to the principal amount outstanding immediately prior to the relevant Payment Date and multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360 and rounding the result to the nearest full cent, all as determined by Fortis Intertrust (Netherlands) B.V. (the "**Calculation Agent**").
- (3) The interest rate calculated pursuant to paragraph (2) shall be the EURIBOR rate for one month Euro deposits plus 0.13 per cent. (the "**Interest Rate**").
- (4) Accrued Interest not paid on a Class B Note on the Payment Date related to the Interest Accrual Period in which it accrued, will be an "**Interest Shortfall**" with respect to such Class B Note will be carried over to the next Payment Date and will constitute a Foreclosure Event as defined in Clause 19(1) of the Trust Agreement.

#### **8. Payment obligations, Agents**

- (1) On each Payment Date the Issuer shall subject to Condition 4(3) pay to each holder of a Class B Note interest at the Interest Rate on the Nominal Amount of the Class B Notes outstanding immediately prior to the respective Payment Date or, with respect to the first Payment Date EUR 30,350,000, and redeem the nominal amount of the Class B Notes by applying the amount remaining thereafter in accordance with the Order of Priority.
- (2) Sums which are to be paid to holders of a Class B Note shall be rounded down to the next lowest cent amount for each of the Class B Notes. The amount of such rounding down to the next cent amount shall be used in the next following Payment Date and the surplus carried over to the following Payment Date. The Servicer shall be entitled to any amount less than EUR 500 remaining on the Legal Maturity Date.

- (3) Payments of principal and interest, if any, on the Notes shall be made by the Principal Paying Agent or Société Générale Bank & Trust (the "**Luxembourg Paying Agent**") on the Issuer's behalf for further payment to Clearstream Luxembourg and Euroclear or to their order for credit to the relevant account holders of Euroclear and Clearstream Luxembourg. All Payments in respect of any Note made by, or on behalf of, the Issuer to, or to the order of Euroclear or Clearstream Luxembourg shall discharge the liability of the Issuer under such Note to the extent of sums so paid.

The first Payment Date shall be 21 March 2007. The final payment of the then outstanding principal amount plus interest thereon is expected to take place on or before the Payment Date following the Monthly Period which includes the last day on which a lease payment on outstanding Lease receivables becomes due, falling in April 2011 (the "**Class B Scheduled Repayment Date**"). All payments of interest on and principal of the Class B Notes will be due and payable at the latest in full on the legal final maturity date of the Class B Notes, which shall be 12 months after the Class B Scheduled Repayment Date and which shall be the Payment Date falling in April 2012 (the "**Class B Legal Maturity Date**").

- (4) Payments shall be made from the Issuer's accounts with Société Générale Frankfurt (the "**Accounts Bank**") by the Principal Paying Agent or the Luxembourg Paying Agent, which may also include a substitute or alternative paying agent pursuant to paragraph (5) without having to execute an affidavit or fulfil any formalities other than the compliance with tax, currency exchange or other regulations of the country where the payment takes place. The Issuer is entitled to transfer paid-in amounts to the Accounts Bank prior to the Payment Date and leave with the Accounts Bank any amounts not claimed by the Noteholders upon maturity. No interest shall be paid on the accounts held by the Accounts Bank.
- (5) In their capacity as such, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent and the Interest Determination Agent, respectively, shall act solely as the agent of the Issuer and shall not maintain an agency or trust relationship with the holders of the Class B Notes. The Issuer may appoint a new principal paying agent, Luxembourg paying agent, calculation agent and/or an interest determination agent, or if there are grounds to do so, appoint an alternative principal paying agent, Luxembourg paying agent, calculation agent and/or an alternative interest determination agent and revoke the appointment of the Principal Paying Agent and/or the Interest Determination Agent. Appointments and revocations thereof shall be announced pursuant to Condition 12. The Issuer will ensure that during the term of the Notes and as long as the Notes are listed on the Luxembourg Stock Exchange a paying agent located in Luxembourg will be appointed at all times and will be released from the restrictions of section 181 of the German Civil Code.

## **9. Taxes**

Payments shall only be made after the deduction and withholding of current or future taxes, levies or government charges, regardless of their nature, which are imposed, raised or collected ("taxes") on the basis of the applicable laws of, or for the account of, an authority or government agency authorised to levy taxes or of any country which claims fiscal jurisdiction, to the extent that such a collection is prescribed by statute. The Issuer shall render an account of the deducted or withheld taxes accruing to the competent government agencies and shall, upon a Class A Noteholder's request, provide proof thereof. It is not obligated to pay any additional amounts to settle tax claims.



## **10. Replacement of Issuer**

- (1) The Issuer is at any time entitled to appoint another company (the "**New Issuer**") in place of the Issuer as debtor for all obligations arising from and in connection with the Notes insofar as (i) the New Issuer assumes all rights and duties of the Issuer under or pursuant to the Class A Notes, the Class B Notes, the Subordinated Loan, the Lease Receivables Purchase Agreement, the Trust Agreement, the Servicing Agreement, the Corporate Services Agreement, the Data Protection Trust Agreement, the Swap Agreements and the Agency Agreement by means of an agreement with the Issuer; provided further, the Security is, upon the Issuer's replacement, to be held by the Trustee for the purpose of securing the obligations of the New Issuer, (ii) no further expenses or legal disadvantages of any kind arise for the holders of the Class A Notes the holders of the Class B Notes or the Subordinated Lender of the Subordinated Loan from such an assumption of debt and this fact has been established in legal opinions which can be examined at the premises of the Principal Paying Agent, (iii) the New Issuer provides proof that it has obtained all of the necessary governmental approvals in the country in which it has its corporate seat and that it may fulfil all of the duties arising out of or in connection with the Trust Agreement without discrimination against the holders of the Class A Notes, the holders of the Class B Notes or the Subordinated Lender of the Subordinated Loan as a whole, (iv) the Issuer and the New Issuer conclude such agreements and execute such documents which the Trustee considers necessary for the effectiveness of the replacement and (v) Fitch, Moody's and S&P have agreed to the replacement and confirmed a rating of the Notes outstanding. Upon fulfilment of the aforementioned conditions the New Issuer shall in every respect replace the Issuer, and the Issuer shall be released from all obligations relating to the function of an issuer vis-à-vis the holders of the Class A Notes under or in connection with the Class A Notes, the holders of the Class B Notes under or in connection with the Class B Notes and the Subordinated Lender under or in connection with the Subordinated Loan.
- (2) Such replacement of the Issuer must be published in accordance with Condition 12.
- (3) In the event of such replacement of the Issuer, each reference to the Issuer in these Terms and Conditions of the Class B Notes shall be deemed to be a reference to the New Issuer.

## **11. Loss of Notes**

- (1) The period for presenting the Global Note prescribed in section 801 para. 1 German Civil Code shall end 5 years after the final Payment Date.
- (2) Should the Global Note become lost, stolen, damaged or destroyed, then it may be replaced at the Issuer's offices upon payment by the claimant of the costs arising in connection thereto. The Issuer may require proof of a declaration of exemption and/or adequate security prior to replacement. In the event of damage, the Global Note shall be surrendered before a replacement is issued. In the event of the loss or destruction of the Global Note, the possibility of invalidation under statutory provisions shall remain unaffected.

## **12. Notices**

All notices to the Noteholders regarding the Class B Notes shall be (i) published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require and (ii) delivered to the applicable clearing systems for communication by them to the Noteholders. Any notice referred to under (ii) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was delivered to the respective clearing system. Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the seventh day after the day on which the said notice was published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **13. Miscellaneous**

- (1) The form and content of the Class B Notes and all of the rights and obligations of the holders of the Class B Notes, the Issuer, the Principal Paying Agent and the Servicer under these Class B Notes shall be subject in all respects to the laws of Germany.
- (2) Should any of the provisions hereof be or become invalid in whole or in part, the other provisions shall remain in force. The invalid provision shall, according to the intent and purpose of these Conditions, be replaced by such valid provision which in its economic effect comes as close as legally possible to that of the invalid provision.
- (3) The place of performance and venue is Frankfurt am Main. The German courts have jurisdiction for the annulment of the Global Note in the event of loss or destruction.
- (4) For any legal proceedings brought in connection with these Conditions of the Notes which have been initiated against the Issuer in a court of Germany, the Issuer grants Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany, the authority to accept service of process. The Issuer undertakes to maintain an agent for accepting such service in the Federal Republic of Germany as long as any of the Class B Notes are outstanding.

## TRUST AGREEMENT

*The following is the text of the material terms of the Trust Agreement between the Issuer, the Security Trustee, the Joint-Lead Managers, the Managers, the Co-Arrangers, the Subordinated Lender, the Data Protection Trustee, the Corporate Services Provider, the Swap Counterparty, the Principal Paying Agent, the Interest Determination Agent, the Calculation Agent, the Luxembourg Paying Agent, the Listing Agent, the Account Bank and VWL. The text is attached to the Conditions and constitutes an integral part of the Conditions – In case of any overlap or inconsistency in the definition of a term or expression in the Trust Agreement and elsewhere in this Prospectus, the definition contained in the Trust Agreement will prevail.*

### 1. Definitions and Interpretation

- (1) Unless otherwise defined herein, capitalised terms shall have the respective meanings set forth in Clause 1 of the master definitions schedule dated the Signing Date and signed for identification purposes by, *inter alios*, the parties hereto (the "**Master Definitions Schedule**"). The terms of the Master Definitions Schedule are hereby expressly incorporated into this Agreement by reference.
- (2) If there is any conflict between the Master Definitions Schedule and this Agreement, this Agreement shall prevail.
- (3) Terms in this Agreement, except where otherwise stated or the context otherwise requires, shall be interpreted in the same way as set forth in Clause 2 of the Master Definitions Schedule.

### Part A.

#### DUTIES AND POSITION OF THE SECURITY TRUSTEE

### 2. Duties of the Security Trustee

This Agreement establishes the rights and obligations of the Security Trustee to carry out the tasks assigned to it in this Agreement. Unless otherwise set forth in this Agreement, the Security Trustee is not obligated to supervise the discharge of the payment and other obligations of the Issuer arising from the Funding and the Transaction Documents or to carry out duties which are the responsibility of the management of the Issuer.

### 3. Position of the Security Trustee in Relation to the Transaction Creditors

- 3.1 The Security Trustee carries out the duties specified in this Agreement as a trustee for the benefit of the Transaction Creditors. The Security Trustee shall exercise its duties hereunder with particular regard to the interests of the Transaction Creditors, giving priority to the interests of each Transaction Creditor in accordance with the Order of Priority, especially to the interests of the Noteholder.
- 3.2 This Agreement grants all Transaction Creditors (other than the Swap Counterparties) the right to demand that the Security Trustee perform its duties under Clause 2 (*Duties of the Security Trustee*) and all its other duties hereunder in accordance with this Agreement and therefore this Agreement constitutes, in favour of the Transaction Creditors that are not (validly) parties to this Agreement (in particular the Noteholders) a contract for the benefit of a third party pursuant to section 328 of the Civil Code (*echter Vertrag zugunsten Dritter*). The rights of the Issuer pursuant to Clause 4(3) (*Position of the Security Trustee in Relation to the Issuer*) shall not be affected.

#### **4. Position of the Security Trustee in Relation to the Issuer**

- 4.1 With respect to the Security, the Security Trustee is legally a secured party (*Sicherungsnehmer*) in relation to the Issuer. Accordingly, to the extent that the Purchased Lease Receivables and the Lease Collateral will be transferred by the Issuer to the Security Trustee for collateral purposes in accordance with Clause 5 (*Assignment for Security Purposes; Transfer of Title for Security Purposes*), in insolvency proceedings on the Security Trustee's estate, such rights would be segregated (*Aussonderungsrecht*) as assets of the Issuer held in trust.
- 4.2 The Issuer hereby grants the Security Trustee a separate Trustee Claim, entitling the Security Trustee to demand from the Issuer:
- (i) that any present or future obligation of the Issuer in relation to the Noteholders be fulfilled;
  - (ii) that any present or future obligation of the Issuer in relation to a Transaction Creditor of the Transaction Documents be fulfilled; and
  - (iii) (if the Issuer is in default with any Secured Obligation(s) and insolvency proceedings have not been instituted against the estate of the Security Trustee) that any payment owed under the respective Secured Obligation will be made to the Security Trustee for on-payment to the Transaction Creditors and discharge the Issuer's obligation accordingly.

The right of the Issuer to make payments to the respective Transaction Creditor shall remain unaffected. The Trustee Claim in whole or in part may be enforced separately from the relevant Transaction Creditor's claim related thereto. In the case of a payment pursuant to Clause 4(2)(iii), the Issuer shall have a claim against the Security Trustee for on-payment to the respective Transaction Creditors.

- 4.3 The obligations of the Security Trustee under this Agreement are owed exclusively to the Transaction Creditors, except for the obligations and declarations of the Security Trustee to the Issuer pursuant to Clause 4(1), Clause 4(2) fourth sentence, Clause 10, Clause 36 and Clauses 41 through 46.

#### **Part B. GRANTING OF COLLATERAL**

#### **5. Assignment for Security Purposes; Transfer of Title for Security Purposes**

- 5.1 The Issuer hereby assigns or transfers (as applicable) the Collateral Rights to the Security Trustee for security purposes.

The right of the Security Trustee under section 402 of the German Civil Code to demand from VWL information and/or documents is limited to the extent that such demand does not result in a violation of German Data Protection Rules, otherwise, VWL shall deliver such information to the Data Protection Trustee in encrypted form together with a sealed containment containing the relevant Portfolio Decryption Key(s) who may release such information and/or documents only to a substitute Servicer.

The Security Trustee hereby accepts the assignment and, in particular, recognises the obligations of the Issuer to release the Purchased Lease Receivables and Lease Collateral

pursuant to the provisions of the Lease Receivables Purchase Agreement and confirms to be bound by such obligations as if such obligations were directly owed by the Security Trustee to VWL.

- 5.2 The assignment for collateral purposes in accordance with Clause 5(1) is subject to the condition precedent that the transfer of the rights specified in Clause 5(1) from VWL to the Issuer becomes effective.
- 5.3 If an express or implied current account relationship exists or is later established between the Issuer and a third party, the Issuer hereby assigns to the Security Trustee – without prejudice to the generality of the provisions in Clause 5(1) the right to receive a periodic account statement and the right to payment of present or future balances (including a final net balance determined upon the institution of any insolvency proceedings regarding the estate of the Issuer), as well as the right to terminate the current account relationship and to the determination and payment of the closing net balance upon termination.
- 5.4 Together with the rights assigned in accordance with this Clause 5 (*Assignment for Security Purposes; Transfer of Title for Security Purposes*), all of the Lease Collateral securing such rights, as well as the rights arising from the underlying contracts (including the rights to alter the legal relationship), are hereby transferred to the Security Trustee which hereby accepts such transfer.
- 5.5 In order to safeguard the existence and fulfilment of the relevant Purchased Lease Receivables outstanding at any one time and in order to secure the fulfilment of all current and future claims of the Issuer against VWL under the Lease Receivables Purchase Agreement and the Servicing Agreement including, but not limited to, damage claims pursuant to sections 280(1) and 280(3) of the German Civil Code (*Schadensersatz statt der Leistung*) or damage claims pursuant to section 103 German Insolvency Code (*Insolvenzordnung*) or any claim arising out of the exercise of the insolvency receiver's right to opt as per section 103 German Insolvency Code (*Insolvenzordnung*) as well as the claims of the Issuer in the event of ineffectiveness of the assignment of the Purchased Lease Receivables and the claims which the Issuer may have against VWL for participation in any realisation proceeds in the event of premature termination of the respective Lease Contracts, as well as any present or future claims arising from a rescission of the Lease Receivables Purchase Agreement, VWL herewith transfers for security purposes (*Sicherungseigentum*) its present and future ownership interest of the Leased Vehicles as identified by means of chassis numbers in data field 1 of Schedule A to the Lease Receivables Purchase Agreement to the Issuer in relation to the relevant Lease Contracts, as well as VWL's security title to the respective Lessee's wage and salary claims, if any, which VWL had acquired under the Lease Contracts, which in turn herewith transfers the ownership interest in such Lease Collateral to the Security Trustee. As substitute for delivery of the Leased Vehicles, VWL herewith assigns to the Issuer, subject to payment of the Purchase Price of the Purchased Lease Receivables according to Clause 3.2 (*Assignment of Purchased Lease Receivables and Issue Date*) of the Lease Receivables Purchase Agreement, the claims for delivery in respect of the Leased Vehicles, and the Issuer in turn assigns these claims for delivery to the Security Trustee. In the event that VWL obtains direct possession of a Leased Vehicle, it shall hold such Leased Vehicle, until revoked, free of charge on behalf of the Security Trustee. In the event of revocation, such Leased Vehicle shall without delay be delivered to the Security Trustee.

