

## **METRIX SECURITIES P.L.C.**

*(incorporated in Ireland with limited liability under Registered Number 427707)*

*£241,700,000 Series 2006-1 Floating Rate Notes due 2018*

*€814,200,000 Series 2006-1 Floating Rate Notes due 2018*

*\$2,281,000,000 Series 2006-1 Floating Rate Notes due 2018*

comprising

*£110,000,000 Series 2006-1 Class A1 Floating Rate Notes due 2018*

*€738,000,000 Series 2006-1 Class A2 Floating Rate Notes due 2018*

*\$2,249,000,000 Series 2006-1 Class A3 Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

*£5,800,000 Series 2006-1 Class B1 Floating Rate Notes due 2018*

*€15,800,000 Series 2006-1 Class B2 Floating Rate Notes due 2018*

*\$18,000,000 Series 2006-1 Class B3 Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

*£4,100,000 Series 2006-1 Class C1 Floating Rate Notes due 2018*

*€15,500,000 Series 2006-1 Class C2 Floating Rate Notes due 2018*

*\$14,000,000 Series 2006-1 Class C3 Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

*£17,500,000 Series 2006-1 Class D1 Floating Rate Notes due 2018*

*€18,600,000 Series 2006-1 Class D2 Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

*£26,300,000 Series 2006-1 Class E1 Floating Rate Notes due 2018*

*€26,300,000 Series 2006-1 Class E2 Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

*£78,000,000 Series 2006-1 Class F Floating Rate Notes due 2018*

*Issue Price 100 per cent.*

Application has been made to the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), in its capacity as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"), for this prospectus ("**Prospectus**") to be approved. This Prospectus constitutes a "prospectus" for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") which implement the Prospectus Directive in Ireland. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and traded on its regulated market.

Particular attention is drawn to the section entitled "**Risk Factors**". Prospective Noteholders should be aware of all aspects of the issues that are summarised in that section.

**Sole Arranger and Sole Bookrunner**

**HSBC** 

**Lead Manager**

**HSBC** 

The date of this prospectus is 6 November 2006

The notes due 2018 issued by Metrix Securities P.L.C. (the "**Issuer**") comprise the £110,000,000 Series 2006-1 Class A1 Floating Rate Notes due 2018 (the "**A1 Notes**"), the €738,000,000 Series 2006-1 Class A2 Floating Rate Notes due 2018 (the "**A2 Notes**") and the \$2,249,000,000 Series 2006-1 Class A3 Floating Rate Notes due 2018 (the "**A3 Notes**" and together with the A1 Notes and the A2 Notes, the "**A Notes**"), the £5,800,000 Series 2006-1 Class B1 Floating Rate Notes due 2018 (the "**B1 Notes**"), the €15,800,000 Series 2006-1 Class B2 Floating Rate Notes due 2018 (the "**B2 Notes**") and the \$18,000,000 Series 2006-1 Class B3 Floating Rate Notes due 2018 (the "**B3 Notes**" and together with the B1 Notes and the B2 Notes, the "**B Notes**"), the £4,100,000 Series 2006-1 Class C1 Floating Rate Notes due 2018 (the "**C1 Notes**"), the €15,500,000 Series 2006-1 Class C2 Floating Rate Notes due 2018 (the "**C2 Notes**") and the \$14,000,000 Series 2006-1 Class C3 Floating Rate Notes due 2018 (the "**C3 Notes**" and together with the C1 Notes and the C2 Notes, the "**C Notes**"), the £17,500,000 Series 2006-1 Class D1 Floating Rate Notes due 2018 (the "**D1 Notes**") and the €18,600,000 Series 2006-1 Class D2 Floating Rate Notes due 2018 (the "**D2 Notes**" and together with the D1 Notes, the "**D Notes**"), the £26,300,000 Series 2006-1 Class E1 Floating Rate Notes due 2018 (the "**E1 Notes**") and the €26,300,000 Series 2006-1 Class E2 Floating Rate Notes due 2018 (the "**E2 Notes**" and together with the E1 Notes, the "**E Notes**"), and the £78,000,000 Series 2006-1 Class F Floating Rate Notes due 2018 (the "**F Notes**" and, together with the A Notes, B Notes, C Notes, D Notes and E Notes, the "**Notes**"). The A Notes, B Notes, C Notes, and D Notes and E Notes are referred to herein as the "**Rated Notes**."

The A1 Notes, the B1 Notes, the C1 Notes, the D1 Notes, the E1 Notes and F Notes are also collectively referred to as the "**Sterling Notes**". The A2 Notes, the B2 Notes, the C2 Notes, the D2 Notes and the E2 Notes are also collectively referred to as the "**Euro Notes**". The A3 Notes, the B3 Notes and the C3 Notes are also collectively referred to as the "**Dollar Notes**". The Law Debenture Trust Corporation p.l.c. will be the trustee for the holders of the Notes (the "**Trustee**"), pursuant to the terms of a Trust Deed (as the same may be amended and/or supplemented, the "**Trust Deed**") to be dated on or about the Closing Date (as defined below) or such later date as may be agreed between the Issuer, the Lead Manager and the Trustee (each as defined below) between the Issuer and the Trustee.

The obligations of the Issuer under, amongst other things, the Notes will be secured pursuant to a deed of charge (the "**Deed of Charge**") to be dated on or prior to the Closing Date between, among others, the Issuer and the Trustee (in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder) and recourse will be limited to specific assets identified in the Deed of Charge.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is unlawful. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws. The Notes may not be offered, sold or delivered directly or indirectly within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) ("**U.S. Persons**") except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Rule 144A Notes are being offered in the United States only to Qualified Institutional Buyers ("**QIBs**") (as defined under Rule 144A under the Securities Act ("**Rule 144A**")). The Issuer is relying on the exemption from the requirements of the Investment Company Act of 1940, as amended (the "**Investment Company Act**") provided by Section 3(c)(7) thereunder. Accordingly, all United States investors are required to be Qualified Purchasers ("**QPs**"). The Notes are also being offered outside the United States to non-U.S. persons in accordance with Regulation S. There is no undertaking to register the Notes under any state or Federal securities laws. The Notes cannot be resold unless they are subsequently registered or an exemption from registration is available. See "*Subscription and Sale*" and "*Purchase and Transfer Restrictions*".

Interest on the Notes is payable in arrear on each Interest Payment Date. An "**Interest Payment Date**" is the 20<sup>th</sup> day of February, May, August and November in each year starting in February 2007 and ending on the Final Maturity Date in the manner set out in the terms and conditions of the Notes (the "**Conditions**") (and which provide, amongst other things, for adjustment for non-Business Days). The first Interest Payment Date falls in February 2007. An "**Interest Period**" is a period commencing on and including an Interest Payment Date or, in the case of the first such period, commencing on and

including the Closing Date (as defined herein), and ending on but excluding the next Interest Payment Date or, in the case of the first such period, the first Interest Payment Date.

Interest on the Notes is payable at an annual rate as summarised below (and where references to Sterling LIBOR, US Dollar LIBOR and EURIBOR are as defined pursuant to the Relevant Screen Rate as defined in the Conditions).

<i>Notes</i>	<i>Interest Rate</i>	<i>Applicable Margin prior to Notes Termination Date</i>	<i>Initial Principal Balance</i>	<i>Expected Ratings</i>
A1	Sterling LIBOR	0.16% per annum	£110,000,000	AAA/Aaa
A2	EURIBOR	0.16% per annum	€738,000,000	AAA/Aaa
A3	US Dollar LIBOR	0.16% per annum	\$2,249,000,000	AAA/Aaa
B1	Sterling LIBOR	0.27% per annum	£5,800,000	AA/Aa2
B2	EURIBOR	0.27% per annum	€15,800,000	AA/Aa2
B3	US Dollar LIBOR	0.27% per annum	\$18,000,000	AA/Aa2
C1	Sterling LIBOR	0.50% per annum	£4,100,000	A/A2
C2	EURIBOR	0.50% per annum	€15,500,000	A/A2
C3	US Dollar LIBOR	0.50% per annum	\$14,000,000	A/A2
D1	Sterling LIBOR	0.90% per annum	£17,500,000	BBB/Baa2
D2	EURIBOR	0.90% per annum	€18,600,000	BBB/Baa2
E1	Sterling LIBOR	3.05% per annum	£26,300,000	BB/Ba2
E2	EURIBOR	3.05% per annum	€26,300,000	BB/Ba2
F	Sterling LIBOR	5.50% per annum	£78,000,000	Unrated

After the Notes Termination Date, the Notes will bear interest at Sterling LIBOR, US Dollar LIBOR or EURIBOR (as applicable) and the Applicable Margin shall be zero. The "Notes Termination Date" means the date which is the earliest to occur of: (a) the Early Redemption Date; (b) the Enforcement Date; (c) the Optional Termination Date; and (d) the Scheduled Redemption Date.

Unless previously redeemed in accordance with their terms, the Notes will be redeemed at their then Outstanding Principal Balance (as defined in the Conditions) on the Interest Payment Date falling in November 2018 (the "Final Maturity Date"). Following the end of the Replenishment Period, the Notes are subject to mandatory partial redemption on each Interest Payment Date in accordance with the Conditions.

Notes of any Class sold to non-U.S. persons in reliance on Regulation S ("Regulation S Notes") will be represented by one or more permanent Global Note Certificates of each Class, in fully registered form, without interest coupons attached ("Regulation S Global Note Certificates"), which will be deposited with HSBC Bank plc as common depository (the "Common Depository") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Beneficial interests in a Regulation S Global Note Certificate may be held only through, and transfers thereof will only be effected through, records maintained by Euroclear or Clearstream, Luxembourg or their Participants (as applicable) at any time. See "Form of Notes" and "Book-Entry Clearance Procedures".

Notes of any Class (other than F Notes) sold in reliance on Rule 144A ("Rule 144A Notes") to persons who are QIBs that are QPs acting for their own accounts or the accounts of other persons that are both QIBs and QPs will be represented by one or more permanent Global Note Certificates of each Class, in fully registered form, without interest coupons attached ("Rule 144A Global Note Certificates" and, together with the Regulation S Global Note Certificates, the "Global Note Certificates"), which will be deposited with HSBC Bank USA, National Association (the "DTC Custodian"), as depository for, and registered in the name of Cede & Co. ("Cede") as nominee of, The Depository Trust Company ("DTC"). Beneficial interests in a Rule 144A Global Note Certificate may only be held through, and transfers thereof will only be effected through, records maintained by DTC or its participants at any time. Rule 144A Global Note Certificates will bear a legend to the effect that such Rule 144A Global Note Certificates, or any interest therein, may not be transferred except to persons that are both QIBs and QPs and only in compliance with the transfer restrictions set out in such legend.

No beneficial interest in a Rule 144A Global Note Certificate may be transferred to a person that takes delivery in the form of a beneficial interest in a Regulation S Global Note Certificate unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement. No beneficial interest in a Regulation S Global Note Certificate may be transferred to a person that takes delivery in the form of a beneficial interest in a Rule 144A Global Note Certificate unless the transfer is to a person that is both a QIB and a QP in a transaction in reliance on Rule 144A and the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement. See "*Form of Notes*", "*Book-Entry Clearance Procedures*" and "*Purchase and Transfer Restrictions*".

Except in the limited circumstances described herein, Notes in individual, certificated, fully registered form ("**Individual Note Certificates**") will not be issued in exchange for beneficial interests in either a Regulation S Global Note Certificate or any Rule 144A Global Note Certificate. See "*Form of the Notes - Exchange for Individual Note Certificates*".

Purchasers of the Notes are hereby notified that the Issuer may be relying on the exemption provided by Rule 144A under the Securities Act. Until 40 days after the commencement of the offering, an offer or sale of the Notes in the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

Except as described below, the information contained in this prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Lead Manager (as defined below) as to the accuracy or completeness of such information. In making an investment decision, prospective purchasers must rely upon their own examination of the Issuer and the terms of the offering, including the merits and risks involved.

Except as described below, the Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to the Reference Obligations, which is set out in the "*Summary of the Transaction*", "*Risk Factors*", "*Reference Portfolio*", "*Servicing of the Reference Obligations*" and "*Origination of the Reference Obligations and HSBC Credit Procedure Policies*" sections of this Prospectus, has been accurately reproduced from information made available by HSBC and from information derived from the terms of the Reference Obligations. So far as the Issuer is aware and is able to ascertain from information provided by HSBC, no facts have been omitted which would render the reproduced information misleading.

HSBC accepts responsibility for the information relating to it contained in the section headed "*Origination of the Reference Obligations and HSBC Credit Procedure Policies*" and "*HSBC*". To the best of the knowledge and belief of HSBC (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Notes are obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Trustee, the Corporate Services Provider, any Paying Agent (each as defined herein), the Common Depositary, the Lead Manager, or HSBC Bank plc ("**HSBC**") (whether in its capacity as Credit Default Swap Counterparty, Cash Manager, Funding Swap Counterparty, Sole Arranger, Sole Bookrunner, or otherwise) or any company in the same group of companies as, or affiliated with, HSBC, or any other person other than the Issuer and none of any such persons will accept any liability whatsoever to Noteholders.

Neither this document nor any part hereof constitutes an offer of, or an invitation by, or on behalf of the Issuer or the Lead Manager to subscribe for or purchase any of the Notes and neither this document, nor any part hereof, may be used for or in connection with any offer to, or solicitation by,

any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. A more detailed description of the restrictions on offers, sales and deliveries of the Notes and the distribution of this prospectus is set out in "*Subscription and Sale*" below.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any part thereof nor any other offering circular, prospectus, form of application, advertisement, other offering materials nor other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations. See "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this prospectus. If any such information is given by any broker, transferor or any other person, it must not be relied upon as having been authorised by the Issuer, HSBC, the Cash Manager or the Lead Manager. Neither the delivery of this prospectus nor any offer, sale or solicitation made in connection herewith shall, in any circumstances, imply that the information contained herein is correct at any time subsequent to the date of this prospectus.

Other than an application to the Financial Regulator for the approval of this prospectus in accordance with the Prospectus Regulations, an application to the Irish Stock Exchange for admission of the Notes to the Official List and for the admission to trading of the Notes on the regulated market of the Irish Stock Exchange, no action has been or will be taken by the Issuer, HSBC or the Lead Manager that would permit a public offering of the Notes or the distribution of this document in any jurisdiction. The distribution of this document and the offering of these Notes in certain jurisdictions may be restricted by law; persons into whose possession this prospectus (or any part hereof) comes are required by the Issuer, HSBC and the Lead Manager to inform themselves about, and to observe, any such restrictions. Neither this document nor any part hereof constitutes an offer or an invitation by, or on behalf of, the Issuer, HSBC or the Lead Manager or any of them to subscribe for or purchase any of the Notes and neither this document nor any part hereof may be used for or in connection with an offer to, or a solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. For a description of certain further restrictions on offers and sales of Notes and distribution of this prospectus, see "*Form of Notes*" and "*Subscription and Sale*".

Copies of this Prospectus have been filed with and approved by the Financial Regulator as required by the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). Upon approval of this Prospectus by the Financial Regulator, this Prospectus will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

It is expected that on issue the A Notes will be assigned a AAA rating by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and a Aaa rating by Moody's Investors Services Limited ("**Moody's**"), that the B Notes will be assigned at least a AA rating by S&P and at least a Aa2 rating by Moody's, that the C Notes will be assigned at least a A rating by S&P and at least a A2 rating by Moody's, that the D Notes will be assigned at least a BBB rating by S&P and at least a Baa2 rating by Moody's and that the E Notes will be assigned at least a BB rating by S&P and at least a Ba2 rating by Moody's. It is not expected that the F Notes will be rated. S&P and Moody's are together referred to herein as the "**Rating Agencies**". **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

**Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts therefor. See Condition 9 under "*Conditions of the Notes*".**

**The Issuer is not and will not be regulated by the Financial Regulator as a result of issuing the Notes. Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Financial Regulator.**

**In connection with the issue of any of the Notes, HSBC (in such capacity the "Stabilising Manager") or any other person named as the Stabilising Manager(s) (or persons acting on behalf**

of a Stabilising Manager) may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Class) 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(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty days after the issue date of the relevant Class of Notes and sixty days after the date of the allotment of the Notes.

#### NOTICE TO U.S. INVESTORS

With respect to the issue and sale of the Notes in the United States, this prospectus is highly confidential and has been prepared by the Issuer solely for use in connection with the issue of the Notes. In the United States, this prospectus is personal to each person or entity to which it has been delivered by the Issuer or the Lead Manager or an affiliate thereof. Distribution in the United States of this prospectus to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this prospectus, agrees to the foregoing and agrees not to reproduce all or any part of this prospectus.

Additionally, each purchase of any of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this prospectus under "*Purchase and Transfer Restrictions*". The Notes have not been nor will be registered under the Securities Act, and such securities are subject to certain restrictions on transfer. Prospective investors are hereby notified that the seller of any Note may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Description of the Offered Notes*" and "*Purchase and Transfer Restrictions*".

Offers and sales of the Notes in the United States will be made by the Lead Manager through its affiliates which are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or in accordance with Rule 15a-6 thereunder.

Notwithstanding anything herein to the contrary, from the commencement of discussions with respect to the transaction contemplated by this prospectus, all persons may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction described herein and all materials of any kind (including opinions and other tax analyses) that are provided to such persons relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this offering not to be in compliance with securities laws. This authorisation to disclose the tax treatment and tax structure does not permit disclosure of information identifying the Issuer or any other party to the transaction (to the extent reasonably necessary to comply with securities laws) or the pricing (except to the extent pricing is relevant to the tax structure or tax treatment of the transaction). For the purposes of this Paragraph, the tax treatment of this transaction is the purported or claimed U.S. federal income tax treatment of this transaction and the tax structure of this transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of this transaction.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED IN THE STATE OF NEW HAMPSHIRE UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATES ("RSA 421-B") NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, CAUSE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## AVAILABLE INFORMATION

The Issuer has agreed, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144A(a)(3) under the Securities Act, it will, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder, beneficial owner or prospective purchaser.

By requesting copies of the documents referred to herein or by making any other requests for additional information relating to the issue of the Notes or to the Issuer, each potential investor agrees to keep confidential the various documents and all written information which from time to time has been or will be disclosed to it, to the extent that such documents or information are not otherwise publicly available, and agrees not to disclose any portion of such information to any person except in connection with the proposed resale of the Notes or as required by law.

The Issuer has agreed, for so long as any of the Notes remain outstanding, to provide to the Trustee, among other things, audited annual financial statements of the Issuer.

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated under the laws of Ireland with limited liability. All of the officers and directors are residents of Ireland. As a result, it may not be possible to effect service of process within the United States upon such persons to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of the Federal or State securities laws of the United States. There is doubt as to the enforceability of judgments in the United Kingdom, in original action or in actions for enforcements of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

## FORWARD-LOOKING STATEMENTS

This prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this prospectus, including with respect to assumptions on certain characteristics of the Reference Obligations, and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans", or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment in Ireland. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and

uncertainties, many of which are beyond the control of the Issuer. The Lead Manager has not attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto.



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## PRINCIPAL CHARACTERISTICS OF THE NOTES

Notes	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class B1 Notes	Class B2 Notes	Class B3 notes	Class C1 Notes	Class C2 Notes	Class C3 Notes	Class D1 Notes	Class D2 Notes	Class E1 Notes	Class E2 Notes	Class F Notes	
Minimum Denomination	€50,000	€50,000	€100,000	€50,000	€50,000	€100,000	€50,000	€50,000	€100,000	€50,000	€50,000	€50,000	€50,000	€50,000	
Initial Principal Balance	€110,000,000	€738,000,000	€2,249,000,000	€5,800,000	€15,800,000	€18,000,000	€4,100,000	€15,500,000	€14,000,000	€17,500,000	€18,600,000	€26,300,000	€26,300,000	€78,000,000	
Reference Interest Rate (per annum)	Sterling LIBOR	EURIBOR	Dollar LIBOR	Sterling LIBOR	EURIBOR	Dollar LIBOR	Sterling LIBOR	EURIBOR	Dollar LIBOR	Sterling LIBOR	EURIBOR	Sterling LIBOR	EURIBOR	Sterling LIBOR	
Applicable Margin (per annum) prior to any Notes Termination Date (including the Scheduled Redemption Date)(%)	0.16	0.16	0.16	0.27	0.27	0.27	0.50	0.50	0.50	0.90	0.90	3.05	3.05	5.30	
Estimated Weighted Average Lives of the Notes (years)	4.96	4.96	4.96	6.72	6.72	6.72	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	
Scheduled Redemption Date	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	The Interest Payment Date falling in August 2015	
Final Maturity Date	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	The Interest Payment Date falling in November 2018	
Interest Payment Dates	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	20 <sup>th</sup> day of February, May, August and November	
Interest Accrual Method	Actual/365	Actual/360	Actual/360	Actual/365	Actual/360	Actual/360	Actual/365	Actual/360	Actual/360	Actual/365	Actual/360	Actual/365	Actual/360	Actual/365	
Notes	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class B1 Notes	Class B2 Notes	Class B3 notes	Class C1 Notes	Class C2 Notes	Class C3 Notes	Class D1 Notes	Class D2 Notes	Class E1 Notes	Class E2 Notes	Class F Notes	
Frequency of Redemption	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	
Form of Notes	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	
Clearing Systems	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	DTCC, Clearstream, Luxembourg and Euroclear	
Credit Enhancement (provided by other Class of Notes subordinated to the relevant Class)	Subordination of Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class C Notes, Class D Notes, Class E Notes and Class F Notes	Subordination of Class D Notes, Class E Notes and Class F Notes	Subordination of Class D Notes, Class E Notes and Class F Notes	Subordination of Class D Notes, Class E Notes and Class F Notes	Subordination of Class D Notes, Class E Notes and Class F Notes	Subordination of Class E Notes and Class F Notes	Subordination of Class E Notes and Class F Notes	Subordination of Class E Notes and Class F Notes	Subordination of Class E Notes and Class F Notes	Subordination of Class F Notes
Listing	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	
ISIN Common Code/CUSIP Number	XS0271734542	XS0271735358	XS0271735861	XS0271736083	XS0271736166	XS0271736240	XS0271736596	XS0271736679	XS0271736752	XS0271736919	XS0271737057	XS0271737214	XS0271737305	XS0271737727	
Common Code	27173454	27173535	27173586	27173608	27173616	27173624	27173659	27173667	27173675	27173691	27173705	27173721	27173730	27173772	
Expected Rating - Moody's	Aaa	Aaa	Aaa	Aa2	Aa2	Aa2	A2	A2	A2	Baa2	Baa2	Ba2	Ba2	N/A	
Expected Rating - S&P	AAA	AAA	AAA	AA	AA	AA	A	A	A	BBB	BBB	BB	BB	N/A	

## SUMMARY OF THE TRANSACTION

*The summary information set forth below is a summary of the principal features of the Notes. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this prospectus.*

### Transaction Overview

Concurrently with the issuance of the Notes the Issuer will, on the Closing Date, enter into the Credit Default Swap with the Credit Default Swap Counterparty pursuant to which the Issuer will sell credit protection to the Credit Default Swap Counterparty in respect of the Reference Portfolio. In return for periodic payments of Fixed Amounts, the Issuer will be liable to make payments of Cash Settlement Amounts to the Credit Default Swap Counterparty upon the occurrence of a Credit Event in relation to any of the Reference Entities or Reference Obligations and the fulfilment of certain other conditions.

On each Interest Payment Date and in accordance with the Conditions, the Outstanding Principal Balance of the Notes will be reduced by the aggregate of the Cash Settlement Amounts (to the extent not funded by amounts from the Reserve Account) paid by the Issuer on that Interest Payment Date and in the Reverse Order of Seniority, without commensurate payment to Noteholders.

On each Interest Payment Date and in accordance with the Conditions, the Outstanding Principal Balance of the Notes will increase by the Available Reserve Account Reinstatement Amount on such Interest Payment Date and in the Order of Seniority, without commensurate payment to Noteholders, upon the determination of each such amount in order to reinstate amounts previously applied in reduction of the Outstanding Principal Balance of the Notes.

On each Interest Payment Date from and following the end of the Replenishment Period, the Notes will be subject to mandatory partial redemption in accordance with the Conditions.

On the Closing Date, the proceeds of the issue of the Notes will be deposited by the Issuer into the Cash Deposit Account. Interest income earned on the Cash Deposit Account will be transferred to the Issuer Transaction Account on each Interest Payment Date and will, along with certain other specified amounts, form part of the Collateral Income Proceeds on any Interest Payment Date. The Credit Default Swap Counterparty may, at any time and from time to time, subject to compliance with the Rating Agency Collateral Switch Conditions, direct the Issuer to terminate any then current Collateral Investment and to invest the Collateral Principal Proceeds in the Alternative Collateral Investment (which shall be governed by the Repo Agreement as described herein).

Collateral Principal Proceeds will be applied from time to time to pay any Cash Settlement Amounts that may be payable under the Credit Default Swap (to the extent not met from funds standing to the credit of the Reserve Account) and, to the extent not so applied, will be used to redeem the Notes in accordance

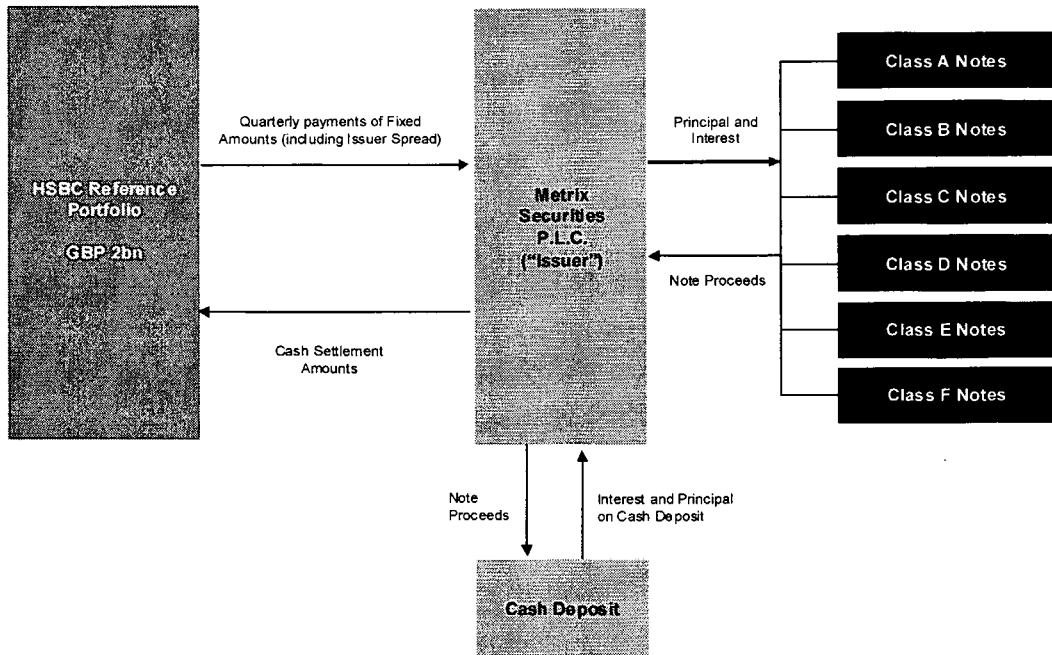
with the Conditions.

Amounts standing to the credit of the Reserve Account, the Fixed Amounts, the Collateral Income Proceeds and the Collateral Principal Proceeds will, from time to time, be applied, subject to the Order of Priority and security provisions as described herein, to discharge the Issuer's payment obligations under the Notes, the Credit Default Swap and the other Transaction Documents.

Subject to Rating Agency Confirmation, the Issuer may in future issue or create other series of notes (each, an "**Other Series**"). The Notes issued on the Closing Date and each Other Series will form separate series (each a "**Series**"). Each Series will constitute limited recourse obligations of the Issuer, secured on and payable solely from assets constituting the collateral in respect of such Series. None of the collateral which is the subject of the Security for the Notes will be available to any Other Series.

If the net proceeds of the enforcement of the assets constituting the collateral for any Other Series are not sufficient to make all payments due in respect of the notes of that Other Series (after payment of all obligations senior thereto), no other assets of the Issuer (including the Collateral in respect of the Notes) will be available to meet such shortfall and the claims of the creditors of the Issuer in respect of such Other Series and such shortfalls shall be extinguished.

# DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## PARTIES

<i>Issuer</i>	Metrix Securities P.L.C. (the " <b>Issuer</b> "), a public company with limited liability, incorporated under the laws of Ireland on 6 October 2006, with registered number 427707 and having its registered office at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland.
<i>Credit Default Swap Counterparty</i>	HSBC Bank plc
<i>Cash Deposit Account Bank</i>	HSBC Bank plc
<i>Repo Counterparty</i>	HSBC Bank plc or any entity having the Repo Counterparty Required Rating as may be selected by the Credit Default Swap Counterparty in accordance with the terms of the Collateral Switch Agreement
<i>Trustee</i>	The Law Debenture Trust Corporation p.l.c.
<i>Cash Manager</i>	HSBC Bank plc
<i>Custodian</i>	HSBC Bank plc or any entity having the Required Custodian Rating as may be selected by the Credit Default Swap Counterparty in accordance with the terms of the Collateral Switch Agreement
<i>Calculation Agent</i>	HSBC Bank plc
<i>Agent Bank, Transfer Agent and Principal Paying Agent</i>	HSBC Bank plc
<i>Irish Paying Agent</i>	HSBC Institutional Trust Services (Ireland) Limited
<i>Registrar, New York Paying Agent, DTC Custodian and Transfer Agent</i>	HSBC Bank USA, National Association
<i>Funding Swap Counterparty</i>	HSBC Bank plc
<i>Corporate Services Provider for Issuer</i>	Structured Finance Management (Ireland) Limited
<i>Listing Agent</i>	Arthur Cox Listing Services Limited
<i>Issuer Account Bank</i>	HSBC Bank plc
<i>Reserve Account Bank</i>	HSBC Bank plc
<i>Common Depository</i>	HSBC Bank plc

## KEY CHARACTERISTICS OF THE NOTES

### *Notes*

Each Class of Notes has the Initial Principal Balance and Base Currency Initial Principal Balance indicated in the table below. The aggregate Base Currency Initial Principal Balance of the Notes is £2,000,000,000.

<i>Class</i>	<i>Initial Principal Balance</i>	<i>Base Currency Initial Principal Balance</i>
Class A1 Notes	£110,000,000	£110,000,000
Class A2 Notes	€738,000,000	£495,936,000
Class A3 Notes	\$2,249,000,000	£1,194,064,000
Class B1 Notes	£5,800,000	£5,800,000
Class B2 Notes	€15,800,000	£10,641,300
Class B3 Notes	\$18,000,000	£9,558,700
Class C1 Notes	£4,100,000	£4,100,000
Class C2 Notes	€15,500,000	£10,462,500
Class C3 Notes	\$14,000,000	£7,437,500
Class D1 Notes	£17,500,000	£17,500,000
Class D2 Notes	€18,600,000	£12,500,000
Class E1 Notes	£26,300,000	£26,300,000
Class E2 Notes	€26,300,000	£17,700,000
Class F Notes	£78,000,000	£78,000,000
		<u>£2,000,000,000</u>

The Notes will be issued on the terms and conditions set forth in, and have the benefit of the Trust Deed, and will be secured pursuant to the Deed of Charge and any appropriate local law security arrangements.

### *Interest Payment Dates*

20<sup>th</sup> day of each February, May, August and November, subject to the Following Business Day Convention. The first Interest Payment Date falls in February 2007.

### *Scheduled Redemption Date*

Interest Payment Date falling in August 2015.

### *Final Maturity Date*

Interest Payment Date falling in November 2018.

### *Following Business Day Convention*

If such day would otherwise fall on a day that is not a Business Day, the next succeeding Business Day.

### *Business Day*

Any day on which (a) commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange currency deposits) in New York, London and Dublin, and (b) the TARGET system is open.

### *Ratings*

It is expected the Classes of Notes will receive a rating by Moody's and S&P at the time of issuance as indicated in the table below:

<i>Class</i>	<i>Moody's</i>	<i>S&amp;P</i>
Class A1 Notes	Aaa	AAA
Class A2 Notes	Aaa	AAA
Class A3 Notes	Aaa	AAA
Class B1 Notes	Aa2	AA



<i>Class</i>	<i>Moody's</i>	<i>S&amp;P</i>
Class B2 Notes	Aa2	AA
Class B3 Notes	Aa2	AA
Class C1 Notes	A2	A
Class C2 Notes	A2	A
Class C3 Notes	A2	A
Class D1 Notes	Baa2	BBB
Class D2 Notes	Baa2	BBB
Class E1 Notes	Ba2	BB
Class E2 Notes	Ba2	BB

The Class F Notes will not be rated.

*Status* The Notes of each Class constitute secured, limited recourse obligations of the Issuer which will at all times rank *pari passu* among the other Notes of that Class.

*Subordination* Interest Collections and Collateral Principal Proceeds available for distribution to Noteholders on any Interest Payment Date will be applied in respect of each Class of Notes sequentially in the following Order of Seniority: first, in payment of all amounts due in respect of the Class A Notes, second, in payment of all amounts due in respect of the Class B Notes, third, in payment of all amounts due in respect of the Class C Notes, fourth, in payment of all amounts due in respect of the Class D Notes, fifth, in payment of all amounts due in respect of the Class E Notes, and sixth, in payment of all amounts due in respect of the Class F Notes.

*Interest* Interest will accrue on a daily basis at the relevant Rate of Interest on each Note of each Class from and including the Closing Date and will accrue on the Outstanding Principal Balance in respect of each such Class.

Interest payable on each Note of each Class in respect of an Interest Period will be calculated as an amount determined by the Agent Bank to be the product of:

- (a) the Rate of Interest applicable to the Class to which such Note belongs for the relevant Interest Period;
- (b) the Outstanding Principal Balance of such Note on the first day of such Interest Period;
- (c) the actual number of days in such Interest Period divided by 360 (in the case of the Dollar Notes and the Euro Notes) and 365 (in the case of the Sterling Notes) and rounding the resulting figure to the nearest cent or penny, as applicable (half a cent or penny being rounded upwards).

Such interest shall be payable in arrear, on each Interest Payment Date subject as provided in Condition 8 (*Payments and Subordination*).

*Rate of Interest* The Rate of Interest in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes shall be the rate set out opposite such Class of Notes below:

<i>Class</i>		<i>Applicable Margin prior to Notes Termination Date</i>		
Class A1 Notes	Sterling LIBOR <i>plus</i>	0.16	per cent.	per annum
Class A2 Notes	EURIBOR <i>plus</i>	0.16	per cent.	per annum
Class A3 Notes	USD LIBOR <i>plus</i>	0.16	per cent.	per annum
Class B1 Notes	Sterling LIBOR <i>plus</i>	0.27	per cent.	per annum
Class B2 Notes	EURIBOR <i>plus</i>	0.27	per cent.	per annum
Class B3 Notes	USD LIBOR <i>plus</i>	0.27	per cent.	per annum
Class C1 Notes	Sterling LIBOR <i>plus</i>	0.50	per cent.	per annum
Class C2 Notes	EURIBOR <i>plus</i>	0.50	per cent.	per annum
Class C3 Notes	USD LIBOR <i>plus</i>	0.50	per cent.	per annum
Class D1 Notes	Sterling LIBOR <i>plus</i>	0.90	per cent.	per annum
Class D2 Notes	EURIBOR <i>plus</i>	0.90	per cent.	per annum
Class E1 Notes	Sterling LIBOR <i>plus</i>	3.05	per cent.	per annum
Class E2 Notes	EURIBOR <i>plus</i>	3.05	per cent.	per annum
Class F Notes	Sterling LIBOR <i>plus</i>	5.50	per cent.	per annum

From and after any Notes Termination Date, the Applicable Margin for each Class of Notes shall be zero.

Sterling LIBOR, USD LIBOR and EURIBOR will be determined by the Agent Bank for each Interest Period pursuant to the Conditions.

*Outstanding Principal Balance and Base Currency Outstanding Principal Balance*

Amounts of principal payable in respect of each Class of Notes and amounts of interest payable in respect of each of the Classes will be determined by reference to the Outstanding Principal Balance of the Notes of that Class. The Outstanding Principal Balance of the Notes of any Class is equal to the Base Currency Outstanding Principal Balance of that Class multiplied by the applicable Funding Swap Rate for that Class (or, in the case of the Sterling Notes, the Outstanding Principal Balance of any such Class of Sterling Notes is equal to the Base Currency Outstanding Principal Balance for such Class).

The Base Currency Outstanding Principal Balance:

- (a) with respect to any Class on any date or time of determination, an amount equal to:
  - (1) the Base Currency Initial Principal Balance of such Class;
  - (2) *minus* the aggregate amount of Cash Settlement Amounts (to the extent not met from amounts from the Reserve Account) allocated to such Class in reduction of the Base Currency Outstanding Principal Balance of such Class pursuant to the Conditions on or before such date or time;

- (3) *plus* the aggregate amount of Reinstatement Amounts, if any, applied in the reinstatement of the Base Currency Outstanding Principal Balance of such Class of Notes made pursuant to the Conditions on or before such date or time;
  - (4) *minus* the aggregate amount of payments (being the Base Currency Amount of any such payment on the date upon which such payment was made), if any, of principal made in respect of such Class on or before such date or time and expressed in the Base Currency;
- (b) with respect to a Note of a Class on any date or any time of determination, a proportion of the Outstanding Principal Balance of that Class on that date or time of determination equal to the proportion of the Initial Principal Balance of the relevant Note bears to the Initial Principal Balance of such Class; and
  - (c) with respect to the Notes, the aggregate of the Outstanding Principal Balance of each Class.

*Reserve Account*

On any Interest Payment Date upon which a Cash Settlement Amount is due and payable by the Issuer pursuant to the terms of the Credit Default Swap, any amounts standing to the credit of the Reserve Account will be utilised to meet any such Cash Settlement Amount or Cash Settlement Amounts (or parts thereof). Only after all amounts standing to the credit of the Reserve Account are so utilised on a relevant Interest Payment Date would Collateral Principal Proceeds be utilised to meet Cash Settlement Amounts due on such Interest Payment Date.

Following any such payments, amounts standing to the credit of the Reserve Account shall be utilised in reinstatement of the Outstanding Principal Balance of the Notes as further detailed below.

Following any such payments and/or reinstatements, on each Interest Payment Date falling in November, amounts standing to the credit of the Reserve Account will be paid to the Credit Default Swap Counterparty pursuant to the terms of the Credit Default Swap and in accordance with the Reserve Account Priority of Payments.

*Reductions of Base Currency Outstanding Principal Balance and Outstanding Principal Balance by reference to Cash Settlement Amounts (to the extent not funded from the Reserve Account)*

On any Interest Payment Date upon which the Issuer is required to pay a Cash Settlement Amount to the Credit Default Swap Counterparty, the Base Currency Outstanding Principal Balance of the Notes of one or more Classes will be reduced on such Interest Payment Date, without any commensurate payment to Noteholders, by an amount equal to all Cash Settlement Amounts paid by the Issuer on such Interest Payment Date to the extent such payment is not met from amounts in the Reserve Account. Each such reduction of Base Currency Outstanding Principal Balance will be made to the Notes in the Reverse Order of Seniority in the

manner described in the Conditions.

*Principal Reinstatement: Available Reserve Account Reinstatement Amounts* On any Interest Payment Date upon which:

- (a) the Base Currency Initial Principal Balance of any Class of Notes less any Redemption Amounts previously paid in respect of such Class is greater than the then Base Currency Outstanding Principal Balance of such Class of Notes; and
- (b) there are amounts standing to the credit of the Reserve Account (first taking into account any amounts in the Reserve Account to be utilised in payment of any Cash Settlement Amount on such Interest Payment Date), such amounts being Available Reserve Account Reinstatement Amounts,

the Base Currency Outstanding Principal Balance of the Notes of one or more Classes will be increased, without any corresponding payment to Noteholders, by an amount equal to the Available Reserve Account Reinstatement Amount, in order to reinstate any amounts previously applied in reduction of the Base Currency Outstanding Principal Balance of the Notes. Such reinstatement shall be allocated to the Notes in the Order of Seniority commencing with the most senior Class of Notes the Base Currency Outstanding Principal Balance in respect of which has been reduced pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*) until the Base Currency Outstanding Principal Balance of such Class of Notes is equal to its Base Currency Initial Principal Balance less any Redemption Amounts previously paid in respect of such Class of Notes.

*Scheduled Redemption Date*

The date on which payment in full of principal on the Notes is scheduled to commence is the Scheduled Redemption Date, being the Interest Payment Date falling in August 2015.

*Redemption prior to Scheduled Redemption Date*

Repayment of principal on the Notes may commence prior to the Scheduled Redemption Date as a result of: (a) the occurrence of an Early Redemption Date (including a Tax Redemption Date), or (b) the occurrence of an Enforcement Date, or (c) the designation by the Credit Default Swap Counterparty of an Optional Termination Date under the Credit Default Swap, or (d) from and after the end of the Replenishment Period in respect of any Amortised Amounts (as further described below).

*Amortisation of Notes following Replenishment Period*

If, at any time from and after the end of the Replenishment Period, the Portfolio Notional Amount under the Credit Default Swap has been reduced by one or more Reductions pursuant to the terms of the Credit Default Swap (the aggregate of any such Reductions during a period specified as applicable to an Interest Period, being calculated pursuant to the definition of "Amortised Amount", as defined in the

Conditions, for such Interest Period), then on the immediately following Interest Payment Date, the Issuer shall apply the Collateral Principal Proceeds in accordance with the Order of Priority in an amount equal to the Amortised Amount determined for such Interest Period in or towards redemption of the Notes in the Order of Seniority until the Base Currency Outstanding Principal Balance of each Note of each Class is at the Minimum Balance. See "*Terms and Conditions of the Notes - Definitions - Amortised Amount*".

*Redemption on and after Notes Termination Date*

A portion of the Outstanding Principal Balance of the Notes will (to the extent that the Maximum Cash Settlement Amount on such date is greater than zero) remain outstanding following the Scheduled Redemption Date (or any other Notes Termination Date).

On the Notes Termination Date (including where applicable the Scheduled Redemption Date) and on each Redemption Date thereafter (if any) the Issuer shall, subject to any prior ranking claims in accordance with the applicable Order of Priority, allocate and apply the Collateral Principal Proceeds in an amount equal to the Distributable Principal Amount for that date in redemption of the Notes in the Order of Seniority until the Base Currency Outstanding Principal Balance of each Note of each Class is at the Minimum Balance.

*Distributable Principal Amount*

The aggregate amount of principal to be paid on the Notes on the Notes Termination Date and, if applicable, on any Redemption Date thereafter will be an amount equal to the Distributable Principal Amount.

*Maximum Cash Settlement Amount*

The Maximum Cash Settlement Amount (and thus the Distributable Principal Amount) will be dependent upon the existing and/or potential payment liabilities of the Issuer pursuant to the Credit Default Swap.

The Maximum Cash Settlement Amount means, on any date, the sum of: (A) the Defaulted Notional Amounts of all Defaulted Reference Obligations (in relation to which a Verification Date has not occurred); (B) the Verified Loss Amounts in respect of all such Verified Reference Obligations for which a Cash Settlement Date has not occurred; and (C) during the Notice Period only, the Reference Obligation Notional Amounts of all Potential Defaulted Reference Obligations (for which the Potential Failure to Pay has not been remedied or the Conditions to Settlement (excluding the Notice of Accountant Certification) have not been satisfied during the Notice Delivery Period), *provided, however, that* the Maximum Cash Settlement Amount shall not exceed the Portfolio Notional Amount applicable immediately preceding the Initial Termination Date and *provided further that* notwithstanding subparagraphs (A), (B) and (C) above, on any Early Termination Date relating to termination of the Credit Default Swap where such termination results from the occurrence of: (i) a failure to pay or deliver or bankruptcy (as described under the Credit Default Swap) where the Credit Default Swap Counterparty is the defaulting party, or (ii) in respect of Illegality (as defined under the Credit

Default Swap), or (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (v) as a result of the termination of any Funding Swap Agreement (where the Credit Default Swap Counterparty is the Funding Swap Counterparty thereunder and where such Funding Swap is terminated early as a result of the default of the Funding Swap Counterparty thereunder), or (vi) as a result of a Tax Event Upon Merger (as defined in the Credit Default Swap) in respect of the Credit Default Swap Counterparty; the Issuer shall be required to pay on the Early Termination Date the amount equal to the Verified Loss Amounts in respect of Verified Reference Obligations (other than those Defaulted Reference Obligations for which Applicable Information cannot be sent to Dealers) for which, prior to such Early Termination Date, a Cash Settlement Date has not occurred, and the "Maximum Cash Settlement Amount" shall be zero.

*Redemption upon Tax Redemption Event* Upon the occurrence of a Tax Redemption Event, the Notes will be subject to mandatory redemption in accordance with the Conditions. See "*Terms and Conditions of the Notes - Condition 6(b) Redemption on or after the Notes Termination Date*".

*Redemption upon Optional Termination Date under Credit Default Swap* Upon the exercise by the Credit Default Swap Counterparty of the Termination Option, the Notes will be redeemed by the Issuer, in accordance with the Conditions, by giving not less than 15 calendar days prior written notice to, among others, the Noteholders (which notice will be irrevocable), on the Interest Payment Date designated by the Credit Default Swap Counterparty.

*Final Maturity Date* To the extent not previously paid or reduced, the Notes will be redeemed in full on the Interest Payment Date falling in November 2018 (or, if such day is not a Business Day, on the following Business Day), such date being the Final Maturity Date.

*Events of Default* The Events of Default are set out in Condition 11 (*Events of Default*), and may result in the enforcement of the Security.

*Taxation of Payments on the Notes* All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within any applicable jurisdiction or any political subdivision thereof or by any authority thereof or therein having power to tax, unless such withholding or deduction is required by any applicable law. In that event the Issuer shall make such payments after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will be obliged to pay any additional amounts to the Noteholders in respect of such withholding**

**or deduction.**

*Irish Taxation*

See "*Taxation in Ireland*".

*United Kingdom Taxation*

See "*United Kingdom Taxation*".

*United States Taxation*

See "*Material United States Federal Income Tax Considerations*"

*ERISA*

See "*Certain ERISA and Other Considerations*"

*Conditions*

References to the Conditions (or any Condition) are to the terms and conditions of the Notes in the form scheduled to the Trust Deed, as those terms and conditions may be modified from time to time in accordance with the terms of the Trust Deed. See "*Terms and Conditions of the Notes*".

## KEY CHARACTERISTICS OF THE CREDIT DEFAULT SWAP

<i>Credit Default Swap</i>	On the Closing Date, the Issuer will enter into the Credit Default Swap with HSBC as Credit Default Swap Counterparty pursuant to which the Issuer will provide credit protection in respect of a number of Reference Obligations. The Credit Default Swap will be documented under the ISDA Master as supplemented by the Credit Default Swap Confirmation. The principal terms of the Credit Default Swap will be as set out below.
<i>Fixed Amounts</i>	As the buyer of credit protection, the Credit Default Swap Counterparty will make periodic payments of Fixed Amounts to the Issuer.
<i>The Reference Portfolio</i>	The Credit Default Swap Counterparty will, on the Initial Portfolio Composition Date, designate the Reference Portfolio which shall be the subject of the Credit Default Swap. The Reference Portfolio will consist of a pool of Reference Obligations payable by corresponding Reference Entities.
<i>Initial Portfolio Composition Date</i>	31 August 2006
<i>Reference Obligations</i>	Each obligation representing Borrowed Money (as defined in the 2003 Definitions) or which upon drawing would become Borrowed Money where a corporate entity is the relevant obligor and designated as such and identified (by an identification code, as amended from time to time) in the Reference Registry.
<i>Reference Obligation Notional Amount</i>	<p>The Credit Default Swap Counterparty will designate a Reference Obligation Notional Amount in respect of each Reference Obligation in the Reference Registry.</p> <p>The Reference Obligation Notional Amount of a Reference Obligation may be reduced as a result of a Reduction, or a Restructuring Credit Event, or increased as a result of Replenishment, or increased or decreased as a result of an FX Reset, each in the manner described herein.</p>
<i>Reference Registry</i>	The Credit Default Swap Counterparty will procure that the Cash Manager will maintain a registry specifying certain detailed information in respect of each Reference Obligation and Reference Entity, amongst other things, and will each be identified by an identification code in the Reference Registry.
<i>Servicing</i>	The administration, collection and enforcement of each Reference Obligation, including the enforcement of any related security, shall be carried out by (i) HSBC, or (ii) a third party agent bank or an agent bank duly appointed under a relevant syndication agreement or syndicated loan facility agreement in accordance with the Servicing Guidelines.
<i>Non-Sterling Reference Obligations</i>	In respect of each Non-Sterling Reference Obligation, the Credit Default Swap Counterparty shall designate a Sterling amount as the Reference Obligation Notional Amount thereof, such Sterling amount being the Sterling equivalent of the amount in the currency of denomination of such Reference Obligation in respect of which the Credit Default Swap



Counterparty is buying credit protection, converted into Sterling at the Relevant FX Rate.

The Relevant FX Rate is set on the Initial Portfolio Composition Date or the date that an obligation in the relevant currency is first included in the Reference Portfolio and may be subsequently reset by reference to the rate determined by the Credit Default Swap Counterparty to be the mid-market foreign exchange rate prevailing on such date for the conversion of the relevant currency into Sterling applied by the Credit Default Swap Counterparty for its own regular foreign exchange transactions during the Replenishment Period.

*Replenishments*

On any Business Day during the Replenishment Period on which the Maximum Portfolio Notional Amount exceeds the Portfolio Notional Amount, and subject to fulfilment of the Replenishment Conditions, the Credit Default Swap Counterparty may adjust the Reference Portfolio, by:

- (a) adding Reference Obligations relating to existing or new Reference Entities to the Reference Portfolio; or
- (b) increasing the Reference Obligation Notional Amount of any Reference Obligation then comprising the Reference Portfolio.

*Reductions*

The Credit Default Swap Counterparty may, at any time and from time to time, elect to reduce the Reference Obligation Notional Amount of any Reference Obligation as a result of the occurrence of any one of the events specified in the Credit Default Swap. See "*The Credit Default Swap*" for a summary of the applicable events. Any such Reduction is effective on the day on which it is made and the Credit Default Swap Counterparty is required to notify the Issuer, the Cash Manager and the Calculation Agent of the same in a Quarterly Report for the period that included the date of such Reduction. Upon a Reduction, the Reference Obligation Notional Amount of the Reference Obligation that is the subject of a Reduction will be permanently reduced by the relevant Reduction Amount.

*Credit Protection Term*

The Issuer will provide credit protection only with respect to Credit Events which occur during the Notice Delivery Period.

*Notice Delivery Period*

The Notice Delivery Period means the period from and including the Closing Date to and including the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date or, in respect of any Potential Defaulted Reference Obligation in respect of which a Potential Failure to Pay Extension Notice is delivered on or before the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date, to and including the date falling 60 Business Days after the Grace Period Extension Date in respect of such Potential Defaulted Reference Obligation.

*Credit Events*

Subject to the occurrence of one or more Credit Events and certain other conditions, the Issuer may become liable to make payments of Cash Settlement Amounts to the Credit Default Swap Counterparty. A Credit Event in respect of a Reference Entity means Bankruptcy, Failure to Pay or Restructuring.

For more information on how these terms are defined, see "*The Credit Default Swap*".

#### *Conditions to Settlement*

No Cash Settlement Amount will be payable by the Issuer as a result of the occurrence of a Credit Event unless the Conditions to Settlement have been satisfied. The Conditions to Settlement are:

- (a) the delivery of a Credit Event Notice by the Credit Default Swap Counterparty to the Issuer in respect of the Credit Event and which is effective within the Notice Delivery Period; and
- (b) in respect of each Defaulted Reference Obligation relating to the relevant Reference Entity, the delivery by the Accountant to the Calculation Agent, the Credit Default Swap Counterparty, the Issuer, the Cash Manager, the Trustee and each Rating Agency of a Notice of Accountant Certification containing a certification, upon completion of the applicable Agreed Upon Procedures in respect of the relevant Defaulted Reference Obligation, certifying that:
  - (i) to the extent not already verified by the Accountant, such Defaulted Reference Obligation satisfied the Eligibility Criteria on the Relevant Date and, if added to the Reference Portfolio pursuant to a Replenishment, did not (taken together with any other Reference Obligation added to the Reference Portfolio on the same day) contravene (or, except in relation to Replenishment Conditions (E) and (F), cause the increased non-compliance with) the Replenishment Conditions on the related Replenishment Date; and
  - (ii) the Credit Event identified in the Credit Event Notice occurred during the Notice Delivery Period.

All Defaulted Reference Obligations of any Reference Entity may be included in a single Notice of Accountant Certification relating to such Reference Entity.

The Notice of Accountant Certification may be delivered after the expiry of the Notice Delivery Period, but shall be delivered no later than fourteen days after the Event Determination Date relating to such Defaulted Reference Obligation and on or before the applicable Cash Settlement Date in respect of such Reference Obligation to which the relevant Credit Event relates, if any. For the avoidance of doubt, if the Notice of Accountant Certification is delivered on or before the relevant Cash Settlement Date of such Reference Obligation, the Additional Condition to Settlement will be satisfied.

#### *Loss Determination*

Following the occurrence of a Credit Event in respect of a Reference Entity, subject to the satisfaction of certain Conditions to Settlement a Loss Amount will be determined in respect of each Reference Obligation of the relevant Reference

Entity in respect of which the Credit Event occurred.

To determine the Loss Amount in respect of a Reference Obligation for which a Failure to Pay or Bankruptcy has occurred, a Final Price will be determined by the Calculation Agent for the relevant Reference Obligation pursuant to the application of the following valuation provisions with respect to such Reference Obligation. The Loss Amount in respect of a Defaulted Reference Obligation is:

- (a) if the Credit Event specified in the relevant Credit Event Notice is a Restructuring Credit Event, the Restructuring Loss Amount; and
- (b) if the Credit Event specified in the relevant Credit Event Notice is a Failure to Pay or Bankruptcy Credit Event, the product of the Defaulted Notional Amount in respect of such Reference Obligation and a percentage that is 100 per cent. minus the Final Price for such Reference Obligation,

subject, in each case to a minimum of zero and a maximum of the Defaulted Notional Amount

*Calculation Verification*

Upon determination of a Loss Amount in respect of a Reference Obligation, the Credit Default Swap Counterparty is required to procure the delivery to the Calculation Agent, the Issuer, the Cash Manager, the Trustee and the Rating Agencies of a written report by the Accountant (a "**Verification Report**") verifying, amongst other things, the computation by the Calculation Agent of the Loss Amount in respect of such Reference Obligation. With respect to any Reference Obligation, the amount so verified is the Verified Loss Amount and the date on which such Loss Amount is verified is the Verification Date.

*Cash Settlement Amount*

Following the satisfaction of the Conditions to Settlement and the completion of the loss determination and verification procedures described above, the Calculation Agent will ascertain the Cash Settlement Amount payable by the Issuer to the Credit Default Swap Counterparty. The Cash Settlement Amount will be an amount equal to the Cumulative Loss Amount *minus* the Paid Loss as of such date.

*Additional Swap Counterparty Payments*

The Credit Default Swap Counterparty may be liable to make further payments to the Issuer following the determination of any Late Recovery Amount.

*Optional Termination by the Credit Default Swap Counterparty*

The Credit Default Swap Counterparty has a Termination Option, upon no less than 15 calendar days' prior written notice to the Issuer, the Calculation Agent and the Cash Manager, to terminate the Credit Default Swap on any Optional Termination Date.

*Credit Default Swap Termination Date*

The Credit Default Swap will terminate on the Termination Date. The "**Initial Termination Date**" means the earliest to occur of: (a) the Scheduled Redemption Date; (b) the date on which the Portfolio Notional Amount is reduced to zero and the Minimum Balance of all Classes of Notes is zero; (c) the Optional Termination Date; and (d) the Tax Termination Date.

The "**Termination Date**" means the Initial Termination Date except that if, on the Initial Termination Date, (A) there is any Defaulted Reference Obligation in relation to which a Verification Date has not occurred, (B) there is a Verified Reference Obligation for which a Cash Settlement Date has not occurred, or (C) there is any Reference Obligation in respect of which a Potential Failure to Pay has occurred but the Event Determination Date in respect thereof has not occurred and in respect of which a Potential Failure to Pay Extension Notice has been delivered in accordance with the Credit Default Swap, the Termination Date will be extended as specified pursuant to the terms of the Credit Default Swap.

## KEY CHARACTERISTICS OF THE COLLATERAL

### *Collateral Note Proceeds*

On the Closing Date, the proceeds of the Dollar Notes will be paid to the Funding Swap Counterparty in exchange for a Sterling payment, the proceeds of the Euro Notes will be paid to the Funding Swap Counterparty in exchange for a Sterling payment, and such Sterling payments and the proceeds of the Sterling Notes will be deposited by the Issuer into the Cash Deposit Account.

### *Cash Deposit Account Bank*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, will be appointed as the cash deposit account bank (the "**Cash Deposit Account Bank**") in relation to the Cash Deposit Account under the Cash Deposit Account Bank Agreement between the Issuer, the Cash Deposit Account Bank, the Credit Default Swap Counterparty, the Cash Manager and the Trustee.

The Cash Deposit Account Bank will operate the Cash Deposit Account in accordance with the Cash Deposit Account Bank Agreement and the Cash Management Agreement for so long as it maintains the Cash Deposit Account Bank Required Rating or for so long as it is able to procure a guarantee of its obligations as Cash Deposit Account Bank from a guarantor which has the Cash Deposit Account Bank Required Rating.

### *Cash Deposit*

On the Closing Date, the Issuer will use the proceeds of the issue of the Notes (subject in the case of the Euro Notes and the Dollar Notes to exchange pursuant to the relevant Funding Swap Agreement and receipt of a Sterling amount in respect thereof) in making a deposit (the "**Cash Deposit**") to the Cash Deposit Account.

The Cash Deposit will consist of a deposit denominated in Sterling, with the amount of the Cash Deposit plus the Market Value (as defined in the Repo Agreement) of Repo Securities held by the Custodian on behalf of the Issuer corresponding to the aggregate Principal Amount Outstanding of the Notes.

Pursuant to the terms of the Cash Deposit Account Bank Agreement, the Cash Deposit Account Bank will make periodic payments of interest to the Issuer on each Interest Payment Date in respect of the funds deposited in the Cash Deposit Account and by reference to a Sterling LIBOR-based rate (the "**Cash Deposit Rate**") to be agreed from time to time by the Issuer and the Cash Deposit Account Bank and calculated on the basis of the number of days in the relevant Interest Period and a 365 day year.

Income received in respect of the Cash Deposit Account will comprise a portion of the Collateral Income Proceeds, will be deposited into the Issuer Transaction Account, and will be used by the Issuer to make payments in accordance with the Pre-Enforcement Order of Priority: Interest Collections.

See "*Terms and Conditions of the Notes*".

Subject to the Rating Agency Collateral Switch Conditions, if the Credit Default Swap Counterparty so directs the Cash Manager, the Cash Manager, on behalf of the Issuer, shall within thirty (30) days of such direction, instruct the Cash Deposit Account Bank to release all amounts from the Cash Deposit Account and apply such amounts to purchase Repo Securities on behalf of the Issuer pursuant to the terms of the Repo Agreement (a Cash Deposit Collateral Transfer). See "*Collateral Switch Arrangements*".

In the event that the Cash Deposit Account Bank ceases to have a short-term rating of at least A-1+ from S&P and P-1 from Moody's and a long-term rating of at least Aa3 from Moody's (the "**Cash Deposit Account Bank Required Rating**") or a guarantee by a guarantor with the Cash Deposit Account Bank Required Rating, the Issuer will be required within thirty (30) days of such event to either: (a) transfer the Cash Deposit Account in accordance with the terms of the Cash Deposit Account Bank Agreement to a successor cash deposit bank that has, amongst other things, the Cash Deposit Account Bank Required Rating, or (b) effect a Cash Deposit Collateral Transfer. Failure by the Issuer to comply with the above would result in an early termination of the Cash Deposit Account Bank Agreement.

*Repo Existence Period*

The "**Repo Existence Period**" means any period during which the proceeds of the Notes (or the remainder thereof) are invested in Eligible Securities pursuant to a Repo Agreement.

*Cash Manager*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ (the "**Cash Manager**"), will be appointed as the Cash Manager by the Issuer under the terms of the Cash Management Agreement between the Issuer, the Credit Default Swap Counterparty, the Trustee and the Cash Manager. Pursuant to the Cash Management Agreement, the Cash Manager's principal function will be managing the Issuer Accounts and effecting payments to and from each of the Issuer Accounts in accordance with the provisions of the Cash Management Agreement, the Deed of Charge and the other Transaction Documents. In addition, it will provide certain administrative services and perform certain administrative security functions to the Issuer in relation to the Charged Assets set forth in the Cash Management Agreement. The Issuer may, following an event of default by the Cash Manager under the Cash Management Agreement, replace the Cash Manager.

*Repo Counterparty*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, or such other entity (the "**Repo Counterparty**") acting as repo counterparty under the terms of the Repo Agreement between the Issuer, the Trustee and the Repo Counterparty.

*Custodian*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, will be appointed as the custodian of the Repo Securities (the "**Custodian**") under the terms of the Custody Agreement to be dated on the date of

*Repo Agreement*

the Repo Agreement between the Issuer, the Custodian, the Cash Manager and the Trustee.

Under the terms of the Repo Agreement, the Issuer and the Repo Counterparty shall enter into certain Repo Transactions in accordance with the Repo Agreement pursuant to which the Issuer shall, using the funds standing to the credit of the Cash Deposit Account, purchase certain securities (any such securities acquired by the Issuer from time to time under the Repo Agreement, the "**Repo Securities**") from the Repo Counterparty.

In accordance with and pursuant to the terms of the Custody Agreement, the Custodian will hold the Repo Securities as custodian on behalf of the Issuer.

The Repo Securities eligible to be purchased from time to time by the Issuer from the Repo Counterparty under the Repo Agreement shall at all times be securities which are Eligible Securities.

Each of the Repo Counterparty or the Issuer, as applicable, is also obliged under the Repo Agreement to make transfers to the other party daily in the form of additional Eligible Securities or, as the case may be, cash in accordance with the applicable margining provisions in the Repo Agreement (except with regard to Principal Value Securities).