If new parts are added to or replaced in any Leased Vehicle, the ownership of which has been transferred for security purposes, they shall, as a result of their incorporation, come

into the ownership for security purposes of the Security Trustee. The aforementioned rule shall apply to accessories, *mutatis mutandis*, except to assets owned by the respective Lessee. The Security Trustee shall act in both the interests of VWL and the interests of the Issuer. Accordingly, VWL and the Issuer shall, in the event of realisation of the Leased Vehicles, participate in the realisation proceeds to the extent described in Clause 20 (*Realisation of the Leased Vehicles*) and shall, to such extent, acquire direct and independent claims against the Security Trustee.

## **6. Pledge**

The Issuer hereby pledges to the Security Trustee all its present and future claims against the Security Trustee arising under this Agreement as well as its present and future claims under the Distribution Account and the Cash Collateral Account. The Issuer hereby gives notice to the Security Trustee of such pledge and the Security Trustee hereby confirms the receipt of such notice. The Issuer informed the Account Bank on the pledge and the Account Bank confirmed receipt of such notification in the Account Agreement.

## **7. Security Purpose**

The assignment and/or transfer for security purposes pursuant to Clauses 5(1) through 5(4) and the pledge pursuant to Clause 6 (*Pledge*) serve to secure the Trustee Claim. In addition, the assignment pursuant to Clauses 5(1) through 5(4) is made for the purpose of collateralising the rights of the Transaction Creditors against the Issuer arising under the Funding and the Transaction Documents.

## **8. Authority to Collect; Assumption of Obligations; Further Assignment**

- 8.1 The Issuer is authorised to collect, to have collected, to realise and to have realised in the ordinary course of business or otherwise to use, the rights assigned for security purposes pursuant to Clause 5 (*Assignment for Security Purposes; Transfer of Title for Security Purposes*) and the rights pledged pursuant to Clause 6 (*Pledge*).
- 8.2 The authority provided in paragraph (1) above is deemed to be granted only to the extent that all obligations of the Issuer are fulfilled in accordance with the Order of Priority prior to a Foreclosure Event. The authority may be revoked by the Security Trustee if this is necessary in the opinion of the Security Trustee to avoid endangering the Security or their value. The authority shall automatically terminate upon the occurrence of a Foreclosure Event pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*).
- 8.3 The Security Trustee is obligated in its relationship to the Issuer and to VWL to comply with the continuing duties of care of the Issuer arising from the Lease Receivables Purchase Agreement and the Servicing Agreement (including the treatment of the transfer to the Issuer as silent assignment and compliance with security agreements entered into between VWL Bank and the Lessees). Such continuing duties shall not include, in particular, the payment obligations of the Issuer (i) pursuant to Clause 3.2 (*Assignment of Purchased Lease Receivables and Issue Date*) of the Lease Receivables Purchase Agreement (purchase price), or (ii) as compensation for damages.
  - (a) The Security Trustee is authorised to assign the Purchased Lease Receivables and Lease Collateral assigned in accordance with Clause 5 (*Assignment for Security Purposes; Transfer of Title for Security Purposes*) for security purposes:

- (i) in the event the Security Trustee is replaced and all Purchased Rights are assigned to a new security trustee (the "**New Security Trustee**"); or
  - (ii) upon occurrence of a Foreclosure Event pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*); or
  - (iii) if the Foreclosure Event pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*) threatens to occur because taxes are levied by Germany on payments under the Purchased Lease Receivables, or if such levy is to be introduced, and if the negative consequences thereof can be avoided in whole or in part through the transfer, or
  - (iv) if – as long as VWL is the Servicer - VWL has given its consent to such assignment or if it unreasonably withholds its consent; such a withholding of consent shall as a rule be considered unreasonable if a transfer does not affect the interests of VWL, the Lessees or the Issuer and the Transaction Creditors risk substantial disadvantages without such a transfer.
- (b) In the case of an assignment pursuant to (a) above, the Security Trustee shall be obligated to agree with the respective transferee that the transferee:
- (i) in the case of an assignment pursuant to (a)(i), shall assume the obligations of Security Trustee pursuant to this Clause paragraph (3) above, and
  - (ii) in all other cases under (a) with regard to the sold Purchased Lease Receivables or the Lease Collateral, shall assume the rights and continuing obligations of the Issuer under the Lease Receivables Purchase Agreement and under the Servicing Agreement (within the meaning of paragraph (3) above).

## **9. Representation of the Issuer**

9.1 The Issuer represents to the Security Trustee that:

- (a) the Security has not already been assigned or pledged to a third party; and
- (b) the Issuer has not established any third-party rights on or in connection with the Security.

9.2 The Issuer shall pay damages pursuant to sections 280(1) and 280(3) of the German Civil Code (*Schadenersatz statt der Leistung*) if the legal existence of the Security transferred for security purposes in accordance with this Agreement is invalid as a consequence of an action by the Issuer contrary to paragraph (1) of this Clause.

## **10. Representations of the Security Trustee**

The Security Trustee represents to the Issuer that it is legally competent and in a position to perform the duties assigned to it in this Agreement in accordance with the provisions of this Agreement, and that, as of the time of concluding this Agreement, a ground for termination pursuant to Clause 34 (*Termination by the Security Trustee for Good Cause*) has neither occurred nor is foreseen.

## **11. Undertakings of the Transaction Creditors**

The Security Trustee and the Transaction Creditors undertake to the Issuer until one year has passed after the last payment is effected on the Notes and the Subordinated Loan:

- 11.1 not to take or induce any action the subject of which is a dissolution, liquidation, or bankruptcy or other insolvency proceedings with respect to the Issuer of any or all of its revenue or property or the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer; and
- 11.2 neither to assert judicially or extra-judicially claims for payment against the Issuer to which the Security Trustee is entitled under or in connection with this Agreement and its performance, nor to permit third parties to assert such claims.

## **12. Enforceability**

Enforceability of the Security shall ensue pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*).

## **13. Release of Security**

- 13.1 Subject to the condition precedent of full satisfaction of (i) any amount due and payable (*fällig*) by VWL to the Issuer at the relevant time and of (ii) the respective secured Purchased Lease Receivables, the Security Trustee hereby retransfers and/or reassigns, as applicable, directly to VWL (and VWL hereby accepts, and the Issuer hereby agrees to and authorises the Security Trustee to make such transfer and/or assignment) of title to the respective Leased Vehicles and any other Lease Collateral, except where such Leased Vehicles or other Lease Collateral have been realised.
- 13.2 As soon as the Issuer has fully performed all obligations secured by this Agreement, the Security Trustee shall promptly retransfer any remaining Security transferred to it under this Agreement and that it still holds at such time to or to the order of the Issuer. The Security Trustee undertakes to notify each shareholder of the Issuer of the full satisfaction of all obligations secured hereunder and of the retransfer of the Security. For the purpose of release, the Security Trustee may rely on evidence which shows that all moneys necessary for the satisfaction of the obligations secured by this Agreement have been transferred to the Principal Paying Agent who then forwarded the proceeds. A confirmation of the Principal Paying Agent will be sufficient evidence.



**Part C.**  
**DUTIES OF THE SECURITY TRUSTEE PRIOR TO OCCURRENCE OF THE  
FORECLOSURE EVENT**

- 14. Acceptance, Safekeeping, and Review of Documents; Notification of the Issuer**
- 14.1 The Security Trustee shall accept the documents which are delivered to it in connection with the reporting of VWL pursuant to Clause 2.4 (*Purchase Agreement concerning the Purchased Lease Receivables*) of any Lease Receivables Purchase Agreement and Clause 10 (*Reporting Duties*) of the Servicing Agreement and shall:
- (a) keep such documents for one year after the termination of this Agreement and, at the discretion of the Issuer, thereafter either destroy such documents or deliver the same to the Issuer or to VWL; or
  - (b) forward the documents to the New Security Trustee if the Security Trustee is replaced in accordance with Clauses 34 through 36.
- 14.2 The Security Trustee shall to an appropriate extent check the conformity of the documents provided to it in accordance with Clause 10 (*Reporting Duties*) of the Servicing Agreement without being obligated to recalculate the figures. If this does not reveal any indication of a breach of duties or any risk for the Security, the Security Trustee is not obliged to examine such documents any further. If, on the basis of such checks, the Security Trustee comes to the conclusion that a Transaction Creditor is not properly fulfilling its obligations under a Transaction Document, the Security Trustee shall promptly inform the directors of the Issuer thereof. The right of the Security Trustee to obtain additional information from VWL shall not be affected hereby.
- 15. Accounts**
- 15.1 The terms of the Accounts (except for the Swap Termination Payments Accounts) are set out in the Account Agreement. Should any Account Bank cease to have the Account Bank Required Ratings, the Account Bank shall notify the Security Trustee thereof and within thirty (30) days do one of the following: (i) procure transfer of the accounts held with it to an Eligible Collateral Bank, or (ii), provide a guarantee from an Eligible Collateral Bank, or (iii) take any other action as Fitch and S&P confirm in writing shall not cause their respective rating of the Notes to be reduced or withdrawn. If the Account Bank's short term rating by S&P is A-1 amounts deposited with such Account Bank must not represent more than 20 per cent. of the outstanding principal amount of the Class A Notes from time to time and each such deposit must mature within 30 days. If within this thirty (30) days period none of the measures set out under (i) through (iii) above is taken, the Issuer shall terminate the Account Agreement.
- 15.2 Should one of the Issuer accounts be terminated either by the Account Bank, or by the Issuer, the Issuer shall promptly inform the Security Trustee of such termination. The Issuer shall, together with the Security Trustee, open an account, on conditions as close as possible to those previously received, with the Successor Account Bank specified by the Security Trustee in mutual agreement with S&P and Fitch, which has at least the Account Bank Required Ratings. The Issuer shall conclude a new Account Agreement with the Successor Bank as counterparty and with the consent of the Security Trustee the new Account Agreement shall include a provision, in which the Successor Bank undertakes to promptly notify the other contract parties of any drop in its rating.

- 15.3 For the avoidance of doubt, in case one of the Accounts is at any time held with a Successor Bank, and the Issuer or the Security Trustee receives a notice pursuant to paragraph (1) above with regard to the Successor Bank, then the procedure laid out in paragraphs (1) and (2) of this Clause shall also apply for such Successor Bank.

**16. Actions of the Issuer Requiring Consent**

If the Issuer requests that the Security Trustee grant its consent as required pursuant to Clause 41 (*Actions of the Issuer Requiring Consent*), the Security Trustee may grant or withhold the requested consent at its discretion, taking into account the reasonable interests of the Transaction Creditors.

**17. Breach of Obligations by the Issuer**

- 17.1 If the Security Trustee in the course of its activities becomes aware that the existence or the value of the Security is at risk due to any failure of the Issuer properly to comply with its obligations under this Agreement, the Security Trustee shall, subject to the provisions in paragraph (2) below, deliver a notice to the Issuer in reasonable detail of such failure (with a copy to the Servicer) and, if the Issuer does not remedy such failure within 90 days after the delivery of such notice, the Security Trustee shall at its discretion take or induce all actions which in the opinion of the Security Trustee are warranted to avoid such threat. To the extent that the Issuer does not comply with its obligations pursuant to Clause 39 (*Undertakings of the Issuer in Respect of the Security*) in respect of the Security and does not remedy such failure within the 90 day period after the notice set forth above, the Security Trustee is in particular authorised and obligated to exercise all rights arising under the Transaction Documents on behalf of the Issuer.

- 17.2 The Security Trustee shall only intervene in accordance with paragraph (1) above if and to the extent that it is assured that it will be indemnified to its satisfaction, at its discretion either by reimbursement of costs or in any other way it deems appropriate, against all costs and expenses resulting from its activities (including fees for retaining counsel, banks, auditors, or other experts as well as the expenses for retaining third parties to perform certain duties) and against all liability, obligations, and attempts to bring any action in or out of court. Clause 37 (*Standard of Care*) shall not be affected hereby.

**18. Power of Attorney**

The Issuer hereby grants by way of security power of attorney to the Security Trustee, waiving the restrictions set forth in section 181 of the German Civil Code, and with the right to grant substitute power of attorney, to act in the name of the Issuer with respect to all rights of the Issuer arising under the Transaction Documents (except for the rights vis-à-vis the Security Trustee). Such power of attorney is irrevocable. It shall expire as soon as a New Security Trustee has been appointed pursuant to Clauses 34 through 36 and the Issuer has issued a power of attorney to such New Security Trustee having the same contents as the above power of attorney. The Security Trustee shall only act under this power of attorney in the context of its rights and obligations pursuant to this Agreement.

**Part D.**  
**DUTIES OF THE SECURITY TRUSTEE AFTER OCCURRENCE OF A  
FORECLOSURE EVENT**

**19. Foreclosure on the Security; Foreclosure Event**

19.1 Subject to Clause 20 (*Realisation of the Leased Vehicles*), the Security shall be subject to foreclosure upon the occurrence of a Foreclosure Event. A Foreclosure Event shall occur when:

- (i) the assets of the Issuer become subject to an insolvency proceeding which affects or prejudices the performance of obligations under the Funding or the Transaction Documents or the Security, or the refusal to institute such a proceeding for lack of assets;
- (ii) the Issuer defaults in the payment of any interest on any Note when the same becomes due and payable, and such default shall continue for a period of five Business Days; or
- (iii) the Issuer defaults in the payment of principal of any Note on the Final Maturity Date.

It is understood that interest and principal on the Notes other than interest on the Class A Notes will not be due and payable on any Payment Date except to the extent there are sufficient funds in the Available Distribution Amount to pay such amounts in accordance with the Order of Priority.

The Security Trustee shall promptly give notice to the Noteholders of the relevant Class and the Subordinated Lender pursuant to Clause 42 (*Notices*) paragraph (3) and notify the Rating Agencies of the occurrence of a Foreclosure Event.

19.2 After the occurrence of a Foreclosure Event, the Security Trustee will at its reasonable discretion foreclose or cause foreclosure on the Security. Unless compelling grounds to the contrary exist, the foreclosure shall be performed by collecting payments made into the Accounts on the Security or, *inter alia*, by assignment pursuant to Clause 7 (*Security Purpose*). The provisions of the Corporate Services Agreement shall be unaffected by the foreclosure of the Security (subject to the provisions of Clause 7 (*Security Purpose*)).

19.3 Within fifteen (15) days after the occurrence of a Foreclosure Event, the Security Trustee shall give notice to the Noteholders, each Swap Counterparty and the Subordinated Lender, specifying the manner in which it intends to foreclose on the Security, in particular, whether it intends to sell the Security, and apply the proceeds from such foreclosure to satisfy the obligations of the Issuer, subject to the Order of Priority paragraph (3). If, within 60 days after the publication of such notice, the Security Trustee receives written notice from a Noteholder or Noteholders representing more than 50 per cent. of the outstanding principal amount of the Notes, objecting to the action proposed in the Security Trustee's notice, the Security Trustee shall not undertake such action (other than the collection of payments on the accounts for the Security).

## 20. Realisation of the Leased Vehicles

The Leased Vehicles the ownership of which has been transferred for security purposes (*Sicherungsseigentum*) to the Security Trustee will be realised by the Security Trustee or by agents of the Security Trustee (including VWL) upon the occurrence of an event described in Clause 5.5 (irrespective of the occurrence of a Foreclosure Event), as follows:

- 20.1 Proceeds which VWL has (based on the authorisation as per Clause 8 (*Realisation of Leased Vehicles*) of the Lease Receivables Purchase Agreement) attained from the realisation of the Leased Vehicles or from proceeds from the Lessee paid due to the premature termination of a Lease Contract on its own behalf and for the account of the Security Trustee or which the Security Trustee has attained on its own behalf shall be divided between the Issuer and VWL. If the Lessee has more than one Lease Contract, any payments by the Lessee will be allocated in accordance with payment instructions of the Lessee and, if there are no instructions from the Lessee, all payments and disposition and other proceeds with respect to the Leased Vehicle will be allocated between Lease Contracts for which Lease Receivables are held by the Issuer and other Lease Contracts proportionately based on the cash value of all amounts payable under each Lease Contract, including the agreed residual value determined at the inception of the related Lease Contract. With respect to Lease Contracts for which Purchased Lease Receivables are held by the Issuer, the allocation of proceeds between delinquent Lease Receivables, current Purchased Lease Receivables, and the residual value shall be as follows: (i) in the event of assertion of claims of the Issuer against VWL resulting from a breach of warranties as set forth in Clauses 4(3) of the Lease Receivables Purchase Agreement or the obligation to credit collected Lease Receivables to the Distribution Account as provided for in the Servicing Agreement, in such a way that first of all, such claims have to be fully satisfied and any remainder has to be allocated as described in (ii) hereafter, and (ii) in all other cases, (A) in case of closed end Lease Contracts (*Verträge ohne Gebrauchtwagenabrechnung – "Closed End Lease Contracts"*) proportional to the sum of the cash value of the Purchased Lease Receivables which are still outstanding on one hand and the sum of the cash value of the residual value of the Leased Vehicle "as pre-agreed with the respective vehicle dealer", on the other hand, or (B) in case of open end Lease Contracts (*Verträge mit Gebrauchtwagenabrechnung – "Open End Lease Contracts"*) proportional to the sum of the cash value of the residual value of the Leased Vehicles as assessed by a vehicle expert at the time of return of the car (*Kraftfahrzeugsachverständiger*) on the one hand and the cash value of the Purchased Lease Receivables which are outstanding at the other hand. In case of excess proceeds resulting from any realisation, such excess proceeds shall be allocated proportionally to the Purchased Lease Receivables which are due, but not yet paid, and other claims, if any; claims of the Issuer are limited to the sum of the cash value of the Purchased Lease Receivables which are due, but not yet paid, and the cash value of the Purchased Lease Receivables which are outstanding. VWL is entitled to any residual amounts. The discounting to the cash value shall take place at the annual rate actually used by VWL for the respective Lease Contract beginning on the respective maturity date of the delinquent Lease Receivable on the basis of a year of 12 months of 360 days, each month consisting of 30 days.
- 20.2 If and to the extent VWL and the Issuer are entitled to participate in the realisation proceeds in accordance with the preceding paragraph (1), VWL and the Issuer shall each have a direct and independent claim to receive payment against the Security Trustee. VWL may at any time unrestrictedly dispose of the right it is entitled to.