At any time when the Repo Counterparty does not have a short-term rating of at least A-1+ from S&P and P-1 from Moody's and a long-term rating of at least A1 from Moody's (the "**Repo Counterparty Required Rating**"), the Repo Counterparty will be required, in accordance with and pursuant to the terms of the Repo Agreement to over collateralise its obligations (except with regard to Principal Value Securities) by way of the provision of cash or the provision of additional Repo Securities, as determined pursuant to the terms of the Repo Agreement. The amount of over collateralisation, in respect of non-Sterling Repo Securities, will be the greater of (i) such percentage determined in accordance with Moody's collateral requirements plus 6% and (ii) such other amount as agreed with S&P to maintain S&P's current ratings of the Notes, and, in respect of Sterling Repo Securities, will be the greater of (i) such percentage determined in accordance with Moody's collateral requirements and (ii) such amount as agreed with S&P to maintain S&P's current ratings of the Notes. In addition, the Repo Counterparty will be required to substitute Repo Securities held by or on behalf of the Issuer which are not rated at least AAA by S&P and Aaa by Moody's with Repo Securities that satisfy the Repo Securities Eligibility Criteria and are rated at least AAA by S&P and Aaa by Moody's and to make such other substitutions as may be required.

Pursuant to the terms of the Repo Agreement, the Issuer will receive from the Repo Counterparty certain periodic income payments on each Interest Payment Date which represent (in part) the application of the Pricing Rate to the prevailing Purchase Price (as defined in the Repo Agreement). Such

income payments will be calculated on the same floating interest rate basis as the Notes and shall be payable in Sterling and will comprise a portion of the Interest Collections to be utilised in accordance with the Order of Priority.

*Liquidation of Collateral to satisfy Cash Settlement Amount*

The Collateral Investment will be held in Sterling (or Euro (in the case of Repo Securities only)) and in an amount (disregarding any over-collateralisation provided by the Repo Counterparty in respect of Repo Securities) corresponding to the aggregate of the Base Currency Outstanding Principal Balance of the Notes.

On the Interest Payment Date following determination of a Cash Settlement Amount, and to the extent not met through amounts standing to the credit of the Reserve Account, an amount of Collateral Investment will be liquidated to satisfy payment of the Cash Settlement Amount. The amount of the Collateral Investment to be liquidated will be equal to the relevant Cash Settlement Amount due on that Interest Payment Date, less the amounts standing to the credit of the Reserve Account, and will form part of available Collateral Principal Proceeds, and will be applied in accordance with the relevant Order of Priority.

Upon receipt of notice of the redemption of the Notes and for the purposes of redeeming the Notes in accordance with Condition 6 (*Redemption*) or making payment of a Cash Settlement Amount which exceeds the Reserve Account balance, the Credit Default Swap Counterparty will direct the Cash Manager either to release the requisite portion of the Cash Deposit and/or, as the case may be, unwind all or a portion of the Repo Transactions. Following any such direction, the Cash Manager will provide notice to the Issuer of the amounts of the Cash Deposit to be released and/or, as the case may be, Repo Transactions to be unwound. The amounts released from the Cash Deposit and received from the unwind of the Repo Transactions will form available Collateral Principal Proceeds of the Issuer to be utilised in accordance with Condition 7(b) (*Application of Collateral Principal Proceeds*) on each Interest Payment Date. See "*Key characteristics of the Collateral - Available Collateral Principal Proceeds of the Issuer.*"

*Available Interest Collections of the Issuer:*

On each Interest Payment Date or Notes Termination Date, the Issuer will receive and/or will have available the following income:

- (a) the Fixed Amounts from the Credit Default Swap Counterparty in respect of such Interest Payment Date or Notes Termination Date;
- (b) income pursuant to the Repo Agreement which has accrued and been paid to the Issuer in the Interest Period ending on that Interest Payment Date or Notes Termination Date;
- (c) interest income in respect of the Issuer Transaction Account, Reserve Account and the Cash Deposit Account which has accrued and been paid to the



Issuer on that Interest Payment Date or Notes Termination Date; and

- (d) income in respect of any other Permitted Investment which has accrued and been paid to the Issuer in the Interest Period ending on that Interest Payment Date or Notes Termination Date,

and the Issuer (or the Cash Manager on its behalf) will arrange for all such amounts to be deposited (to the extent not already deposited therein) to the Issuer Transaction Account on each Interest Payment Date or Notes Termination Date. The amounts in respect of items (b), (c) and (d) immediately above are collectively referred to as the "**Collateral Income Proceeds**". Together the Collateral Income Proceeds and the amounts in respect of item (a) immediately above are collectively referred to as "**Interest Collections**".

*Pre-Enforcement Order of Priority:  
Interest Collections*

Prior to delivery of an Enforcement Notice, Interest Collections will be applied by or on behalf of the Issuer on each Interest Payment Date in making payments in accordance with the Pre-Enforcement Order of Priority: Interest Collections. See "*Terms and Conditions of the Notes*".

*Collateral Principal Proceeds of the  
Issuer*

The Issuer will receive or have available on each Interest Payment Date or Notes Termination Date:

- (a) principal amounts received from the Cash Deposit Account upon release of any part of the Cash Deposit (other than in respect of a Cash Deposit Collateral Transfer);
- (b) amounts received from the Repo Counterparty on any unwind of all or part of a Repo Transaction (unless such amounts are immediately invested in a Cash Deposit Account); and
- (c) any amounts paid by the Credit Default Swap Counterparty to the Issuer following termination of the Credit Default Swap,

(together, the "**Collateral Principal Proceeds**") as released by the Cash Manager in accordance with the Cash Management Agreement based on calculations performed by the Calculation Agent.

*Application of Reserve Account  
balances*

Prior to delivery of an Enforcement Notice, any amounts standing to the credit of the Reserve Account will be applied by or on behalf of the Issuer on any date in making the following payments in the following order of priority ("**Reserve Account Payments Order of Priority**") and only to the extent that any prior ranking item is satisfied in full:

- (1) on any date other than an Interest Payment Date, an amount (any such amount, the "**Intra Period Expense Amount**" for the relevant Interest Period) to pay any Expenses (other than Exceptional Expenses) due and payable on that date and not otherwise provisioned or reserved for (and

accordingly standing to the credit of the Issuer Transaction Account) on the previous Interest Payment Date;

- (2) to satisfy any obligation to pay Cash Settlement Amounts due and payable on that Interest Payment Date;
- (3) to reinstate the Outstanding Principal Balance of the Notes in accordance with Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account balances*) (and any such amount so utilised to be withdrawn from the Reserve Account and deposited by or on behalf of the Issuer into the Cash Deposit Account (or, during any Repo Existence Period to be paid to the Repo Counterparty for purchase of additional Eligible Securities pursuant to the Repo Agreement)); and
- (4) on any Interest Payment Date falling in November, to be paid to the Credit Default Swap Counterparty pursuant to the terms of the Credit Default Swap.

*Pre-Enforcement Order of Priority:  
Collateral Principal Proceeds*

Prior to the delivery of an Enforcement Notice, Collateral Principal Proceeds will be applied by or on behalf of the Issuer on each Interest Payment Date in accordance with the Pre-Enforcement Order of Priority: Collateral Principal Proceeds. See "*Terms and Conditions of the Notes*".

*Application of Proceeds on Enforcement*

Interest Collections, any funds from time to time standing to the balance of the Reserve Account and Collateral Principal Proceeds (collectively, "**Available Funds**") will be applied by or on behalf of the Issuer following the date on which an Enforcement Notice is delivered by the Trustee in the Post-Enforcement Order of Priority. See "*Terms and Conditions of the Notes*".

*Reserve Account Bank and Reserve  
Account Bank Agreement*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ (the "**Reserve Account Bank**"), will be appointed to provide certain banking services to the Issuer in relation to the Sterling-denominated reserve account to be opened with the Reserve Account Bank in the name of the Issuer (the "**Reserve Account**") under the Reserve Account Bank Agreement between the Issuer, the Reserve Account Bank, the Cash Manager, the Credit Default Swap Counterparty and the Trustee.

The Reserve Account Bank Agreement provides that, if the Reserve Account Bank ceases to have the Required Reserve Account Bank Rating, a replacement Reserve Account Bank will be appointed. "**Required Reserve Account Bank Rating**" means a short-term debt rating by Moody's of P-1 and by S&P of A-1+.

*Issuer Account Bank and Issuer Account  
Bank Agreement*

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ (the "**Issuer Account Bank**"), will be appointed to provide certain banking services to the Issuer in relation to issuer accounts to be opened with the Issuer Account Bank in the name of the Issuer, being an Issuer transaction account denominated in Sterling (the

"**Issuer Transaction Account**"), an Issuer account relating to the Notes and denominated in dollars (the "**Issuer Dollar Account**"), an Issuer account relating to the Notes and denominated in Euros (the "**Issuer Euro Account**"), an Issuer account relating to the Notes and denominated in Sterling (the "**Issuer Sterling Account**"), all under the Issuer Account Bank Agreement between the Issuer, the Issuer Account Bank, the Credit Default Swap Counterparty, the Cash Manager and the Trustee.

The Issuer Account Bank Agreement provides that, if the Issuer Account Bank ceases to have the Required Issuer Account Bank Rating, a replacement Issuer Account Bank will be appointed. "**Required Issuer Account Bank Rating**" means a short-term debt rating by Moody's of P-1 and by S&P of A-1+.

*Secured Accounts*

Together, the Cash Deposit Account, the Reserve Account, the Issuer Transaction Account, the Issuer Dollar Account, the Issuer Euro Account and the Issuer Sterling Account are referred to collectively as the "**Secured Accounts**".

## RISK FACTORS

*In evaluating whether to purchase Notes, prospective investors should carefully consider the following risk factors and investment considerations, in addition to the other information contained elsewhere in this prospectus. Prospective investors should consult an appropriate professional adviser if in any doubt about the contents of this prospectus.*

### **Transaction Overview**

Concurrently with the issuance of the Notes the Issuer will, on the Closing Date, enter into the Credit Default Swap with the Credit Default Swap Counterparty pursuant to which the Issuer will sell credit protection to the Credit Default Swap Counterparty in respect of a portfolio, designated by the Credit Default Swap Counterparty, of Reference Obligations and corresponding Reference Entities. In return for periodic payments of Fixed Amounts, the Issuer will be liable to make payments of Cash Settlement Amounts to the Credit Default Swap Counterparty upon the occurrence of a Credit Event in relation to any of the Reference Obligations and the fulfilment of certain other conditions.

The Outstanding Principal Balance of the Notes will automatically reduce in the Reverse Order of Seniority without commensurate payment to Noteholders, if and to the extent that the Issuer is required to make payments of Cash Settlement Amounts in excess of the amount standing to the credit of the Reserve Account at the time of such payment under the Credit Default Swap.

On the Closing Date, the Issuer will deposit the proceeds of the issue of the Notes into the Cash Deposit Account. The Credit Default Swap Counterparty may, at any time and from time to time, subject to compliance with the Rating Agency Collateral Switch Conditions, direct the Issuer to terminate any then current Collateral Investment and to invest the Collateral Principal Proceeds in the Alternative Collateral Investment.

Collateral Principal Proceeds will be applied from time to time to pay any Cash Settlement Amounts that may be payable under the Credit Default Swap and, to the extent not so applied, will be used to redeem the Notes as described below. If, as at the Notes Termination Date, the Collateral Principal Proceeds consist of Repo Securities and any Notes remain outstanding on such date, the balance of the unwind amounts in respect of the relevant Repo Transaction shall be deposited in to the Cash Deposit Account and applied in paying any Cash Settlement Amount that may fall due thereafter or, to the extent not so required, in redemption of the Notes.

The Fixed Amounts, Collateral Income Proceeds and Collateral Principal Proceeds will, from time to time, be applied, subject to the priority of payments and security provisions as described herein, to discharge the Issuer's payment obligations under the Notes, the Credit Default Swap and the other Transaction Documents.

### **General Risk Factors**

#### ***Investor Considerations***

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

#### ***Suitability***

The Notes are not a suitable investment for all investors. Each Investor should ensure that they understand the individual legal, tax, accounting, regulatory and financial implications of an investment in the Notes for such investor.

Investors may not rely on the Cash Deposit Account Bank, the Issuer Account Bank, the Reserve Account Bank, the Cash Manager, the Agents, the Calculation Agent, the Corporate Services Provider, the Issuer, the Lead Manager, the Trustee or the Credit Default Swap Counterparty in connection with

its determination as to the legality of its acquisition of the Notes of any Class or as to the other matters referred to in this risk factors section of this Prospectus. Neither the Issuer nor any of the other parties to any Transaction Documents is acting as an investment adviser, or assumes any fiduciary obligation, to any investor in the Notes of any Class. No party to any Transaction Document assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity or any other party to any Transaction Document.

***Reliance on Creditworthiness of HSBC as Swap Counterparty, Repo Counterparty and Cash Deposit Account Bank***

The ability of the Issuer to meet its obligations under the Notes will be dependent upon, amongst other things, HSBC for the payment of Fixed Amounts pursuant to the Credit Default Swap, the repurchase of the Repo Securities pursuant to the Repo Agreement, the return of the Cash Deposit in its capacity as Cash Deposit Account Bank and the payment to the Issuer of any Collateral Income Proceeds.

If HSBC does not have at any time the Cash Deposit Account Bank Required Rating and to the extent that it does not provide a guarantor of its obligations that has the Cash Deposit Account Bank Required Rating or is not replaced with a successor Cash Deposit Account Bank on substantially the same terms as the Cash Deposit Account Bank Agreement, the Cash Deposit Account Bank will be required to notify the Issuer and the Trustee of the same and to arrange for the release of the Cash Deposit.

If HSBC does not have at any time the Repo Counterparty Required Rating, HSBC will, pursuant to the terms of the Repo Agreement, be required to over-collateralise its obligations in respect of the Repo Securities, substitute Repo Securities held by or on behalf of the Issuer which are not rated at least AAA by S&P and Aaa by Moody's with Repo Securities that satisfy the Repo Securities Eligibility Criteria and are rated at least AAA by S&P and Aaa by Moody's and to make such other substitutions as S&P may require in order for S&P's then current ratings on the Notes to be maintained. Following a downgrade of the rating of the Repo Counterparty, a failure by the counterparty to comply with the above requirements within 30 days would result in an Issuer Event of Default, and a liquidation of the Collateral.

Pursuant to the Credit Default Swap, in the event of a Credit Default Swap Counterparty Downgrade Event affecting the Credit Default Swap Counterparty, the Credit Default Swap Counterparty will be required to make certain specified advance payments to the Issuer. Notwithstanding the obligation of the Credit Default Swap Counterparty to pay such specified amounts in advance, if the Credit Default Swap Counterparty defaults, for any reason, on its obligation to pay the Fixed Amounts which are required to be paid, the Issuer may be unable to make payment of all or a portion of the interest on the Notes, which may constitute an Event of Default.

If the Credit Default Swap is subject to early termination then, in certain circumstances specified in the Credit Default Swap, one party may be liable to make payment to the other party of a termination payment. In certain specified instances, a termination payment payable by the Issuer to the Credit Default Swap Counterparty may rank in priority to payments on the Notes (in which case the Issuer's ability to make payments on the Notes may be compromised); in other instances, where the termination payment is a Subordinated Credit Default Swap Termination Payment, such payment may rank junior to the Notes. See "*The Credit Default Swap - General Terms - Payments upon Early Termination*" and "*Terms and Conditions of the Notes*".

**Structural Considerations**

***Obligations of the Issuer Only***

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Trustee, the Share Trustee, the Credit Default Swap Counterparty, any Funding Swap Counterparty, any Paying Agent, the Common Depositary, the Lead Manager, the Cash Manager, HSBC (whether in its capacity as Credit Default Swap Counterparty, Lead Manager or otherwise), the Cash Deposit Account Bank, the Issuer Account Bank, the Custodian, any Repo Counterparty, the Corporate Services Provider or any company in the same group of companies as, or

affiliated with, HSBC. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amounts due under the Notes.

#### ***Limited assets, obligations of the Issuer and liability under the Notes***

The Issuer is a special purpose financing entity which, as at the Closing Date, has no business operations other than the issue of the Notes, investing the proceeds in the Collateral Investment and entering into of the Credit Default Swap, and the transactions and agreements ancillary thereto. The Issuer may in future issue Other Series of notes, and in relation thereto acquire collateral assets, and enter into related transactions and agreements. Each such Other Series will be limited recourse obligations segregated from any Other Series and the Notes, and secured solely upon the relevant collateral assets, but not the Charged Assets. The Notes will not have any recourse to any collateral relating to any Other Series.

The Notes are direct, secured and limited recourse obligations of the Issuer and amounts due in respect of the Notes are payable only to the extent that the Issuer receives monies due to it under the Credit Default Swap, the Collateral Investment and the transactions and agreements ancillary thereto. Other than the foregoing, prior to enforcement of the Security, the Issuer will not have any other funds available to it to meet its obligations under the Notes and its obligations ranking in priority to, or *pari passu* with, the Notes. Following enforcement of the Security, the only funds available to the Issuer will consist solely of the proceeds of enforcement of the Security. The holders of the Notes will have no right to proceed directly against, amongst others, the Credit Default Swap Counterparty in respect of the Credit Default Swap, the Repo Counterparty in respect of the Repo Agreement or the Cash Deposit Account Bank in respect of the Cash Deposit Account Bank Agreement or the cash deposit or to take title to, or possession of, the Security.

Certain fees and expenses of, and obligations to, the Trustee, the Credit Default Swap Counterparty, the Cash Manager, the Issuer Account Bank, the Reserve Account Bank, the Cash Deposit Account Bank, the Repo Counterparty, the Paying Agents, the Custodian and certain other persons to whom the Issuer owes any obligations from time to time, and payment of all Taxes, will be senior in right of payment on each Interest Payment Date to the payment of interest and/or principal on the Notes. If distributions of amounts received by the Issuer under the Credit Default Swap, the Collateral Investment and, after enforcement of the Security, the proceeds of enforcement of the Security are insufficient to make payments on the Notes in full, no other assets will be available for payment of the deficiency and, following realisation of the Security, no debt shall be owed by the Issuer in respect of such deficiency. Although the Trustee will hold the benefit of the Security created under the Deed of Charge on trust for the Noteholders, such Security will also be held on trust for certain other Secured Parties that will rank ahead of the Noteholders (including, in certain circumstances, the Credit Default Swap Counterparty). In addition, the proceeds of enforcement of the Security may be used to pay unsecured liabilities of the Issuer such as Irish Taxes pursuant to the Post-Enforcement Order of Priority. Accordingly, the Noteholders (or the holders of certain Classes of Notes) may receive on redemption an amount less than the face value of their Notes and the Issuer may be unable to pay, in full, interest due on the Notes. See also "*Valuation of Cash Settlement Amounts*" and "*Features of the Notes - Loss may exceed Reference Obligation Notional Amount*".

#### **Synthetic Credit Risk**

The payment of principal and, due to the potential reduction in the principal amount, of interest on the Notes is conditional upon the performance of the Reference Entities and the related Reference Obligations as described herein.

Due to the credit-linked nature of the Notes, investors have a credit exposure to the Reference Entities and the related Reference Obligations via the Credit Default Swap. Defaults, valuations and actual or potential losses in respect of the Reference Entities and the Reference Obligations referenced under the Credit Default Swap may affect the extent of losses suffered by Noteholders.

Credit exposure via credit derivative transactions (as in the case of credit-linked notes or synthetic collateralised debt obligations) may involve risks that are additional to those which would occur if investors had a direct holding of the Reference Obligations of the relevant Reference Entities. The terms of the Credit Default Swap include, in particular, credit events defined therein and a loss

calculation methodology which may result in a different (and potentially greater) risk of loss and (if the measure of loss cannot initially be measured by reference to ultimate recoveries) a different (and potentially greater) measure of loss as compared to the risk of actual default and ultimate recovery applicable to an actual holding in the relevant Reference Obligations.

A Cash Settlement Amount may become due and payable if Credit Events occur with respect to Reference Entities and one or more Reference Obligations thereof. Following the occurrence of a Credit Event in respect of a Reference Entity and/or a Reference Obligation, subject to the satisfaction of certain Conditions to Settlement, the Calculation Agent will determine a Loss Amount in respect of the Defaulted Reference Obligation(s) of the relevant Reference Entity.

On any Interest Payment Date upon which a Cash Settlement Amount is due and payable by the Issuer, and to the extent any such payment is not met by amounts standing to the credit of the Reserve Account, a reduction in the Outstanding Principal Balance of the Notes will apply, automatically and without any commensurate payment to Noteholders, on a *pro rata* and *pari passu* basis in the Reverse Order of Seniority, until the Base Currency Outstanding Principal Balance of each Class of Notes is reduced to the Minimum Balance in respect of such Class.

The determination of Cash Settlement Amounts under the Credit Default Swap may, therefore, lead to a reduction of the Outstanding Principal Balance of the Notes and thereby a reduction in the amount of principal payable to the Noteholders and therefore the Noteholders will be exposed to the risk of loss upon a Credit Event occurring in respect of any Reference Entity. See also "*Risk Factors — Interest Entitlement*".

#### **Reference Entities**

The Reference Entities and Reference Obligations referenced in the Credit Default Swap will be specified in the Reference Registry. The Reference Portfolio as of the Closing Date will be as set out in the Reference Registry, certain characteristics of which are set out in the section entitled "*Description of the Initial Reference Portfolio*". The Reference Registry will not disclose the names of the Reference Entities (and will not contain information which a Relevant Lender (including the Credit Default Swap Counterparty) is legally constrained from disclosing under applicable banking secrecy laws).

#### ***Limited Provision of Information about Reference Entities***

None of the Issuer, the Trustee or any Noteholder will have the right to inspect any records of the Credit Default Swap Counterparty or any affiliate thereof.

None of the Issuer, the Trustee or the Noteholders will have the right to know the identities of the Reference Entities or, except as specifically required under the terms of the Credit Default Swap, to receive any information regarding any obligation of any Reference Entity. Other than in respect of the reports and notices to be delivered under the terms of the Credit Default Swap (as described in "*The Credit Default Swap — Reference Portfolio — Reporting*"), the Credit Default Swap Counterparty will have no obligation to keep the Issuer, the Trustee or the Noteholders informed as to matters arising in relation to any Reference Entity or any Reference Obligation, including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event.

None of the Trustee or the Issuer is obliged to monitor Reductions or Replenishments with respect to the Reference Portfolio.

The Reference Entities, and the related Reference Obligations comprising the Reference Portfolio, may change from time to time in accordance with the terms of the Credit Default Swap.

#### ***Reference Obligations***

Reference Obligations will be designated by the Credit Default Swap Counterparty on or before the Closing Date in respect of each Reference Entity and identified in the Reference Registry. In selecting Reference Obligations, the Credit Default Swap Counterparty shall have regard to its own interests and not those of any other person. See "*Reference Registry, Eligibility Criteria and Replenishment Conditions*".

A Cash Settlement Amount will be determined in respect of Reference Obligations in respect of which Credit Events relating to such Reference Obligations or the corresponding Reference Entities have occurred (and the Conditions to Settlement have been satisfied) by reference to the recovery, sale or market valuation of one or more Reference Obligations thereof or, in the case of Restructuring Credit Events, by reference to the amount of the value adjustment or other similar debit to the profit and loss account of the Relevant Lender in respect of the forgiveness or postponement of principal, interest or fees relating to the restructured Reference Obligations.

#### ***Diversification Risk***

The concentration of exposure within the Reference Portfolio to any one area, country, obligor or industry may adversely affect the risk of Credit Events occurring with respect to the Reference Portfolio, and the amount and extent of any Cash Settlement Amounts relating thereto. See "*Reference Registry, Eligibility Criteria and Replenishment Conditions*".

Although the Reference Entities are involved in a range of different industry sectors, there may be either a higher concentration of Reference Entities in a particular industry or a correlation between the creditworthiness of Reference Entities in different but related industry sectors. Deterioration in the economic conditions in any such industry sector or sectors may adversely affect the ability of the Reference Entities to pay the Reference Obligations and, therefore, could increase the risk of Credit Events occurring in relation to the related Reference Obligations. A greater concentration of Reference Entities in particular industry sectors may, therefore, result in a greater risk of loss than if such concentration had not been present.

#### ***Geographical Concentration of the Reference Entities***

Any deterioration in the economic conditions in the countries in which the Reference Entities are located that causes an adverse effect on the ability of the Reference Entities to repay their obligations could increase the risk of losses on the Reference Obligations. A concentration of Reference Entities in such countries may therefore result in a greater risk of loss than if such concentration had not been present.

#### ***Extension of Credit Protection Term***

If, on the earlier of the Notes Termination Date and the Credit Protection Term End Date, there exists a Potential Defaulted Reference Obligation, or the Credit Default Swap Counterparty considers that there may be a Potential Defaulted Reference Obligation occurring on or before such date, the Credit Default Swap Counterparty may deliver to the Issuer (with a copy to the Calculation Agent, the Cash Manager and the Trustee), on or before the Credit Protection Term End Date, a Potential Failure to Pay Extension Notice in respect of such Reference Obligation.

The delivery by the Credit Default Swap Counterparty of a Potential Failure to Pay Extension Notice with respect to a Reference Obligation will have the effect of extending the Notice Delivery Period in respect of the relevant Reference Obligation to the date falling 60 Business Days after the Grace Period Extension Date in respect of such Reference Obligation. The Issuer may be liable to pay a Cash Settlement Amount determined to be due to the Credit Default Swap Counterparty under the Credit Default Swap if a Credit Event occurs thereunder with respect to the Potential Defaulted Reference Obligation on or prior to such Grace Period Extension Date.

#### ***Valuation of Cash Settlement Amounts***

##### ***Calculation of Loss Amount***

Following the occurrence of a Credit Event with respect to a Reference Entity or a Reference Obligation, the Credit Default Swap Counterparty may deliver a Credit Event Notice in respect of that Reference Entity or Reference Obligation. If the Credit Default Swap Counterparty delivers a Credit Event Notice then, subject to the satisfaction of certain Conditions to Settlement, the Calculation Agent will determine a Loss Amount in respect of the relevant Reference Obligation(s) of the relevant Reference Entity. The Loss Amount will be determined by reference to recoveries upon a work-out or sale of the Reference Obligation(s) of the relevant Reference Entity (or, in the case of Restructuring Credit Events, by reference to the amount of the value adjustment or other similar debit to the profit



and loss account of the Relevant Lender in respect of the forgiveness or postponement of principal, interest or fees (but excluding any value adjustment or other similar debit to the profit and loss account in respect of provisional losses) relating to the restructured Reference Obligation(s)) or, at the option of the Calculation Agent at any time following the date falling three years after the beginning of the workout process or on the Workout Cut-Off Date, by reference to market quotations or in the event that market quotations cannot be obtained and the circumstances set out in "*The Credit Default Swap - Settlement Provisions*", the Loss Amount will be deemed to be a minimum floor value in accordance with the Moody's Recovery Rate.

#### ***Liquidity and Volatility of Reference Obligations***

There may be a limited market or absence of a market for the Reference Obligations. The value of bid quotations (and consequently any Loss Amount determined and any Cash Settlement Amount required to be paid by the Issuer) may be affected by factors other than the occurrence of a Credit Event including the amount of the obligation in respect of which the bid is given, the number and nature of dealers from which bids are sought, the number of attempts made to elicit bids, the amount of time between the occurrence of a Credit Event and the request for bids as well as general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

#### ***Calculation of Cash Settlement Amounts***

If a Loss Amount in respect of a Reference Obligation is verified in accordance with the provisions of the Credit Default Swap, the Issuer will be obliged to pay the Cash Settlement Amount in respect of such Reference Obligation to the Credit Default Swap Counterparty.

#### ***No Loss Required***

The Issuer's obligation to pay any Cash Settlement Amount exists regardless of whether the Credit Default Swap Counterparty actually suffers a loss or is exposed to the risk of loss following the occurrence of a Credit Event, and regardless of whether it has any legal or beneficial interest in any obligations of any Reference Entity (including the Reference Obligation(s) of such Reference Entity) or any economic risk in respect thereof.

#### ***No Legal or Beneficial Interest in Obligations of Reference Entities or Reference Obligations***

Under the terms of the Credit Default Swap, the Issuer will have a contractual relationship only with the Credit Default Swap Counterparty and not with any Reference Entity. The Credit Default Swap does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. Accordingly none of the Issuer, the Trustee or any other Secured Party will have any recourse against the Reference Entity (or any other credit support provided in relation thereto). The Issuer will have no right directly to enforce compliance by the Reference Entity with the terms of a Reference Obligation or any rights of set-off against the Reference Entity or any voting rights with respect to any Reference Obligation. The Issuer will not directly benefit from any underlying assets or enhancements supporting a Reference Obligation and will not have the benefits of any remedies that would normally be available to a holder of a Reference Obligation.

Neither the Issuer, the Cash Manager, the Trustee, the Lead Manager nor the Rating Agencies have undertaken any legal due diligence in respect of the Reference Portfolio, the Reference Entities or the terms of any Reference Obligation.

Save as described under "*The Credit Default Swap — Settlement Provisions – Late Receipts, Erroneous Payments and Additional Payments*", the Credit Default Swap Counterparty will not be obliged to account for any payments or amounts that a Relevant Lender may receive in respect of any Reference Obligation.

#### ***Replenishment***

The Initial Portfolio Notional Amount for the Reference Portfolio is equal to a Base Currency Amount of £2,000,000,000 (two billion pounds). The Reference Portfolio may comprise Reference Obligations denominated in Sterling, US Dollars or Euro.

On any Business Day on which the Maximum Portfolio Notional Amount exceeds the Portfolio Notional Amount, the Credit Default Swap Counterparty will have the right, during the Replenishment Period and subject to the satisfaction of the applicable Replenishment Conditions, to adjust the Reference Portfolio by adding Reference Obligations thereto or increasing the Reference Obligation Notional Amount of any Reference Obligation then forming part of the Reference Portfolio. Accordingly, the nature and extent of the risks assumed by the Issuer (and indirectly the Noteholders) will change over time and accordingly may do so in a manner adverse to the interests of the Issuer (and the Noteholders).

In making Replenishments or Reductions, the Credit Default Swap Counterparty will have regard to its own interests and not those of any other person. The Credit Default Swap Counterparty will not be obliged to remove a Reference Obligation from the Reference Portfolio if either it or the relevant Reference Entity falls out of compliance with the Eligibility Criteria after the inclusion of such Reference Obligation in the Reference Portfolio.

#### ***Resets of Non-Sterling Reference Obligations***

The Credit Default Swap Counterparty may, at any time, reset the Reference Obligation Notional Amount of Non-Sterling Reference Obligations (excluding Reference Obligations in respect of which a Credit Event has occurred) based on movements in the exchange rate between Pounds Sterling and the currency of denomination of such Non-Sterling Reference Obligation if certain conditions, described below, are complied with during the Replenishment Period. This may result in an increase or Reduction of the Reference Obligation Notional Amount of a Reference Obligation solely as a result of currency fluctuation. In the event of a Reduction of the Reference Obligation Notional Amount of a Reference Obligation, any such Reduction would have the effect of increasing the Credit Default Swap Counterparty's ability to replenish the Reference Portfolio during the Replenishment Period and in the event of an increase, the Reference Obligation Notional Amount of the relevant Reference Obligation may be greater than it was upon inclusion in the Reference Portfolio. Therefore, the number of changes in the composition of the Reference Portfolio over time during the Replenishment Period may be greater than if the Reference Portfolio were denominated entirely in Pounds Sterling. See "*The Credit Default Swap - Non-Sterling Reference Obligations and Resets*".

#### **Reliance on Administration and Collection Procedures**

##### ***Administration and Collection Policies***

The Servicer, where applicable, will carry out the administration, collection and enforcement of the Reference Obligations in accordance with the Servicing Guidelines as described in "*The Credit Default Swap - Reference Portfolio - Servicing*".