- 20.3 Proceeds from the realisation of the Leased Vehicles and collections on Purchased Lease Receivables which can be collected after the final write-off made by the Servicer shall be allocated to VWL.
- 20.4 Following full satisfaction of the respective secured Purchased Lease Receivables and any Settlement Amounts which may be payable under Clause 7 (*Collateral Ownership Interest*) of the Lease Receivables Purchase Agreement, the Security Trustee will retransfer ownership title to the respective Leased Vehicle to VWL except where such Leased Vehicle has been realised. In this case VWL will be entitled to a direct and independent claim against the Security Trustee which VWL may at any time unrestrictedly dispose of.

## **21. Payments upon Occurrence of the Foreclosure Event**

- 21.1 Upon the occurrence of a Foreclosure Event the Security (except Security which pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*) paragraph (1) must be administered by the Servicer) may be claimed exclusively by the Security Trustee. Payments on such Security from this moment on will have effect only if made to the Security Trustee. The Security Trustee shall invest the payments which it receives in this manner, as provided for in Clause 24 (*Permitted Investment; Order of Priority*), until they are paid out to the Transaction Creditors of the Issuer.
- 21.2 As of the Foreclosure Event, payments on the obligations of the Issuer may not be made as long as, in the opinion of the Security Trustee, such payment will jeopardise the fulfillment of any later maturing obligation of the Issuer with higher rank.
- 21.3 In the case of payments on the Notes or the Subordinated Loan, the Security Trustee shall provide the Noteholders and the Subordinated Lender with advance notice of the Payment Date pursuant to the Terms and Conditions of the Notes of the relevant Class of Notes or the Subordinated Loan. In the case of such payment, the Security Trustee is only responsible for making the relevant amount available to the Principal Paying Agent. In order to do so, the Security Trustee shall rely on the records of the Relevant Clearing Systems in relation to any determination of the principal amount outstanding of each Global Note. For this purpose, "records" means the records that each of the Relevant Clearing Systems holds for its customers which reflect the amount of such customer's interest in the Notes.
- 21.4 After all Transaction Obligations have been fulfilled the Security Trustee shall pay out any remaining amounts to the Issuer.

## **22. Continuing Duties**

Clauses 14 through 17 shall continue to apply after the Foreclosure Event has occurred.

### **Part E.**

#### **ACCOUNTS; ORDER OF PRIORITY; PERMITTED INVESTMENTS**

- ### **23. Distribution Account; Swap Termination Payment Account; Interest Rate Swap Provisions**
- 23.1 The Distribution Account shall be used for the fulfillment of the payment obligations of the Issuer.

- 23.2 The Issuer shall ensure that all payments made to the Issuer shall be made by way of a bank transfer to or deposit or in any other way into the Distribution Account.
- 23.3 The Issuer has entered into the Swap Agreements, in a form satisfactory to the Rating Agencies, to hedge the floating rate interest expense on the Class A Notes and the Class B Notes. The Issuer may, from time to time, enter into one or more replacement Swap Agreements with one or more replacement Swap Counterparties in the event that a Swap Agreement is terminated prior to its scheduled expiration pursuant to an "event of default" or "termination event" under the Swap Agreement. The Class A Swap Agreement will have an initial notional amount equal to the aggregate principal amount of the Class A Notes on the Closing Date. The Class B Swap Agreement will have an initial notional amount equal to the aggregate principal amount of the Class B Notes on the Closing Date. The notional amount of each Swap Agreement will decrease by the amount of any principal repayments on the applicable Class A Notes or Class B Notes.
- 23.4 In the event that a Swap Counterparty is required to collateralise its obligations pursuant to the terms of the applicable Swap Agreement, the Security Trustee, upon written request of the Servicer, shall establish an individual Counterparty Downgrade Collateral Account for such Swap Agreement and will hold any securities deposited therein in trust and will invest any cash amounts in accordance with the provisions of the Interest Rate Swap Agreement.
- 23.5 The Servicer shall calculate and provide, by delivery of the monthly report, written notification to each Swap Counterparty and to the Security Trustee of the notional amount of each Interest Rate Swap Agreement as of each Payment Date on or before the reporting date in the month of the related Payment Date. The Interest Determination Agent shall provide the Servicer with the calculation of EURIBOR who shall provide the calculation of EURIBOR to the Security Trustee under this Trust Agreement and shall calculate the amount, for each Payment Date, of all Net Swap Payments, Net Swap Receipts and Swap Termination Payments payable in accordance with Clause 24 (*Permitted Investment; Order of Priority*) paragraph (3)(i) below on each Payment Date and shall provide written notification of such amounts to the Swap Counterparty and to the Security Trustee prior to such Payment Date. The parties hereto hereby acknowledge that with respect to the obligations under each Interest Rate Swap Agreement of the parties thereto, all calculations shall be performed by the calculation agent thereunder.
- 23.6 In the event of any early termination of the transaction under any Interest Rate Swap Agreement (i) the Issuer shall instruct the Security Trustee to establish a Swap Termination Payment Account in respect thereof, (ii) any Swap Termination Payments received by the Issuer or the Security Trustee on behalf of the Issuer from the related Swap Counterparty will be remitted to such Swap Termination Payment Account.
- 23.7 The Issuer shall promptly, following the early termination of the transaction under any Interest Rate Swap Agreement due to an "event of default" or "termination event" (each as defined in the applicable initial Interest Rate Swap Agreement) and in accordance with the terms of such Interest Rate Swap Agreement, enter into a replacement Interest Rate Swap Agreement to the extent possible and practicable through application of funds available in the Swap Termination Payment Account unless entering into such replacement Interest Rate Swap Agreement will cause the Rating Agency Condition not to be satisfied.
- 23.8 Amounts on deposit in the Swap Termination Payment Account at any time shall be invested in Permitted Investments and on each Payment Date after the creation of a Swap

Termination Payment Account, the funds therein shall be used to cover any shortfalls in the amounts payable under items *first* through *twelfth* according to the Order of Priority, provided that in no event will the amount withdrawn from the Swap Termination Payment Account exceed the amount of Net Swap Receipts that would have been required to be paid under the terminated Swap Agreement had there been no termination of such Swap Agreement.

- 23.9 Any Swap Replacement Proceeds received by the Issuer or the Security Trustee on behalf of the Issuer from a replacement Swap Counterparty will be remitted directly to the Distribution Account, shall be treated as part of the Available Distribution Amount and shall be paid in accordance with the Order of Priority.
- 23.10 To the extent that the Issuer determines not to replace the initial Interest Rate Swap Agreements and the Rating Agency Condition is met with respect to such determination, the amounts in the Swap Termination Payment Account shall be remitted directly to the Distribution Account, shall be treated as part of the Available Distribution Amount and shall be paid in accordance with the Order of Priority.
- 23.11 Upon payment of all amounts payable under the Notes the sums remaining in the Swap Termination Payments Accounts shall be paid according to the following order of priority:

*first*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*second*, to the Subordinated Lender, until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*third*, all remaining excess to VWL by way of a final success fee.

## **24. Permitted Investment; Order of Priority**

- 24.1 Prior to the full discharge of all obligations of the Issuer to the Transaction Creditors, any credit in the Distribution Account (the "**Credit**") and the Cash Collateral Account (other than repayments due to VWL in accordance with Clause 10.2 of the Lease Receivables Purchase Agreement) shall be employed exclusively in accordance with paragraphs (2) and (3) below and Clause 25 (*Cash Collateral Account*).
- 24.2 To the extent that no obligations of the Issuer are due and payable, the Issuer is authorised and obliged to invest the Credit with the Account Bank in Permitted Investments, VWL shall have the right to make non-binding suggestions to the Issuer regarding the selection of the Permitted Investments.
- 24.3 Prior to the occurrence of an Enforcement Event, distributions will be made on each Payment Date from the Available Distribution Amount according to the following Order of Priority:
- (i) on each Payment Date:

*first*, amounts payable in respect of taxes (if any) by the Issuer;

*second*, amounts (excluding any payments under the Trustee Claim) payable (i) to the Security Trustee under the Trust Agreement and (ii) *pari passu* to any

successor of the Security Trustee (if applicable) appointed pursuant to Clauses 34 and 35 of the Trust Agreement or under any agreement replacing the Trust Agreement;

*third*, of equal rank amounts payable (i) to the Corporate Services Provider under the Corporate Services Agreement, (ii) to the Data Protection Trustee under the Data Protection Trust Agreement; (iii) to the Servicer, the Servicer Fee, and (iv) to the Rating Agencies the fees for the monitoring;

*fourth*, of equal rank amounts payable (i) to the directors of the Issuer and (ii) in respect of other administration costs and expenses of the Issuer including without limitation, any costs relating to the listing of the Notes, or any paying agents' fees, any auditors' fees, any tax filing fees and any annual return or exempt company status fees;

*fifth*, amounts payable to the Account Bank maintaining the Accounts for account management fees due under the Account Agreement;

*sixth*, amounts payable by the Issuer to the Swap Counterparty in respect of any Net Swap Payments or any Swap Termination Payments under the Interest Rate Swap Agreements (if any and provided that the Swap Counterparty is not the defaulting party (as defined in the relevant Interest Rate Swap Agreement) and there has been no termination of the transaction under the Interest Rate Swap Agreement due to a termination event relating to the Swap Counterparty's downgrade); if the amounts paid by the Issuer to the Swap Counterparty are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*seventh*, amounts payable in respect of accrued and unpaid interest on the Class A Notes (including, without limitation, overdue interest);

*eighth*, amounts payable in respect of accrued and unpaid interest on the Class B Notes (including, without limitation, overdue interest);

*ninth*, to the Cash Collateral Account (as defined below), until the General Cash Collateral Amount is equal to the Specified General Cash Collateral Account Balance;

*tenth*, after a German Trade Tax Increase Event, to the Cash Collateral Account, until the amount of funds in the Cash Collateral Account is equal to the sum of the Specified General Cash Collateral Account Balance plus the Increased German Trade Tax Risk Reserve Amount;

*eleventh*, to the holders of the Class A Notes an aggregate amount equal to the "Class A Principal Payment Amount" for such Payment Date, which is equal to the amount necessary to reduce the outstanding principal amount of the Class A Notes to the Targeted Class A Note Balance;

*twelfth*, to the holders of the Class B Notes an aggregate amount equal to the "Class B Principal Payment Amount" for such Payment Date, which is equal to



the amount necessary to reduce the outstanding principal amount of the Class B Notes to the Targeted Class B Note Balance;

*thirteenth*, by the Issuer to the Swap Counterparties, any payments under the Interest Rate Swap Agreements other than those made under step *sixth* above; if the amounts paid by the Issuer to the Swap Counterparties are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*fourteenth*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*fifteenth*, to the Subordinated Lender, principal amounts until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*sixteenth*, to pay all remaining excess to VWL by way of a final success fee.

- (ii) Distribution will be made from the Cash Collateral Account on any Payment Date on which the General Cash Collateral Amount exceeds the Specified General Cash Collateral Account Balance provided that no Credit Enhancement Increase Condition is in effect:

*first*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*second*, to the Subordinated Lender, until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*third*, all remaining excess to VWL by way of a final success fee.

- (iii) Following the occurrence of an Enforcement Event, distributions will be made by the Security Trustee from the Available Distribution Amount according to the following Order of Priority:

*first*, amounts payable in respect of taxes (if any) by the Issuer;

*second*, amounts (excluding any payments under the Trustee Claim) payable (i) to the Security Trustee under the Trust Agreement and (ii) *pari passu* to any successor of the Security Trustee (if applicable) appointed pursuant to Clauses 34 and 35 of the Trust Agreement or under any agreement replacing the Trust Agreement;

*third*, of equal rank amounts payable (i) to the Corporate Services Provider under the Corporate Services Agreement, (ii) to the Data Protection Trustee under the Data Protection Trust Agreement; (iii) to the Servicer, the Servicer Fee, and (iv) to the Rating Agencies the fees for the monitoring;

*fourth*, of equal rank amounts payable (i) to the directors of the Issuer and (ii) in respect of other administration costs and expenses of the Issuer including without limitation, any costs relating to the listing of the Notes, or any paying agents'

fees, any auditors' fees, any tax filing fees and any annual return or exempt company status fees;

*fifth*, amounts payable to the Account Bank maintaining the Accounts for account management fees due under the Account Agreement;

*sixth*, amounts payable by the Issuer to the Swap Counterparty in respect of any Net Swap Payments or any Swap Termination Payments under the Interest Rate Swap Agreements (if any and provided that the Swap Counterparty is not the defaulting party (as defined in the relevant Interest Rate Swap Agreement) and there has been no termination of the transaction under the Interest Rate Swap Agreement due to a termination event relating to the Swap Counterparty's downgrade); if the amounts paid by the Issuer to the Swap Counterparty are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*seventh*, amounts payable in respect of accrued and unpaid interest on the Class A Notes (including, without limitation, overdue interest);

*eighth*, to the holders of the Class A Notes in respect of principal until the Class A Notes are redeemed in full;

*ninth*, amounts payable in respect of accrued and unpaid interest on the Class B Notes (including, without limitation, overdue interest);

*tenth*, to the holders of the Class B Notes in respect of principal until the Class B Notes are redeemed in full;

*eleventh*, by the Issuer to the Swap Counterparties, any payments under the Interest Rate Swap Agreements other than those made under step *sixth* above; if the amounts paid by the Issuer to the Swap Counterparties are insufficient to meet the Issuer's payment obligations under the Interest Rate Swap Agreements, such payments by the Issuer will be used first for payments due under the Class A Interest Rate Swap Agreement and, to the extent such payment obligations have been fully satisfied, second, for payments due under the Class B Interest Rate Swap Agreement;

*twelfth*, amounts payable in respect of accrued and unpaid interest on the Subordinated Loan (including, without limitation, overdue interest);

*thirteenth*, to the Subordinated Lender, principal amounts until the aggregate principal amount of the Subordinated Loan has been reduced to zero; and

*fourteenth*, to pay all remaining excess to VWL by way of a final success fee.

- 24.4 Notwithstanding the provisions of Clause 24 (*Permitted Investment; Order of Priority*) paragraph (3), any obligations referred to in this Clause 24 (*Permitted Investment; Order of Priority*) paragraph (3)(i) under *first* through *fifth* (other than the German Trade Tax Risk Reserve) may be satisfied on any date other than a Payment Date from any funds available on the Accounts in the Order of Priority.