For Reference Obligations for which the Servicer is not an HSBC Entity, the Servicing Agent Bank will carry out the administration, collection and enforcement of such Reference Obligations, including enforcement of any security granted in respect thereto, in accordance with the servicing requirements of the documentation governing the relevant Reference Obligation and also to a material degree in accordance with its own credit and collection policies. In such circumstances, any of HSBC and its affiliates (collectively, the "**HSBC Group**") will have only limited means to influence the servicing of the Reference Obligations by the Servicing Agent Banks. In some cases the applicable servicing requirements may be changed without the consent of any relevant entity within the HSBC Group.

Accordingly, the Noteholders are relying on the business judgment and practices of the Servicer in enforcing claims against Reference Entities (including enforcement of any security granted in respect thereto) and also, in the case of Reference Obligations serviced by a Servicing Agent Bank or, in some instances, banks other than an HSBC Entity.

##### ***Repo Securities Risk***

Pursuant to the terms of the Repo Agreement, the Repo Counterparty will have flexibility and discretion in selecting Repo Securities. The Repo Securities must meet the Repo Securities Eligibility Criteria. However, the Repo Securities Eligibility Criteria do not, in all cases, include a requirement for a minimum or maximum number of separate obligors of the Repo Securities or requirements as to concentration limits in respect thereof. If the Repo Counterparty defaults on its ultimate obligation to

repurchase all of the Repo Securities under the Repo Agreement, the Issuer, following realisation of the Collateral, may be exposed to the credit risk of the obligors on the Repo Securities, market value, liquidity fluctuations or currency fluctuations in respect of the Repo Securities.

***No Agency Relationship***

The Credit Default Swap Counterparty and/or its affiliates will not be (and will not be deemed to be acting as) the agent or trustee of the Issuer, the Trustee, the Noteholders or any other Secured Party in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Credit Default Swap Counterparty and/or its affiliates arising under or in connection with their respective holding, if any, of any Reference Obligation of any Reference Entity.

***Dealings with respect to Reference Obligations of Reference Entities***

Each of the Credit Default Swap Counterparty, each other party to the Transaction Documents and their respective affiliates may:

- (a) deal in each Reference Obligation;
- (b) accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any Reference Entity, any affiliate of any Reference Entity, any other person or entity having obligations relating to any Reference Entity; and
- (c) act with respect to transactions described in the preceding Paragraphs in the same manner as if the Credit Default Swap and the Notes did not exist regardless of whether any such action might have an adverse affect (including, without limitation, any action which might constitute or give rise to a Credit Event) on any Reference Entity or the position of either party to the Credit Default Swap or the Notes or otherwise.

Such parties may accordingly derive revenues and profits from such activities without any duty to account to any person therefor.

**Information Regarding the Reference Portfolio**

***No Investigation or Representations***

No investigations, searches or other inquiries have been made by or on behalf of the Parties to the Transaction Documents in respect of any Reference Entity or Reference Obligation and no representations or warranties have been or are given by the Issuer or any other party to any Transaction Document in respect thereof. No party to any Transaction Document will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the Noteholders with any information in relation to such matters or to advise as to the attendant risks.

***No further Information***

The Issuer or any other party to any Transaction Document may acquire information with respect to a Reference Obligation, the obligor and/or guarantor of any Reference Obligation, or with respect to any other party to any Transaction Document that may be material in the context of the Notes and may or may not be publicly available or known. None of such persons shall be under any obligation to make such information available to Noteholders or otherwise save as expressly provided in the Transaction Documents.

**Features of the Notes**

The amount of principal repayable in respect of the Notes at any time will be limited to the Outstanding Principal Balance of the Notes. The Outstanding Principal Balance of the Notes is credit-linked to the performance of the Reference Entities as described below. Noteholders will be exposed to the credit risks of the Reference Entities (and the Reference Obligations thereof) to the full extent of their investment in the Notes and must rely solely on Collateral Principal Proceeds, subject to the payment of Cash Settlement Amounts and certain prior ranking expenses, for the payment of the Outstanding

Principal Balance of the Notes. The amount of principal repaid upon any redemption of any Class of Notes may therefore be less than the amount invested and in certain cases may be zero.

#### ***Allocations of Loss***

To the extent that any Cash Settlement Amount in excess of the balance standing to the credit of the Reserve Account on the relevant Interest Payment Date is payable by the Issuer, the Outstanding Principal Balance of one or more Classes of Notes will be reduced in the Reverse Order of Seniority, automatically and without any commensurate payment to Noteholders, on a *pari passu* basis, until the Outstanding Principal Balance of each Class of Notes is reduced to the Minimum Balance in respect thereof.

#### ***Interest Entitlement***

The amount of interest payable will be determined by reference to the Outstanding Principal Balance of the Notes of each Class and reductions in the Outstanding Principal Balance of the Notes of each Class will reduce the amount of such interest payable on the Notes of that Class accordingly.

If any Notes remain outstanding on or after the Notes Termination Date, such Notes will continue to accrue interest at a rate of LIBOR only.

Interest payments due on the Notes will be funded by (a) Fixed Amount payments made by the Credit Default Swap Counterparty under the Credit Default Swap, (b) (during a Repo Existence Period) any Price Differential payments made by the Repo Counterparty, and (c) interest earned on each of the Cash Deposit Account and the Issuer Account.

#### **Redemption**

##### ***Redemption of the Notes***

The date on which payment in full of principal on the Notes is scheduled to commence is the Scheduled Redemption Date.

However, repayment of principal on the Notes (by reference to the Outstanding Principal Balance thereof) may commence prior to the Scheduled Redemption Date (from and after any Notes Termination Date). To the extent not previously paid or reduced to zero Notes will be redeemed at their Outstanding Principal Balance on the Final Maturity Date.

To the extent that the Notes are redeemed (or part-redeemed) prior to the Final Maturity Date the holders of the Notes will bear the risk of reinvesting principal payments at a yield equal to or less than the yield on their Notes.

##### ***Deferred Redemption***

Repayment of principal on the Notes on any Notes Termination Date may be deferred to the extent of the Issuer's potential liability for unsettled claims or potential claims pursuant to the terms of the Credit Default Swap. Accordingly, repayment of principal on the Notes may be delayed as a result of such potential liability for unsettled claims or potential claims.

If, as at any Notes Termination Date, there exists a positive Maximum Cash Settlement Amount (in respect of any Cash Settlement Amount due or potentially due after such date), then the redemption of the Notes will be deferred (to the extent of the Maximum Cash Settlement Amount) and until such Cash Settlement Amounts have been paid or, until the date on which the applicable Conditions to Settlement can no longer be satisfied.

##### ***Amortised Redemption***

If, at any time after the Replenishment Period, the Reference Obligation Notional Amounts of the relevant Reference Obligations have been reduced by one or more Reductions pursuant to the terms of the Credit Default Swap (calculated in accordance with the Conditions and the definition of "**Amortised Amount**"), then on the following specified Interest Payment Date, the Issuer shall apply the Collateral Principal Proceeds in accordance with the Order of Priority in an amount equal to the Amortised

Amount determined for such Interest Period in or towards redemption of the Notes in the Order of Seniority until the Base Currency Outstanding Principal Balance of each Note of each Class is at the Minimum Balance.

#### **Considerations in relation to the Notes**

##### ***Absence of Secondary Market; Limited Liquidity of the Notes***

The Notes constitute a new issue of securities. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List (in its capacity as competent authority) and to trading on the Irish Stock Exchange. There is currently no secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or that a market will develop for all Classes or, if such market does develop, that it will continue.

##### ***No Gross-up on the Notes in the Event of Withholding Tax***

In the event that any withholding or deduction for any taxes, levies, duties, imposts, assessments or charges of whatsoever nature is imposed, levied, collected, withheld or assessed on payment of principal or interest in respect of the Notes by Ireland or any political subdivision thereof or any supra-national entity to which Ireland belongs or any authority in or of such jurisdiction, or by any other jurisdiction or authority, neither the Issuer nor any Paying Agent will be required to make any additional payments to holders of the Notes, in respect of such withholding or deduction.

##### ***Change of Tax Law***

The statements in relation to Irish taxation set out in this prospectus, including under the section entitled "*Taxation in Ireland*", are based upon current law and the practice of relevant authorities in force or applied in Ireland at the date of this prospectus. If there were changes in such law or practice, there might be a material adverse effect on the financial position of the Issuer or the Credit Default Swap Counterparty.

The statements in relation to U.S. taxation set out in this prospectus, including under the section entitled "*Material United States Federal Income Tax Considerations*", are based on the Code, its legislative history, existing and proposed Treasury Regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect. If there were such changes, there might be a material adverse effect on the financial position of the Issuer or the Credit Default Swap Counterparty.

##### ***Tax Treatment of Credit Default Swaps***

Under current U.S. federal income tax law, the treatment of credit default swaps is unclear. Certain possible tax characterisations of a credit default swap, if adopted by the U.S. Internal Revenue Service and if applied to the Credit Default Swap to which the Issuer is then a party, could subject payments received by the Issuer under the Credit Default Swap to U.S. withholding or excise tax. It is also possible that because of such tax characterisations, the Issuer could be treated as engaging in a trade or business in the United States and therefore subject to net income tax. See "*Material United States Federal Income Tax Considerations*".

##### ***PFIC Considerations***

For U.S. federal income tax purposes, the Issuer will be classified as a passive foreign investment company ("**PFIC**"). The Trust Deed requires the Issuer to treat, and each Holder of A Notes, B Notes, C Notes, D Notes and E Notes agrees to treat, the Issuer as a corporation for U.S. federal income tax purposes and the A Notes, B Notes, C Notes, D Notes and E Notes as debt for those purposes. Such agreement is not binding on the U.S. Internal Revenue Service ("**IRS**") and no assurance can be given that the characterisation of the E Notes as debt will prevail if the issue were to be challenged by the IRS.

A U.S. Holder of Notes which were recharacterised as equity interests in the Issuer for U.S. federal income tax purposes would be subject to special tax rules with respect to such Notes because the Issuer will be classified as a PFIC. In particular, a U.S. Holder would be subject to special rules with respect

to (i) any gain realised on the sale or other disposition of its Notes or deemed realised on a direct or indirect pledge (including pursuant to a margin account) of the Notes to secure an obligation of the U.S. Holder or (ii) any "excess distribution" (generally, the aggregate amount of interest payments and return of capital distributions) received by the U.S. Holder on such Notes during its taxable year that exceeds 125 per cent. of the average annual amount of such distributions received during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for such Notes (calculated for this purpose by annualising interest received during any holding period of less than one year). Under these rules, (a) the gain or excess distribution would be allocated rateably over the U.S. Holder's holding period for such Notes, (b) the amount allocated to the taxable year in which the gain or excess distribution was realised would be taxable as ordinary income, (c) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that prior year and (d) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax allocable to each prior year.

The Issuer does not intend to make available to U.S. Holders any information or records that may be required in order to enable U.S. Holders to treat the Issuer as a qualified electing fund. Prospective investors should consult their own tax advisors as to the consequences to them of the potential application of the PFIC rules to the Notes.

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or secured by such person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement relating to information exchange with certain non-EU countries.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures. In addition, Member States have entered into reciprocal arrangements with certain dependent or associated territories.

#### ***Subordination and Deferral***

The Notes are divided into classes and payments of interest and principal on the Notes will be made in accordance with the priorities designated for each Class of Notes under the terms of the Trust Deed and the Deed of Charge (which will include payments in relation to each of the Swap Agreements). Payments of interest on the B Notes will be subordinated in priority of payment to the payments of interest on the A Notes. Payments of interest on the C Notes will be subordinated in priority of payment to the payments of interest on the A Notes and the B Notes. Payments of interest on the D Notes will be subordinated in priority of payment to the payments of interest on the A Notes, the B Notes and the C Notes. Payments of interest on the E Notes will be subordinated in priority of payment to the payments of interest on the A Notes, the B Notes, the C Notes and the D Notes. Payments of interest on the F Notes will be subordinated in priority of payment to the payments of interest on the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.

Payments of principal with respect to a Class of Notes which is subordinated to one or more other classes of Notes will not begin until after the required principal payment in respect of the Notes of a higher class. In addition, if relevant amounts are not sufficient to make interest payments due and owing on the Notes on any Interest Payment Date, interest payments on the Notes may be deferred. Such subordination may reduce the portion of Collections available to pay interest in respect of Notes subordinated to another class or classes of Notes in future periods and may ultimately result in a failure to pay interest or principal on such subordinated Notes to the extent that sufficient Collections are not available.

### ***European Monetary Union***

It is possible that prior to the Legal Final Maturity Date the United Kingdom may become a participating Member State in Economic and Monetary Union and that the Euro may become the lawful currency of the United Kingdom. In this event there may be a transition period whereby both Sterling and the Euro would be lawful currency of the United Kingdom. During such a transition period, (i) amounts payable in respect of the Notes that would otherwise have been payable in Sterling may become payable in Euro; (ii) applicable provisions of law may allow the Issuer to re-denominate any Notes denominated in Sterling in Euro and take additional measures in respect of the Notes; (iii) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted or displayed. If the Notes are outstanding at a time when the Euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Notes in accordance with the then market practice of payment on such debts. It cannot be said with certainty what effect, if any, the adoption of the Euro by the United Kingdom will have on investors in the Notes.

The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Reference Entity ability to repay its Reference Obligation(s).

### ***Ratings of the Notes***

The ratings assigned to each Class of the Rated Notes by the Rating Agencies are based on the quality of the Reference Obligations and other relevant structural features of the transaction including, among other things, the short-term unsecured, unguaranteed and unsubordinated debt ratings of the Credit Default Swap Counterparty and the Cash Deposit Account Bank. These ratings reflect only the views of the Rating Agencies.

The ratings do not represent any assessment of the yield to maturity that a Noteholder may receive under the Notes.

The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Legal Final Maturity Date. There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact the other ratings, the market value and/or liquidity of the Notes of any Class.

Credit rating agencies other than Moody's and S&P could seek to rate the Notes (or any Class of them) without having been requested to do so by the Issuer and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Moody's and S&P, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes of any Class. In this prospectus, all references to ratings are to ratings assigned by the Rating Agencies (namely Moody's and S&P).

### ***Ratings confirmations***

Under the Transaction Documents, the Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of any Class of Noteholders or, as the case may be, all the Noteholders, and if the Trustee shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the Issuer, the Noteholders and the other Secured Parties. In making such a determination, the Trustee will be entitled to take into account, among other things, any Rating Agency Confirmation.

It should be noted, however, that the decision as to whether or not to confirm any particular rating may be made on the basis of a variety of factors and no assurance can be given that any confirmation will be given or that any such confirmation will not be given in circumstances where the relevant proposed matter, event or thing would materially adversely affect the interests of Noteholders of a particular Class.

The Rating Agencies, in assigning credit ratings, do not comment on the interests of holders of securities (such as the Notes) and, in any event, there can be no assurance that the Rating Agencies would provide any such confirmation.

### ***Proposed Changes to the Basel Capital Accord ("Basel II")***

Updated versions of the revised Basel II and the Jan. 96 amendment to the existing Capital Accord were published on 15 November 2005.

The Basel Committee on Banking Supervision previously published the text of the new capital accord under the title "*Basel II International Convergence on Capital Measurement and Capital Standards: a Revised Framework*" (the "**Framework**"). This Framework, which places enhanced emphasis on market discipline and sensitivity to risk, will serve as the basis for national and supra-national rule-making and approval processes to continue and for banking organisations to complete their preparation for the implementation of the Framework during 2007 and 2008. The Framework will be put into effect for credit institutions in Europe via the recasting of a number of prior directives and referred to as the EU Capital Requirements Directive ("**CRD**"). On 7 June 2006 the EU Council of Ministers adopted the draft CRD, by way of two Directives amending Directive 2000/12/EC on the business of credit institutions and Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions, so as to transpose the revised Basel Accord (Basel II) into EU law. The amendments will make significant changes to the EU capital adequacy regime for banks and investment firms, with the aim of creating a more flexible system which provides, for a number of different approaches to the calculation of capital requirements for credit risk, and will affect risk-weighting of the Notes for investors subject to the new Framework following its implementation (whether via the CRD or otherwise by non-EU regulators). On 19 June the European Commission welcomed the signing by the Council and the European Parliament of the CRD. On 30 June 2006, the CRD was published in the Official Journal in the form of recast versions of the Consolidated Banking Directive (Directive 2006/48/EC) and the Capital Adequacy Directive (2006/49/EEC). Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of any Class of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form). No predictions can be made as to the precise effects of the potential changes which might result if the Framework were adopted in its current form, and investors should consult their own advisers as to the consequences for them of the proposed implementation of the new Framework.

### ***Irish Insolvency Proceedings***

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the recent decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May, 2000 on Insolvency Proceedings that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision.

An examiner may be appointed to an Irish company in circumstances where it is unable, or is likely to be unable, to pay its debts. One of the effects of such an appointment is that during the period of appointment, there is a prohibition on the taking of enforcement action by any creditors of the company. As a result of the fact that the Issuer is a special purpose entity, the limited recourse nature of the Issuer's liabilities and the structure of the transaction, the directors of the Issuer believe that it is unlikely that an examiner would be appointed to the Issuer.



In an insolvency of the Issuer, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured parties and claims of creditors holding floating charges. In addition, the claims of creditors holding fixed charges may rank behind other "super" preferential creditors (including expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners.

In certain circumstances, a charge which purports to be taken as a fixed charge may take effect as a floating charge. Under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid.

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceeding.

### ***Book-Entry Interests***

Unless and until Individual Note Certificates are issued, persons acquiring Notes will not be the legal owners or holders of such Notes but will have rights in their capacity as Participants in accordance with the rules and procedures of the relevant Clearing System and in the case of Indirect Participants, their agreements with Direct Participants (such rights, "**Book-Entry Interests**"). After payment to the Common Depositary and the DTC Custodian, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the DTC Custodian, Euroclear, Clearstream, Luxembourg, the Common Depositary or to holders of Book-Entry Interests. Either Cede as nominee of DTC (in the case of Rule 144A Notes) or the nominee for the Common Depositary (in the case of the Regulation S Notes) will be the registered holder and legal owner of each Class of Notes for so long as such Class is represented by one or more Global Note Certificates. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Common Depositary, the DTC Custodian, DTC, Euroclear and Clearstream, Luxembourg and, if such person is an Indirect Participant in such entities, on the procedures of the Direct Participant through which such person holds its interest, to exercise any rights of Noteholders under the Trust Deed.

So long as the Notes are in global form, payments of principal and interest on, and other amounts due in respect of, Notes will be made to Cede as nominee of DTC (in the case of Rule 144A Notes) and to the Common Depositary (in the case of Regulation S Notes). Upon receipt of any payment, DTC, Euroclear and Clearstream, Luxembourg will promptly credit Direct Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests, as shown on their records. The Issuer expects that payments by Direct Participants or Indirect Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in 'street name', and will be the responsibility of such Direct Participants or Indirect Participants. None of the Issuer, the Trustee, the DTC Custodian, any Paying Agent or Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike holders of Individual Note Certificates, holders of the Book-Entry Interests will not have direct rights under the Trust Deed to act upon solicitations of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, Direct Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Book-Entry Interests will be restricted to acting through the DTC Custodian, DTC, Euroclear, Clearstream, Luxembourg (as the case may be) unless and until Individual Note Certificates are issued. There can be no assurance that the procedures to be implemented by the DTC Custodian, DTC, Euroclear, and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed. See "*Form of Notes*" and "*Book-Entry Clearance Procedures*."

Holders of beneficial interests in the A Rule 144A Global Note Certificates or A2 Rule 144A Global Note Certificates held directly with DTC or through its participants must give advance notice to the Exchange Agent 15 days prior to each Interest Payment Date that they wish payments on such Rule 144A Global Note Certificates to be made to them in Sterling or Euro (as applicable) outside DTC. If such instructions are not given, Sterling or Euro payments on the A Rule 144A Global Note Certificates or A2 Rule 144A Global Note Certificates will be exchanged for US dollars by the Exchange Agent prior to their receipt by DTC and the affected holders will receive US dollars on the relevant Interest Payment Date.

#### ***Investment Company Act***

The Issuer has not registered with the SEC as an investment company pursuant to the Investment Company Act, in reliance on an exception under Section 3(c)(7) of the Investment Company Act (and the rules and regulations of the SEC thereunder) for investment companies (a) whose outstanding securities are beneficially owned only by QPs and certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act, had failed to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer could sue the Issuer and recover any damages caused by the violation; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves, a violation of the Investment Company Act would be enforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

Prospective investors should also understand that any sale or transfer to a person in the United States or a US person who is not both a QIB and QP at the time of acquisition of the Notes (or beneficial interests therein) will be null and void *ab initio* and will not be honoured by the Issuer. Furthermore, the Issuer, in its discretion, will have the right under the Notes to compel any such holder to transfer such Notes in a commercially reasonable sale to a person that is a QIB and a QP meeting the requirements set forth herein. Accordingly, any transferee or other holder in the United States or who is a US person that is not both a QIB and a QP at the time of such acquisition of the Notes shall have no rights as a holder of Notes.

## REFERENCE PORTFOLIO

On the Initial Portfolio Composition Date, the Credit Default Swap Counterparty constituted the Reference Portfolio. On the Initial Portfolio Composition Date, the Reference Obligations complied with the Eligibility Criteria. US dollar-denominated and Euro-denominated Reference Obligations were converted into sterling at designated exchange rates (see Appendix 2). The below tables give certain statistical information in respect of the Reference Portfolio at the Initial Portfolio Composition Date. On and following the Closing Date, the Reference Portfolio will not necessarily include the Reference Obligations contained in the Reference Portfolio on the Initial Portfolio Composition Date, and accordingly the statistical information set out below does not necessarily represent the Reference Portfolio from and after the Closing Date.

<b>Characteristics of Reference Obligations</b>	
Outstanding Balance of Reference Obligations	2,000,000,000
Number of Reference Obligations	344
Number of Reference Entities	133
Largest Reference Obligation (GBP Equivalent)	37,121,160
Smallest Reference Obligation (GBP Equivalent)	11,834
Average Reference Obligation (GBP Equivalent)	5,813,953
Weighted Average Remaining Term to Maturity (months) in respect of facilities under which Reference Obligations are drawn	33

<b>Distribution of Reference Obligations by Currency</b>			
Currency	Number of Reference Obligations	Amount (GBP Equiv)	Percentage of Total Reference Obligations (%)
GBP	176	1,213,854,448	60.69%
USD	100	322,999,580	16.15%
EUR	68	463,145,971	23.16%
	<b>344</b>	<b>2,000,000,000</b>	

<b>Distribution of Reference Obligations by S&amp;P Industry Group Classification</b>			
<b>Industry</b>	<b>Number of Reference Obligations</b>	<b>Amount (GBP Equiv)</b>	<b>Percentage of Total Reference Obligations (%)</b>
1 Aerospace and defence	0	0	0.00%
2 Air Transport	28	20,942,713	1.05%
3 Automotive	0	0	0.00%
4 Beverage and tobacco	16	138,158,645	6.91%
5 Broadcast radio and television	0	0	0.00%
6 Brokers/dealers/investment houses	17	148,484,639	7.42%
7 Building and development	30	148,484,639	7.42%
8 Business equipment and services	28	148,484,639	7.42%
9 Cable and satellite television	0	0	0.00%
10 Chemical/plastics	6	44,103,014	2.21%
11 Clothing/textiles	9	30,664,030	1.53%
12 Conglomerates	3	41,065,643	2.05%
13 Containers and glass products	0	0	0.00%
14 Cosmetics/toiletries	0	0	0.00%
15 Drugs	15	91,094,586	4.55%
16 Ecological services and equipment	0	0	0.00%
17 Electronics/electrics	5	13,980,620	0.70%
18 Equipment leasing	0	0	0.00%
19 Farming/agriculture	0	0	0.00%
20 Financial intermediaries	33	138,507,055	6.93%
21 Food/drug retailers	2	28,926,897	1.45%
22 Food products	0	0	0.00%
23 Food service	0	0	0.00%
24 Forest products	5	12,069,159	0.60%
25 Health care	2	9,280,290	0.46%
26 Home furnishings	0	0	0.00%
27 Lodging and casinos	16	185,605,798	9.28%

<b>Distribution of Reference Obligations by S&amp;P Industry Group Classification</b>				
28	Industrial equipment	2	16,723,590	0.84%
29	Insurance	4	30,051,271	1.50%
30	Leisure goods/activities/movies	4	9,092,057	0.45%
31	Nonferrous metals/minerals	3	41,102,835	2.06%
32	Oil and gas	0	0	0.00%
33	Publishing	3	43,338,954	2.17%
34	Rail industries	0	0	0.00%
35	Retailers (except food and drug)	28	148,484,639	7.42%
36	Steel	4	37,121,160	1.86%
37	Surface transport	34	173,879,587	8.69%
38	Telecommunications/cellular communications	10	107,140,949	5.36%
39	Utilities	1	7,606,795	0.38%
40	Property Letting	36	185,605,798	9.28%
		<b>344</b>	<b>2,000,000,000</b>	

<b>Distribution of Reference Obligations by Remaining Term to Facility Maturity</b>					
<b>Months to relevant facility maturity in respect of Reference Obligation</b>			<b>Number of Reference Obligations</b>	<b>Amount (GBP Equiv)</b>	<b>Percentage of Total Reference Obligations (%)</b>
0	-	6	42	301,401,770	15.07%
6	-	12	27	228,150,116	11.41%
12	-	18	27	85,534,286	4.28%
18	-	24	30	196,105,176	9.81%
24	-	30	16	46,936,303	2.35%
30	-	36	25	137,113,844	6.86%
36	-	42	33	236,906,347	11.85%
42	-	48	48	147,344,087	7.37%
48	-	54	19	187,842,529	9.39%
54	-	60	61	309,568,336	15.48%
60	-	66	10	88,455,071	4.42%
>66			6	34,642,134	1.73%
			<b>344</b>	<b>2,000,000,000</b>	

<b>Distribution of Reference Obligations by Reference Entity</b>						
<b>Total Reference Obligations by Reference Entity (GBP Equiv)</b>			<b>Number of Reference Entities</b>	<b>Total Reference Obligations (GBP Equiv)</b>	<b>Average Outstanding per Reference Entity (GBP Equiv)</b>	<b>Percentage of Total Reference Obligations (%)</b>
0	-	5,000,000	31	80,704,795	2,603,380	4.04%
5,000,000	-	10,000,000	31	236,467,780	7,627,993	11.82%
10,000,000	-	15,000,000	10	121,882,398	12,188,240	6.09%
15,000,000	-	20,000,000	25	442,058,315	17,682,333	22.10%
20,000,000	-	25,000,000	5	109,245,895	21,849,179	5.46%
25,000,000	-	30,000,000	10	275,649,979	27,564,998	13.78%
30,000,000	-	35,000,000	8	251,415,764	31,426,971	12.57%
35,000,000	-	40,000,000	13	482,575,075	37,121,160	24.13%
>40,000,000			0	0	0	0.00%
			<b>133</b>	<b>2,000,000,000</b>	<b>15,037,594</b>	

<b>Distribution of Reference Obligations by CRR</b>			
<b>CRR</b>	<b>Number of Reference Obligations</b>	<b>Percentage of Total Reference Obligations (%)</b>	
1.1	0	0.00%	
1.2	6	3.88%	
2.1	30	9.05%	
2.2	53	14.02%	
3.1	64	14.36%	
3.2	79	28.45%	
3.3	42	10.56%	
4.1	29	9.75%	
4.2	41	9.92%	
4.3	0	0.00%	
5.1	0	0.00%	
5.2	0	0.00%	
5.3	0	0.00%	
6.1	0	0.00%	
6.2	0	0.00%	
7.1	0	0.00%	
7.2	0	0.00%	
8.1	0	0.00%	
8.2	0	0.00%	
8.3	0	0.00%	
9.0	0	0.00%	
10.0	0	0.00%	
	<b>344</b>		



## REFERENCE REGISTRY, ELIGIBILITY CRITERIA, REPLENISHMENT CONDITIONS

### *Reference Registry*

Each Reference Entity and each Reference Obligation and any related collateral in respect thereof will be identified in the Reference Obligation Files on the basis of the information contained in the Reference Registry. The Reference Registry will set out the Portfolio Notional Amount and each of the following items in respect of each Reference Obligation as of the Initial Portfolio Composition Date (for the initial Reference Registry) or as of each relevant Replenishment Date or Reset Date:

- (a) the HSBC identification number (the "**Reference Obligation Identifier**") or, where applicable, the Other Reference Obligation Identifier corresponding to such Reference Obligation. "**Other Reference Obligation Identifier**" means in respect of Reference Obligations of which HSBC is not the Relevant Lender, such identification number which may be utilised by the Relevant Lender for the purpose of identifying loan facilities.
- (b) the Reference Obligation Notional Amount of such Reference Obligation, both (i) before taking into account any Reductions or Replenishments and (ii) after giving effect to all Reductions or Replenishments (including details regarding reductions and increases in the applicable Reference Obligation Notional Amount due to conversions at the Relevant FX Rate);
- (c) the currency of denomination of each Reference Obligation;
- (d) in respect of a Non-Sterling Reference Obligation, the Relevant FX Rate for that Reference Obligation calculated on the Relevant Date and the most recent Reset Date (if applicable);
- (e) with respect to each Reference Obligation, the "**Reference Obligation Due Date**" thereof which shall be either:
  - (i) the maturity date of such Reference Obligation (or underlying Reference Obligation, as the case may be); or
  - (ii) the date designated by the Credit Default Swap Counterparty as the Reference Obligation Due Date thereof;
- (f) the Moody's Industry Group and the S&P Industry Group of the Reference Entity relating to each Reference Obligation;
- (g) the CRR or Other Grading System, as applicable, for each Reference Obligation;
- (h) in respect of each Reference Obligation, the jurisdiction of incorporation of the corresponding Reference Entity; and
- (i) details regarding Defaulted Reference Obligations in the Reference Portfolio and Liquidated Verified Reference Obligations removed from the Reference Portfolio (to be recorded in separate portions of the Reference Registry).

"**CRR**" means, in relation to any Reference Obligations where HSBC is the Relevant Lender, the value accorded to such Reference Obligation under the 22-level facility grading system used by HSBC in respect of loan facilities.

"**Moody's Industry Group**" means, with respect to any Reference Entity, the Moody's industry group classification of such Reference Entity, as determined by the Credit Default Swap Counterparty as of the Relevant Date for the related Reference Obligation; *provided, however, that* if two or more Reference Entities are members of the same Reference Entity Group, the Moody's Industry Group of the Reference Obligation within such Reference Entity Group with the largest Reference Obligation Notional Amount will be considered to be the Moody's Industry Group of such Reference Entity Group. Each Moody's Industry Group that is described as "Local" may be subdivided into a European and non-European Group.

"**Other Grading System**" means, in the case of Reference Obligations in respect of which HSBC is not the Relevant Lender, such grading system subject to Rating Agency Confirmation as may be used by the Relevant Lender for the purposes of grading loan facilities.

"**Reference Entity Group**" mean in respect of any Reference Entity, such Reference Entity and any other entity forming a single affiliated group with such Reference Entity (as determined in good faith by the Credit Default Swap Counterparty).

"**Reference Obligation Files**" mean, in relation to each Reference Obligation, the file(s) or system (including electronic data retrieval system or files kept in microfiche format) containing the relevant terms and/or conditions applicable to the Reference Obligation.

"**S&P Industry Group**" means, with respect to any Reference Entity, the S&P industry group classification of such Reference Entity.