## **25. Cash Collateral Account**

- 25.1 The Issuer will on the date of this Agreement in accordance with Clause 12 (*Cash Collateral Account*) of the Lease Receivables Purchase Agreement establish at the Account Bank the Cash Collateral Account to be used for the cash collateral in the initial amount of EUR 17,862,220. From this amount, an amount of EUR 12,132,220 (1.2 per cent. of the initial Aggregate Cut-Off Date Discounted Lease Balance) serves as the initial General Cash Collateral Amount and an amount of EUR 5,730,000 is the initial German Trade Tax Risk Reserve. The German Trade Tax Risk Reserve is exclusively reserved to cover any potential German trade tax risk (*Gewerbesteuerrisiko*). All funds in the Cash Collateral Account other than the unused amount of the German Trade Tax Risk Reserve are referred to as the "**General Cash Collateral Amount**".
- 25.2 On each Payment Date amounts payable under step *ninth* according to the Order of Priority above will be paid until the amount of funds in the Cash Collateral Account is equal to the Specified General Cash Collateral Account Balance. Amounts on deposit in the Cash Collateral Account at any time shall be invested in Permitted Investments in accordance with the instructions of the Issuer (as set out in Clause 24.2) and on each Payment Date the General Cash Collateral Amount shall be used with respect to (a) to cover any shortfalls in the amounts payable under steps *first* through *eighth* according to the Order of Priority above, (b) the amounts payable under Clause 24 (*Permitted Investment; Order of Priority*) paragraph (3)(ii) above and (c) on the Scheduled Repayment Date also for amounts payable under steps *eleventh* and *twelfth* of the Order of Priority above.
- 25.3 Upon payment of all amounts payable under the Notes and the Subordinated Loan and upon fulfilment of all claims of all Transaction Creditors VWL shall be entitled to the sums remaining in the Cash Collateral Account. The Cash Collateral Account shall be closed as soon as all Purchased Lease Receivables and rights to security have been realised after final payment in full of the Notes and the Subordinated Loan and liquidation of the Issuer. After the closing of the Cash Collateral Account, VWL is entitled to any Purchased Lease Receivables still being collected.
- 25.4 Upon the occurrence of a German Trade Tax Decrease Event, the German Trade Tax Risk Reserve Decrease Amount will be released by the Rating Agencies from the German Trade Tax Risk Reserve which is no longer required to cover potential German trade tax risk exposure following such German Trade Tax Decrease Event.

## **26. Relation to Third Parties; Overpayment**

- 26.1 In respect of the Security, the Order of Priority shall be binding on all Transaction Creditors of the Issuer. In respect of other assets of the Issuer, such Order of Priority shall only be applicable internally between Transaction Creditors, the Security Trustee, and the Issuer; in third party relationships, the rights of the Transaction Creditors and the Security Trustee shall have equal rank to those of the third-party creditors of the Issuer.
- 26.2 The Order of Priority set forth in Clause 24 (*Permitted Investment; Order of Priority*) shall also be applicable if the claims are transferred to a third party by assignment, subrogation into a contract, or otherwise.
- 26.3 All payments to Transaction Creditors shall be subject to the condition that, if a payment is made to a creditor in breach of the Order of Priority such creditor shall repay - with commercial effect to the relevant Payment Date - the received amount to the Security

Trustee; the Security Trustee shall then pay - with commercial effect to the relevant Payment Date - out the moneys so received in the way that they were payable in accordance with the aforementioned Order of Priority on the relevant Payment Date. If such overpayment is not repaid at the Payment Date of the funding, following the overpayment or if the claim to repayment is not enforceable, the Security Trustee is authorised and obliged to adapt the distribution provisions pursuant to Clause 24 (*Permitted Investment; Order of Priority*) in such a way that any over- or underpayments made in breach of Clause 24 (*Permitted Investment; Order of Priority*) are set off by correspondingly increased or decreased payments on such payment date (and, to the extent necessary, on all subsequent payment dates).

**Part F.**  
**Delegation; ADVISORS**

**27. Delegation**

- 27.1 In individual instances, the Security Trustee may, at market prices (if appropriate, after obtaining several offers), retain the services of a suitable law firm or credit institution to assist it in performing the duties assigned to it under this Agreement, by delegating the entire or partial performance of the following duties:
- (a) the undertaking of individual measures pursuant to Clause 17 (*Breach of Obligation by the Issuer*), specifically the enforcement of certain claims against the Issuer or a Transaction Creditor;
  - (b) the foreclosure on Security pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*);
  - (c) the settlement of payments pursuant to Clause 21 (*Payments upon Occurrence of the Foreclosure Event*); and
  - (d) the settlement of overpayments pursuant to Clause 26 (*Relation to the Third Parties; Overpayment*) paragraph (4).
- 27.2 If third parties are retained pursuant to paragraph (1), the Security Trustee shall only be liable for the exercise of due care in the selection and supervision of the third party to a degree that the Security Trustee would exercise in its own affairs. The Security Trustee, however, shall not be liable for any negligence of the third party.
- 27.3 The Security Trustee shall promptly notify the Rating Agencies of every hiring pursuant to paragraph (1).

**28. Advisors**

- 28.1 The Security Trustee is authorised, in connection with the performance of its duties under the Funding and the Transaction Documents, at its own discretion, to seek information and advice from legal counsel, financial consultants, banks, and other experts in Germany or elsewhere (and irrespective of whether such persons are already retained by the Security Trustee, the Issuer, a Transaction Creditor, or any other person involved in the transactions under the Notes, the Subordinated Loan or the Transaction Documents), and this at market prices (if appropriate, after obtaining several offers).

- 28.2 The Security Trustee may rely on such information and such advice without having to make its own investigations. The Security Trustee shall not be liable for any damages or losses caused by its acting in reliance on the information or the advice of such Persons. The Security Trustee shall not be liable for any negligence of such Persons.

#### **Part G.**

#### **FEES; REIMBURSEMENT OF EXPENSES; INDEMNIFICATION; TAXES**

#### **29. Fees**

The Issuer will pay the Security Trustee a fee, the amount of which shall be separately agreed between the Issuer and the Security Trustee.

#### **30. Reimbursement of Expenses; Advance**

The Issuer shall bear all reasonable costs and disbursements (including costs for legal advice and costs of other experts) incurred by the Security Trustee in connection with the performance of its duties under this Agreement, including the costs and disbursements in connection with the creation, holding, and foreclosure on the Security.

#### **31. Right to Indemnification**

The Issuer shall indemnify the Security Trustee against all losses, liabilities, obligations (including any taxes), actions in and out of court, and costs and disbursements incurred by the Security Trustee in connection with this Agreement, unless such costs and expenses are incurred by the Security Trustee due to a breach of its standard of care pursuant to Clause 37 (*Standard of Care*).

#### **32. Taxes**

- 32.1 The Issuer shall bear all transfer taxes and other similar taxes or charges which are imposed in Germany or in Luxembourg on or in connection with (i) the creation, holding, or foreclosure on Security, (ii) on any measure taken by the Security Trustee pursuant to the Conditions of the Notes, the Subordinated Loan or the Transaction Documents, and (iii) the Issue of the Notes, the conclusion of the Subordinated Loan Agreement or the conclusion of Transaction Documents.

- 32.2 All payments of fees and reimbursements of reasonable expenses to the Security Trustee shall include any turnover taxes, value added taxes or similar taxes, other than taxes on the Security Trustee's overall income or gains, which are imposed in the future on the services of the Security Trustee.

#### **33. Limited Recourse; No Lien or Set-off; No Petition**

- 33.1 The rights of the Security Trustee under Clauses 29 through 33 are limited to those funds which are found in the Accounts at any given time as payable to the Security Trustee pursuant to the Order of Priority; the Issuer has no further obligations. To the extent that the funds in the Accounts are insufficient to satisfy in full the claims of all Transaction Creditors, any amounts remaining unpaid shall be extinguished and the Issuer shall have no further obligations thereto.

- 33.2 No shareholder, officer or director of the Issuer shall incur any personal liability as a result of the performance or non-performance by the Issuer of its obligations hereunder. Any recourse against such a person is excluded accordingly.
- 33.3 The Security Trustee shall under no circumstances have any lien, right of retention, right of set-off or similar right in respect of any moneys paid or payable to it or assets delivered or deliverable into its custody under this Agreement vis-à-vis the Issuer.
- 33.4 The Security Trustee shall not file a petition for the commencement of insolvency or other proceedings that could impair or threaten the performance of obligations under the Notes, the Subordinated Loan or the Transaction Documents or that could jeopardise the Security.
- 33.5 The provisions of this Clause 33 (*Limited Recourse; No Lien or Set-Off; No Petition*) shall survive the termination of this Agreement.

**Part H.**  
**REPLACEMENT OF THE SECURITY TRUSTEE**

**34. Termination by the Security Trustee for Good Cause**

- 34.1 The Security Trustee may resign from its office as Security Trustee for good cause (*aus wichtigem Grund*) at any time provided that upon or prior to its resignation the Security Trustee, on behalf of the Issuer, appoints a reputable bank in Germany or a reputable German auditing company and/or fiduciary company as successor and such appointee who needs to be experienced in the business of security trusteeship in Germany assumes all rights and obligations arising from this Agreement and has been furnished with all authorities and powers that have been granted to the Security Trustee.
- 34.2 Without prejudice to the obligation of the Security Trustee to appoint a successor in accordance with paragraph (1) above, the Issuer shall be authorised to make such appointment in lieu of the Security Trustee.
- 34.3 The appointment of the new Security Trustee pursuant to paragraphs (1) or (2) above shall only take effect if (i) VWL consents to the appointment of the proposed new Security Trustee; and (ii) the Issuer consents to the appointment of the proposed new Security Trustee or withholds such consent unreasonably. Consent pursuant to number (i) above shall be deemed granted if the Issuer or the Security Trustee requests VWL in writing for consent to the appointment and consent is not refused by VWL within five banking days in Frankfurt am Main of having received the request. Consent pursuant to number (ii) shall be deemed granted if the Security Trustee requests the Issuer in writing for consent to the appointment and consent or proof of reasonable cause for refusing to give consent is not provided within five banking days in Frankfurt am Main after the Issuer receives the request.
- 34.4 A termination pursuant to paragraph (1) above notwithstanding, the rights and obligations of the Security Trustee shall continue until the appointment of the new Security Trustee has become effective and the rights pursuant to Clause 36 (*Transfer of Security; Costs; Publication*) have been assigned to it.

### **35. Replacement of the Security Trustee**

The Issuer shall be authorised and obligated to replace the Security Trustee with a reputable bank or a reputable German auditing company and/or law firm and/or a fiduciary company who needs to be experienced in the business of security trusteeship in Germany, if the Issuer has been so instructed in writing by a Noteholder or Noteholders owning at least 25 per cent. of the outstanding principal amount of the Notes or by the Subordinated Lender. The Issuer shall be obligated to notify VWL and the Rating Agencies within 30 days upon receipt of such request to replace the Security Trustee on the request to replace the Security Trustee.

### **36. Transfer of Security; Costs; Publication**

36.1 In the case of a replacement of the Security Trustee pursuant to Clause 34 (*Termination by the Security Trustee for Good Cause*) or Clause 35 (*Replacement of the Security Trustee*), the Security Trustee shall forthwith transfer the assets and other rights it holds as fiduciary under this Agreement, as well as its Trustee Claim under Clause 4 (including the pledge rights granted for the same pursuant to Clause 6) in its capacity as trustee to the new Security Trustee. Without prejudice to this obligation, the Issuer is hereby irrevocably authorised to effect such transfer on behalf of the Security Trustee subject to the condition set forth in sentence 1.

36.2 The costs incurred in connection with replacing the Security Trustee pursuant to Clause 34 (*Termination by the Security Trustee for Good Cause*) or Clause 35 (*Replacement of the Security Trustee*) shall be borne by the Issuer. If the replacement pursuant to Clause 34 (*Termination by the Security Trustee for Good Cause*) or Clause 35 (*Replacement of the Security Trustee*) is caused by the Security Trustee, the Issuer shall be entitled, without prejudice to any additional rights, to demand damages from the Security Trustee in the amount of such costs.

36.3 The appointment of a New Security Trustee in accordance with Clause 34 (*Termination by the Security Trustee for Good Cause*) or Clause 35 (*Replacement of the Security Trustee*) shall be published without delay in accordance with the Terms and Conditions of the Notes and the Subordinated Loan, or, if this is not possible, in any other appropriate way.

36.4 The Security Trustee shall provide the New Security Trustee with a report regarding its activities within the framework of this Agreement.

## **Part I. LIABILITY OF THE SECURITY TRUSTEE**

### **37. Standard of Care**

The Security Trustee shall be liable for breach of its obligations under this Agreement only if and to the extent that it fails to meet the standard of care which it would exercise in its own affairs (*Sorgfalt in eigenen Angelegenheiten*).

### **38. Exclusion of Liability**

The Security Trustee shall not be liable for: (i) any action or failure to act of the Issuer or of other parties to the Transaction Documents, (ii) the Notes, the Subordinated Loan, the Purchased Lease Receivables and the Lease Collateral and the Transaction Documents

being legal, valid, binding, or enforceable, or for the fairness of the provisions set forth in the Notes, the Subordinated Loan or in the aforementioned Agreements, (iii) a loss of documents related to the Purchased Rights not attributable to the negligence of the Security Trustee, and (iv) – without prejudice to the provisions of Clause 17 (*Breach of Obligations by the Issuer*) – VWL's failure to meet all or part of its contractual obligations to submit documents to the Security Trustee.

**Part J.**  
**UNDERTAKINGS OF THE ISSUER**

**39. Undertakings of the Issuer in Respect of the Security**

The Issuer undertakes vis-à-vis the Security Trustee:

- (a) not to sell the Security and to refrain from all actions and failure to act (excluding the collection and enforcement of the Security in the ordinary course of business) which may result in a significant (*wesentlichen*) decrease in the aggregate value or in a loss of the Security; to the extent that there are indications that a Transaction Creditor does not properly fulfil its obligations under a Transaction Document, the Issuer will in particular exercise the due care of a merchant (*die Sorgfalt eines ordentlichen Kaufmanns*) to take all necessary action to prevent the Security or their value from being jeopardised;
- (b) upon request of the Security Trustee, to mark in its books and documents the transfer for security purposes and the pledge to the Security Trustee and to disclose to third parties having a legal interest in becoming aware of the transfer for security purposes and the pledge that the transfer for security purposes and the pledge has taken place;
- (c) promptly to notify the Security Trustee if the rights of the Security Trustee in the Security are impaired or jeopardised by way of an attachment or other actions of third parties, by sending a copy of the attachment or transfer order or of any other document on which the enforcement of the third party is based, as well as all further documents which are required or useful to enable the Security Trustee to file proceedings and take other actions in defence of its rights. In addition, the Issuer shall promptly inform the attachment creditor and other third parties in writing of the rights of the Security Trustee in the Security; and
- (d) to permit the Security Trustee or its representatives to inspect its books and records at any time during usual business hours for purposes of verifying and enforcing the Security, to give any information necessary for such purpose, and to make the relevant records available for inspection.

**40. Other Undertakings of the Issuer**

The Issuer undertakes to:

- (a) promptly notify the Security Trustee in writing if circumstances occur which constitute a Foreclosure Event pursuant to Clause 19 (*Foreclosure on the Security; Foreclosure Event*);
- (b) submit to the Security Trustee at least once a year and in any event not later than 120 days after the end of its fiscal year and at any time upon demand within five



days a certificate signed by a director of the Issuer in which such director, in good faith and to the best of his/her knowledge based on the information available represents that during the period between the date the preceding certificate was submitted (or, in the case of the first certificate, the date of this Agreement) and the date on which the relevant certificate is submitted, the Issuer has fulfilled its obligations under the Notes, the Subordinated Loan and the Transaction Documents or (if this is not the case) specifies the details of any breach;

- (c) give the Security Trustee at any time such other information it may reasonably demand for the purpose of performing its duties under this Agreement;
- (d) send to the Security Trustee one copy in the German or the English language of any balance sheet, any profit and loss accounts, any schedule on the origin and the allocation of funds, any report or notice, or any other memorandum sent out by the Issuer to its shareholders either at the time of the mailing of those documents to the shareholders or as soon as possible thereafter;
- (e) send or have sent to the Security Trustee a copy of any notice given in accordance with the Conditions of the Notes and/or the Subordinated Loan immediately, or at the latest on the day of the publication of such notice;
- (f) ensure that the Principal Paying Agent notify the Security Trustee immediately if they do not receive the moneys needed to discharge in full any obligation to repay the full or partial principal amount due to the Noteholders and/or the Subordinated Lender on any Payment Date.

#### **41. Actions of the Issuer Requiring Consent**

As long as the Notes and the Subordinated Loan are outstanding, the Issuer is not authorised without prior written consent of the Security Trustee to:

41.1 engage in any business or activities other than:

- (i) the performance of the obligations under this Agreement, the Notes, the Subordinated Loan and the other Transaction Documents and under any other agreements which have been entered into in connection with the Funding;
- (ii) the enforcement of its rights;
- (iii) the performance of any acts which are necessary or useful in connection with (i) or (ii) above; and
- (iv) the execution of all further documents and undertaking of all other actions, at any time and to the extent permitted by law, which, in the opinion of the Security Trustee, are necessary or warranted with respect to the reasonable interests of the Noteholders or the Subordinated Lender in order to ensure that the Conditions of the Notes or the Subordinated Loan Agreement are always valid;

41.2 hold subsidiaries (unless in the case of a substitution of the Issuer pursuant to the Conditions of the Notes and the Subordinated Loan);

41.3 dispose of any assets or any part thereof or interest therein, unless provided otherwise in paragraph (1) above;

- 41.4 pay dividends or make any other distribution to its shareholders;
- 41.5 incur further indebtedness;
- 41.6 have any employees or own any real estate assets;
- 41.7 create or permit to subsist any mortgages, or – notwithstanding of its obligations under the Transaction Documents – any liens, pledges or similar rights;
- 41.8 consolidate or merge;
- 41.9 materially amend its Articles of Incorporation;
- 41.10 issue new shares and acquire shares;
- 41.11 open new accounts (other than contemplated in the Transaction Documents); or
- 41.12 effect a substitution of debtors pursuant to the Conditions of the Notes and the Subordinated Loan.

**Part K.**  
**MISCELLANEOUS PROVISIONS**

**42. Notices**

42.1 Subject to paragraph (3), all notices under this Agreement shall be made in the German or English language by mail or by fax which shall be confirmed by mail. Notices to VWL shall be sent separately to the attention of the individuals nominated by VWL in paragraph (2).

42.2 Subject to written notification of any change of address, all notices under this Agreement to the parties set forth below shall be directed to the following addresses:

(a) for the Issuer:

VCL No. 9 S.A.  
Attn.: Alexis Kamarowsky  
7 Val Ste Croix  
L-1371 Luxembourg  
Luxembourg  
Telfax No.: (+352) 22 11 92

(b) for VWL – and to each of them individually:

Volkswagen Leasing GmbH  
Attn.: Mr. Alexander Podolsky  
Gifhorner Straße 57  
D-38112 Braunschweig  
Federal Republic of Germany  
Telefax No. (+49-531) 212 73497

- (c) for the Co-Arrangers
- Volkswagen Financial Services AG  
Gifhorner Straße 57  
D-38112 Braunschweig  
Federal Republic of Germany  
Telefax No. (+49-531) 212 73497
- Société Générale  
SG House  
41 Tower Hill  
London EC 3N 4SG  
United Kingdom  
Tel.: (+44-20) 7676 7646  
Fax: (+44-20) 7702 0283  
Attn.: Structured Debt Syndicate Desk
- (d) for the Security Trustee:
- Faegre & Benson LLP  
Attn.: Manfred Baumbach  
Main Tower  
Neue Mainzer Straße 52-58  
60311 Frankfurt am Main  
Federal Republic of Germany  
Telefax No. (+49-69) 63156111  
Email: mbaumbach@faegre.com
- (e) for Fitch:
- Fitch Ratings Limited  
Attn.: Structured Finance Surveillance  
4th Floor, 101 Finsbury Pavement  
London EC2A 1RS  
United Kingdom  
Telefax No. (+44-20) 7417 6262  
Email: [sf\\_surveillance@fitchratings.com](mailto:sf_surveillance@fitchratings.com)
- (f) for Moody's:
- Moody's Deutschland GmbH  
Attn.: Monitoring  
An der Welle 5  
D-60322 Frankfurt am Main  
Germany  
Telefax No. (+49-69)707 30 831  
Email: monitor.abs@moodys.com
- (g) for S&P:
- Standard & Poor's Ratings Group  
Attn.: Structured Finance

Surveillance Department  
20 Canada Square  
Canary Wharf  
London E14 5LH  
United Kingdom  
Telefax No. (+44-20) 7176-3598  
Email: europeansurveillance@standardandpoors.com

- (h) for the Data Protection Trustee:

Volkswagen Bank GmbH  
Attn.: Mr. Alexander Podolsky  
Attn.: Mr. Roland Mai  
Gifhorner Straße 57  
D-38112 Braunschweig  
Federal Republic of Germany  
Telefax No.: (+49-531) 212 3497 (Mr. Alexander Podolsky)  
(+49-531) 212 3718 (Mr. Roland Mai)

- (i) for the Principal Paying Agent, the Luxembourg Paying Agent and the Listing Agent:

Société Générale Bank & Trust  
11, Avenue Emile Reuter,  
L-2420 Luxembourg,  
Luxembourg  
Phone: (+352) 47 91 11 609/367  
Fax: (+352) 24 15 75  
E-mail: [evenements.sgbtlux@socgen.com](mailto:evenements.sgbtlux@socgen.com)  
Attn: Agencies Services-TITR/CLE/SFI

- (j) for the Account Bank:

Société Générale Frankfurt  
Attn.: Volker Schlang / Christoph Lomb  
Mainzer Landstrasse 36  
60325 Frankfurt am Main  
Federal Republic of Germany  
Phone: (+49-69)717 4677  
Fax: (+49-69) 717 4646

- (k) for the Calculation Agent and the Interest Determination Agent

Fortis Intertrust (Netherlands) B.V.  
Attn.: Securitisation Services Department  
Prins Bernardplein 200  
1097JB Amsterdam  
PO Box 990  
1000AZ Amsterdam  
The Netherlands  
Phone: (+31-20) 521 4777  
Fax: (+31-20) 521 4832

- (l) for the Joint-Lead Managers:

Société Générale  
SG House  
41 Tower Hill  
London EC 3N 4SG  
United Kingdom  
Tel.: (+44-20) 7676 7646  
Fax: (+44-20) 7702 0283  
Attn.: Structured Debt Syndicate Desk

Dresdner Bank AG London Branch  
30 Gresham Street  
London EC2P2XY  
United Kingdom  
Tel.: (+44-20) 7475 4496  
Fax: (+44-20) 7475 8065  
Attn.: Michael Schmidt

- (m) for the Swap Counterparty

Société Générale  
Tour Société Générale  
17 Cours Valmy  
92987 Paris-La Défense Cedex  
France  
Attention: Collateral Department  
Telephone: +33 1 42 14 52 93 / 33 1 42 13 87 02  
Facsimile: +33 1 42 13 34 27  
Email: [sg.collateral@sgcib.com](mailto:sg.collateral@sgcib.com)

- (n) for the Corporate Services Provider:

Structured Finance Management (Luxembourg) S.A.  
Attn.: Alexis Kamarowsky  
7 Val Ste. Croix  
Luxembourg L-1371  
Fax: (+352-22) 11 92  
Email: [alexis.kamarowsky@interconsult.lu](mailto:alexis.kamarowsky@interconsult.lu)

- (o) for the Subordinated Lender:

Volkswagen International Finance N.V.  
Attn.: Martin Koster/Alwin Kleindienst  
Herengracht 495  
1017BT Amsterdam  
The Netherlands  
Fax (+31-20) 626 9254

(p) for the Managers:

Société Générale  
SG House  
41 Tower Hill  
London EC 3N 4SG  
United Kingdom  
Tel.: (+44-20) 7676 7646  
Fax: (+44-20) 7702 0283  
Attn.: Structured Debt Syndicate Desk

Dresdner Bank AG London Branch  
30 Gresham Street  
London EC2P2XY  
United Kingdom  
Tel.: (+44-20) 7475 4496  
Fax: (+44-20) 7475 8065  
Attn.: Michael Schmidt

Landesbank Baden-Württemberg  
Am Hauptbahnhof 2  
70173 Stuttgart  
Germany  
Tel.: (+49-711) 127-49718  
Fax: (+49-711) 127-49728  
Attn.: Florian Pierer - Securitizations (8959/H)

Fortis Bank NV-SA  
Warandeberg 3  
1000 Brussels  
Belgium  
Attn.: Documentation; Jacques van de Velde  
Tel.: (+ 32-2) 565 10 65  
Fax: (+ 32-2) 565 88 11  
Cc: Martine klutz  
Tel.: (+32-2) 565 62 47  
Fax: (+ 32-2) 565 16 40

Banca Caboto S.p.A.  
Piazzetta Giordano Dell' Amore, 3  
20121 Milan  
Italy  
Attn.: Legal Department  
Tel.: (+39-02) 80 21 5934  
Fax: (+39-02) 80 21 5331

42.3 All notices that the Security Trustee must give to the Noteholders under this Agreement shall be published in an official journal with nationwide circulation of Luxembourg Stock Exchange to which the Notes are admitted for trading. Should an official listing be absent, then in the German Federal Gazette (*Bundesanzeiger*).

### **43. Severability Clause; Coordination**

- 43.1 Without prejudice to any other provision hereof, if any provision of this Agreement is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be replaced by such valid provisions which taking into consideration the purpose and intent of this Agreement have to the extent legally possible the same economic effect as the invalid provisions. The preceding provisions shall be applicable *mutatis mutandis* to any lacunae in this Agreement.
- 43.2 The parties to this Agreement each undertake vis-à-vis the respective other party to take all actions that become necessary pursuant to paragraph (1) above or for other reasons to implement this Agreement.

### **44. Amendments**

- 44.1 VWL will be entitled to unilaterally amend any term or provision of this Agreement with the consent of the Issuer but without the consent of any Noteholder, any Swap Counterparties, the Subordinated Lender or any other Person; provided that (if such amendment is not only a correction of a manifest error or of a formal, minor or technical nature) such amendment shall only become valid,
- (a) if it is notified to the Security Trustee and the Rating Agencies and the Issuer and VWL have received a confirmation (x) from the Security Trustee that in the sole professional judgment of the Security Trustee, such amendment will not be materially prejudicial to the interests of any such Transaction Creditor and (y) from Fitch and S&P that the ratings then assigned to the Notes will not be adversely affected by such amendment and that the Rating Agency Confirmation is satisfied thereby; and
  - (b) if any of the amendments relate to the amount, the currency or the timing of the cashflow received by the Issuer under the Purchased Loan Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparties in the Order of Priority, then the consent of the Swap Counterparties will be required; and
  - (c) in case of amendments which materially and adversely affect the interests of the Issuer, the Security Trustee, the Swap Counterparties or the Subordinated Lender if such parties that are materially and adversely affected have consented to such amendment.
- 44.2 The Security Trustee shall have the right to request a reputable international law firm to confirm the legal validity of such amendment and/or to describe the legal effects of such amendment and to incur reasonable expenses for such consultation which shall be reimbursed by VWL.
- 44.3 This Agreement may also be amended from time to time by VWL with the consent of (a) the Issuer and (b) the Class A Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class A Notes, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Noteholders; (x) provided that no such amendment shall (i) reduce the interest rate or principal amount of any Note or delay the Scheduled Repayment Date or Legal Maturity Date of any Note without the consent of the respective Noteholder, or (ii) reduce the percentage of the

aggregate outstanding principal amount of the Class B Notes without the consent of Class B Noteholders evidencing not less than a majority of the aggregate outstanding principal amount of the outstanding Class B Notes, and (y) provided further that if any of the amendments relate to the amount, the currency or the timing of the cashflow received by VWL under the Purchased Lease Receivables, the application of such cashflow by the Issuer, or the ranking of the Swap Counterparties in the Order of Priority, or materially and adversely affects the interests of the Swap Counterparties, then the consent of the Swap Counterparties will be required. It will not be necessary for the consent of Noteholders to approve the particular form of any proposed amendment or consent, but it will be sufficient if such consent approves the substance thereof. The manner of obtaining such consents (and any other consents of Noteholders provided for in this Agreement) and of evidencing the authorisation of the execution thereof by Noteholders will be subject to such reasonable requirements as the Security Trustee may prescribe, including the establishment of record dates. Upon full redemption of all Class A Notes, the foregoing sentence shall apply with the modification that the required Class A Noteholder consent as set out under (b) shall be replaced by consent of Class B Noteholders evidencing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Class B Notes.

**45. Applicable Law; Place of Performance; Jurisdiction**

- 45.1 This Agreement is governed by and shall be construed in accordance with the laws of Germany.
- 45.2 Each party to this Agreement irrevocably agrees that the Regional Court (Landgericht) of Frankfurt/Main shall have non-exclusive jurisdiction to hear and determine any proceedings and to settle any disputes brought in connection herewith and each party hereto irrevocably submits to the jurisdiction of the German courts. This jurisdiction agreement is not concluded for the benefit of only one party. This jurisdiction agreement is not concluded for the benefit of only one party. The Issuer hereby appoints Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany, as its agent for service of process with respect to any legal proceedings brought before any German court.
- 45.3 Nothing in this Clause 45 (*Governing Law; Place of Performance; Jurisdiction*) shall limit any party's right to take proceedings against any other party in any other jurisdiction or in more than one jurisdiction concurrently, subject to article 17 of the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters opened for signature in Brussels in 1968 and article 17 of the similarly-named Convention opened for signature in Lugano in 1988 or Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the enforcement of judgments in civil and commercial matters.
- 45.4 Each party hereto also irrevocably waives (and irrevocably agrees not to raise) any objection which it might at any time have on the ground of forum non conveniens or any other ground to proceedings being taken in any court referred to in this Clause 45 (*Governing Law; Place of Performance; Jurisdiction*), and irrevocably agrees that any judgment in proceedings taken in any such court shall be conclusive and binding on it and may be enforced in any other jurisdiction.



**46. Condition Precedent**

This Agreement and the rights and obligations hereunder are subject to the condition precedent that the Note Purchase Agreement will be executed and that the Lease Receivables Purchase Agreement will become effective.

**47. Third Party Benefit**

Unless expressly stipulated herein otherwise, a Person who is not a party to this Agreement has no right under section 328 (*echter Vertrag zugunsten Dritter*) of the German Civil Code to enforce or to enjoy the benefit of any term of this Agreement.

**48. Counterparts**

16 counterparts of this Agreement shall be signed. Each signed counterpart shall be deemed an original.

## SUBSCRIPTION AND SALE

### Subscription of the Notes

The Class A Notes will be underwritten by a syndicate of financial institutions for placement with institutional investors, headed by Société Générale Corporate and Investment Banking as Bookrunner and managed by Dresdner Bank AG London Branch, Banca Caboto S.p.A., Fortis Bank NV-SA and Landesbank Baden-Württemberg, at an issue price of 100% of their principal amounts. The payment date is 26 February 2007.

The Class B Notes will be underwritten by a syndicate of financial institutions for placement with institutional investors, headed by Société Générale Corporate and Investment Banking as Bookrunner and managed by Dresdner Bank AG London Branch, Banca Caboto S.p.A., Fortis Bank NV-SA and Landesbank Baden-Württemberg, at an issue price of 100% of their principal amounts. The payment date is 26 February 2007.

### Selling Restrictions

#### *General*

All applicable laws and regulations must be observed in any jurisdiction in which the Notes may be offered, sold or delivered. Each of the Banks has agreed that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Issuer except as set out in the Note Purchase Agreement.

#### *European Economic Area*

This Prospectus has been prepared on the basis that all offers of the Notes in member states of the European Economic Area ("EEA") will be made pursuant to an exemption under the Prospectus Directive (2003/71/EC), as implemented in the member states of the EEA, from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of Notes which are the subject of the issue contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuer or any of the Banks to produce a prospectus for such offer.

#### *United States of America and its Territories*

Each of the Banks represents and agrees in a note purchase agreement that:

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

remuneration that purchases Notes from them during the distribution compliance period a confirmation or notice to substantially the following effect:

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

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

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

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

#### *United Kingdom*

Each of the Banks represents and agrees in a note purchase agreement that:

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

ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) 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.

#### *Republic of France*

Each of the Banks represents and agrees in a note purchase agreement that, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France (*appel public à l'épargne*), and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Prospectus, the Preliminary Prospectus and any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France,

- (a) to qualified investors (*investisseurs qualifiés*) acting for their own account; and/or
- (b) to a restricted circle of investors (*cercle restreint d'investisseurs*) acting for their own account; and/or
- (c) to persons providing portfolio management financial services on behalf of third parties (*personnes fournissant le service d'investissement et de gestion de portefeuille pour compte de tiers*), each as defined in and in accordance with Articles L. 411-2, D. 411-1 to D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and any implementing regulation or decree; and/or
- (d) if a transaction that, in accordance with Articles L. 411-2-II-1° or 2° or 3° of the French Monetary and Financial Code and Article 211-2 of the General Regulation (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Banks have informed and/or will inform such investors that the subsequent direct or indirect retransfer of the Notes in the Republic of France can only be made in compliance with Articles L. 411-1, L. 411-2, L.412-1 and L. 621-8 through L. 621-8-3 of the French Monetary and Financial Code. This Prospectus, the Preliminary Prospectus and any other offering material relating to the Notes have never been submitted to the *Autorité des Marchés Financiers* for approval and do not constitute an offer to the public in the Republic of France for the sale or subscription of financial instruments.

*Republic of Italy*

The offering of the Notes has not been registered with the CONSOB pursuant to the Italian securities legislation and, accordingly, each of the Banks has represented and agreed that it has not offered or sold, and will not offer, sell or deliver any Notes or distribute copies of the Preliminary Prospectus, Prospectus or of any other offering material relating to the Notes in the Republic of Italy in a public solicitation (*sollecitazione all'investimento*) within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998 ("**Decree No. 58**"), other than:

- (a) to "**Professional Investors**" (*operatori qualificati*), as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("**Regulation No. 11522**"), pursuant to Articles 30.2 and 100 of Decree No. 58;
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Decree No. 58 and Article 33.1 of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Preliminary Prospectus, Prospectus or any other document relating to the Notes in the Republic of Italy under the paragraphs above must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended ("Decree No. 385"), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385, regarding the issue and offer of securities; and
- (c) in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws and regulations.