### ***Eligibility Criteria***

Each Reference Obligation and the related Reference Entity must satisfy the Eligibility Criteria (i) as of the Initial Portfolio Composition Date in respect of each Reference Obligation comprising the original Reference Portfolio and (ii) as of each Replenishment Date, in respect of each Reference Obligation and/or Reference Entity that is (or is proposed to be) added to the Reference Portfolio (or whose Reference Obligation Notional Amount is (or is proposed to be) increased) on such date.

The "**Eligibility Criteria**" are:

- (a) a Credit Event or other event which, with the giving of notice or the lapse of time (or both) would become a Credit Event, shall not have occurred and be continuing in relation to such Reference Obligation, or Reference Entity, as the case may be; *provided, however, that* in the case of a Credit Event which is a Failure to Pay, a failure to pay which is caused by a technical error, administrative error or error of a similar nature, shall for the purpose of this Paragraph (a) only, not be considered a "Credit Event";
- (b) the jurisdiction in which the relevant Reference Entity is incorporated is a Qualifying Country;
- (c) such Reference Obligation is a revolving or term corporate credit agreement (not a lease or project financing relationship) and the Reference Entity thereunder has been accorded a CRR between 1.1 and 4.3 (or, in the case of any Replenishment which relates to an increase in the Reference Obligation Notional Amount of a Reference Obligation for which HSBC is not at the time of Replenishment the Relevant Lender, its equivalent under an Other Grading System) (or, in the event of amendment, supplement or replacement of such CRRs or Other Grading System, such CRR or Other Grading System (or other such designation) as amended, supplemented or replaced as may accord with the Required CRR or Required Other Grading System, as the case may be, pursuant to such amendment, supplement or replacement (subject to Rating Agency Confirmation));
- (d) such Reference Obligation provides for cash repayments that fully amortise the outstanding balance of the underlying Reference Obligation by its maturity date and does not provide for such outstanding balance to be discounted pursuant to a prepayment in full;
- (e) no such underlying Reference Obligation has been written off by the Relevant Lender;
- (f) such underlying Reference Obligation was created in compliance, in all material respects, with all applicable laws (and all consents, licences, approvals, authorisations, registrations or declarations required to be obtained, effected or given by the Relevant Lender in connection with the creation of the Reference Obligation were obtained, effected or given and are in full force and effect);
- (h) such Reference Obligation is denominated and payable in Sterling, US dollars or Euro in the United Kingdom and there is no unilateral ability on the part of the Reference Entity to change the currency in which or country in which such Reference Obligation is repayable;

- (i) such Reference Obligation as of the Relevant Date is originated, booked and managed by HSBC in the United Kingdom (or in the case of a Replenishment relating to an increase in the Reference Obligation Notional Amount only and in respect of which HSBC is not then the Relevant Lender, the relevant Reference Obligation is originated, booked and managed by the Relevant Lender in the United Kingdom);
- (j) such Reference Obligation constitutes legal, valid, binding and enforceable obligations of the relevant Reference Entity enforceable against such Reference Entity in accordance with the terms of the relevant underlying Reference Obligation subject only to (a) applicable bankruptcy, insolvency, reorganisation, moratorium, receivership, conservatorship or other similar laws affecting the enforcement of rights of creditors generally, and (b) the effect of general principles of equity and is not subject to any defence, dispute, set-off, counterclaim or enforcement order or any analogous proceedings; and
- (k) such Reference Obligation is a senior ranking obligation in respect of the relevant Reference Entity.

"**Qualifying Country**" means each of Australia, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Denmark, France, Germany, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Jersey, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Republic of Marshall Islands, Spain, Sweden, Switzerland, UK, USA;

"**Required CRR**" means a CRR of between 1.1 and 4.3 (or, in the event of amendment, supplement or replacement of such CRRs, such equivalent CRR (or other such designation) as may accord with the Required CRR pursuant to such amendment, supplement or replacement (subject to Rating Agency Confirmation)); and

"**Required Other Grading System**" means, in the case of Reference Obligations in respect of which HSBC is not the Relevant Lender, values under the relevant Other Grading System which are equivalent to the Required CRR.

***Replenishment Conditions***

The Credit Default Swap Counterparty may, subject to the terms of the Credit Default Swap, on a daily basis during the Replenishment Period, replenish the Reference Portfolio to the extent that, after giving effect to any such Replenishment, the Portfolio Notional Amount does not exceed the Maximum Portfolio Notional Amount and the Reference Portfolio complies with the following guidelines (the "**Replenishment Conditions**"):

- (A) the total Reference Obligation Notional Amount owed by Reference Entities belonging to the largest S&P Industry Group does not exceed 15% of the Maximum Portfolio Notional Amount;
- (B) the total Reference Obligation Notional Amount owed by Reference Entities belonging to the second and third largest S&P Industry Groups does not exceed 10% of the Maximum Portfolio Notional Amount;
- (C) subject to paragraphs (A) and (B) above, no S&P Industry Group has a total Reference Obligation Notional Amount that exceeds 8% of the Maximum Portfolio Notional Amount;
- (D) no Reference Entity has an aggregate Reference Obligation Notional Amount that exceeds 2.00 per cent of the Maximum Portfolio Notional Amount;
- (E) the Moody's CDOROM Condition is satisfied for the A Notes, the B Notes, the C Notes, the D Notes and the E Notes; and
- (F) the S&P SROC Condition is satisfied for the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.

For the avoidance of doubt, if the Conditions to Settlement have been satisfied in respect of a Credit Event relating to a Reference Obligation or Reference Entity, such Reference Obligation and the related Reference Entity or such Reference Entity and the related Reference Obligation(s) shall be excluded

from the calculations contemplated by the Replenishment Conditions, *provided that* if the Reference Portfolio does not comply with any Replenishment Condition prior to the proposed addition of Reference Obligations (except where such non-compliance relates to Replenishment Conditions (E) and (F) above), the proposed addition thereof shall be deemed to comply with the Replenishment Conditions if the inclusion of the relevant Reference Obligation (or increase in the Reference Obligation Notional Amount) would not cause the degree of non-compliance with any non-complying Replenishment Condition to worsen.

If, subsequent to its inclusion in the Reference Portfolio, any purported Reference Obligation is determined not to have complied (or been deemed to have complied) with the Eligibility Criteria or the Replenishment Conditions (determined as of the Relevant Date), the inclusion of the purported Reference Obligation in the Reference Portfolio on that Relevant Date (and any Credit Event Notice given in relation to that purported Reference Obligation) will be treated as not having been a valid inclusion and be of no effect for any purpose, in each case only to the extent of the Reference Obligation Notional Amount associated with such error or breach, unless the relevant non-compliance, contravention or increased contravention has been corrected in accordance with the Reductions provisions.

**"Hurdle Moody's Metric"** means, in respect of a Class of Notes, on any date, the initial rating hurdle expressed as a Moody's Metric as shown in the table below in respect of such Class of Notes:

Class of Notes	Hurdle Moody's Metric
A Notes	1
B Notes	3
C Notes	6
D Notes	9
E Notes	12

**"Moody's CDOROM Condition"** means, on any Replenishment Date, a condition that is satisfied for a given Class of Rated Notes if the Moody's Metric on the Replenishment Date and as determined by the Calculation Agent using the Moody's CDOROM, is less than or equal to the Hurdle Moody's Metric, and in accordance with the detailed provisions set out in the Credit Default Swap.

**"Moody's CDOROM"** means a dynamic, analytical computer programme developed by Moody's and used to determine the expected loss in respect of a Class of Notes by Moody's on or before the Closing Date, as updated by Moody's from time to time.

**"Moody's Metric"** means, on any date of determination, a numerical equivalent of a rating deduced from the expected loss, determined by the Calculation Agent using Moody's CDOROM on such date.

**"S&P Assumed Recovery Level"** means the recovery levels agreed with S&P, as amended from time to time, and used for the purposes of calculating the S&P Scenario Loss Rate for a given tranche.

**"S&P CDO Evaluator"** means a dynamic, analytical computer programme developed by S&P and used to determine the credit risk of a portfolio of debt securities and provided to the Credit Default Swap Counterparty on or before the Closing Date, as such programme may be modified by S&P from time to time.

**"S&P SROC Condition"** means, on any date of determination, a condition that is satisfied if the S&P SROC Test for each Class of Notes (giving effect to any proposed Replenishment and as determined by the Calculation Agent using the S&P CDO Evaluator, applying the formula set forth below) is at least equal to: (i) if the S&P SROC Test for the Reference Portfolio as determined immediately prior to taking into account any Reduction that has occurred since the most recent Replenishment Date was greater than or equal to 100 per cent., 100 per cent., or (ii) if the S&P SROC Test for the Reference Portfolio as determined immediately prior to taking into account any such Reduction was less than 100 per cent., not less than such lesser determined percentage.

**"S&P SROC Test"** means, at any time, the SROC percentage calculated by the S&P CDO Evaluator in accordance with the formula below:

$$\text{S\&P SROC Test} = \frac{A - (AB)}{A - C}$$

Where:

A = Portfolio Notional Amount;

B = the S&P Scenario Loss Rate as calculated by the S&P CDO Evaluator;

C = the S&P Threshold Amount;

**"S&P Scenario Loss Rate"** means, as of any date, an estimate of the current cumulative default rate, given the rating scenario assigned at issuance, net of recovery for the Reference Obligations included in the Credit Default Swap and as amended from time to time, determined by application of the S&P CDO Evaluator at such time.

**"S&P Threshold Amount"** means, for any Class of Notes, on any date of determination, an amount equal to (a) the aggregate Base Currency Outstanding Principal Balance of all Classes of Notes subordinate to such Class of Notes, less (b) the aggregate of unpaid Verified Loss Amount on such date of determination.

## THE CREDIT DEFAULT SWAP

*The following description of the Credit Default Swap consists of a summary of certain of its provisions and is qualified by reference to the detailed provisions of the Credit Default Swap. Prospective investors must refer to the Credit Default Swap for detailed information regarding the Credit Default Swap.*

### Documentation

On the Closing Date, the Issuer will enter into a credit derivative transaction (the "**Credit Default Swap**") with HSBC as credit default swap counterparty and calculation agent (in each such capacity, the "**Credit Default Swap Counterparty**" and the "**Calculation Agent**", respectively). The Credit Default Swap will be evidenced by a confirmation (the "**Credit Default Swap Confirmation**"), which shall be supplemental to the ISDA Master.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions (the "**2003 Definitions**"), as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), are incorporated into the Credit Default Swap Confirmation. In the event of any inconsistency between the 2003 Definitions and the Credit Default Swap Confirmation, the Credit Default Swap Confirmation will govern.

Noteholders are deemed to have notice of the Credit Default Swap.

### Reference Portfolio

The portfolio in respect of which the Credit Default Swap is entered into (as the same may be amended from time to time pursuant to a Reduction or Replenishment, the "**Reference Portfolio**") will consist of a pool of credit exposures to obligors (including any successor thereto, the "**Reference Entities**") selected by the Credit Default Swap Counterparty on the Initial Portfolio Composition Date and identified as such by an identification code in the Reference Registry.

In respect of each Reference Entity, the Credit Default Swap Counterparty will designate, in the Reference Registry, one or more Reference Obligations which will be identified by an identification code (as amended from time to time) and the applicable Reference Obligation Notional Amount in respect thereof.

### Reference Registry

Pursuant to the Credit Default Swap, the Credit Default Swap Counterparty is required to procure that the Cash Manager will maintain a registry in respect of each Reference Obligation and Reference Entity (such registry as amended by the Cash Manager from time to time in accordance with the terms of the Credit Default Swap, the "**Reference Registry**"). See "*Reference Registry, Eligibility Criteria and Replenishment Conditions*".

### Reference Obligations

A "**Reference Obligation**" means Borrowed Money (as defined in the 2003 Definitions) or which upon drawing would become Borrowed Money where a corporate entity is the relevant obligor and designated as such and identified (by an identification code, as amended from time to time) in the Reference Registry.

The obligation of the Issuer to pay Cash Settlement Amounts to the Credit Default Swap Counterparty exists regardless of whether the Credit Default Swap Counterparty suffers a loss or is exposed to the risk of loss following the occurrence of a Credit Event, and regardless of whether the Credit Default Swap Counterparty has any legal or beneficial interest in any obligations of any Reference Entity or any economic risk in respect thereof.

The initial Reference Entities, Reference Obligations and Reference Obligation Notional Amounts thereof have been designated by the Credit Default Swap Counterparty as of the Initial Portfolio Composition Date and, thereafter, are subject to variation from time to time pursuant to any

Replenishment or Reduction. As at the Initial Portfolio Composition Date, the Reference Entities and the related Reference Obligations in the Reference Portfolio complied with the Eligibility Criteria.

#### **Reference Obligation Notional Amount**

The "Reference Obligation Notional Amount" designated in respect of any Reference Obligation is a Sterling amount identified as such in respect of such Reference Obligation in the Reference Registry.

The Reference Obligation Notional Amount of a Reference Obligation may be reduced as a result of a Reduction or a Restructuring Credit Event, increased as a result of a Replenishment, or increased or decreased as a result of an FX Reset, each in the manner described herein.

#### **Non-Sterling Reference Obligations and Resets**

The Reference Obligation Notional Amount of each Non-Sterling Reference Obligation shall be the Sterling equivalent of the outstanding principal amount in the currency of denomination of such Reference Obligation in respect of which credit protection is being bought (converted into Sterling at the Relevant FX Rate on the Relevant FX Date).

The "Relevant FX Date", in respect of each Non-Sterling Reference Obligation in the Reference Portfolio, the Relevant Date, or if the Relevant FX Rate has been reset on a date occurring after the Relevant Date in respect of such Non-Sterling Reference Obligation, the most recent date on which the Relevant FX Rate was reset for such Non-Sterling Reference Obligation during the Replenishment Period in accordance with the provisions of the Credit Default Swap.

The "Relevant FX Rate" for each Non-Sterling Reference Obligation shall be determined on the Relevant Date in respect of each Non-Sterling Reference Obligation and shall be the rate determined by the Credit Default Swap Counterparty to be the mid market foreign exchange rate prevailing on such date for the conversion of the relevant currency into Sterling applied by the Credit Default Swap Counterparty for its own regular foreign exchange transactions.

In order to reflect fluctuations in the exchange rate between Sterling and the currency of such Non-Sterling Reference Obligations, the Credit Default Swap Counterparty may but is not obliged to, at any time during the Replenishment Period only, reset the Relevant FX Rate applicable to any Non-Sterling Reference Obligation (excluding any Defaulted Reference Obligation or any Liquidated Verified Reference Obligation) (any such date a "Reset Date").

An increase in the Reference Obligation Notional Amount of any Non-Sterling Reference Obligation attributable to an adjustment of the Relevant FX Rate will be treated as a Replenishment and, accordingly, such increase may not be effected unless the Replenishment in respect of such Reference Obligation (and, for the avoidance of doubt, the related Reference Entity) is made in compliance with the Replenishment Conditions (or (except in relation to Replenishment Conditions (E) and (F)), if the Reference Portfolio did not comply with any Replenishment Condition prior to the proposed Replenishment, did not cause the degree of non-compliance with any such Replenishment Condition to worsen).

#### **Replenishment of the Reference Portfolio**

On any Business Day during the Replenishment Period on which the Maximum Portfolio Notional Amount exceeds the Portfolio Notional Amount, the Credit Default Swap Counterparty may adjust the Reference Portfolio, by adding Reference Obligations relating to existing or new Reference Entities to the Reference Portfolio or increasing the Reference Obligation Notional Amount of any Reference Obligation then forming part of the Reference Portfolio, **provided that** each Reference Obligation so added or each Reference Obligation in respect of which the Reference Obligation Notional Amount is so increased (and, for the avoidance of doubt, the related Reference Entity) complies with the Eligibility Criteria and, following such addition or increase, the Reference Portfolio complies with the Replenishment Conditions. Each such addition of a Reference Obligation (or increase in a Reference Obligation Notional Amount) shall constitute a "Replenishment" and the day on which any Replenishment is effected by the Credit Default Swap Counterparty shall constitute a "Replenishment Date" with respect to a Reference Obligation so added (or in respect of which the Reference Obligation Notional Amount was so increased); **provided further that** if the Reference Portfolio does not comply

with any Replenishment Condition (except in relation to Replenishment Conditions (E) and (F)) prior to the proposed Replenishment, the proposed Replenishment shall be permitted if the inclusion of the relevant Reference Obligation (or increase in the Reference Obligation Notional Amount) would not cause the degree of non-compliance with any Replenishment Condition to worsen.

### **Reductions**

The Credit Default Swap Counterparty may at any time and from time to time on any Business Day elect to reduce the Reference Obligation Notional Amount of any Reference Obligation (a "**Reduction**") as a result of the occurrence of any of the following events:

- (a) any amortisation, repayment of principal or prepayment of principal of the Reference Obligation;
- (b) if at any time during the Replenishment Period, the principal amount outstanding of a Reference Obligation is less than the Reference Obligation Notional Amount of such Reference Obligation;
- (c) if a Reference Obligation is beneficially owned by an HSBC Entity on the date of its inclusion in the Reference Portfolio, and subsequently the Reference Obligation ceases to be beneficially owned by an HSBC Entity;
- (d) the maturity date of the Reference Obligation is beyond the Scheduled Redemption Date; or
- (e) the Calculation Agent determines that the inclusion of the Reference Obligation in the Reference Portfolio as of the Relevant Date was in contravention of the Eligibility Criteria or caused the non-compliance of or increased non-compliance of the Replenishment Conditions and such contravention, non-compliance or increased non-compliance would be corrected by a reduction in the Reference Obligation Notional Amount of such Reference Obligation by the proposed amount of the reduction,

(the amount of the Reference Obligation Notional Amount of such Reference Obligation so reduced, as determined by the Credit Default Swap Counterparty, being a "**Reduction Amount**").

Any such Reduction shall be effective on the day on which it is made and notification thereof shall be contained in the Quarterly Report for the period that included the date of such Reduction. Upon such Reduction, the Reference Obligation Notional Amount of the Reference Obligation that is the subject of such Reduction will be permanently reduced by the relevant Reduction Amount. If the Reference Obligation Notional Amount of a Reference Obligation is reduced to zero it shall be removed from the Reference Portfolio and if such Reference Obligation is the only Reference Obligation in the Reference Portfolio specified with respect to the related Reference Entity, the Reference Entity shall also be removed from the Reference Portfolio.

### **Reporting**

On each Report Date, the Credit Default Swap Counterparty shall procure that the Cash Manager delivers to the Calculation Agent, the Issuer, the Credit Default Swap Counterparty, the Trustee and each Rating Agency a report (a "**Quarterly Report**"):

- (a) specifying in respect of the immediately preceding Interest Period during the Replenishment Period, each Reference Obligation added (and the related Reference Obligation Notional Amount) and/or each Reference Obligation subject to an increased Reference Obligation Notional Amount (and the amount of such increase) and, in each case, the related Replenishment Date;
- (b) specifying in respect of the immediately preceding Interest Period each Reference Obligation that was the subject of a Reduction, the date of such Reduction and the relevant Reduction Amount; and
- (c) including revised tables substantially in the form set out in Schedule F to the Credit Default Swap Confirmation showing updated details in respect of the Reference Portfolio as at the end of the relevant Interest Period.



As soon as reasonably practicable following the Report Date, the Credit Default Swap Counterparty shall procure that the Cash Manager updates the Reference Registry to take into account all Reductions and Replenishments made during the preceding Interest Period and delivers a copy of the updated Reference Registry to the Issuer, the Credit Default Swap Counterparty, the Trustee and each Rating Agency.

The copy of the Reference Registry which is delivered to the Issuer, the Credit Default Swap Counterparty, the Trustee and each Rating Agency will not disclose the names of the Reference Entities (and will not contain any information that the Credit Default Swap Counterparty or Relevant Lender is legally constrained from disclosing under applicable banking secrecy law).

### **Servicing**

The administration, collection and enforcement of each Reference Obligation, including the enforcement of any security granted in respect thereof, shall be carried out in accordance with the Servicing Guidelines by (i) an HSBC Entity (in such capacity an "HSBC Servicer") in its capacity as a servicer on behalf of the Relevant Lender or (ii) a third party agent bank or an agent bank duly appointed under the relevant syndication agreement or syndicated loan facility agreement (each a "Servicing Agent Bank" and, together with an HSBC Servicer, a "Servicer").

### **Fixed Amounts - General Terms**

As the buyer of credit protection, the Credit Default Swap Counterparty will make periodic payments of Fixed Amounts to the Issuer. The Fixed Amount will be payable in arrear on each Interest Payment Date (or, following occurrence of a Credit Default Swap Counterparty Downgrade Event, in advance in the manner described below).

The "Fixed Amount" for any Interest Payment Date means the amount determined by the Calculation Agent, to be the sum of:

- (a) Expenses due and unpaid on such Interest Payment Date or anticipated to be payable prior to the next following Interest Payment Date (subject to a minimum amount (regardless of the actual amount of such Expenses or anticipated Expenses) of £40,000);
- (b) *plus* the Notes Funding Amount as of such date;
- (c) *plus* on each Interest Rate Payment Date falling prior to the Notes Termination Date, the Issuer Spread;
- (d) *plus* the Anticipated Amount Shortfall (if any);
- (e) *less* the Anticipated Amount Surplus (if any);
- (f) *less* the amount (if any) by which the amount paid in respect of Expenses on the preceding Interest Payment Date exceeded actual Expenses which fell due after such preceding Interest Payment Date and prior to the current Interest Payment Date; and
- (g) *plus* the amount (if any) by which the amount paid in respect of Expenses on the preceding Interest Payment Date was less than actual Expenses which fell due after such preceding Interest Payment Date and prior to the current Interest Payment Date and to the extent such amount was funded from the Reserve Account in accordance with the Reserve Account Payments Order of Priority.

"Issuer Spread" means in respect of a Fixed Rate Payer Payment Date falling:

- (a) on or prior to the end of the Replenishment Period, an amount equal to the product of the Maximum Portfolio Notional Amount as at the relevant Fixed Rate Payer Payment Date and 0.1 per cent. per annum calculated on the basis of the number of days in such Fixed Rate Payer Calculation Period divided by 365; and
- (b) after the end of the Replenishment Period, an amount equal to the product of the Portfolio Notional Amount as at the relevant Fixed Rate Payer Payment Date and 0.1 per cent. per

annum calculated on the basis of the number of days in such Fixed Rate Payer Calculation Period divided by 365.

In the event (a "**Credit Default Swap Counterparty Downgrade Event**") that the short-term unsecured, unguaranteed and unsubordinated rating of the Credit Default Swap Counterparty falls to below A-1+ by S&P or P-1 by Moody's or the long-term unsecured, unguaranteed and unsubordinated rating of the Credit Default Swap Counterparty falls to below A1 by Moody's (such ratings, the "**Credit Default Swap Counterparty Required Ratings**"), the Credit Default Swap Counterparty will:

- (i) 30 calendar days following the date upon which it has ceased to have the Credit Default Swap Counterparty Required Ratings, pay to the Issuer (provided such downgrade is continuing), an amount which is estimated as being equal to the Notes Interest Amount and Issuer Spread payable by the Credit Default Swap Counterparty to the Issuer on the next Interest Payment Date (or, if the Credit Default Swap Counterparty Downgrade Event occurs 30 calendar days prior to an Interest Payment Date, an amount which is estimated as being equal to the Notes Interest Amount and Issuer Spread payable by the Credit Default Swap Counterparty to the Issuer on such Interest Payment Date), which amount will be credited to the Issuer Transaction Account; and
- (ii) provided that such downgrade is continuing, on each subsequent Interest Payment Date after the event occurring in paragraph (i) above, until the Credit Default Swap Counterparty does have the Credit Default Swap Counterparty Required Ratings, the Credit Default Swap Counterparty shall make an advance payment of the Notes Funding Amount due on the next Interest Payment Date; and
- (iii) within two (2) Business Days following any date (other than an Interest Payment Date) upon which the Cash Deposit Bank or the Cash Deposit Account is transferred to a replacement Cash Deposit Bank or Cash Deposit Account pursuant to the terms of a replacement Cash Deposit Agreement and where the rate in respect of the Cash Deposit Account pursuant to such replacement Cash Deposit Agreement is less than the rate which would have applied to a Cash Deposit Account had the Cash Deposit Agreement not been so replaced with the result that the Issuer will receive, for the relevant Interest Period in which any such replacement is effected a lesser amount (such lesser amount for purposes of this subparagraph, the "**Cash Deposit Rate Shortfall Amount**"), the Credit Default Swap Counterparty shall pay to the Issuer an amount which is equal to the difference between the amount the Issuer would have received had such replacement not been effected and the Cash Deposit Rate Shortfall Amount.

#### **General Terms – Termination of the Credit Default Swap and outstanding potential claims for Cash Settlement Amounts**

Notwithstanding the expiry of the term of the Credit Default Swap, as provided under "*General Terms – Termination Provisions*", the Issuer may remain obliged to make credit protection payments under the Credit Default Swap if, on the Initial Termination Date, (A) there is any Defaulted Reference Obligation in relation to which a Verification Date has not occurred, (B) there is any Defaulted Reference Obligation in respect of which the Verification Date has occurred but the Cash Settlement Date has not occurred (the relevant Defaulted Reference Obligation being a "**Verified Reference Obligation**"), or (C) there is any Reference Obligation in respect of which a Potential Failure to Pay has occurred but the Event Determination Date in respect thereof has not occurred and in respect of which a Potential Failure to Pay Extension Notice has been delivered in accordance with the Credit Default Swap (the relevant Reference Obligation of such Reference Entity being a "**Potential Defaulted Reference Obligation**"), in which case, the Termination Date shall be the earliest of:

- (a) the Interest Payment Date on which the Verified Loss Amounts in respect of all such Defaulted Reference Obligations, Verified Reference Obligations or Potential Defaulted Reference Obligations have been determined (or, in the case of any outstanding Potential Defaulted Reference Obligation, the date upon which the relevant Potential Failure to Pay has been remedied or the Conditions to Settlement (other than the Notice of Accountant Certification) in respect thereof have not been satisfied within the relevant Notice Delivery Period) and all Cash Settlement Amounts (if any) due hereunder in respect of such Reference Obligations have been paid;

- (b) the date on which the Portfolio Notional Amount is reduced to zero and the aggregate Minimum Balance of all of the Notes is zero; and
- (c) the Final Maturity Date.

On the date falling no less than two (2) Business Days prior to the Initial Termination Date and, thereafter, promptly after each Cash Settlement Date or the date on which the Calculation Agent determines that the Conditions to Settlement in respect of any Potential Defaulted Reference Obligation can no longer be satisfied or that the Conditions to Settlement in respect of any Potential Defaulted Reference Obligation have been satisfied, the Calculation Agent shall, by written notice to the Credit Default Swap Counterparty, the Issuer, the Cash Manager, the Trustee and each Rating Agency, notify the Credit Default Swap Counterparty, the Issuer, the Cash Manager, the Trustee and each Rating Agency of the Potential Defaulted Reference Obligations, the Defaulted Reference Obligations and the Maximum Cash Settlement Amount.

**"Maximum Cash Settlement Amount"** means, on any date, the sum of:

- (A) the Defaulted Notional Amounts of all Defaulted Reference Obligations (in relation to which a Verification Date has not occurred);
- (B) the Verified Loss Amounts in respect of all such Verified Reference Obligations for which a Cash Settlement Date has not occurred; and
- (C) during the Notice Period only, the Reference Obligation Notional Amounts of all Potential Defaulted Reference Obligations (for which the Potential Failure to Pay has not been remedied or the Conditions to Settlement (excluding the Notice of Accountant Certification) have not been satisfied during the Notice Delivery Period),

*provided, however, that* the Maximum Cash Settlement Amount shall not exceed the Portfolio Notional Amount applicable immediately preceding the Initial Termination Date and *provided further that* notwithstanding subparagraphs (A), (B) and (C) above, on any Early Termination Date relating to termination of the Credit Default Swap where such termination results from the occurrence of: (i) a failure to pay or deliver or bankruptcy (as described under the Credit Default Swap) where the Credit Default Swap Counterparty is the defaulting party, or (ii) in respect of Illegality (as defined under the Credit Default Swap), or (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (v) as a result of the termination of any Funding Swap Agreement (where the Credit Default Swap Counterparty is the Funding Swap Counterparty thereunder and where such Funding Swap is terminated early as a result of the default of the Funding Swap Counterparty thereunder), or (vi) as a result of a Tax Event Upon Merger (as defined in the Credit Default Swap) in respect of the Credit Default Swap Counterparty; the Issuer shall be required to pay on the Early Termination Date the amount equal to the Verified Loss Amounts in respect of Verified Reference Obligations (other than those Defaulted Reference Obligations for which Applicable Information cannot be sent to Dealers) for which, prior to such Early Termination Date, a Cash Settlement Date has not occurred, and the **"Maximum Cash Settlement Amount"** shall be zero.

#### **Credit Events**

A **"Credit Event"** means Bankruptcy, Failure to Pay or Restructuring.

**"Bankruptcy"** means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition:
  - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation; or
  - (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in subparagraphs (a) to (g) above (inclusive).

**"Failure to Pay"** means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period) or, where the relevant failure to pay is caused by a technical error, administrative error or error of a similar nature, five Business Days from the date of such failure to pay provided such failure to pay is continuing, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Reference Obligations in accordance with the terms of such Reference Obligations(s) at the time of such failure.

**"Restructuring"** means with respect to a Reference Obligation and in relation to an aggregate amount of not less than the Payment Requirement, the forgiveness or postponement of principal, interest or fees that results in a value adjustment or other similar debit to the profit and loss account of the Relevant Lender, provided that (i) in respect of a Reference Obligation which is a Non-syndicated Obligation, such decision will be made with regard to the standards of a reasonable and prudent lending bank (disregarding for such purposes the effect of any credit protection purchased in respect of such Reference Obligations pursuant to a credit default swap but taking into account any security allocable to that Reference Obligation), and (ii) in respect of a Reference Obligation which is a Non-syndicated Obligation or a Syndicated Obligation, with the intent that such Restructuring is to minimise any expected loss and to avoid a potential failure to pay in respect of such Reference Obligation; and (iii) in relation to a Reference Obligation which is a Non-syndicated Obligation, the Credit Default Swap Counterparty procures certification of a managing director or other substantially equivalent officer of the Relevant Lender that such Restructuring is agreed with that intent.

**"Non-syndicated Obligation"** means a Reference Obligation pursuant to which the Relevant Lender is able to exercise the final decision as to whether any forgiveness or postponement of principal, interest or fees or change in ranking, priority or subordination of such Reference Obligation is agreed and which is not a Syndicated Obligation.

**"Syndicated Obligation"** means a Reference Obligation which is designated as such in the Reference Registry, being an obligation of the relevant Reference Entity which has two or more lenders of record that are not affiliates of one another or to which are entitled two or more holders that are not affiliates of one another.

**"Payment Requirement"** means, on the date of the relevant Credit Event, a minimum of either: (i) GBP1,000 (or, if the Reference Obligation Notional Amount is less than GBP 1,000, the Reference Obligation Notional Amount), or (ii) if the amount of interest payable for one interest period under the relevant Reference Obligation is greater than the amount calculated pursuant to subparagraph (i), such amount of interest for one interest period (or, in respect of a Non-Sterling Reference Obligation, such amount converted into the currency of denomination of the relevant Reference Obligation at the Relevant FX Rate as of the immediately preceding Relevant FX Date (as determined by the Calculation Agent)).