Pursuant to Article 100-bis of the Decree No. 58, (i) the resale of the Notes that have been offered, sold or distributed in solicitation exempted from the publication of a prospectus is to be deemed an autonomous and independent public solicitation where the conditions provided by Article 1.1(t) of the Decree No. 58 are satisfied and no exemptions pursuant to Article 100 of the Decree No. 58 apply; (ii) to the extent that an offer of the Notes is made solely to Professional Investors in Italy or abroad, a public solicitation is deemed occurring in Italy if the Notes, in the following 12 months, are systematically transferred to non-professional investors, and such transfer is not exempted pursuant to Article 100 of the Decree No. 58. In this case, where no prospectus has been published, the purchaser of the Notes, that was acting for the purposes different from its professional and entrepreneurial activities, has the right to ask that the purchase agreement is declared null and void, and the intermediaries that have sold the Notes may be liable for damages.

In no event may the Notes be sold or offered for sale (on the Issue Date or at any time thereafter) to individuals (*persone fisiche*) residing in the Republic of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Directive 2003/71/EC (the "**Prospectus Directive**"), such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

## **Stabilisation**

In connection with the issue and distribution of the Notes, Société Générale (in such capacity, the "**Stabilising Manager**") (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on Société Générale to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations.

## GENERAL INFORMATION

### Note Issues

The Note issues were authorised by the Directors of the Issuer on 19 February 2007. For the effective issue of the Notes, the directors do not require any shareholders' resolution or other internal approval.

### Governmental, Legal and Arbitration Proceedings

the Issuer has not been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering the last 12 months, which may have, or have had in the recent past significant effects on the Issuer's financial position or profitability.

### Material Adverse Change

Except as may be set out in this Prospectus, there has been no material adverse change in the financial position or prospects of the Issuer since its incorporation or since its opening balance sheet was made.

### Payment Information

For as long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg Stock Exchange of the Interest Amounts, Interest Accrual Periods and the Interest Rates and the payments of principal, in each case without delay after their determination pursuant to the Conditions of the Notes. This information will be communicated to the Luxembourg Stock Exchange at the latest on the first day of each interest period.

All information to be given to the Noteholders pursuant to Condition 6 of the Notes, including monthly information on the development of the Portfolio as set out in Condition 6 of the Notes, will be available and may be obtained (free of charge) at the specified office of the Principal Paying Agent.

The Notes have been accepted for clearance through Clearstream Luxembourg and Euroclear as operator of the Euroclear system.

All notices concerning the Notes shall be published in a newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) insofar as required by the rules of the Luxembourg Stock Exchange and shall be delivered to the applicable clearing systems for communication by them to the Noteholders.

### Listing and Admission to Trading

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and trade the Notes on the regulated market of the Luxembourg Stock Exchange. The total expenses related to the admission to trading will approximately amount to EUR 9,290.

### CSK/Clearing Systems

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

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

### **Clearing Codes**

Class A Notes  
ISIN: XS0284056776  
Common Code: 028405677

Class B Notes  
ISIN: XS0284061180  
Common Code: 028406118

### **Limitation of Time with respect to payment claims to Interest and Principal**

Claims arising from a bearer note (*Inhaberschuldverschreibung*) i. e. claims to interest and principal cease to exist with the expiration of thirty years after the occurrence of time determined for performance, unless the bearer note is submitted to the Issuer for redemption prior to the expiration of thirty years. In case of a submission, the claims will be time-barred in two years beginning with the end of the period for submission. The submission equals a judicial assertion of the claim arising from the bearer note.

### **Inspection of Documents**

Copies of the following documents may be inspected during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) as long as the Notes remain outstanding at the registered office of the Issuer and the Principal Paying Agent and as long as the Notes are listed on the Luxembourg Stock Exchange they will also be available at the specified offices of the Principal Paying Agent, (i) this Prospectus, (ii) the Trust Agreement, (iii) the Deed of Charge and Assignment, (iv) the Agency Agreement, and (v) the Articles of Association of the Issuer and all future financial reports of the Issuer. A copy of the Prospectus will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Issuer intends to provide post-issuance transaction information regarding the Notes to be admitted to trading and the performance of the underlying assets. The Servicer will publish monthly investor reports regarding the Notes and the performance of the underlying assets. Monthly investor reports will be published by the Servicer on each respective 16th day of a calendar month available on Bloomberg and [www.vwfsag.de/investorrelations](http://www.vwfsag.de/investorrelations). Such monthly investor reports will provide the following information:

- (i) The aggregate amount to be distributed on each Class A Note, each Class B Note on the Payment Date,
- (ii) the repayment of the nominal amount attributed to each Class A Note, to each Class B Note as distributed together with the interest payment,
- (iii) the nominal amount still outstanding on each Class A Note, on each Class B Note as of each respective Payment Date,
- (iv) the Note Factor of the Class A Notes, and of the Class B Notes,



- (v) the amounts still available in the General Cash Collateral Amount on the Payment Date following the immediately following Payment Date,
- (vi) the sums corresponding to the administration and servicing fees,
- (vii) the Cumulative Net Loss Ratio and whether a Credit Enhancement Increase Condition is in effect,
- (viii) the current Class A Overcollateralisation Percentage and the current Class B Overcollateralisation Percentage,
- (ix) the applicable targeted Class A Overcollateralisation Percentage and the applicable target Class B Overcollateralisation Percentage,
- (x) delinquency information for delinquency periods of up to one month, up to two months, up to three months and more than three months with respect to the number of delinquent Lease Contracts, the amount of delinquent Lease Receivables and the total outstanding Discounted Lease Balance of delinquent Lease Contracts, and
- (xi) in the event of the final Payment Date, the fact that such date is the final Payment Date.

## MASTER DEFINITIONS SCHEDULE

*The following is the text of the Master Definitions Schedule. The text will be attached as Appendix B to the Conditions of both Classes and constitutes an integral part of the Conditions of both Classes. In case of any overlap or inconsistency in the definitions of a term or expression in the Master Definitions Schedule and elsewhere in the Prospectus, the definitions of the Master Definitions Schedule will prevail.*

### DEFINITIONS

- 1.1 The parties to this Master Definitions Schedule agree that, except where expressly stated to the contrary or where the context otherwise requires, the definitions set out below shall apply to terms or expressions referred to but not otherwise defined in each Transaction Document.

**"Account Agreement"** means the account agreement between the Issuer, the Account Bank and the Security Trustee governing the Accounts (except for the Swap Termination Payments Accounts and the Counterparty Downgrade Collateral Account) dated on or about the Signing Date.

**"Account Bank"** means the Cash Collateral Account Bank and the Distribution Account Bank.

**"Account Bank Required Ratings"** means P-1 (short term) by Moody's, A-1 (short term) by S&P and F1 (short term) by Fitch.

**"Accounts"** means the Cash Collateral Account and the Distribution Account.

**"Accrued Interest"** means in respect of a Note the Note interest which has accrued up to the sale of such Note.

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

**"Additional Rights"** means under the Lease Receivables Purchase Agreement certain rights purchased or to be purchased by the Issuer associated with the premature termination of the Lease Contracts or with the transfer of Lease Receivables.

**"Affiliate"** means, in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity of Person means ownership of a majority of the voting power of the entity or Person). For the purposes of this definition, with respect to the Issuer, "Affiliate" does not include the Corporate Services Provider or any entities which the Corporate Services Provider controls.

**"Agency Agreement"** means the agency agreement between, *inter alia*, the Issuer, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent, the Interest Determination Agent and the Security Trustee dated on or about the Signing Date.

**"Agents"** means the Calculation Agent, the Interest Determination Agent, the Principal Paying Agent, the Luxembourg Paying Agent and the Listing Agent and **"Agent"** means any one of them.

**"Aggregate Cut-Off Date Discounted Lease Balance"** means the Aggregate Discounted Lease Balance as of the Cut-Off Date.

**"Aggregate Discounted Lease Balance"** means the sum of the Discounted Lease Balances for all Lease Contracts.

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

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

**"Available Distribution Amount"** on each Payment Date shall equal the sum of the following amounts:

- (i) Collections received or collected by the Servicer; plus
- (ii) the Issuer's portion in the proceeds from the realisation of Leased Vehicles pursuant to Clause 8 (*Realisation of Leased Vehicles*) of the Lease Receivables Purchase Agreement; plus
- (iii) Net Swap Receipts under the Class A Swap Agreement and the Class B Swap Agreement and certain other amounts; plus
- (iv) payments from the Cash Collateral Account as provided for in Clause 25.2 (*Cash Collateral Account*) of the Trust Agreement and the German Trade Tax Risk Reserve Decrease Amount (if any) as defined in Clause 25.4 of the Trust Agreement.

**"Banks"** means the Joint Lead Managers and the Managers collectively.

**"Bookrunner"** means Société Générale.

**"Business Day"** means any day on which TARGET is open for business, provided that this day is also a business day in London.

**"Business Vehicles Leasing Agreements"** means Lease Contracts generally containing VWL's leasing conditions for business vehicles.

**"Calculation Agent"** means Fortis Intertrust (Netherlands) B.V..

**"Capital Gains"** means the gains from a disposal of the Notes (other than Accrued Interest), including gains realised by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity.

**"Cash Collateral Account"** means the account no. 11 9501 2791 held with the Cash Collateral Account Bank.

**"Cash Collateral Account Bank"** means Société Générale Frankfurt.

**"Cash Collateral Amount"** means the outstanding balance of the Cash Collateral Account from time to time.

**"Class"** means as the meaning requires the Class A of the Notes or the Class B of the Notes.

"**Class A Floating Rate Asset Backed Notes**" means the class A notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 940,200,000, consisting of 18,804 individual Class A Notes, each in the nominal amount of EUR 50,000 and ranking senior to the Class B Notes with respect to the payment of interest and principal.

"**Class A Legal Maturity Date**" means the Payment Date falling in April 2012.

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

"**Class A Notes**" means the Class A Floating Rate Asset Backed Notes.

"**Class A Notes Factor**" shall be calculated as follows:

$$NF = \frac{940,200,000 - KR}{940,200,000}$$

whereby NF means the Class A Notes Factor which is calculated to six decimal places and KR means the total of all repayments of the nominal amount of all Class A Notes paid and contained respectively in each payment up to each respective Payment Date.

"**Class A Notes Interest Rate**" means 1 month EURIBOR plus 0.05 per cent..

"**Class A Overcollateralisation Percentage**" means:

- (a) 9.1 per cent. until a Credit Enhancement Increase Condition shall be in effect;
- (b) 11.0 per cent. if a Level 1 Credit Enhancement Increase Condition is in effect;  
and
- (c) 100 per cent. if a Level 2 Credit Enhancement Increase Condition is in effect.

"**Class A Principal Payment Amount**" means an aggregate amount for any Payment Date which is equal to the amount necessary to reduce the outstanding principal amount of the Class A Notes to the Targeted Class A Note Balance.

"**Class A Scheduled Repayment Date**" means the Payment Date falling in April 2011.

"**Class A Swap Agreement**" means the class A interest rate swap agreement between the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement, the associated schedule and the credit support annex and a confirmation dated on or about the Signing Date.

"**Class A Targeted Overcollateralisation Amount**" means, on each Payment Date the greater of (a) the Class A Overcollateralisation Percentage multiplied by the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period, and (b) the lesser of (i) EUR 9,099,165 (i.e., 0.9 per cent. of the Aggregate Cut-Off Date Discounted Lease Balance), and (ii) the aggregate outstanding principal amount of the Class A Notes on such Payment Date.

"**Class B Floating Rate Asset Backed Notes**" means the class B notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 30,350,000, consisting of

607 individual Class B Notes, each in the nominal amount of EUR 50,000 and ranking junior to the Class A Notes with respect to the payment of interest and principal.

"**Class B Legal Maturity Date**" means the Payment Date falling in April 2012.

"**Class B Noteholders**" means the holders of the Class B Notes.

"**Class B Notes**" means the Class B Floating Rate Asset Backed Notes.

"**Class B Notes Factor**" shall be calculated as follows:

$$NF = \frac{30,350,000 - KR}{30,350,000}$$

whereby NF means the Class B Notes Factor which is calculated to six decimal places and KR means the total of all repayments of the nominal amount of all Class B Notes paid and contained respectively in each payment up to each respective Payment Date.

"**Class B Notes Interest Rate**" means 1 month EURIBOR plus 0.13 per cent..

"**Class B Overcollateralisation Percentage**" means:

- (a) 5.2 per cent. until a Credit Enhancement Increase Condition shall be in effect;
- (b) 7.0 per cent. if a Level 1 Credit Enhancement Increase Condition is in effect; and
- (c) 100 per cent. if a Level 2 Credit Enhancement Increase Condition is in effect.

"**Class B Principal Payment Amount**" means an aggregate amount for any Payment Date which is equal to the amount necessary to reduce the outstanding principal amount of the Class B Notes to the Targeted Class B Note Balance.

"**Class B Scheduled Repayment Date**" means the Payment Date falling in April 2011.

"**Class B Swap Agreement**" means the class B interest rate swap agreement between the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement, the associated schedule and the credit support annex and a confirmation dated on or about the Signing Date.

"**Class B Targeted Overcollateralisation Amount**" means, on each Payment Date, the greater of (a) the Class B Overcollateralisation Percentage multiplied by the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period, and (b) the lesser of (i) EUR 5,156,193 (i.e., 0,51 per cent. of the Aggregate Cut-Off Date Discounted Lease Balance), and (ii) the aggregate outstanding principal amount of the Class B Notes on such Payment Date.

"**Clean-Up Call**" means VWL's right at its option to exercise a clean-up call when the Clean-Up Call Conditions are satisfied.

"**Clean-Up Call Conditions**" means, under the Lease Receivables Purchase Agreements, VWL will have the option to exercise a Clean-Up Call and to repurchase the

Lease Receivables from the Issuer at any time when the Aggregate Discounted Principal Balance is less than 9 per cent. of the Aggregate Cutoff Date Discounted Principal Balance provided that all payment obligations under the Notes will be thereby fulfilled.

**"Clean-Up Call Settlement Amount"** means the Settlement Amount payable by the Seller in the event of a Clean-Up Call.

**"Clearing"** means clearing through Euroclear and/or Clearstream Luxembourg.

**"Clearstream Luxembourg"** means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking Luxembourg, *société anonyme*, and any successor thereto.

**"Closed End Lease Contract"** means any closed end Lease Contract (*Vertrag ohne Gebrauchtwagenabrechnung*).

**"Closing Date"** means 26 February 2007.

**"Collateral Ownership Interest"** means title for security purposes (*Sicherungseigentum*) to the Leased Vehicles which are described in detail in the Lease Contracts identified in column 1 of Enclosure A by reference to vehicle identification numbers (*Fahrgestellnummer*).

**"Collateral Rights"** means,

- (a) all Purchased Lease Receivables and Lease Collateral which VWL transfers to the Issuer pursuant to the provisions of the Lease Receivables Purchase Agreement, and all rights arising from the Purchased Lease Receivables and Lease Collateral and all rights against the Security Trustee of participation in the realisation proceeds pursuant to Clause 20 (*Realisation of the Leased Vehicles*) of the Trust Agreement;
- (b) all its claims and other rights arising from the Transaction Documents (including the rights to unilaterally alter a legal relationship (*unselbständige Gestaltungsrechte*)) and from all present and future contracts the Issuer has entered or may enter into in connection with the Notes, the Subordinated Loan, the Interest Rate Swap Agreements, or the Purchased Lease Receivables and Lease Collateral; and
- (c) all transferable claims (i) in respect of the Accounts of the Issuer opened pursuant to the Accounts Agreement and (ii) in respect of all bank accounts which will be opened under the Corporate Services Agreement or this Agreement in the name of the Issuer in the future.

**"Collections"** means (i) all collections of the Issuer under Purchased Lease Receivables (other than Written Off Purchased Lease Receivables) in respect of Principal, Interest, Lease Administration Fees, Enforcement Proceeds, Insurance Proceeds; plus (ii) Interest Compensation Payments, Settlement Amounts and Clean-Up Call Settlement Amounts paid by VWL to the Issuer; and minus (iii) Interest Compensation Payments paid by the Issuer to VWL.

**"Common Safekeeper"** or **"CSK"** means the entity appointed by the ICDSs to provide safekeeping for the Notes in NGN form.

"**Common Services Provider**" or "**CSP**" means the entity appointed by the ICDSs to provide asset servicing for the Notes in NGN form.

"**Company**" means VCL No. 9 S.A.

"**Conditions**" means the terms and conditions of the Notes which are set out in the Prospectus.

"**Corporate Services Agreement**" means the corporate services agreement entered into by the Issuer and the Corporate Services Provider on or about the Signing Date under which, the Corporate Services Provider is responsible for the day to day activities of the Issuer, and shall provide secretarial, clerical, administrative and related services to the Issuer and maintain the books and records of the Issuer in accordance with applicable laws and regulations of Germany.