### ***Cure***

With respect to a Failure to Pay Credit Event, if a Credit Event Notice is delivered and the related Credit Event is Cured, then, without prejudice to any Credit Event Notice given in respect of a Restructuring Credit Event as a Cure to a Failure to Pay Credit Event, the Credit Event Notice delivered in relation thereto shall, with effect from the Business Day immediately following the day on which the Credit Default Swap Counterparty determines that such Credit Event was Cured, be deemed to be rescinded and shall have no effect, and each Reference Obligation of the Reference Entity that was the subject of such Credit Event Notice shall remain in the Reference Portfolio and may, therefore, be the subject of a further Credit Event Notice. The Credit Default Swap Counterparty shall provide prompt written notice to the Issuer and the Cash Manager after it becomes aware that such Credit Event has been Cured.

With respect to a Failure to Pay Credit Event, the payment in full of the amount of the Reference Obligation that was the subject of such Failure to Pay Credit Event (together with any contractual interest on past due amounts); or the giving of a Credit Event Notice for a Restructuring Credit Event in respect of the Reference Obligation that was the subject of such Failure to Pay Credit Event, in either case, prior to the earlier of:

- (i) the date falling one (1) Business Day prior to the relevant Verification Date,
- (ii) the date falling one (1) Business Day prior to the Credit Protection Term End Date, and
- (iii) the date falling one (1) Business Day prior to the Initial Termination Date.

None of: a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals; a reduction in the amount of principal or premium payable at maturity or at any scheduled redemption date; or a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium, in each case, following the occurrence of a Failure to Pay Credit Event, shall in any event be or result in a Failure to Pay Credit Event being Cured unless such reduction, postponement or other deferral results in the delivery of a Credit Event Notice in which Restructuring is specified as the Credit Event.

### ***Potential Failure to Pay Extension Notice***

If, on or prior to the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date, there exists any Potential Defaulted Reference Obligation, or the Credit Default Swap Counterparty determines that there is a Reference Obligation of a Reference Entity which may be a Potential Defaulted Reference Obligation on the Credit Protection Term End Date (or the Initial Termination Date, as the case may be), the Credit Default Swap Counterparty may deliver to the Issuer (with a copy to the Calculation Agent, the Cash Manager and the Trustee) on or before the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date, as the case may be, a Potential Failure to Pay Extension Notice in respect of such Potential Defaulted Reference Obligation or Reference Obligation, as applicable.

The delivery by the Credit Default Swap Counterparty of a Potential Failure to Pay Extension Notice with respect to a Reference Obligation will have the effect of extending the Notice Delivery Period in respect of the relevant Reference Obligation to the date falling 60 Business Days after the relevant Grace Period Extension Date.

The Issuer may be liable to pay a Cash Settlement Amount determined to be due to the Credit Default Swap Counterparty under the Credit Default Swap if a Credit Event occurs in relation to such Reference Obligation thereunder on or prior to such Grace Period Extension Date.

A "**Potential Failure to Pay Extension Notice**" means, with respect to a Potential Defaulted Reference Obligation of a Reference Entity, an irrevocable notice from the Credit Default Swap Counterparty to the Issuer that:

- (a) states that as at the date of the notice, a Potential Failure to Pay has occurred or may occur with respect to such Reference Obligation or the Credit Default Swap Counterparty determines that a Potential Failure to Pay may occur on or after the Effective Date and on or prior to the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date, and has not become a Failure to Pay Credit Event nor is capable of becoming a Failure to Pay Credit Event on or prior to the earlier of the Credit Protection Term End Date and the Initial Termination Date,
- (b) specifies the Reference Obligation with respect to such Reference Entity,
- (c) contains a description in reasonable detail of the facts relevant to the determination that a Potential Failure to Pay event has occurred or may occur, and
- (d) if appropriate, indicates the date of the occurrence or potential occurrence of such Potential Failure to Pay Credit Event.

#### **Conditions to Settlement**

No Cash Settlement Amounts will be payable in respect of a Reference Entity or a Reference Obligation in relation to which a Credit Event has occurred, unless the following Conditions to Settlement have been satisfied.

The "**Conditions to Settlement**" are:

- (a) the delivery of a Credit Event Notice by the Credit Default Swap Counterparty to the Issuer in respect of the Credit Event and which is effective within the Notice Delivery Period or 60 Business Days after the Grace Period Extension Date if applicable as a result of a Potential Failure to Pay; and
- (b) in respect of each Defaulted Reference Obligation relating to the relevant Reference Entity, the delivery by the Accountant to the Calculation Agent, the Credit Default Swap Counterparty, the Issuer, the Cash Manager, the Trustee and each Rating Agency of an irrevocable notice (the "**Notice of Accountant Certification**"), which shall be an "**Additional Condition to Settlement**", containing a certification, upon completion of the applicable Agreed Upon Procedures in respect of the relevant Defaulted Reference Obligation, certifying that:
  - (i) to the extent not already verified by the Accountant, such Defaulted Reference Obligation satisfied the Eligibility Criteria on the Relevant Date and, if added to the Reference Portfolio pursuant to a Replenishment, did not (taken together with any other Reference Obligation added to the Reference Portfolio on the same day) contravene (or, except in relation to Replenishment Conditions (E) and (F), cause the increased non-compliance with) the Replenishment Conditions on the related Replenishment Date; and
  - (ii) the Credit Event identified in the Credit Event Notice occurred during the Notice Delivery Period.

All Defaulted Reference Obligations of any Reference Entity may be included in a single Notice of Accountant Certification relating to such Reference Entity.

The Notice of Accountant Certification may be delivered after the expiry of the Notice Delivery Period, but shall be delivered no later than fourteen days after the Event Determination Date relating to such Defaulted Reference Obligation and on or before the applicable Cash Settlement Date in respect of such Reference Obligation to which the relevant Credit Event relates, if any. For the avoidance of doubt, if

the Notice of Accountant Certification is delivered on or before the relevant Cash Settlement Date of such Reference Obligation, the Additional Condition to Settlement would be satisfied.

A "**Credit Event Notice**" is a notice in writing by the Credit Default Swap Counterparty to the Issuer, the Cash Manager, the Calculation Agent, the Trustee and each Rating Agency and the Accountant that a Credit Event has occurred during the Notice Delivery Period and has not been remedied, waived or cured. A Credit Event Notice must be given by the Credit Default Swap Counterparty during the Notice Delivery Period and must (i) contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred and (ii) specify the date on which the Credit Event occurred and the Reference Obligation Identifier of the Reference Obligation in respect of which such Credit Event has occurred. A Credit Event Notice may be delivered between 9.00 a.m. and 4.00 p.m. (London time) on any Business Day. If a Credit Event Notice is delivered after 4.00 p.m. (London time) on a Business Day or on a day which is not a Business Day, such Credit Event Notice shall be deemed delivered on the immediately following Business Day.

The Conditions to Settlement may be satisfied more than once under the Credit Default Swap, but only once with respect to any Reference Obligation unless the relevant Credit Event in relation to such Reference Entity is Failure to Pay which has been subsequently Cured, the relevant Credit Event is Restructuring or the applicable Additional Condition to Settlement is not satisfied with respect to the relevant Reference Obligation because it did not satisfy the Eligibility Criteria or the Replenishment Conditions, as applicable, but such non-satisfaction is subsequently corrected by the Calculation Agent as a result of a Reduction.

#### **Notice Delivery Period**

The "**Notice Delivery Period**" means the period from and including the Closing Date to and including the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date or, in respect of any Potential Defaulted Reference Obligation in respect of which a Potential Failure to Pay Extension Notice is delivered on or before the earlier of the Credit Protection Term End Date and the Initial Termination Date, to and including the date falling 60 Business Days after the Grace Period Extension Date in respect of such Potential Defaulted Reference Obligation.

#### **Settlement Provisions – Loss Determination**

Following satisfaction of the Conditions to Settlement (other than the delivery of a Notice of Accountant Certification) in respect of a Reference Entity or a Reference Obligation in respect of which a Credit Event has occurred, a Loss Amount will be determined in respect of each Reference Obligation of the relevant Reference Entity in respect of which the Credit Event occurred.

To determine the Loss Amount in respect of a Reference Obligation for which a Failure to Pay or Bankruptcy has occurred, a Final Price will be determined by the Calculation Agent for the relevant Reference Obligation pursuant to the application of the following valuation provisions with respect to such Reference Obligation.

The "**Loss Amount**" in respect of a Defaulted Reference Obligation is:

- (a) if the Credit Event specified in the relevant Credit Event Notice is a Restructuring Credit Event, the Restructuring Loss Amount; and
- (b) if the Credit Event specified in the relevant Credit Event Notice is a Failure to Pay or Bankruptcy Credit Event, the product of the Defaulted Notional Amount in respect of such Reference Obligation and a percentage that is 100 per cent. minus the Final Price for such Reference Obligation,

subject, in each case to a minimum of zero and a maximum of the Defaulted Notional Amount.

#### **Final Price**

The "**Final Price**" of a Reference Obligation, in respect of which a Credit Event in the form of Failure to Pay or Bankruptcy has occurred, is the Recovery Amount divided by the Defaulted Notional Amount

(expressed as a percentage) or, in respect of any Defaulted Reference Obligation with a work-out process ending on a Recovery End Date or the Workout Cut-Off Date, the Fallback Price.

### **Recovery Amount**

"**Recovery Amount**" means the aggregate amount recovered by the Relevant Lender in respect of the principal upon a work-out or sale of such Defaulted Reference Obligation, in each case in accordance with the Servicing Guidelines to the extent applicable, and otherwise in accordance with the relevant Servicer's established procedures for loans that are similar in type to the relevant Defaulted Reference Obligation, it being understood that any amount in respect of principal that is forgone as part of the work-out process in relation to a restructuring of such Defaulted Reference Obligation does not constitute a recovery.

Further, the Recovery Amount: (i) shall be reduced by the *pro rata* share attributable to the Defaulted Notional Amount of any fees or expenses duly incurred and paid to third parties in respect of the recovery of such Defaulted Reference Obligation; (ii) shall not take into account or be reduced by any internal costs or fees of the Relevant Lender (or, if applicable, the Servicer, unless duly and actually deducted from the distribution of amounts by the Relevant Lender (or, if applicable, the Servicer)); (iii) shall take into account in determining any loss of principal the market value (as determined by the Servicer) of any securities or other consideration (which may include interest and principal) received after the occurrence of the relevant Credit Event, whether pursuant to any restructuring, settlement or proceeding affecting such Defaulted Reference Obligation or otherwise with respect to such Defaulted Reference Obligation; (iv) will not be affected by any rights of set-off, netting or combination of accounts in respect of the relevant Reference Entity unless the set-off, netting or combination of accounts forms part of the enforcement of collateral in respect of such Defaulted Reference Obligation; (v) to the extent any principal amount outstanding of such Defaulted Reference Obligation is less than the Defaulted Notional Amount as a result of any undrawn commitments of such Defaulted Reference Obligation (so long as such commitments remain undrawn and/or have been cancelled as of the Loss Determination Date) (the "**Undrawn Commitments**"), shall include the amount of any such Undrawn Commitments; (vi) to the extent that any amount recovered in respect of the principal amount of such Defaulted Reference Obligation is not denominated in Sterling, shall be calculated after converting any principal amount recovered between the Event Determination Date and the Loss Determination Date into Sterling at the Relevant FX Rate determined on the Relevant FX Date with respect to such Defaulted Reference Obligation; (vii) for the avoidance of doubt, shall not take account of any determination made in respect of any "Cash Settlement Amount" (as defined in the 2003 Definitions or in the 1999 Credit Derivatives Definitions as published by ISDA in 1999 (as supplemented from time to time thereafter)) in relation to a "Credit Derivative Transaction" (as so defined) other than the Transaction evidenced by the Credit Default Swap; and (viii) in respect of any Defaulted Reference Obligation with a Loss Determination Date occurring on the Workout Completion Date, shall, except in the case of any Defaulted Reference Obligation that has been the subject of a sale, include in respect of such Defaulted Reference Obligation any principal amount outstanding as at the Loss Determination Date *provided that*:

- (a) no event of default or potential event of default has occurred and is continuing on the Loss Determination Date in respect of the remaining principal amount outstanding of such Defaulted Reference Obligation (following any partial restructuring or work-out of a Defaulted Reference Obligation) pursuant to the terms then applicable to such Defaulted Reference Obligation; and
- (b) the Loss Determination Date occurs prior to the Workout Cut-off Date.

The work-out process shall be deemed to continue until the earlier of:

- (a) the date on which the Calculation Agent determines that the Servicer has (i) consummated the sale of such Defaulted Reference Obligation or (ii) determined in accordance with the Servicing Guidelines (where applicable) that such Defaulted Reference Obligation shall be written off or that the work-out process in respect of such Defaulted Reference Obligation has been completed (such date being the "**Workout Completion Date**");
- (b) the Recovery End Date; and



(c) the Workout Cut-off Date.

The "**Recovery End Date**" means the date on which the Calculation Agent (after consultation with the Credit Default Swap Counterparty) may in its entire discretion designate for the termination of the work-out process *provided that* such date occurs no earlier than three years after the Event Determination Date.

Any amounts recovered by the Relevant Lender in respect of any sale or work-out of a Defaulted Reference Obligation shall be applied in accordance with the terms of the relevant Defaulted Reference Obligation or, if such Defaulted Reference Obligation does not expressly provide for any order of application, first in payment of outstanding fees and interest, and second in payment of outstanding principal and any other amounts owing.

#### ***Restructuring Loss Amount***

The "**Restructuring Loss Amount**" is, where the Credit Event specified in the relevant Credit Event Notice is a Restructuring Credit Event, the amount of a value adjustment or other similar debit (the "**Debit**") to the profit and loss account of the Relevant Lender in respect of forgiveness or postponement of principal, interest or fees (but excluding any value adjustment or other similar debit to the profit and loss account in respect of provisional losses) relating to the relevant Reference Obligation. The Restructuring Loss Amount shall be calculated by reference to the Debit so recorded to the profit and loss account by the Relevant Lender in respect of the corresponding Restructuring Credit Event and shall not include any Debit recorded in respect of any prior Restructuring Credit Events for which a Verified Loss Amount has been determined. To the extent the Debit is not denominated in Sterling, the Restructuring Loss Amount shall be calculated after converting the Debit into Sterling at the Relevant FX Rate determined on the Relevant FX Date with respect to the relevant Reference Obligation.

For the avoidance of doubt, if the Credit Event specified in the related Credit Event Notice is either a Failure to Pay or Bankruptcy Credit Event, the term "Restructuring Loss Amount" is not applicable.

#### ***Forgiven Principal***

The "**Forgiven Principal**" is, where the Credit Event specified in the relevant Credit Event Notice is a Restructuring Credit Event, the aggregate amount in respect of principal forgiven or postponed by the Relevant Lender and represented by the Debit (or part thereof) to the profit and loss account of the Relevant Lender in respect of the relevant Reference Obligation and the relevant Restructuring Credit Event provided, however, that Forgiven Principal shall not exceed the Reference Obligation Notional Amount.

For the avoidance of doubt, if the Credit Event specified in the related Credit Event Notice is either a Failure to Pay or Bankruptcy Credit Event, the term "Forgiven Principal" is not applicable.

#### ***Fallback Price***

The "**Fallback Price**" means in relation to any Defaulted Reference Obligation for which Failure to Pay or Bankruptcy is specified in the relevant Credit Event Notice with a workout process ending on the Recovery End Date or the Workout Cut-Off Date, the Recovery Amount in respect of such Defaulted Reference Obligation *plus* the Market Price determined by the Calculation Agent in accordance with the Market Valuation provisions in each case expressed as a percentage of the Defaulted Notional Amount of such Defaulted Reference Obligation.

#### ***Market Valuation***

On the First Valuation Date, the Calculation Agent shall attempt to determine the market price of the Quotation Amount (the "**Market Price**") by obtaining Full Quotations in respect of the relevant Defaulted Reference Obligation from at least 5 Dealers and, if it is unable to obtain three Full Quotations, weekly thereafter (on a Valuation Business Day) until the 30th Valuation Business Day following the First Valuation Date or until it is able to obtain three Full Quotations, and the Calculation Agent shall use the highest of such Full Quotations to determine the Market Price.

If the Calculation Agent is unable to obtain at least three Full Quotations on the same Valuation Business Day that falls within 30 Valuation Business Days following the First Valuation Date, then weekly thereafter (on a Valuation Business Day) the Calculation Agent shall attempt to obtain three Full Quotations and, if three Full Quotations are not available on any such day, a Weighted Average Quotation, to determine the Market Price until the 50<sup>th</sup> Valuation Business Day following the First Valuation Date or the date upon which it is able to obtain such three Full Quotations or, as the case may be, a Weighted Average Quotation.

If the Calculation Agent is able to obtain three Full Quotations or a Weighted Average Quotation, as the case may be, on the same Valuation Business Day falling on or before the 50<sup>th</sup> Valuation Business Day following the First Valuation Date, then the Calculation Agent shall use the highest of such Full Quotations or Weighted Average Quotation, to determine the Market Price. If the Calculation Agent is unable to obtain three Full Quotations or a Weighted Average Quotation, as the case may be, on the same Valuation Business Day falling on or before the 50<sup>th</sup> Valuation Business Day following the First Valuation Date, the Calculation Agent shall attempt to obtain from Dealers on the next Valuation Business Day firm bid quotations for the Defaulted Reference Obligation with respect to portions of the Quotation Amount (which, in aggregate, are less than the Quotation Amount) for which firm bid quotations are available. If the Calculation Agent is able to obtain such firm bid quotations on such date, the Market Price shall be the weighted average of such firm bid quotations and a quotation determined by the Calculation Agent in good faith and in a commercially reasonable manner (and such quotation determined by the Calculation Agent being subject to a minimum of the Moody's Recovery Rate), for the balance of the Quotation Amount for which firm bid quotations were not obtained on such day.

If the Calculation Agent is unable for any reason to send Applicable Information to a Dealer (including but not limited to any legal restriction on sending Applicable Information to a Dealer or a Dealer refusing to sign any requisite confidentiality agreement in relation to such Applicable Information), the Calculation Agent shall not seek quotes from the Dealer to whom such information cannot be sent. If, as a result of any such restrictions on sending applicable information to Dealers the Calculation Agent is unable to obtain any firm bid quotations, then the Calculation Agent, in good faith and in a commercially reasonable manner, shall determine the fair value of the relevant Defaulted Reference Obligation, subject to a minimum of the Moody's Recovery Rate. "Applicable Information" means that information which a market participant would expect to receive in order to make a reasonable and fair determination of the value of a loan.

If the Calculation Agent is unable to obtain firm bid quotations, the Calculation Agent in good faith and in a commercially reasonable manner shall determine the Market Price, subject to it being a minimum of the Moody's Recovery Rate.

"Moody's Recovery Rate" means the figure set forth in the table below and based upon the Qualifying Country in relation to the Reference Entity of the relevant Defaulted Reference Obligation (or relevant portion of the Defaulted Reference Obligation) for which a Market Price or fair value is being determined:

<i>Country of Incorporation</i>	<i>If the Reference Obligation has a Moody's Mapped Rating of Baa2 or better</i>	<i>If the Reference Obligation has a Moody's Mapped Rating of worse than Baa2</i>
Australia	45%	25%
Belgium	35%	35%
Bermuda	50%	50%
British Virgin Islands	45%	25%
Canada	50%	50%
Cayman Islands	50%	50%
Denmark	35%	35%
France	35%	35%
Germany	45%	45%

<i>Country of Incorporation</i>	<i>If the Reference Obligation has a Moody's Mapped Rating of Baa2 or better</i>	<i>If the Reference Obligation has a Moody's Mapped Rating of worse than Baa2</i>
Greece	25%	25%
Guernsey	45%	25%
Hong Kong	45%	45%
Iceland	35%	35%
Ireland	45%	45%
Isle of Man	45%	25%
Italy	25%	25%
Jersey	45%	25%
Liechtenstein	35%	35%
Luxembourg	35%	35%
Netherlands	45%	25%
New Zealand	45%	25%
Norway	35%	35%
Portugal	25%	25%
Republic of Marshall Islands	50%	50%
Spain	35%	35%
Sweden	45%	45%
Switzerland	45%	45%
UK	45%	25%
USA	50%	50%

#### **Settlement Provisions – Calculation Verification**

Upon determination of a Loss Amount in respect of a Reference Obligation, a written report by the Accountant (a "**Verification Report**") shall be delivered to the Credit Default Swap Counterparty, the Calculation Agent, the Issuer, the Cash Manager, the Trustee and the Rating Agencies verifying, amongst other things, the computation by the Calculation Agent of the Loss Amount in respect of such Reference Obligation. With respect to any Reference Obligation, the amount so verified shall be the "**Verified Loss Amount**" and the date on which such Loss Amount is verified is the "**Verification Date**".

Upon the determination of the Verified Loss Amount and the payment of the related Cash Settlement Amount on the Cash Settlement Date for any Verified Reference Obligation, the Credit Default Swap Counterparty will procure that the Cash Manager will amend the Reference Registry by removing the relevant Liquidated Verified Reference Obligation from the Reference Registry.

#### **Settlement Provisions – Cash Settlement Amount**

Following the satisfaction of the Conditions to Settlement and the completion of the loss determination and verification procedures described above, the Calculation Agent will ascertain whether a Cash Settlement Amount is payable by the Issuer to the Credit Default Swap Counterparty.

Promptly following the date of determination of the Cash Settlement Amount, the Calculation Agent will notify the Issuer, the Credit Default Swap Counterparty, the Cash Manager, the Accountant and each Rating Agency in writing accordingly of such amount.

#### **Settlement Provisions – Cash Settlement Date**

Any Cash Settlement Amounts payable by the Issuer under the Credit Default Swap shall be payable on the Cash Settlement Date.

A "**Cash Settlement Date**" in respect of any Verified Loss Amount shall occur on the earlier to occur of:

- (a) the Interest Payment Date immediately following the Verification Date applicable to such Verified Loss Amount **provided that** if such Interest Payment Date falls less than two Business Days after the relevant Verification Date, the Cash Settlement Date shall be the next following Interest Payment Date; and
- (b) the Termination Date

provided that a Notice of Accountant Certification in respect of such Defaulted Reference Obligation has previously been delivered.

#### **Settlement Provisions – Late Recoveries**

##### ***Late Recoveries***

If at any time prior to the earlier to occur of five (5) Business Days prior to the Termination Date and the date falling five (5) Business Days before the Final Maturity Date the Relevant Lender of a Liquidated Verified Reference Obligation receives a further payment in respect of the principal amount (or other amount, as applicable) of such Liquidated Verified Reference Obligation that was not included in the Recovery Amount determined in respect thereof (such payment determined on the basis set out below, a "**Late Recovery Amount**"), the Credit Default Swap Counterparty shall procure that the Cash Manager promptly notifies the Issuer, the Calculation Agent, the Accountant and each Rating Agency in writing of the amount thereof and, if such amount is not denominated in Sterling, the equivalent thereof in Sterling at the Relevant FX Rate determined on the Relevant FX Date for the relevant Reference Obligation.

The Credit Default Swap Counterparty will procure the delivery to the Calculation Agent, the Issuer, the Cash Manager, the Trustee and the Rating Agencies of a written report (the "**Late Recovery Verification Report**") by the Accountant verifying the computation by the Calculation Agent of the Late Recovery Amount in respect of any Liquidated Verified Reference Obligation. With respect to any Liquidated Verified Reference Obligation, the amount so verified shall be the "**Verified Late Recovery Amount**" and the date on which the Credit Default Swap Counterparty procures the delivery of a Late Recovery Verification Report in respect of such Late Recovery Amount is the "**Late Recovery Amount Verification Date**".

The Credit Default Swap Counterparty shall pay to the Issuer an amount equal to such Verified Late Recovery Amount no later than two (2) Business Days following the Late Recovery Amount Verification Date by credit to the Reserve Account (and, to the extent any such Verified Late Recovery Amount is not denominated in sterling, such amount will first be converted into sterling by the Credit Default Swap Counterparty using the Relevant FX Rate applicable to the Defaulted Reference Obligation (and related Cash Settlement Amount) to which the Verified Late Recovery Amount relates).

#### **General Terms – Tax Provisions**

##### ***Issuer***

If any payment obligation of the Issuer under the Credit Default Swap is subject to, or becomes subject to, any deduction or withholding for or on account of any Tax, the Issuer will not be obliged to and will not gross up the relevant amount, and the Credit Default Swap Counterparty will receive such amount less the amount of any such deduction or withholding.

The Credit Default Swap Counterparty may, however, in such circumstances elect to terminate the Credit Default Swap.

##### ***Tax Termination***

- (a) If any payment obligation of the Credit Default Swap Counterparty under the Credit Default Swap is subject to, or becomes subject to, any deduction or withholding for or on account of any Tax which is required by law, the Credit Default Swap Counterparty shall (to the extent

permissible by applicable law and regulation) gross up the relevant amount by paying such additional amounts to the Issuer as are necessary to ensure that the net amount actually received by the Issuer (after payment of any such deduction or withholding for or on account of any Tax) will equal the full amount the Issuer would have received had no such deduction or withholding been required.

- (b) If the Issuer determines that it has, or there is a substantial likelihood that it will within 90 calendar days of the date of determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below), become obliged to withhold or deduct an amount in respect of any Tax from any payment of principal of, interest on, or any other amount payable in respect of, the Notes as a result of any change in, or amendment to, the laws or regulations of Ireland or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), then this will constitute an Additional Termination Event (as defined under the Credit Default Swap) and the Credit Default Swap Counterparty shall in such circumstances either elect to terminate the Credit Default Swap, or, to the extent permissible by applicable law (and without duplication of any amounts payable pursuant to the Credit Default Swap), pay to the Issuer such additional amounts as, after such required deduction or withholding, would enable the Issuer to make grossed up payments on the Notes in accordance with Condition 10 (*Taxation*). See paragraph (b) under "*General Terms - Payments upon Early Termination*" below for a description of the payments under the Credit Default Swap upon such an early termination.
- (c) A "**Swap Tax Event**" will occur if:

- (1) the Credit Default Swap Counterparty will be required to pay to the Issuer any additional amounts (as described in Paragraph (a) above); or
- (2) the Credit Default Swap Counterparty will receive any payments from the Issuer under the Credit Default Swap subject to the deduction of any amount required to be deducted or withheld for or on account of any Tax; or
- (3) payments of interest due to the Issuer on any of the Secured Accounts or on any income due in respect of any other Collateral Investment are, or there is a substantial likelihood that they will, within 90 calendar days of the date of determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below), become subject to deduction or withholding for or on account of any Tax; or
- (4) during a Repo Existence Period, a Repo Tax Event occurs under the Repo Agreement; or
- (5) any of the events described in Paragraph (b) above occurs but the Credit Default Swap Counterparty fails, after any applicable grace period with respect to the Notes, to pay any additional amounts which it has elected to pay to the Issuer;

then **provided that** (a) the Credit Default Swap Counterparty (in the case of the events described in sub-Paragraphs (c)(1) or (c)(2) above) has delivered to the Issuer and the Trustee, or the Issuer (in the case of the events described in sub-Paragraphs (b) and (c)(3) to (5) above) (and at no cost to the Issuer) has delivered to the Credit Default Swap Counterparty and the Trustee, in form and substance satisfactory to the Trustee an opinion, of independent legal advisers of recognised standing confirming the occurrence or anticipated occurrence of such event within 90 calendar days of the date of such opinion and (b) the Credit Default Swap Counterparty determines, after consultation with the Issuer, that the events described in sub-Paragraph (c)(1) or (c)(2) above (or the Issuer determines, after consultation with the Credit Default Swap Counterparty, that any of the events described under sub-Paragraphs (b) and (c)(3) to (5) above) cannot be avoided (without incurring additional cost) by the Credit Default Swap Counterparty or, as the case may be, the Issuer taking reasonable measures available to it), then:

- (i) the Credit Default Swap Counterparty (in the case of the events described in sub-Paragraph (c)(1) or (c)(2) above) may, by giving not less than 45 calendar or more than 90 calendar days notice to the Issuer; or
- (ii) the Issuer (in the case of the events described in sub-Paragraphs (b) and (c)(3) to (5) above) may, by giving not less than 45 calendar or more than 90 calendar days notice to the Credit Default Swap Counterparty,

designate an Interest Payment Date as the date upon which the Credit Default Swap shall terminate and such date shall be the "**Tax Termination Date**" of the Credit Default Swap.

## **General Terms – Termination Provisions**

### ***Termination Date***

The Credit Default Swap will terminate on the Termination Date.

The "**Initial Termination Date**" means the earliest to occur of:

- (a) the Scheduled Redemption Date;
- (b) the date on which the Portfolio Notional Amount is reduced to zero and the Minimum Balance of all Classes of Notes is zero;
- (c) the Optional Termination Date; and
- (d) the Tax Termination Date.

The "**Termination Date**" means the Initial Termination Date except that if, on the Initial Termination Date, (A) there is any Defaulted Reference Obligation in relation to which a Verification Date has not occurred, (B) there is any Defaulted Reference Obligation in respect of which the Verification Date has occurred but the Cash Settlement Date thereof has not occurred (the relevant Reference Obligation, a "**Verified Reference Obligation**"), or (C) there is any Reference Obligation in respect of which a Potential Failure to Pay has occurred but the Event Determination Date in respect thereof has not occurred and in respect of which a Potential Failure to Pay Extension Notice has been delivered in accordance with the Credit Default Swap, the Termination Date shall be the earliest of:

- (a) the first Fixed Rate Payer Payment Date on which the Verified Loss Amounts in respect of all such Defaulted Reference Obligations, Verified Reference Obligations or Potential Defaulted Reference Obligations has been determined (or, in the case of any outstanding Potential Defaulted Reference Obligation, the date on which the relevant Potential Failure to Pay has been remedied or the Conditions to Settlement (other than the Notice of Accountant Certification) in respect thereof have not been satisfied within the relevant Notice Delivery Period) and all Cash Settlement Amounts (if any) due hereunder in respect of such Reference Obligations have been paid;
- (b) the date on which the Portfolio Notional Amount is reduced to zero and the Minimum Balance of all Classes of Notes is zero; and
- (c) the Final Maturity Date.

### ***Scheduled Redemption Date***

The "**Scheduled Redemption Date**" means the Interest Payment Date falling in August 2015.

### ***Early Termination Date***

An "**Early Termination Date**" may be designated by either:

- (a) the Issuer, under the Credit Default Swap, upon the occurrence of:

- (i) a Credit Default Swap Event of Default with respect to the Credit Default Swap Counterparty;
- (ii) the contractual performance of the Issuer's or the Credit Default Swap Counterparty's obligations becoming illegal as more fully described in the Credit Default Swap; or
- (iii) the date upon which a Note Default Notice is delivered,

and, in the case of any of sub-paragraphs (i) to (iii) above, such Early Termination Date shall be a date falling no earlier than two Business Days after the effective date of the notice designating such Early Termination Date.

- (b) the Credit Default Swap Counterparty, under the Credit Default Swap, upon the occurrence of:
  - (i) a Credit Default Swap Event of Default with respect to the Issuer;
  - (ii) the occurrence of a Termination Event (as defined under the Credit Default Swap) which includes but is not limited to the contractual performance of the Issuer's or the Credit Default Swap Counterparty's obligations becoming illegal (as more fully described in the Credit Default Swap); or
  - (iii) the date upon which a Note Default Notice is delivered.