"**Corporate Services Provider**" means Structured Finance Management (Luxembourg) S.A..

"**Counterparty Downgrade Collateral Account**" means an account, specified by the Swap Counterparty but in the name of the Issuer with an Eligible Collateral Bank in accordance with the Swap Agreements.

"**Credit Enhancement Increase Condition**" means either a Level 1 Credit Enhancement Increase Condition or a Level 2 Credit Enhancement Increase Condition.

"**CSSF**" means the Commission de surveillance du secteur financier of Luxembourg.

"**Cumulative Net Loss Ratio**" means, for any Payment Date, a fraction, expressed as a percentage, the numerator of which is the sum of the Discounted Lease Balances of all Purchased Lease Receivables (including Lease Receivables which were not received on time and Lease Receivables remaining to be paid in the future) that were the Written Off Purchased Lease Receivables at the end of the preceding Monthly Period and the denominator of which is the Aggregate Cut-Off Date Discounted Lease Balance.

"**Cut-Off Date**" means 31 January 2007.

"**Data Protection Trust Agreement**" means the data protection trust agreement entered into on or about the Signing Date by the Seller, the Data Protection Trustee, the Security Trustee and the Issuer.

"**Data Protection Trustee**" means Volkswagen Bank GmbH.

"**Deed of Charge and Assignment**" means the Deed of Charge and Assignment dated the Signing Date among, *inter alia*, the Issuer and the Security Trustee.

"**Determination Date**" means the second Business Day prior to the first day of an Interest Accrual Period.

"**Discounted Lease Balance**" means as of the end of any Monthly Period the present value of the Lease Receivables remaining to be paid in the future, calculated using a discount rate equal to the Discount Rate.

"**Discount Rate**" means 5.136 per cent. per annum.

**"Distribution Account"** means the account no. 10 9501 2791 held with the Distribution Account Bank.

**"Distribution Account Bank"** means Société Générale Frankfurt.

**"Early Settlement"** means cases in which VWL is to pay certain sums to the Issuer due to a demand of the Issuer vis-a-vis VWL to retransfer Lease Receivables under a contract in certain circumstances as contractual remedy including *inter alia* the assertion of invalidity of the Lease Contracts or of rights to refuse to perform by the Lessee as well a reduction of the Purchased Lease Receivables due to any amendment to the relevant Lease Contract.

**"EC Treaty"** means the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

**"EEA"** means the European Economic Area established under the "The Agreement creating the European Economic Area" entered into force on 1 January 2004.

**"Eligible Collateral Bank"** means an international recognised bank with the Account Bank Required Ratings.

**"Eligible Swap Counterparty"** means a bank (i) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than F1, and (B) long term senior unsecured, unsubordinated and unguaranteed debt obligations which are rated by Fitch not lower than A, and (ii) either (x) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated P-1 or above by Moody's, and (B) long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A2 or above by Moody's, or (y) where an entity is not the subject of a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations which are rated A1 or above by Moody's, and (iii) with (A) short term unsecured, unsubordinated and unguaranteed debt obligations which are rated by S&P at least as high as A-1 (or its equivalent), and (B) long term, unsecured, unsubordinated and unguaranteed debt obligations which are rated at least as high as BBB- (or its equivalent) by S&P, or (iv) will have taken measures agreed with the Rating Agencies for the rating of the Notes.

**"Enforcement Event"** means (in the sole judgment of the Security Trustee) a Foreclosure Event and the Security Trustee has served an Enforcement Notice upon the Issuer.

**"Enforcement Notice"** means a notice delivered by the Security Trustee on the Issuer upon the occurrence of a Foreclosure Event stating that the Security Trustee commences with the enforcement of the Security pursuant to the procedures set out in the relevant Security Documents.

**"Enforcement Proceeds"** means the proceeds from the realisation of Leased Vehicles in respect of Purchased Lease Receivables and from the enforcement of any other Lease Collateral.

**"EONIA"** means Euro Overnight Index Average.



"**EU**" means the European Union.

"**EU Member State**" means, as the context may require, a member state of the European Union or of the European Economic Area.

"**EU Saving Tax Directive**" means Council Directive 2003/48/EC regarding the taxation of savings income, adopted by the Council of the European Union on 3 June 2003.

"**EUR**" or "**EURO**" or "**€**" means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty.

"**EURIBOR**" (Euro Interbank Offered Rate) means for any Interest Accrual Period commencing on the first Payment Date and thereafter the rate for deposits in Euro for a period of one month, such reference rate shown on the second Business Day prior to the first day of the relevant Interest Accrual Period (the Determination Date) at approximately 11.00 a.m. (Brussels time) on Reuters 3000 page EURIBOR 01. As regards the Interest Accrual Period commencing on the Issue Date and ending on the date preceding the first Payment Date (both days inclusive), EURIBOR means the rate which is the result of the straight-line interpolation between (i) the rate for deposits in Euro for a period of one month and (ii) the rate for deposits in Euro for a period of two months, both rates appearing on the Determination Date at approximately 11.00 a.m. (Brussels time) on Reuters 3000 page EURIBOR 01. If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall determine EURIBOR on the basis of such other screen rate the Interest Determination Agent shall determine in good faith. If no such screen rate is available, the Interest Determination Agent shall ask five reference banks selected by the Issuer for their reference rate (expressed as a percentage rate per annum) vis-à-vis leading banks in Europe on the Determination Date at approximately 11.00 a.m. (Brussels time). If two or more of the reference banks provide the Interest Determination Agent with such reference rates, EURIBOR shall be the arithmetic mean (rounded up or down, if necessary, to a hundred thousandths of a per cent., 0.000005 shall be rounded up) of such reference rates, all as determined by the Interest Determination Agent. If EURIBOR cannot be determined in accordance with the foregoing provisions, the EURIBOR rate for the respective Interest Accrual Period shall equal the reference rate last shown prior to the Determination Date on the aforementioned screen page. If the agreed page is replaced or the service ceases to be available, the Issuer and the Interest Determination Agent may specify another page or service displaying the appropriate rate after consultation with each other.

"**Euroclear**" means Euroclear Bank S.A./N.V. as operator of the Euroclear System and any successor thereto.

"**Eurosystem**" comprises the European Central Bank and the national central banks of those countries that have adopted the euro.

"**Euro-zone**" means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty.

"**Exchange Date**" means a date not later than 180 days after the date of issue of the Temporary Global Note and not earlier than 40 days after the date of issue of the Temporary Global Note.

"**Fitch**" means Fitch Ratings Limited, or any successor to its rating business.

**"Final Discharge Date"** means the date on which the Security Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Obligations and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.

**"Foreclosure Event"** means any of the following events:

- (i) with respect to the Issuer an Insolvency Event occurs; or
- (ii) except for the Interest Shortfall, the Issuer defaults in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five Business Days; or
- (iii) the Issuer defaults in the payment of principal of any Note on the Legal Maturity Date.

**"FSMA"** means the United Kingdom Financial Services and Markets Act 2000.

**"Funding"** means the Class A Notes, the Class B Notes and the Subordinated Loan.

**"German Banking Act"** means the banking act (*Kreditwesengesetz*) of Germany, as amended or restated from time to time.

**"General Cash Collateral Amount"** means all funds in the Cash Collateral Account other than the unused amounts of the German Trade Tax Risk Reserve.

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

**"German Commercial Code"** means the commercial code (*Handelsgesetzbuch*) of Germany, as amended or restated from time to time.

**"German Data Protection Rules"** means collectively, the rules of German banking secrecy (*Bankgeheimnis*), the provisions of the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) and the provisions of Circular 4/97 (*Rundschreiben 4/97*) of the German Federal Financial Supervisory Authority, as such rules are binding the Seller in its capacity as a German credit institution (*Kreditinstitut*) with respect to the Loan Receivables and the Loan Collateral from time to time.

**"German Federal Financial Supervisory Authority"** means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), including its predecessors and any potential successor(s).

**"German Tax Residents"** means Persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany.

**"German Trade Tax Decrease Event"** means a request by VWL to the Rating Agencies for a decrease in the amount reserved in the Cash Collateral Account to cover any potential German trade tax risk exposure following a decrease of the municipal trade tax multiplier (*Gewerbesteuerhebesatz*) for the City of Braunschweig during the period from the Closing Date to the Scheduled Repayment Date of the Notes.

**"German Trade Tax Increase Event"** means a request by the Rating Agencies for an increase in the amount reserved in the Cash Collateral Account to cover any potential

German trade tax risk exposure following an increase of the municipal trade tax multiplier (*Gewerbesteuerhebesatz*) for the City of Braunschweig during the period from the Closing Date to the Scheduled Repayment Date of the Notes.

**"German Trade Tax Risk Reserve"** means the amount reasonably required by the Rating Agencies as security to cover any potential German trade tax risk (*Gewerbesteuerisiko*). On the Closing Date, the initial German Trade Tax Risk Reserve will be in an amount of EUR 5,730,000.

**"German Trade Tax Risk Reserve Decrease Amount"** means the amount reasonably released by the Rating Agencies from the German Trade Tax Risk Reserve which is no longer required to cover potential German trade tax risk exposure following a German Trade Tax Decrease Event.

**"Germany"** means the Federal Republic of Germany.

**"Global Note"** means each of the Temporary Global Notes and the Permanent Global Notes.

**"Governmental Authority"** means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including without limitation any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing including for the avoidance of doubt the German Federal Financial Supervisory Authority.

**"ICSDs Agreement"** means the ICSDs agreement entered into by the Issuer and the ICSDs before any Notes in NGN form will be accepted by the ICSDs.

**"Increased German Trade Tax Risk Reserve Amount"** means the amount reasonably required by the Rating Agencies to cover potential German trade tax risk exposure following a German Trade Tax Increase Event.

**"Insolvency Event"** means, with respect to the Issuer, Seller, Servicer or Security Trustee, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consents to, or acquiescence in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or a substantial portion of its property; (iii) the initiation of any case, action or proceedings before any court or Governmental Authority against the Issuer, Seller, Servicer or Security Trustee under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of the undertaking or assets of the Issuer, Seller, Servicer or Security Trustee and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) initiation or consent to any case, action or proceedings in any court or Governmental Authority relating to the Issuer, Seller, Servicer or Security Trustee under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws; (vi) an order is made

against the Issuer, Seller, Servicer or Security Trustee or an effective resolution is passed for its winding-up; and (vii) the Issuer, Seller, Servicer or Security Trustee is deemed unable to pay its debts within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (provided that, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Issuer for the benefit of the Security Trustee under the Trust Agreement or the Deed of Charge and Assignment shall not constitute an Insolvency Event in respect of the Issuer).

**"Institution"** means a German credit institution or financial services institution (including a German branch of a non-German credit institution or financial services institution, but excluding a non-German branch of a German credit institution or financial services institution).

**"Insurance Claims"** means any claims against any car insurer in relation to any damaged Financed Object.

**"Insurance Proceeds"** means any proceeds or monetary benefit in respect of any Insurance Claims.

**"Interest"** means in respect of any Lease Receivable, each of the scheduled periodic payments of interest (if any) payable by the Lessee as provided for in accordance with the terms of the relevant Lease Contract.

**"Interest Accrual Period"** means in respect of the first Payment Date, the period commencing on the Issue Date and ending on 21 March 2007 (both days inclusive) and in respect of any subsequent Payment Date, the period commencing on the preceding Payment Date and ending on the calendar day preceding the relevant Payment Date (both days inclusive).

**"Interest Compensation Payment"** means the interest compensation payment payable by VW Bank to the Issuer or the Issuer to VW Bank for the difference of interest between the Discount Rate and the interest rate applicable to the prepaid Loan Contract for the period between the receipt of the Discounted Principal Balance for such prepaid Loan Contract and the ordinary termination date of the respective Loan Contract without such prepayment.

**"Interest Determination Agent"** means Fortis Intertrust (Netherlands) B.V..

**"Interest Period"** shall mean, unless otherwise mutually agreed by the parties, the period from (and including) a Payment Date to (but excluding) the next succeeding Payment Date; provided that the initial Interest Period shall be the period from (and including) the Issue Date to (but excluding) first Payment Date.

**"Interest Shortfall"** means the Accrued Interest which is not paid on a Note on the Payment Date related to the Interest Accrual Period in which it accrued.

**"International Central Securities Depository"** or **"ICSD"** means Clearstream Luxembourg or Euroclear, and **"ICSDs"** means both Clearstream Luxembourg and Euroclear collectively.

**"ISIN"** means the international securities identification number pursuant to the ISO – 6166 Standard.

"**ISO**" means the International Organisation for Standardisation.

"**Issue**" means the issue of the Class A notes and/or the Class B Notes by the Issuer.

"**Issue Date**" means 26 February 2007.

"**Issue Outstanding Amount**" or "**IOA**" means, in respect of a NGN, the total outstanding indebtedness of the Issuer as determined from time to time. Where relevant, the IOA is the result of the product between the nominal amount and the relevant Note Factor of the respective NGN.

"**Issuer**" means VCL No. 9 S.A.

"**Joint-Lead Managers**" means Société Générale and Dresdner Bank AG London Branch.

"**Lease Administration Fee**" means the lease administration fee (*Bearbeitungsgebühr*) relating to a Purchased Lease Receivable (i) which fee has become payable in accordance with the terms of the relevant Lease Contracts and (ii) that is capitalised by VW Bank in accordance with VWL's customary accounting practice in effect from time to time prior to the sale of such Purchased Lease Receivables to the Issuer under the Lease Receivables Purchase Agreement.

"**Lease Collateral**" means (i) security title (*Sicherungseigentum*) in respect of Leased Vehicles, (ii) security title to the seizable portion of the respective Lessee's wage and salary receivables, (iii) Insurance Claims, (iv) damage claims arising from a breach of contract or in tort against a Lessee, (v) any claims against third parties due to damage or loss of Leased Vehicles, (vi) and any other collateral provided by the Lessee to VWL under or in connection with the relevant Lease Contract; in each case to the extent and subject as acquired by VWL.

"**Lease Contract**" means each contractual framework, as applicable in the form of standard business terms (*Allgemeine Geschäftsbedingungen*) or otherwise, governing (immediately prior to any transactions under any Lease Receivables Purchase Agreement) the Seller's relationship with the respective Lessee(s) with regard to the Lease Receivables.

"**Lease Receivables**" means a lease receivable arisen under a Lease Contract and comprising claims against Lessees in respect of Principal, Interest and Lease Administration Fees (including, for the avoidance of doubt, any and all statutory claims being commercially equivalent to Principal, Interest and/or Lease Administration Fees).

"**Lease Receivables Purchase Agreement**" means the lease receivables purchase agreement entered into between the Issuer, the Seller and the Security Trustee dated on or about the Signing Date.

"**Leased Vehicles**" means any vehicle leased under a Lease Contract.

"**Lessee**" means, in respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased one or more autos on the terms of a Lease Contract.

**"Lessee Notification Event"** means the earlier of (i) the institution of Insolvency Proceedings in respect of VWL and/or (ii) non-compliance of VWL with its statutory obligation to transfer any VAT (*Umsatzsteuer*) on the Lease Receivables to the tax office when such VAT becomes due and/or (iii) any notification in connection with a Servicer Replacement Event. Upon the occurrence of a Lessee Notification Event the Data Protection Trustee shall notify the Lessees in accordance with Clause 3.2 (*Safekeeping of the Portfolio Decryption Key / Notification of the Lessees on the Assignment of the Lease Receivables*) of the Data Protection Trust Agreement.

**"Legal Maturity Date"** means the Class A Legal Maturity Date and the Class B Legal Maturity Date collectively.

**"Level 1 Credit Enhancement Increase Condition"** shall be deemed to be in effect if the Cumulative Net Loss Ratio exceeds (i) 0.5 per cent. for any Payment Date before or during 31 May 2008 or (ii) 1.15 per cent. for any Payment Date after 31 May 2008 but before or during 28 February 2009.

**"Level 2 Credit Enhancement Increase Condition"** shall be deemed to be in effect if the Cumulative Net Loss Ratio exceeds 1.6 per cent. for any Payment Date.

**"Listing Agent"** means Société Générale Bank & Trust.

**"Luxembourg"** means the Grand Duchy of Luxembourg.

**"Luxembourg Paying Agent"** means Société Générale Bank & Trust.

**"Luxembourg Securitisation Law"** means the Luxembourg law on securitisation of 22 March 2004.

**"Luxembourg Stock Exchange"** means société de la bourse de Luxembourg.

**"Managers"** means Landesbank Baden-Württemberg, Fortis Bank NV-SA and Banca Caboto S.p.A..

**"Monthly Period"** means the calendar month immediately prior to each Payment Date.

**"Monthly Remittance Condition"** shall be deemed to be satisfied if (i) VWL is the Servicer and (ii) VWL has a long term rating for unsecured debt of at least Baa3 from Moody's.