A "Credit Default Swap Event of Default" means:

- (a) with respect to the Issuer or the Credit Default Swap Counterparty, (1) a payment default (continuing for 3 Business Days or more after notice), (2) certain bankruptcy related events, and
- (b) with respect to the Credit Default Swap Counterparty only, (1) misrepresentation, (2) breach of agreement, (3) merger without assumption of the Credit Default Swap Counterparty's liabilities under the Credit Default Swap, and (4) tax event upon merger (each as more fully described in the Credit Default Swap).

***Optional Termination Date***

The Credit Default Swap Counterparty has the right (the "**Termination Option**"), upon no less than 15 calendar days prior written notice to the Issuer, the Calculation Agent and the Cash Manager, to terminate the Credit Default Swap on any Interest Payment Date (such designated date, the "**Optional Termination Date**"). If the Termination Option is exercised and an Optional Termination Date is designated, there shall be no termination payments payable by the Issuer or the Credit Default Swap Counterparty to the other party (and the Issuer shall continue to be liable to pay the Cash Settlement Amount of all Defaulted Reference Obligations and all Potential Defaulted Reference Obligations (to which the Conditions to Settlement are subsequently satisfied prior to the Termination Date in accordance with the terms of the Credit Default Swap) and the Credit Default Swap Counterparty shall continue to be liable to pay the Fixed Amounts).

**General Terms - Payments upon Early Termination**

Upon the early termination of the Credit Default Swap as a result of the designation of an Early Termination Date, the parties shall be obliged to make the following payments in respect of the Credit Default Swap:

- (a) if an Early Termination Date is designated as a result of (i) a failure to pay or deliver or bankruptcy Event of Default (as described under the Credit Default Swap) where the Credit Default Swap Counterparty is the defaulting party, or (ii) an Illegality (as defined under the Credit Default Swap), or (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (v) as a result of the termination of any Funding Swap Agreement (where the Credit Default Swap Counterparty is the Funding Swap Counterparty thereunder and where such Funding Swap is

terminated early as a result of the default of the Funding Swap Counterparty thereunder), or (vi) as a result of a Tax Event Upon Merger (as defined in the Credit Default Swap) in respect of the Credit Default Swap Counterparty; then in respect of any such event, the Cash Settlement Amount of all Verified Reference Obligations (other than those Defaulted Reference Obligations for which Applicable Information cannot be sent to Dealers) will be payable and the Calculation Agent will attempt to obtain a market valuation of the remainder of the transaction represented by a Credit Default Swap excluding the payments referred to in this subparagraph (a); and

- (b) if an Early Termination Date is designated as a result of any Event of Default or Termination Event other than those listed under paragraph (a) above:
- (i) the Issuer shall be liable to pay the Cash Settlement Amount of all Defaulted Reference Obligations and all Potential Defaulted Reference Obligations (to which the Conditions to Settlement are subsequently satisfied in accordance with the terms of the Credit Default Swap (other than those Defaulted Reference Obligations for which Applicable Information cannot be sent to Dealers)) existing as at the Early Termination Date as and when they fall due (on the assumption that no Early Termination Date has occurred); and
  - (ii) the Calculation Agent will attempt to obtain a market valuation of the transaction represented by a Credit Default Swap, after excluding the payments referred to in paragraph (i) above.

#### **General Terms – Governing Law**

The Credit Default Swap will be governed by, and shall be construed in accordance with, the laws of England. The Issuer, the Credit Default Swap Counterparty and the Calculation Agent have submitted to the jurisdiction of the English courts in connection with the Credit Default Swap, and the Issuer has appointed Structured Finance Management Limited, in London, to accept service of process on its behalf.

#### **General Terms – Additional Definitions**

**"Accountant"** means KPMG, or any other firm of independent accountants of internationally recognised standing as may be appointed by the Calculation Agent from time to time, subject to Rating Agency Confirmation.

**"Accountant's Letter"** means the verification procedures to be carried out by the Accountant as agreed between the Accountant, the Calculation Agent and the Credit Default Swap Counterparty in a letter agreement dated on or about the Initial Portfolio Composition Date with such amendments as may be agreed between the Credit Default Swap Counterparty, the Calculation Agent and the Accountant and in respect of which each Rating Agency has confirmed that the then current rating of the Notes would not be adversely affected.

**"Actual Aggregate Notes Interest Amount"** means, in relation to a Fixed Rate Payer Payment Date, the aggregate Notes Interest Amount determined by the Calculation Agent, after consultation with the Agent Bank, to be payable by the Issuer to the Noteholders in respect of the Notes on the Interest Payment Date corresponding to that Fixed Rate Payer Payment Date.

**"Agreed Upon Procedures"** means the verification procedures to be carried out by the Accountant and the Calculation Agent as agreed in the Accountant's Letter.

**"Anticipated Aggregate Notes Interest Amount"** means in relation to any Fixed Rate Payer Payment Date the aggregate Notes Interest Amount determined by the Calculation Agent, after consultation with the Agent Bank, to be payable by the Issuer to the Noteholders in respect of the Notes on the Interest Payment Date corresponding to the following Fixed Rate Payer Payment Date.

**"Anticipated Amount Shortfall"** means, in respect of any Fixed Rate Payer Payment Date on which a Credit Default Swap Counterparty Downgrade Event has occurred on or before the 30<sup>th</sup> day prior to such Fixed Rate Payer Payment Date and is continuing, the amount (if any) by which:



- (a) if a Fixed Rate Payer Interim Exchange Date occurs after the immediately preceding Fixed Rate Payer Payment Date, the Fixed Rate Payer Interim Exchange Amount calculated on or about such Fixed Rate Payer Interim Exchange Date is less than the Actual Aggregate Notes Interest Amount payable on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date; or
- (b) if a Fixed Rate Payer Interim Exchange Date does not occur after the immediately preceding Fixed Rate Payer Payment Date, the Anticipated Aggregate Notes Interest Amount calculated on or about the preceding Fixed Rate Payer Payment Date (if any) is less than the Actual Aggregate Notes Interest Amount payable on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date.

**"Anticipated Amount Surplus"** means, in respect of any Fixed Rate Payer Payment Date on which a Credit Default Swap Counterparty Downgrade Event has occurred on or before the 30<sup>th</sup> day prior to such Fixed Rate Payer Payment Date and is continuing, the amount (if any) by which:

- (a) if a Fixed Rate Payer Interim Exchange Date occurs after the immediately preceding Fixed Rate Payer Payment Date, the Fixed Rate Payer Interim Exchange Amount calculated on or about such Fixed Rate Payer Interim Exchange Date exceeds the Actual Aggregate Notes Interest Amount payable in respect of the Notes on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date; or
- (b) if a Fixed Rate Payer Interim Exchange Date does not occur after the immediately preceding Fixed Rate Payer Payment Date, the Anticipated Aggregate Notes Interest Amount calculated on or about the preceding Fixed Rate Payer Payment Date (if any) exceeds the Actual Aggregate Notes Interest Amount payable in respect of the Notes on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date.

**"Business Day"** means a day on which (i) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and Dublin, and (ii) the TARGET System is open.

**"Cash Settlement Amount"** means on any date an amount equal to the Cumulative Loss Amount as of such date *minus* the Paid Loss as of such date.

**"Credit and Collection Policy"** means the credit and collection policy applied by HSBC from time to time in the assessment and management of the credit risk of its customers in its day to day business and in the event of any variation between such policy as applied by different HSBC Group entities, such policy as applied by the HSBC Entity that is the Servicer in respect of the applicable Reference Obligation.

**"Credit Protection Term End Date"** means the date falling 2 Business Days prior to the Scheduled Redemption Date.

**"Cumulative Loss Amount"** means on any date, the aggregate of all Verified Loss Amounts determined on or prior to such date.

**"Cured"** means with respect to a Failure to Pay Credit Event:

- (a) the payment in full of the amount of the Reference Obligation that was the subject of such Failure to Pay Credit Event (together with any contractual interest on past-due amounts); or
- (b) the giving of a Credit Event Notice for a Restructuring Credit Event in respect of the Reference Obligation that was the subject of such Failure to Pay Credit Event,

in either case, prior to the earlier to occur of (i) the date falling one Business Day prior to the relevant Verification Date, (ii) the date falling one Business Day prior to the Credit Protection Term End Date and (iii) the date falling one Business Day prior to the Initial Termination Date.

**"Dealers"** means a dealer in obligations of the type of obligations for which Quotations are to be obtained or any Affiliate thereof, excluding HSBC Bank plc and its Affiliates.

**"Defaulted Notional Amount"** means, with respect to any date, with respect to a Defaulted Reference Obligation:

- (a) if the Credit Event specified in the relevant Credit Event Notice is a Failure to Pay or Bankruptcy Credit Event, the Reference Obligation Notional Amount thereof on the Event Determination Date; or
- (b) if the Credit Event specified in the Credit Event Notice is a Restructuring Credit Event, the Forgiven Principal.

**"Defaulted Reference Obligation"** means a Reference Obligation with respect to which an Event Determination Date has occurred but which has not become a Liquidated Verified Reference Obligation; *provided, however, that* if the Credit Event specified in the Credit Event Notice is a Restructuring Credit Event, **"Defaulted Reference Obligation"** means the portion of the Reference Obligation with a Reference Obligation Notional Amount equal to the Forgiven Principal in respect of such Restructuring Credit Event.

**"Event Determination Date"** means in relation to a Credit Event, the date on which the Credit Event Notice is delivered to the Issuer, the Cash Manager and the Calculation Agent.

**"First Valuation Date"** means (a) in respect of a Defaulted Reference Obligation with a workout process ending on a Recovery End Date, the first Valuation Business Day immediately following the Recovery End Date, and (b) in respect of a Defaulted Reference Obligation with a workout process ending on the Workout Cut-off Date, the first Valuation Business Day immediately following the Workout Cut-off Date.

**"Fixed Rate Payer Interim Exchange Date"** means the date falling 30 calendar days after the date on which a Credit Default Swap Counterparty Downgrade Event occurs (or if such date is not a Business Day, the next following Business Day) provided that such Credit Default Swap Counterparty Downgrade Event is continuing on such date.

**"Fixed Rate Payer Interim Exchange Amount"** means, in respect of a Fixed Rate Payer Interim Exchange Date, the sum of (i) the Anticipated Aggregate Notes Interest Amount calculated in respect of the immediately following Fixed Rate Payer Payment Date, or, if the Fixed Rate Payer Interim Exchange Date falls on a Fixed Rate Payer Payment Date, the Actual Aggregate Notes Interest Amount payable on such Fixed Rate Payer Payment Date and (ii) the Issuer Spread calculated as if references to the Fixed Rate Payer Payment Date were references to the immediately following Fixed Rate Payer Payment Date, or, if the Fixed Rate Payer Interim Exchange Date falls on a Fixed Rate Payer Payment Date, the Issuer Spread calculated as if references to the Fixed Rate Payer Payment Date were references to the current Fixed Rate Payer Payment Date.

**"Fixed Rate Payer Payment Date"** means each Interest Payment Date.

**"Full Quotations"** means each firm bid quotation obtained from a Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the relevant Defaulted Reference Obligation with an outstanding principal balance equal to the Quotation Amount applicable thereto.

**"FX Rate"** means the rate determined by the Credit Default Swap Counterparty to be the mid-market foreign exchange rate prevailing on such date for the conversion of the relevant currency into Sterling applied by the Credit Default Swap Counterparty for its own regular foreign exchange transactions.

**"FX Reset"** means a reset of the Relevant FX Rate applicable to any Non-Sterling Reference Obligation (excluding any Defaulted Reference Obligation).

**"Grace Period"** means the number of days in the applicable grace period with respect to payments under the relevant Reference Obligation (in effect as at the Relevant Date).

**"Grace Period Extension Date"** means if a Potential Failure to Pay occurs on or prior to the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date, the date that is the lesser of (i) the Grace Period and (ii) thirty days following the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date.

"**HSBC Entity**" means HSBC Bank plc and/or any of its Affiliates (and each member thereof).

"**HSBC Servicer**" means an HSBC Entity carrying out the administration, collection and enforcement of a Reference Obligation, including the enforcement of any security granted in respect thereof.

"**Initial Portfolio Composition Date**" means 31 August 2006.

"**Initial Portfolio Notional Amount**" means GBP 2,000,000,000.

"**Liquidated Verified Reference Obligation**" means a Defaulted Reference Obligation with respect to which a Verified Loss Amount has been determined and a Cash Settlement Amount has been paid.

"**Loss Determination Date**" means (A) where the work-out process ends on the Workout Completion Date, the Workout Completion Date or (B) where the work-out process ends on the Recovery End Date or the Workout Cut-off Date, the date on which the Market Price is determined.

"**Maximum Portfolio Notional Amount**" means on any date:

- (a) the Initial Portfolio Notional Amount; *minus*
- (b) the Cumulative Loss Amount; *plus*
- (c) the aggregate of any reinstatement of the Base Currency Outstanding Principal Balance of the Notes to the extent such reinstatement is funded from the Reserve Account in accordance with Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account balances*) of the Notes; *plus*
- (d) the aggregate of all Cash Settlement Amounts, or portions thereof, funded from the Reserve Account in accordance with Condition 7(b) (*Application of Collateral Principal Proceeds*) of the Notes.

"**Non-Sterling Reference Obligation**" means the Reference Obligation Notional Amount of each Reference Obligation denominated in a currency other than Sterling.

"**Notes Funding Amount**" means in respect of any Interest Payment Date:

- (a) if no Credit Default Swap Counterparty Downgrade Event has occurred on or before the 30<sup>th</sup> calendar day prior to such Fixed Rate Payer Payment Date (or, if a Credit Default Swap Counterparty Downgrade Event had then occurred, is no longer continuing on such Fixed Rate Payer Payment Date), (i) the aggregate Notes Interest Amount determined by the Calculation Agent, after consultation with the Agent Bank, to be payable by the Issuer to the Noteholders in respect of the Notes on the Interest Payment Date corresponding to that Fixed Rate Payer Payment Date; *minus* (ii) the sum of (A) the amount determined by the Calculation Agent, after consultation with the Account Bank, to be the Collateral Income Proceeds that will be received by the Issuer on the corresponding Interest Payment Date and (B) the amount determined by the Calculation Agent, after consultation with the Cash Manager, to be the credit balance of the Issuer Transaction Account (including without double-counting accrued interest but excluding any sum in respect of Expenses previously funded by the Credit Default Swap Counterparty) as of the corresponding Interest Payment Date; (C) if a Credit Default Swap Counterparty Downgrade Event had occurred on or before the 30<sup>th</sup> calendar day prior to the immediately preceding Fixed Rate Payer Payment Date and was continuing on such Fixed Rate Payer Payment Date, the Notes Funding Amount payable on such preceding Fixed Rate Payer Payment Date, to the extent it relates to the Notes Interest Amount payable on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date; and (D) if a Credit Default Swap Counterparty Downgrade Event had occurred after the 30<sup>th</sup> calendar day prior to the immediately preceding Fixed Rate Payer Payment Date and was continuing on the related Fixed Rate Payer Interim Exchange Date, the Fixed Rate Payer Interim Exchange Amount paid on such Fixed Rate Payer Interim Exchange Date to the extent it relates to the Notes Interest Amount payable on the Interest Payment Date corresponding to the current Fixed Rate Payer Payment Date.

- (b) if a Credit Default Swap Counterparty Downgrade Event occurred on or before the 30<sup>th</sup> calendar day prior to such Fixed Rate Payer Payment Date and is continuing on such Fixed Rate Payer Payment Date, (i) the Anticipated Aggregate Notes Interest Amount; *minus* (ii) the sum of (A) the amount determined by the Calculation Agent, after consultation with the Account Bank, to be the Collateral Income Proceeds that will be received by the Issuer on the corresponding Interest Payment Date; and (B) the amount determined by the Calculation Agent, after consultation with the Cash Manager, to be the credit balance of the Issuer Transaction Account (including without double-counting accrued interest but excluding any sum in respect of Expenses previously funded by the Credit Default Swap Counterparty) as of the corresponding Interest Payment Date.

**"Notes Interest Amount"** means, in respect of an Interest Payment Date, the aggregate Interest Amount payable on the Notes on such Interest Payment Date calculated by the Agent Bank in accordance with the Conditions and converted, where necessary, into Sterling at the applicable Funding Swap Rate by reference to the applicable Funding Swap Agreement (and being the applicable Sterling amount which would be payable by the Issuer thereunder).

**"Notice Delivery Period"** means the period from and including the Closing Date to and including the earlier to occur of the Credit Protection Term End Date and the Initial Termination Date or, in respect of any Potential Defaulted Reference Obligation in respect of which a Potential Failure to Pay Extension Notice is delivered on or before the earlier of the Credit Protection Term End Date and the Initial Termination Date, to and including the date falling 60 Business Days after the Grace Period Extension Date in respect of such Potential Defaulted Reference Obligation.

**"Paid Loss"** means, on any date, the aggregate of all Cash Settlement Amounts paid prior to such date.

**"Portfolio Notional Amount"** means on any date, the aggregate of the Reference Obligation Notional Amounts of all Reference Obligations comprising the Reference Portfolio on such date, provided that on the Initial Termination Date the Portfolio Notional Amount shall be reduced to an amount equal to the Maximum Cash Settlement Amount on such date and shall thereafter equal the Maximum Cash Settlement Amount.

**"Potential Failure to Pay"** is defined in the 2003 Definitions.

**"Quotation"** means each Full Quotation and the Weighted Average Quotation obtained pursuant to the valuation procedures described above and expressed as a percentage.

**"Quotation Amount"** means, with respect to a Defaulted Reference Obligation and if the Credit Event specified in the relevant Credit Event Notice is a Failure to Pay or Bankruptcy Credit Event, the Defaulted Notional Amount of such Defaulted Reference Obligation minus the Recovery Amount.

**"Reference Entity"** means with respect to any Reference Obligation, each entity (or its Successor) identified as such by an identification code in the Reference Registry in respect of such Reference Obligation being the obligor in respect thereof.

**"Relevant Date"** means:

- (a) with respect to any Reference Obligation comprising the Reference Portfolio on the Closing Date, the Initial Portfolio Composition Date; or
- (b) with respect to any Reference Obligation that has been added to the Reference Portfolio (or in respect of which the Reference Obligation Notional Amount was increased) after the Closing Date pursuant to the Credit Default Swap, the relevant Replenishment Date in respect of such Reference Obligation.

**"Relevant Lender"** means with respect to a Reference Obligation, the lender of record of such Reference Obligation.

**"Replenishment Period"** means the period from and including the Closing Date to but excluding the earlier of:

- (a) the Interest Payment Date falling in November 2010; and
- (b) the Initial Termination Date.

**"Report Date"** means any date selected by the Credit Default Swap Counterparty occurring no later than 21 Business Days after each Interest Payment Date.

**"Successor"** means in relation to a Reference Entity a direct or indirect successor to such Reference Entity that assumes liability in respect of any relevant Reference Obligation by way of merger, consolidation, amalgamation, transfer or otherwise, whether by operation of law or pursuant to any agreement, as determined by the Calculation Agent (after consultation with the Credit Default Swap Counterparty). Where one or more Successor has been identified, each Reference Obligation relating to a succeeded Reference Entity will be divided into the same number of new Reference Obligations as there are Successors, and apportioned between such Successors rateably in accordance with their share of Reference Obligation so succeeded, and: (a) each Successor will be the Reference Entity for the purposes of its respective Reference Obligation as so divided; and (b) the Credit Default Swap Counterparty shall, as soon as reasonably practicable following consultation with the Calculation Agent, procure that the Cash Manager updates the Reference Registry to take into account the divided Reference Obligations.

**"Valuation Business Days"** means with respect to a Reference Entity and the related Defaulted Reference Obligation, each Business Day and a day on which commercial banks settle payments and are open for general business (including dealings in foreign exchange currency deposits) in the place of the secondary loan market (if any) for the relevant Defaulted Reference Obligation of such Reference Entity.

**"Weighted Average Quotation"** means the weighted average of firm bid quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Defaulted Reference Obligation with an outstanding principal balance of as large a size as available but less than the Quotation Amount (but of a size at least equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in the aggregate are approximately equal to the Quotation Amount.

**"Workout Cut-Off Date"** means the date falling three years after the Scheduled Redemption Date (or, if such date is not a Business Day, the next following Business Day).

## SERVICING OF THE REFERENCE OBLIGATIONS

The following Servicing Guidelines (the "**Servicing Guidelines**") will apply to the servicing of the Reference Obligations. The administration, collection and enforcement of each Reference Obligation, including the enforcement of any security granted in respect thereof, will be carried out in accordance with the Servicing Guidelines or otherwise in accordance with the relevant Servicer's established procedures for loans that are similar in type to the relevant Defaulted Reference Obligation by the Servicer.

The Eligibility Criteria require that any Reference Obligation, as of the Relevant Date, is booked and is being serviced by HSBC in the United Kingdom; however, it is not a condition of the Credit Default Swap that, following the Relevant Date in respect thereof, any Reference Obligations included in the Reference Registry be beneficially held by HSBC. Pursuant to the Credit Default Swap, the Credit Default Swap Counterparty shall procure that the administration, collection and enforcement of each Reference Obligation shall be carried out in accordance with the Servicing Guidelines to the extent applicable and otherwise in accordance with the relevant Servicer's established procedures for loans that are similar in type to the relevant Reference Obligation.

### *Standard of HSBC Servicer*

To the extent that the HSBC Servicer is responsible for servicing a Reference Obligation, the HSBC Servicer shall, acting as a Prudent Lender:

- (a) service each Reference Obligation in accordance with the then prevailing Credit and Collection Policy;
- (b) collect each Reference Obligation that becomes a Defaulted Reference Obligation and enforce any collateral in respect thereof:
  - (i) with the aim of maximising recoveries and minimising losses in respect of such Reference Obligation;
  - (ii) acting, in good faith, as a Prudent Lender would in protecting its own interests; and
- (c) perform the duties in (a) and (b) above;
  - (i) with no less care than the HSBC Servicer exercises or would exercise in connection with the servicing of assets similar to the Reference Obligations held for its own account as if such Reference Obligations are not the subject of the Credit Default Swap; and
  - (ii) without reference to any hedge contract or contracts of indemnity or financial guarantee contracts that may be entered into with regard to such Reference Obligations.

It is HSBC's current policy not to provide any information that a loan may be included as a Reference Obligation, or that the borrower in respect thereof is a Reference Entity, which is then included in the Reference Portfolio to relationship managers, credit analysts, LMU personnel and certain other individuals to whom this information may effect lending or other associated decisions.

**"Prudent Lender"** means, at any time, a major financial institution organised in any of the Qualifying Countries carrying on a commercial lending business in a Qualifying Country: (a) which is a prudent lender; (b) which applies standards which are no less prudent than those of HSBC at such time; and (c) whose primary commercial lending business is limited to borrowers which other financial institutions organised in any of the Qualifying Countries carrying on a commercial lending business in any of the Qualifying Countries would not commonly decline to lend due to the application of their standard credit criteria.

***Discretion of HSBC Servicer***

- (1) The HSBC Servicer may, at any time prior to the occurrence of a Credit Event with respect to the relevant Reference Obligation, agree to the release by the Relevant Lender of any collateral in respect of the relevant Reference Obligation if either:
  - (i) in its professional judgement, it concludes that it is required to do so by applicable or contractual arrangements; or
  - (ii) does so in the ordinary course of its business and in accordance with its then prevailing Credit and Collection Policy that is applicable.
- (2) Subject to applicable law, the HSBC Servicer may, on behalf of the Relevant Lender, agree on payment rescheduling or debt restructuring with a Reference Entity in accordance with HSBC's then prevailing Credit and Collection Policy that is applicable. Such restructuring shall be granted, in the interest of the Relevant Lender, to mitigate a deterioration of the credit quality of the relevant Reference Entity or to minimise any potential loss in respect of the relevant Reference Obligation.
- (3) In all cases where the HSBC Servicer may forgo the repayment of a portion of a Reference Obligation, the HSBC Servicer shall have regard to the standard specified in Paragraph (b)(ii) above.

***Servicing Agent Bank performing servicing or enforcement functions.***

If a Servicing Agent Bank is or becomes responsible for servicing or enforcing a Reference Obligation, the Servicing Agent Bank will carry out the administration, collection and enforcement of any such Reference Obligation in accordance with any documentation governing the relevant Reference Obligation and in accordance with its own credit and collection policies.

## HSBC

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name of Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly-owned subsidiary undertaking of HSBC Holdings plc ("**HSBC Holdings**"), whose Head Office is at 8 Canada Square, London, E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December 1999. HSBC Holdings is listed on the London, Hong Kong, New York, Paris and Bermuda Stock Exchanges.

HSBC Holdings and its subsidiaries ("**HSBC Group**") is one of the largest banking and financial services organisations in the world, with approximately 9,500 offices and employing more than 280,000 staff in 76 countries and territories in five geographical regions: Europe; the Asia-Pacific region, the Americas, the Middle East and Africa. Its total assets at 30 June 2006 were USD 1,738 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short-term unsecured obligations of HSBC Bank plc are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch, and the long-term obligations of HSBC Bank plc are currently rated AA by S&P, Aa2 by Moody's and AA by Fitch.

HSBC Bank plc is one of the leading corporate lenders in the United Kingdom. HSBC is regulated pursuant to the Financial Services and Markets Act 2000 and is an authorised institution supervised by the Financial Services Authority. In addition, HSBC Holdings is a reporting issuer for the purposes of certain US securities regulations and in accordance therewith is required to publish certain financial information with the offices of the SEC. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

The transactions described in this prospectus involve loans to corporate clients booked and managed within Corporate Banking, UK ("**Corporate Banking UK**"), a part of HSBC Corporate, Investment Banking and Markets ("**CIBM**"), which is HSBC Bank plc's central UK lending office for corporate accounts and financial institutions, based in London. Other major Corporate Banking centres exist in Hong Kong, New York and Paris. Corporate Banking UK is the largest and most mature of these Corporate Banking centres. CIBM is one of the HSBC Group's four customer groupings, designed to reinforce HSBC Group's customer focus.

*The information contained herein with respect to HSBC Group and HSBC has been obtained from it. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of HSBC Group or HSBC since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to this date.*



## ORIGINATION OF THE REFERENCE OBLIGATIONS, HSBC'S CREDIT POLICIES AND PROCEDURES

The following is a description of the origination, credit and collection policies applied by HSBC from time to time in the assessment and management of the credit risk of its customers in its day-to-day business. Accordingly the below comprises a description of the Credit and Collection Policy expected to be in place at the Closing Date, but such origination, credit and collection policies (and accordingly the Credit and Collection Policy) may be altered at any time by HSBC.

### *General*

The proposed transaction will reference only Reference Obligations of corporate borrowers, which may be denominated in Sterling, Euro and US dollars and initially booked and managed by Corporate Banking UK. The Reference Obligations are derived from term and revolving facilities which comply with the Eligibility Criteria. The related loan facility may be either bilateral or syndicated.

It is HSBC's policy to formulate, maintain and refine credit policies and processes to enable HSBC business units to carry on their lending operations within established principles. The HSBC Group promulgates a framework for credit policies that is generally conservative and risk averse in nature. Within the standards put forward under this HSBC Group policy framework, HSBC sets certain standards for credit policies and procedures. These standards are updated periodically as new or amended policies are instituted. HSBC also establishes lending guidelines which are consistent with the HSBC Group framework, in relation to current credit perception of the market or specific industries and in the context of HSBC's and HSBC Group's overall strategic plans. The guidelines provide specific parameters such as facility pricing, term and structure benchmarks as well as general parameters relating to industry criteria and risk concentration limits. These guidelines are regularly reviewed and updated. Both the HSBC standards and applicable guidelines are available to and must be followed by all lending officers.

The HSBC Group has implemented a group-wide proprietary system for credit approval and relationship management which integrates all of the information normally found in a credit file (including all reports, financial analyses, credit applications and annual reviews). This computer-based system, which is in use across CIBM, allows for the maintenance of client information in a screen-based system, provides for expedited access to client information.

*Bilateral facilities* are facilities provided to the relevant borrower by a single lender. Syndicated facilities are facilities provided by two or more lenders under the same documentation and under identical terms and conditions with, generally, advances being made to the borrower and payments being made by the borrower, *pro rata* by and to the lenders in accordance with their respective several lending commitments. An agent bank, which may or may not be HSBC, acts as conduit for payments in both directions and performs other mechanical and administrative functions. HSBC may either be a party to a syndicated facility agreement as an original lender, or may have become a party by novation in accordance with the terms of the relevant facility documentation. In either circumstance, HSBC's lending criteria are the same. See also "*Risk Factors - Reliance on Administration and Collection Procedures-Administrative and Collection Policies*".

The transactions described in this Prospectus involve loans to corporate clients, including insurance and fund management companies, that are, as at the date of any inclusion in the Reference Portfolio, originated, booked and managed by Corporate Banking UK, which is HSBC's central UK lending office, based in London and which is HSBC's central UK office for managing corporate accounts and financial institutions. Corporate Banking UK in turn is a part of CIBM, one of HSBC's four main customer groups.

HSBC is a "relationship bank", and Corporate Banking UK has long-standing and committed relationships with its corporate clients. Generally, Corporate Banking UK's approach to relationship and credit management can be characterised by the following:

- (i) *Origination* of facilities is managed within Corporate Banking UK working alongside other specialist areas such as syndicated finance and HSBC's legal department. Corporate Banking UK targets major corporates and is structured around 11 broad industry sectors. Corporate

bankers within these sector teams develop industry expertise and co-ordinate the marketing of CIBM's global product and services, promoting the HSBC Group's global marketing network. Credit analysts, alongside relationship managers, perform an independent assessment of the credit risk of borrower and the appropriateness of facilities, taking into consideration both credit exposure and return;

- (ii) *Regular Monitoring* facilitates management of the credit risk of the Corporate Banking UK loan portfolio. This encompasses initial and annual reviews of individual credits, reviews of overall portfolio quality and audit sampling and takes place within an established credit approval and monitoring framework, each as described below.
- (iii) Management plays an active role in overseeing the loan portfolio with regard to limits and concentrations, including active executive management involvement in portfolio monitoring.

Relationships with corporate borrowers are monitored for revenue and profitability on a risk-weighted asset basis using RAROC methodology. This monitoring takes place on an on-going basis (and in any event at least annually) pursuant to a credit review process described in more detail below and enables Corporate Banking UK to maintain a risk management approach to lending and to control overall portfolio risk exposure.

### ***Credit Approval Process***

HSBC's credit process is dynamic and is subject to regular updating in order to reflect:

- (a) advances in technology;
- (b) changes in market conditions;
- (c) the overall credit profile of the portfolio;
- (d) the overall credit profile of individual corporate clients; and
- (e) changes in management structure of corporate clients.

Lending relationships with corporate clients are developed by HSBC relationship managers liaising with existing and prospective borrowers. Relationship managers meet with clients to discuss the underlying needs for loans, overall industry conditions and other related information that is either publicly available or is provided by the client. When a client makes a request for credit, a credit analyst and/or relationship manager is responsible for preparing a Credit Proposal, which will be used in the credit approval process. A "**Credit Proposal**" is a comprehensive document which gives detailed information on both the client and the proposed facility both for new facility requests and also annually in relation to existing facilities (such annual Credit Proposal is called a "**Credit Review**"). The Credit Proposal and Credit Review analyses include a financial review of the client and, as appropriate, its subsidiaries (including financial statements), a risk analysis in relation to the facility, an industry review, an analysis of the client's management and credit standing and detailed information on existing facilities, any security or guarantee and HSBC Group's relationship and exposure to that client. The Credit Proposal and Credit Review analyses also considers future strategy towards the ongoing relationship with that client.