**"Moody's"** means Moody's Investors Service Inc. and any successor to the debt rating business thereof.

**"Net Swap Payment"** means for the Swap Agreements, the net amounts with respect to regularly scheduled payments owed by the Issuer to a Swap Counterparty, if any, on any Payment Date, including any interest accrued thereon, under the Swap Agreements, excluding Swap Termination Payments or any other amounts payable to the Swap Counterparty under the Swap Agreements.

**"Net Swap Receipts"** means for the Swap Agreements, the net amounts owed by the Swap Counterparty to the Issuer, if any, on any Payment Date, excluding any Swap Termination Payments. For further clarity, this term does not include any amounts transferred as collateral.

"**New Global Note**" or "**NGN**" means a Global Note which refers to the books and records of the ICSDs to determine the total remaining indebtedness of the Issuer as determined from time to time.

"**New Issuer**" means another company appointed by the Issuer in place of itself as debtor for all obligations arising from and in connection with the Notes.

"**Nominal Amount**" means for each Class of Notes the nominal amount as defined in Condition 1(1).

"**Note Factor**" means the Class A Note Factor or the Class B Note Factor or the combination of them.

"**Note Purchase Agreement**" means the note purchase agreement between the Issuer, the Seller, the Joint-Lead Managers, the Managers and the Security Trustee dated on or about the Signing Date.

"**Notes**" means the Class A Notes and the Class B Notes collectively.

"**Noteholders**" means the Class A Noteholders and the Class B Noteholders.

"**Obligors**" means in respect of a Lease Receivable (i) the Lessee(s) and (ii) those Persons who have guaranteed the obligations of any such Lessee(s) in respect of such Lease Receivable.

"**Offering**" means the offering in connection with the Prospectus.

"**Open End Lease Contract**" means any open end Lease Contract (*Vertrag mit Gebrauchtwagenabrechnung*).

"**Order of Priority**" means the order of priority according to which the payments of interest and principal to the Noteholders are distributed and other payments due and payable by the Issuer are made as more specifically described in paragraph (3)(i) of Clause 24 (*Permitted Investment; Order of Priority*) of the Trust Agreement.

"**Payment Date**" means 21 March 2007 and thereafter until the final payment the 21<sup>st</sup> day of each month or, in the event such day is not a Business Day, then the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day.

"**Permanent Global Notes**" means in respect of each Class of Notes the permanent global bearer notes without coupons attached representing each such Class as more specifically described in Condition (2).

"**Permitted Investments**" means any amount standing to the credit of the Accounts invested by the Calculation Agent, on behalf of the Issuer, provided that any such investment:

- (a) must be denominated and payable in euro;
- (b) may only be made:
  - (i) in securities which are short term rated F1+ by Fitch, A-1 by S&P and P-1 by Moody's respectively;

- (ii) in deposits with a credit institution which is at least short term rated F1 by Fitch, A-1 by S&P and P-1 by Moody's respectively provided that if such institution's short term rating by S&P is A-1 the amounts deposited therewith must not represent more than 20 per cent of the outstanding amount of the Class A Notes from time to time and each such deposit must mature within 30 days; or
  - (iii) in other obligations or securities that will not result in a reduction or withdrawal of the then current rating of the Notes;
- (c) shall mature no later than the next following Payment Date; and
- (d) the Issuer shall not purchase Notes from the Funding.

**"Person"** means an individual, partnership, corporation (including a business trust), unincorporated association, trust, joint stock company, limited liability company, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.

**"Portfolio"** means the aggregate of all Purchased Lease Receivables that the Issuer has not sold or transferred to any other Person other than the Security Trustee under or in connection with the Trust Agreement.

**"Portfolio Decryption Keys"** means the decryption key for the Purchased Lease Receivables.

**"Preliminary Prospectus"** means the Prospectus issued by the Issuer in preliminary form dated on or about 22 January 2007.

**"Principal"** means with respect to a Lease Receivable each of the scheduled periodic payments of principal payable by the respective Lessee as provided for in accordance with the terms of the relevant Lease Contract, as may be modified from time to time to account e.g. for unscheduled prepayments by the Lessee.

**"Principal Paying Agent"** means Société Générale Bank & Trust.

**"Private Vehicle Leasing Agreements"** means Lease Contracts containing leasing conditions with private customers.

**"Process Agent"** means Faegre & Benson LLP, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany.

**"Prospectus"** means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes.

**"Prospectus Directive"** means Directive 2003/71/EC including, where the context requires, Commission Regulation (EC) No. 809/2004 and any relevant implementing measure in each relevant Member State of the European Economic Area.

**"Purchase Date"** means the Issue Date.

**"Purchased Lease Receivables"** means the Lease Receivables purchased by the Issuer from the Seller in accordance with the Lease Receivables Purchase Agreement as more



specifically described in Clause 2.1 (*Purchase Agreement concerning the Purchased Lease Receivables*) of the Lease Receivables Purchase Agreement.

**"Purchase Price"** means EUR 1,011,018,286 calculated as the sum of the Purchased Lease Receivables discounted by 5.136 per cent. p.a. (whereas discounting shall take place on the basis of one year of 360 days being equivalent to 12 months, each month consisting of 30 days), less (i) an amount of EUR 12,168,292 for overcollateralisation purposes, less (ii) an amount of EUR 17,862,220 for the endowment of the Cash Collateral Account and less (iii) certain costs related to the issue of the Notes.

**"Purchaser"** means the Issuer in its capacity as purchaser of the Lease Receivables secured by the Lease Collateral.

**"Rating Agencies"** means Fitch, Moody's and S&P.

**"Rating Agency Confirmation"** means, with respect to any event or circumstance and each of Fitch and S&P, either (a) written confirmation by Fitch and S&P that the occurrence of such event or circumstance will not cause it to downgrade, qualify or withdraw its rating assigned to any of the Notes or (b) that Fitch and S&P shall have been given notice of such event or circumstance at least ten days prior to the occurrence of such event or circumstance (or, if ten days' advance notice is impracticable, as much advance notice as is practicable) and that neither Fitch nor S&P has issued any written notice that the occurrence of such event or circumstance will cause it to downgrade, qualify or withdraw its rating assigned to the Notes.

**"Relevant Clearing System"** means either Clearstream Luxembourg or Euroclear and "Relevant Clearing Systems" means both Clearstream Luxembourg and Euroclear collectively.

**"S&P"** means Standard and Poor's, a division of the McGraw-Hill Companies, Inc. and any successor to the debt rating business thereof.

**"Scheduled Repayment Date"** means the Class A Scheduled Repayment Date and the Class B Scheduled Repayment Date collectively.

**"Secured Claim"** means any secured claim of the Issuer against VWL as Servicer under the Servicing Agreement in respect of VWL's obligation under the Servicing Agreement to remit the Monthly Collections to the Distribution Account of the Issuer.

**"Secured Obligations"** means all duties and liabilities of the Issuer which the Issuer has covenanted with the Security Trustee to pay to the Noteholders and the other Transaction Creditors pursuant to Clause 4.2 (*Position of the Security Trustee in Relation to the Issuer*) of the Trust Agreement.

**"Securities Act"** means the U.S. Securities Act of 1933 as amended from time to time.

**"Security"** means all the Adverse Claims from time to time created by the Issuer in favour of the Security Trustee (and also for the benefit of the Transaction Creditors) pursuant to the provisions of the Trust Agreement.

**"Security Documents"** means the Trust Agreement and the Deed of Charge and Assignment collectively.

"**Security Trustee**" means Faegre & Benson LLP.

"**Seller**" means VWL.

"**Service Report Performance Date**" means the 16th day of each calendar month or if this is not a Business Day, then on the next succeeding Business Day.

"**Servicer**" means Volkswagen Leasing GmbH unless the engagement of Volkswagen Leasing GmbH as servicer of the Issuer is terminated in which case Servicer shall mean the replacement Servicer (if any).

"**Servicer Fee**" means, for any Monthly Period, one-twelfth of the Servicer Fee Rate multiplied by the Aggregate Discounted Lease Balance as of the beginning of the preceding Monthly Period.

"**Servicer Fee Rate**" means 1 per cent. per annum.

"**Servicer Insolvency Event**" means that the Servicer declares its inability to effect payments (*Zahlungsunfähigkeit*) or overindebtedness (*Überschuldung*) or that insolvency proceedings under the Insolvency Code (*Insolvenzordnung*) are instituted by the insolvency court against the Servicer.

"**Servicer Replacement Event**" means the occurrence of any event described in paragraphs (a) to (e) below:

- (a) any unremedied failure (and such failure is not remedied within three (3) Business Days of notice of such failure being given) by the Servicer to deliver and/or cause to be delivered any required payment to the Issuer for distribution to the Noteholders, to the Swap Counterparty, and the Subordinated Lender;
- (b) any unremedied failure (and such failure is not remedied within three (3) Business Days of notice of such failure being given) by the Servicer to duly observe and/or perform in any material respect any other of its covenants or agreements which failure materially and adversely affects the rights of the Issuer or the Noteholders;  
or
- (c) the Servicer suffers a Servicer Insolvency Event;

provided, however, that a delay or failure of performance referred to under paragraph (a), or (b) above for a period of 150 days will not constitute a Servicer Replacement Event if such delay or failure was caused by an event beyond the reasonable control of the Servicer, an act of god or other similar occurrence.

"**Servicing Agreement**" means the servicing agreement between the Servicer, the Issuer and the Security Trustee dated on or about the Signing Date.

"**Servicing Report**" shall have the meaning ascribe to such term in the Servicing Agreement.

"**Settlement Amount**" means the sum to be payable by VWL to the Issuer pursuant to certain provisions of the Transaction Documents (a) equal to the present value of the relevant Purchased Lease Receivables becoming payable during the remaining term of the contract, absent an instance of settlement, calculated using the Discount Rate, or in case

of a reduction of the Purchased Lease Receivables due to any amendment to the relevant Lease Contract (b) equal to the difference of the present value of the Purchased Lease Receivables agreed upon at the inception of the Lease Contract and the present value of the future outstanding Purchased Lease Receivables becoming due according to such amendment, discounted with the Discount Rate.

**"Signing Date"** means 22 February 2007.

**"Specified General Cash Collateral Account Balance"** means initially EUR 12,132,220 and, on each Payment Date, the greater of (a) 1.2 per cent. Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period, and (b) the lesser of (i) EUR 10,000,000, and (ii) the aggregate outstanding principal amount of the Class A and Class B Notes on such Payment Date (after giving effect to all payments and distributions on such date).

**"Stabilising Manager"** means Société Générale.

**"Subordinated Lender"** means the subordinated lender under the Subordinated Loan Agreement being an Affiliate of Volkswagen AG.

**"Subordinated Loan"** means the EUR 28,300,000 loan received (or to be received) by the Issuer under the Subordinated Loan Agreement.

**"Subordinated Loan Agreement"** means the subordinated loan agreement dated on or about the Signing Date and entered into by, *inter alios*, the Issuer, the Subordinated Lender and the Security Trustee, under which the Subordinated Lender will advance (or has advanced) the Subordinated Loan to the Issuer.

**"Successor Bank"** means the successor account bank determined in accordance with the Account Agreement.

**"Swap Agreements"** means the Class A Swap Agreement and the Class B Swap Agreement collectively.

**"Swap Counterparty"** means Société Générale.

**"Swap Replacement Proceeds"** means any amounts received from a replacement Swap Counterparty in consideration for entering into a replacement Swap Agreement for a terminated Swap Agreement.

**"Swap Termination Payment"** means payment due to the Swap Counterparty by the Issuer or to the Issuer by the Swap Counterparty, including interest that may accrue thereon, under the Swap Agreements due to a termination of any Swap Agreement due to an "event of default" or "termination event" under that Swap Agreement.

**"Swap Termination Payment Account"** means a segregated account held for the benefit of the Noteholders pursuant to Clause 23 (*Distribution Account; Swap Termination Payment Account; Interest rate Swap Provisions*) of the Trust Agreement.

**"TARGET"** means the Trans-European Automated Real-time Cross-Settlement Express Transfer System.

**"Targeted Class A Note Balance"** means (a) except in the case of (b); the excess of the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period over

the Class A Targeted Overcollateralisation Amount and (b) zero, if the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period is less than 10 per cent. of the Aggregate Cut-Off Date Discounted Lease Balance.

**"Targeted Class B Note Balance"** means (a) except in the case of (b); the excess of the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period over the sum of the aggregate outstanding principal amount of the Class A Notes (after giving effect to all payments and distributions on such date) and the Class B Targeted Overcollateralisation Amount and (b) zero, if the Aggregate Discounted Lease Balance as of the end of the preceding Monthly Period is less than 10 per cent. of the Aggregate Cut-Off Date Discounted Lease Balance.

**"Temporary Global Note"** means in respect of each Class of Notes the temporary global bearer note without coupons or talons attached as more specifically described in Condition 1(2).

**"Transaction"** means the Transaction Documents, together with all agreements and documents executed in connection with the issuance of the Class A Notes and the Class B Notes, the performance thereof and all other acts, undertakings and activities connected therewith.

**"Transaction Creditors"** means Noteholders, the Security Trustee, the Seller, the Servicer (if different), the Subordinated Lender, the Lead Managers, the Managers, the Swap Counterparty, the Principal Paying Agent, the Luxembourg Paying Agent, the Interest Determination Agent, the Listing Agent, the Calculation Agent, the Account Bank, the Monthly Collateral Account Bank (if different), the Data Protection Trustee and the Corporate Services Provider.

**"Transaction Documents"** means, the Conditions, the Trust Agreement, the Deed of Charge and Assignment, the Note Purchase Agreement, the Agency Agreement, the Account Agreement, the Swap Agreements, the Lease Receivables Purchase Agreement, Receivable Assignment Letter, the Servicing Agreement, the Data Protection Trust Agreement, the Subordinated Loan Agreement, the ICSDs Agreement and the Corporate Services Agreement.

**"Transaction Parties"** means all transaction parties to the Transaction Documents.

**"Trust Agreement"** means the trust agreement dated on or about the Signing Date and entered into by, *inter alios*, the Issuer and the Security Trustee.

**"Trustee Claim"** shall have the meaning ascribed to such term in Clause 4(2) (*Position of the Security Trustee in Relation to the Issuer*) of the Trust Agreement.

**"UK"** or **"the United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland.

**"United States"** means, for the purpose of issue of the Notes and the Transaction Documents, the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, America Samoa, Wake Island and the Northern Mariana Islands).

**"VAT"** means value added tax.

"**Volkswagen Group**" means Volkswagen AG and any of its Affiliates.

"**VWL**" means Volkswagen Leasing GmbH.

"**Written Off Purchased Lease Receivables**" means Purchased Lease Receivables which have been reduced by recoveries and finally written off by VWL in its capacity as Servicer in accordance with its customary accounting practice in effect from time to time.

"**2000 ISDA Definitions**" means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.

- 1.2 In this Master Definitions Schedule words denoting the singular number only shall also include the plural number and vice versa, words denoting one gender only shall include the other genders and words denoting individuals only shall include firms and corporations and vice versa.

## 2. INTERPRETATION

In any Transaction Document, the following shall apply:

- 2.1 in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "*from and including*" and the words "*to*" and "*until*" each mean "*to but excluding*". The word "*including*" shall not be exclusive and shall mean "*including, without limitation*";
- 2.2 if any date specified in any Transaction Document would otherwise fall on a day that is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- 2.3 periods of days shall be counted in calendar days unless Business Days are expressly prescribed;
- 2.4 the expression "*tax*" shall be construed so as to include any tax, levy, impost, duty or other charge of similar nature, including, without limitation, any penalty or interest payable in connection with any failure to pay or delay in paying the same;
- 2.5 a reference to law, treaty, statute, regulation, order, decree, directive or guideline of any governmental authority or agency, or any provision thereof, shall be construed as a reference to such law, statute, regulation, order, decree, directive or guideline, or provision, as the same may have been, or may from time to time be, amended or re-enacted;
- 2.6 any reference to any Person appearing in any of the Transaction Documents shall include its successors and permitted assigns;
- 2.7 any reference to an agreement, deed or document shall be construed as a reference to such agreement, deed or document as the same may from time to time be amended, varied, novated, supplemented, replaced or otherwise modified;
- 2.8 to the extent applicable, the headings of clauses, schedules, sections, articles and exhibits are provided for convenience only. They do not form part of any Transaction Document and shall not affect its construction or interpretation. Unless otherwise indicated, all references in any Transaction Document to clauses, schedules, sections, articles and

exhibits refer to the corresponding clauses, schedules, sections, articles or exhibits of that Transaction Document;

- 2.9 unless specified otherwise, "*promptly*" or "*immediately*" shall mean without undue delay (*ohne schuldhaftes Zögern*); and
- 2.10 "*novation*" shall, for the purposes of documents governed by German law, be construed as *Vertragsübernahme*. "To novate" shall be interpreted accordingly.

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