HSBC's credit approval process is hierarchical rather than committee-based. The approval process begins with the relationship manager. The relationship manager's recommendation is reviewed by individuals with successive authority levels until the appropriate approval is obtained for the relevant application amount. Each individual in the approval process is required to accept individual responsibility for approval. Consequently, each officer with a credit approval authority below that required will review and must recommend the Credit Proposal information to the more senior officer in the approval process. The hierarchical, rather than committee-based, approval process is designed to (i) to ensure that individuals take responsibility for credit decisions and (ii) to provide an efficient means of responding to client requests. Approval authority levels are set for senior managers by HSBC Holdings, and may be delegated down through the hierarchy within established parameters, such levels being communicated to the relevant officers in writing. At certain higher levels, HSBC Holdings' concurrence along with management approvals which consider risk weighted asset usage and client

profitability may be required. An individual with the required level of authority approves Credit Proposals and Credit Reviews.

**Customer Risk Rating**

"Customer" means a group of borrowers or potential borrowers treated as a single entity as part of an underlying loan facility and all borrowers within that Customer typically have the same industry classification. HSBC (and some other HSBC Group entities) have introduced a 22 point CRR scale linked to a twelve month probability of default and correlated to major Rating Agency methodology which is fundamental in HSBC's management of credit risk in its lending portfolio. All borrowers in respect of Reference Obligations will be assigned a CRR prior to the relevant Reference Obligation being included in the Reference Portfolio.

CRRs are a quantitative and qualitative statistical approach to potential default based upon current and historic data. The relationship manager responsible for a borrower is required to provide an assessment of management, competitive position and industry as part of the input to a financial model which utilises historic financial data on the borrower. The output from this process produces an initial CRR which the relationship manager is required to assess, taking into account any other external information and/or factors not included in the model. This can include adjustments resulting from a parental support policy. Parental support is tested through a criteria-based approach which forms part of the credit assessment process for subsidiaries and considers metrics such as explicit parental guarantees as a determinant of whether a separate full credit assessment is required at the subsidiary level. The CRR is recommended to the hierarchical credit approval line. CRRs are subject to constant review based upon economic, political or industry trends and other factors affecting the creditworthiness of a borrower, and may be changed at any time if the relationship manager, or any other credit executive more senior in the hierarchical approval process determines that the position subject to approval by a credit executive or outlook for a particular credit has improved or deteriorated. Any CRR produced by the model may be modified (up or down) at the time of the initial analysis or at any review if the credit executive think it appropriate and there is a strong rationale to do so.

The 22-point scale CRR system is summarised below:

CRR (22 Point Scale)	CRR Narratives
1.1	Extremely strong capacity to meet long and short-term financial commitments, minimal sensitivity to long-term adverse external events or market conditions.
1.2	Very strong capacity to meet longer term and short-term financial commitments; slight sensitivity to longer term external events or market conditions.
2.1	Strong capacity to meet longer term and short-term financial commitments; slight sensitivity to longer term external events or market conditions.
2.2	Strong capacity to meet longer term and short-term financial commitments; modest sensitivity to longer to medium term adverse external changes or market conditions.
3.1	Satisfactory capacity to meet medium and short-term financial commitments; but some sensitivity to medium term adverse external changes or market conditions.
3.2	Satisfactory capacity to meet medium and short-term financial commitments; moderate sensitivity to adverse medium term external changes or market conditions.
3.3	Satisfactory capacity to meet medium term to short-term financial commitments; but more sensitive to medium term adverse external changes or market conditions.

**CRR (22  
Point Scale)**

**CRR Narratives**

- 4.1 Capacity to meet medium and short-term financial commitments is considered fair, but greater medium term sensitivity to external changes or market conditions.
- 4.2 Capacity to meet medium and short-term financial commitments is considered fair, but higher sensitivity to medium term external changes or market conditions.
- 4.3 Capacity to meet medium term and short financial commitments, but marked sensitivity to medium term external changes or market conditions, sensitivity to short-term events remains modest.
- 5.1 Capacity to meet medium and short-term financial commitments considered average, but heightened sensitivity to medium term external changes or market conditions, sensitivity to short-term events remains acceptable.
- 5.2 Capacity to meet medium and short-term financial commitments is considered average but sensitivity to medium term market conditions and external events, more significant and may impact on the financial condition. Sensitivity to short-term events considered acceptable.
- 5.3 Capacity to meet medium term and short-term financial commitments remains average; but greater sensitivity to medium term market conditions and external events which may impact on the financial condition. Sensitivity to short-term events is considered adequate.
- 6.1 Marginally acceptable capacity to meet short-term financial commitments; susceptible to medium term external changes or market conditions which may impair the ability to meet financial commitments. Vulnerable to short-term events.
- 6.2 Capacity to meet short-term financial commitments remains marginally acceptable; but more susceptible to medium term external changes or market conditions which may impair the ability to meet financial commitments. More vulnerable to short-term external events.
- 7.1 Continuing capacity to meet short-term financial commitments is marginally acceptable; however marked susceptibility to external changes or medium term market conditions impairing the ability to meet financial commitments. Susceptible to short-term adverse changes or events. More intensive relationship management will normally be required.
- 7.2 Continuing capacity to meet short-term financial commitments is weakened; increased susceptibility to external changes or medium term market conditions impairing the ability to meet financial commitments. More susceptible to short-term adverse changes or events. More intensive relationship management will normally be required.
- 8.1 Customer is suffering financial difficulties but full repayment without steps such as realisation of security (if held) is still expected. The probability of default within the next 12 months is considered to be less than 20%.
- 8.2 Financial condition is weak and capacity to repay has deteriorated but full repayment without steps such as realisation of security (if held) is still, on balance, anticipated. The probability of the customer defaulting within the next 12 months is considered to be more than 20% but less than 50%.

**CRR (22  
Point Scale)**

**CRR Narratives**

8.3 The customer is not in default at this point but full repayment without steps such as realisation of security (if held) is becoming less likely. The probability of the customer defaulting within the next 12 months is considered to be more than 50%.

9.0 Default. The bank considers that either the customer is unlikely to pay its credit obligations in full, without recourse by the bank to action such as realising security if held, or the customer is past due more than 90 days on any material credit obligation to the banking group. In the case of overdrafts "90 days past due" means either that there is an excess over an agreed limit which has persisted continuously for 90 days or that there has been an overdrawn position for 90 days continuously without an agreed limit.

Indications of unlikeliness to pay include:

- The placing of a credit obligation on a non accrued status or ceasing taking interest to profits;
- The raising of a specific provision or write off or forgiveness of all or part of the debt;
- The selling of a material obligation at a material credit-related loss;
- A distressed restructuring;
- The making of formal demand;
- Actual or imminent formal insolvency or voluntary arrangement.

N.B. Customers who meet the above criteria must be graded as Grade 9 irrespective of any security cover that may be held.

10.0 The customer is in default as above and further material recovery from any source is considered unlikely. Full write-off is anticipated in due course.

On a formal basis, CRRs are reviewed at least annually as part of the Credit Review process. If any event occurs which would result in the deterioration of an established CRR during the period between reviews, the CRR is assessed and changes recommended to reflect the prevailing circumstances affecting the credit. The relationship manager is also responsible for ensuring that CRRs are updated promptly on HSBC's reporting systems.

The Reference Obligations comprising the Reference Portfolio at the Closing Date will be limited to Reference Obligations of Reference Entities with the Required CRR.

***Credit Approval and Relationship Management System***

The HSBC Group has implemented a group-wide proprietary system for credit approval and relationship management which integrates all the information normally found in a credit file (including all reports, financial analyses, Credit Proposals and Credit Reviews). This computer-based system, which is in use across CIBM, allows for the maintenance of client information in a screen-based system, provides for expedited access to client information and also records client profitability, monitored on a risk-weighted asset basis.

***Annual Review and Loan Monitoring & Control***

As detailed above, a complete Credit Review is required for every credit in the loan portfolio (consisting of, *inter alia*, the Reference Portfolio) on at least an annual basis. The Credit Review considers, *inter alia*, and where appropriate, the annual audited financial information provided by the relevant borrower. The Credit Review is reviewed by individuals in the credit approval process up to a

person authorised to give approval for the facility values in question. Each level of review may result in the relevant individual imposing conditions or changing the terms of the credit (to the extent this is within HSBC's discretion in accordance with the relevant contractual arrangements with the relevant borrower). If credit concerns are identified, more frequent monitoring, including involvement of the Loan Management Unit may result (see "*Delinquencies, Write-Off Procedures and Experience*" below).

Loan monitoring and control is generally managed through:

- (a) daily monitoring of limit compliance; and
- (b) monitoring compliance with loan covenants when due. Comment on loan covenant compliance is specifically required in the Credit Review.

### ***Portfolio Quality Review***

HSBC performs a review of the full Corporate Banking UK portfolio on a half-yearly basis. The reviews are designed to identify any significant industry trends, to reflect these trends properly in the CRR, and to provide HSBC with information relating to its overall credit position with regard to borrowers in certain affected industries, and may then also be reflected in the lending guidelines.

### ***Internal Audit Reports***

In addition to the regularly scheduled reviews of credits within the portfolio and the generation of Credit Review reports, an internal audit department conducts unscheduled reviews of credit files. The HSBC Group audit department is functionally separate from HSBC and CIBM and monitors the operations of all HSBC Group companies. HSBC is accordingly subject to a programme of internal audit visits which monitor the operation of effective internal controls. Frequency of the audit is determined by the risk of the business unit. This review occurs on average every 24 months for each industry-specialised team within CIBM. The audit consists of evaluating the adequacy of a sample of credit applications, the appropriateness of the assigned CRR, and the adequacy of documentation relating to loan facilities. After each audit, an executive summary is issued to the Chief Executive and/or the Chief Operating Officer, the Head of Credit & Risk and HSBC Group's functional management.

### ***Delinquencies, Write-Off Procedures and Experience***

Delinquency information is monitored daily, is utilised in connection with the day-to-day management by relationship managers of loan facilities and is reflected in the CRR relating to a particular borrower. Delinquencies are a factor in an assessment of a borrower's credit quality but they are not the sole or necessarily leading factor in such assessment.

Although HSBC monitors delinquent amounts (that is, amounts which are contractually past due) on an individual basis, HSBC does not maintain ongoing or historic records of delinquency information on a portfolio basis. Where necessary, management may enter into restructuring or refinancing arrangements with borrowers or may determine to dispose of or sub-participate the relevant obligation in the secondary market, in order to maximise recoveries of doubtful debts. However, such restructuring, refinancing or disposal arrangements are not necessarily reflected as delinquencies.

Under circumstances where the recoverability of a loan to a corporate client has become questionable, HSBC may seek to resolve the situation by working with the borrower to arrive at an acceptable schedule for repayment or in other circumstances may work with the client's other corporate creditors towards an out-of-court restructuring of the borrower's indebtedness. The lending guidelines promulgated at Corporate Banking UK contain procedures for identification, credit management and recovery in relation to problem lending situations. When necessary, HSBC uses an established and dedicated unit of individuals to provide intensive management and control of the borrower relationship to maximise recoveries of doubtful debts; this unit can act together with, or independently of, Corporate Banking UK. Corporate Banking UK may also receive support from the independent Loan Management Unit ("LMU"), which assists with restructuring for problem lending in the context of borrower insolvency.

Multi-creditor restructurings in many jurisdictions follow the "Statement of Principles for a Global Approach to Multi-Creditor Workouts", published by the International Federation of Insolvency Professionals in October 2000. The intention of this type of approach is to maximise the value for the company's financial creditors, who are not necessarily constant throughout the process and whose agendas may change. There can be no assurance that the amount ultimately recovered through an out-of-court restructuring utilising this approach will equal what HSBC might otherwise recover had other approaches been employed.

In addition, with the improvement in liquidity in the secondary market for distressed bank loans in the last several years, HSBC has increasingly looked to loan sales as an economically viable alternative to bi-lateral or multi-lateral restructurings. Because a loan sale typically involves a very modest investment of time and resource on the part of the seller, it can be economically sensible to sell a loan at a price lower than that which the seller expects might ultimately be collected in a full restructuring.

The following table sets forth the write-off experience of Corporate Banking UK's total loan portfolio (which, for the avoidance of doubt, includes loans which would not satisfy the Eligibility Criteria). The net write-offs shown in the table reflect actual losses of HSBC and this would not necessarily correlate to the manner of calculation of Cash Settlement Amounts. Accordingly, the table may not be representative of aggregate Cash Settlement Amounts which may impact the Outstanding Principal Balance of the Notes. See "Risk Factors - No Loss Required".

**Provisioning and Write-Off Experience<sup>(1)</sup>**  
(thousands) (Sterling)

	For the year ended 31 December					2006 Aug
	2001	2002	2003	2004	2005	YTD*
Loan Book	10,981,685	10,735,667	11,630,782	9,702,984	10,339,551	11,282,486
Gross provisions raised <sup>(2)</sup>	11,422	102,232	70,775	17,543	19,480	4,711
Release of provisions no longer required <sup>(3)</sup>	(8,406)	(839)	(23,246)	(26,809)	(28,897)	(9,902)
Recovery of amounts written off <sup>(4)</sup>	(8,238)	(4,963)	(31,195)	(5,972)	(7,440)	(5,839)
Net profit and loss charge	(5,222)	96,431	16,334	(15,238)	(16,857)	(11,030)
Gross provisions as % of loan book	0.10%	0.95%	0.61%	0.18%	0.19%	0.04%
Net profit and loss charge as % of loan book	-0.05%	0.90%	0.14%	-0.16%	-0.16%	-10%

<sup>(1)</sup> Negative numbers represent a net recovery/release

<sup>(2)</sup> Provisions made in that period in respect of loan facilities in Corporate Banking UK

<sup>(3)</sup> Reductions in provisions in that period in respect of loan facilities in Corporate Banking UK

<sup>(4)</sup> Monies received in that period from loan facilities where provisions have previously been applied (written-off)

\*Assumes bad debt levels static for the year

Negative numbers represent a net recovery/release

## ISSUER

### "Description of the Issuer

The Issuer is a special purpose vehicle established for the purpose of issuing asset backed securities and was incorporated in Ireland as a public limited company on 6 October 2006, registered number 427707 with the name Metrix Securities P.L.C., under the Companies Acts 1963-2005 of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland and its phone number is +353 (1) 647 1550.

The authorised share capital of the Issuer is EUR40,000 divided into 40,000 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued 40,000 Shares, 7 of which are fully paid and 39,993 of which are up to one quarter paid. The Shares are held on trust by SFM Corporate Services Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Structured Finance Management (Ireland) Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the Corporate Services Agreement entered into on or prior to the Closing Date between the Issuer, the Corporate Services Provider and the Trustee, the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that the Issuer and the Trustee may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the Corporate Services Provider of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 10 days from the date on which it was notified of such breach. In addition, the Issuer and the Trustee jointly, or the Corporate Services Provider acting alone, may terminate the Corporate Services Agreement at any time by giving at least three months written notice.

The Corporate Services Provider's principal office is 25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland.

### **Business**

The principal objects of the Issuer are set forth in clause 3 of its Memorandum of Association and include, *inter alia*, the power to issue securities and to raise or borrow money, to grant security over its assets for such purposes, to lend with or without security and to enter into derivative transactions. The securities issued by the Issuer may be issued in segregated series, and recourse under each series may be limited to specified assets of the Issuer. Cash flow derived from the Charged Assets securing the Notes in relation to which this Prospectus is published will be the Issuer's only source of funds to fund payments in respect of such Notes, and such funds will not be available to fund payments in respect of other series of securities. The cash flows derived from the relevant charged assets securing any further segregated series of securities will be the Issuer's only source of funds to fund payments in respect of such securities, and such funds will not be available to fund payments in respect of other series of securities (including the Notes).

So long as any of the Notes remain outstanding, the Issuer will be subject to the restrictions set out in Condition 4 and in the Trust Deed. In particular, the Issuer has undertaken not to carry out any business other than the establishment of the Transaction and the issue of Notes and the entry into of agreements related thereto, and the issue of further securities backed by specified segregated portfolios of assets, and the entry into of agreements related to such further issue of securities, and does not and will not have any substantial assets other than the Charged Assets for the Notes (and, if further any series of securities are issued, specified assets over which security is created specifically for any such series of securities) and does not and will not have any substantial liabilities other than in connection



with the Notes and any Charged Assets (or, if further series of securities are issued, liabilities in connection with such further series of securities and any charged assets over which security is created specifically for such series of securities).

The Issuer has, and will have, no material assets other than the sum of EUR 40,000 representing the proceeds of its issued share capital, such fees (as agreed) relating to the Transaction payable to it in connection with the issue of Notes or the purchase, sale or incurring of other obligations and any Charged Assets and any other assets on which the Notes (or, if further series of securities are issued, such securities and the related assets) are secured. Save in respect of the fees generated in connection with each issue of Notes, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the proceeds of the Issuer's issued share capital, the Issuer will not accumulate any surpluses.

The Notes are obligations of the Issuer and not of the directors or shareholder(s) of the Issuer, the Share Trustee, the Trustee, the Lead Manager, HSBC or the Corporate Services Provider.

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation. Save for the issues of Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

#### **Directors and Company Secretary**

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Karen McCrave      25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland

Frank Heffernan      25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland.

The Company Secretary is Structured Finance Management (Ireland) Limited.

#### **Financial Statements**

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Registration Document. The Issuer intends to publish its first financial statements in respect of the period ending on 30 September 2007. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 30 September in each year.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are KPMG of 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.

## ESTIMATED WEIGHTED AVERAGE LIFE OF THE NOTES

The weighted average lives of the Notes cannot be stated accurately, because the actual rate of repayment of the Reference Obligations and a number of other relevant factors are unknown. Calculations of the possible weighted average lives of the Notes can be made, however, based on certain assumptions. The assumptions used to calculate the possible average lives of the Notes in the following tables are that:

- (a) all payments due on the Reference Obligations (of both interest and principal) after the Closing Date are received as scheduled;
- (b) the Reference Obligations repay at the specified "Monthly Repayment Rate" (set forth below) each month relative to the outstanding principal balance at the start of the relevant month, subject to the Scheduled Redemption Date occurring on the Interest Payment Date falling in August 2015;
- (c) no event occurs that would cause payments of interest on the B Notes, the C Notes, the D Notes or the E Notes to be deferred;
- (d) no Credit Event occurs;
- (e) the Closing Date is 9 November 2006;
- (f) the Interest Payments Dates with respect to the Notes are on the 20th day of February, May, August and November irrespective of whether such day is a Business Day or not;
- (g) the first Interest Payment Date falls in February 2007;
- (h) interest on the Notes is always calculated on the basis of actual days elapsed in a 365-day year (without adjustment);
- (i) the initial Base Currency Initial Principal Balance of each Class of Notes is as follows: A Notes (£1,800,000,000), B Notes (£26,000,000), C Notes (£22,000,000), D Notes (£30,000,000), E Notes (£44,000,000), F Notes (£78,000,000).

Based upon the foregoing and following assumptions, the approximate average lives of the Notes, at various constant payment rates for the Reference Obligations, would be as follows:

### Weighted-Average Life (Years)

#### Assumptions:

- (i) the Replenishment Period ends on the day preceding the Interest Payment Date falling in November 2010, no Reductions occur during the Replenishment Period, and the Portfolio Notional Amount on the Interest Payment Date falling in November 2010 is £2,000,000,000; and
- (ii) The Optional Termination Date occurs on the Interest Payment Date immediately following the date on which Portfolio Notional Amount is less than 10% of the Initial Portfolio Notional Amount.

	Monthly Prepayment Rate				
	2.50%	5.00%	7.50%	10.00%	12.50%
A Notes	6.44	5.37	4.96	4.75	4.63
B Notes	9.04	8.02	6.72	6.04	5.60
C Notes	9.04	8.04	6.78	6.12	5.78
D Notes	9.04	8.04	6.78	6.29	5.78
E Notes	9.04	8.04	6.78	6.29	5.78

### Weighted-Average Life (Years)

#### Assumptions:

- (i) the Replenishment Period ends on the day preceding the Interest Payment Date falling in November 2010, no Reductions occur during the Replenishment Period, and the Portfolio Notional Amount on the Interest Payment Date falling in November 2010 is £2,000,000,000; and
- (ii) no Optional Termination Date occurs.

	Monthly Prepayment Rate				
	2.50%	5.00%	7.50%	10.00%	12.50%
A Notes	6.44	5.37	4.96	4.75	4.63
B Notes	9.04	8.02	6.72	6.04	5.60
C Notes	9.04	8.24	6.79	6.12	5.78
D Notes	9.04	8.51	7.04	6.29	5.78
E Notes	9.04	8.95	7.37	6.54	6.05

### **USE OF PROCEEDS**

On the Closing Date, the proceeds of the offering of the Notes (following exchange therefor into Sterling pursuant to the initial exchange provisions of the Funding Swap Agreements), being £2,000,000,000, will be deposited by the Issuer into the Cash Deposit Account.

## FUNDING SWAP AGREEMENTS

*The following description of the Funding Swap Agreements is a summary only of certain aspects of the Funding Swap Agreements and is subject in all respects to the terms of the Funding Swap Agreements. The following summary does not purport to be complete, and prospective investors must refer to the Funding Swap Agreements for detailed information regarding the Funding Swap Agreements.*

### General

In order to enable the Issuer to pay amounts due in respect of the Dollar Notes and the Euro Notes, on the Closing Date the Issuer will enter into a Funding Swap Agreement with the Funding Swap Counterparty in respect of each Class of Dollar Notes and Euro Notes.

Under the terms of each Funding Swap Agreement, the Issuer will pay to the Funding Swap Counterparty:

- (i) on the Closing Date, the proceeds received on the issue of the relevant Class of Notes;
- (ii) on each Interest Payment Date, an amount in Pounds Sterling based upon three-month Sterling LIBOR plus the Applicable Margin in respect of the relevant Class of Notes applied to the Base Currency Outstanding Principal Balance of such Class of Notes but only to the extent such amount is available to be so paid pursuant to the Order of Priority on that Interest Payment Date;
- (iii) on each date upon which a principal payment is to be made in respect of the Notes, an amount in Pounds Sterling equal to the amount available for repayment of principal of the relevant Class of Notes on that Interest Payment Date.

Under the terms of each Funding Swap Agreement, the Funding Swap Counterparty will pay to the Issuer or to its order:

- (i) on the Closing Date, an amount in Pounds Sterling equal to the proceeds of the issuance of the relevant Class of Notes in the relevant currency equivalent at the Funding Swap Rate;
- (ii) on each Interest Payment Date, an amount in the relevant currency based upon EURIBOR or Dollar LIBOR, as applicable, equal to the amount of interest to be paid on the relevant Class of Notes, proportionate to the corresponding amount paid by the Issuer to the Funding Swap Counterparty in accordance with the Pre-Enforcement Order of Priority: Interest Collections;
- (iii) on each Interest Payment Date upon which a principal repayment is to be made in respect of the Notes, an amount in Euros or US dollars, as applicable, equal to the currency equivalent at the Funding Swap Rate of the Sterling amounts available to be applied in repayment of principal of the relevant Class of Notes on that Interest Payment Date in accordance with the Pre-Enforcement Order of Priority: Collateral Principal Proceeds.

The Funding Swap Counterparty will only be obliged to make payments to the Issuer under a Funding Swap Agreement on any date for payment to the same extent that the Issuer complies with its payment obligations under such Funding Swap Agreement on such date.

Payments under each Funding Swap Agreement will be made without any deduction or withholding for or on account of any Tax (as defined in each Funding Swap Agreement) unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party under any applicable Funding Swap Agreement (such party, for the purpose of this paragraph, "X") is so required to deduct or withhold, then that party (for purposes of this paragraph, the "Deducting Party"): (1) will promptly notify the other party ("Y") of such requirement; (2) will pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any Gross Up Amount (as defined below) paid by the Deducting Party to Y) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y; (3) will promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and (4) if X is the Funding

Swap Counterparty, then subject to certain conditions contained in the Funding Swap Agreement the Funding Swap Counterparty will promptly pay in addition to the payment to which the Issuer is otherwise entitled under the Funding Swap Agreement, such additional amount (the "**Gross Up Amount**") as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount which the Issuer would have received had no such deduction or withholding been required.

#### **Funding Swap Counterparty Ratings Downgrade**

Each of the Funding Swap Agreements provides that, if the short-term unsecured debt rating of the Funding Swap Counterparty is withdrawn or reduced below A-1+ by S&P and, as a result, the then current rating of the relevant Notes is downgraded or placed under review for possible downgrade by S&P, or if the long-term unsecured debt rating of the Funding Swap Counterparty is withdrawn or reduced below A1 or the short-term unsecured debt rating of the Funding Swap Counterparty is withdrawn or reduced below P1, in both cases by Moody's, then within thirty days following that event, the Funding Swap Counterparty will be required to take one of the following steps:

- (a) if such action is by Moody's:
  - (i) transfer its rights and obligations under such Funding Swap Agreement to a Suitably Rated replacement swap counterparty or a replacement swap counterparty in respect of whom Moody's have provided Rating Agency Confirmation; "**Suitably Rated**" means a long-term unsecured debt rating of at least A1 and a short-term unsecured debt rating of at least "P1", in both cases by Moody's; or
  - (ii) obtain a Suitably Rated co-obligor or guarantor where such guarantee or co-obligor has received Rating Agency Confirmation in respect of the obligations of the Funding Swap Counterparty under the relevant Funding Swap Agreement; or
  - (iii) take such other actions for which Rating Agency Confirmation from Moody's has been received; or
  - (iv) lodge collateral in an amount determined pursuant to the relevant credit support annex in support of its obligations under the relevant Funding Swap Agreement;

provided further that if such Moody's downgrade results in a rating of the Funding Swap Counterparty below A3 or P2, the Funding Swap Counterparty will on a reasonable efforts basis attempt to: within thirty days of the occurrence of such event (a) transfer its rights and obligations to a Suitably Rated replacement swap counterparty or other replacement swap counterparty as may obtain Rating Agency Confirmation from Moody's; (b) obtain a Suitably Rated co-obligor or guarantor where such guarantee or co-obligor has received Rating Agency Confirmation in respect of the obligations of the Funding Swap Counterparty under the relevant Funding Swap Agreement, or (c) take such other actions for which Rating Agency Confirmation from Moody's has been received; and (d) pending compliance with (a), (b) or (c) the Funding Swap Counterparty will within the later of thirty days (in respect of any rating being reduced below A1 or P1 as described above) or 10 days (in respect of any rating being reduced below A3 or P2 as described in this paragraph), post collateral in an amount determined pursuant to the credit support annex which relates to and forms part of the relevant Funding Swap Agreement. If the Funding Swap Counterparty is already posting collateral upon the occurrence of such an event, it will continue to post collateral pending compliance with the foregoing.

- (b) if such action is by S&P:
  - (i) transfer its rights and obligations under the relevant Funding Swap Agreement to a replacement swap counterparty whose short term unsecured and unsubordinated debt obligations are rated at least as high as "A-1+" or its equivalent by S&P (for purposes of this paragraph, the "**S&P Required Rating**"); or
  - (ii) obtain a guarantee or procure a co-obligor of its rights and obligations with respect to the relevant Funding Swap Agreement from a replacement third party with the S&P Required Rating or replacement third party satisfactory to the Issuer (whose consent will be given if S&P confirm that such guarantor or co-obligor would maintain the rating of

the relevant Notes by S&P at, or restore the rating of the relevant Notes by S&P to, the level it would have been immediately prior to such event);

- (iii) lodge collateral in an amount determined pursuant to the relevant credit support annex in support of its obligations under the relevant Funding Swap Agreement; or
- (iv) find any other solution acceptable to S&P to maintain the then current rating of the relevant Notes;

provided further that if such S&P downgrade results in a rating of the Funding Swap Counterparty below BBB- and as a result of such downgrade the then current rating of the Notes may in the reasonable opinion of S&P be downgraded or placed under review for possible downgrade, then the Funding Swap Counterparty will, within ten days of the occurrence of such event at its own cost use its best efforts to either: (i) transfer all of its rights and obligations with respect to the relevant Funding Swap Agreement to a replacement third party with the S&P Required Rating or replacement third party satisfactory to the Issuer (whose consent will be given if S&P confirm that such transfer would maintain the rating of the relevant Notes by S&P at, or restore the rating of the relevant Notes by S&P to, the level it would have been immediately prior to such event); or (ii) take such other action as the Funding Swap Counterparty may agree with S&P as will result in the rating of the relevant Notes following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such event; or (iii) obtain a guarantee or procure a co-obligor of its rights and obligations with respect to the relevant Funding Swap Agreement from a replacement third party with the S&P Required Rating or a replacement third party satisfactory to the Issuer (whose consent will be given if S&P confirm that such guarantor or co-obligor would maintain the rating of the relevant Notes by S&P at, or restore the rating of the relevant Notes by S&P to, the level it would have been immediately prior to such event). If the Funding Swap Counterparty is already posting collateral upon the occurrence of such an event, it will continue to post collateral pending compliance with the foregoing.

Any collateral amounts that may be required to be provided by the Funding Swap Counterparty following such rating downgrade may be delivered in the form of cash or securities. Cash amounts will be paid to an account, to be opened by the Issuer and designated the Funding Swap Collateral Account and any securities will be transferred to an associated custody securities account (together, such accounts are referred to collectively as the "**Funding Swap Collateral Accounts**").

Any collateral provided in the above circumstances will not be subject to the Order of Priority unless, following termination of a Funding Swap Agreement there is a surplus available to the Issuer (after such collateral as is required to be returned to the Funding Swap Counterparty has been so returned or such collateral as is not required to be returned has been used to fund any premium or upfront payment required in order to enter into a replacement Funding Swap Agreement), in which event such surplus will form part of any relevant Funding Swap Agreement premium and shall be paid into the Issuer Account upon receipt by the Issuer.

#### **Termination of the Funding Swap Agreements**

The Funding Swap Agreements will terminate on the earlier of the Final Maturity Date and the date upon which all of the Notes are redeemed in full.

The Funding Swap Agreements may also be terminated early in accordance with certain termination events and events of default, as set out in the Funding Swap Agreements (each, a "**Funding Swap Early Termination Event**").

Where a Funding Swap is terminated early (either in whole or in part), prior to the Final Maturity Date, the Issuer or the Funding Swap Counterparty may be liable to make a swap termination payment to the other. Any swap termination payment will be based upon market quotations of the cost of entering into a swap with terms and conditions that would have the effect of preserving the respective full payment obligations of the parties (or based upon Loss (as defined in the ISDA definitions) in the event that market quotations cannot be obtained). Any such termination payment could be substantial.

**"Funding Swap Counterparty Default"** means with respect to any Funding Swap Agreement:

- (i) the occurrence of a Failure to Pay or Bankruptcy (as defined under the Funding Swap Agreement) where the Funding Swap Counterparty is the defaulting party (and which shall include any failure by the Funding Swap Counterparty to comply with the collateralisation requirement under the Funding Swap Agreement and any related credit support annex in relation thereto), or
- (ii) an Illegality (as defined under the Funding Swap Agreement), or
- (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination and where the Funding Swap Counterparty and the Repo Counterparty are the same entity or are entities which are an affiliate of one another), or
- (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination and where the Funding Swap Counterparty and the Repo Counterparty are the same entity or are entities which are an affiliate of one another), or
- (v) as a result of a Tax Event Upon Merger (as defined in the Funding Swap Agreement) in respect of the Funding Swap Counterparty, or
- (vi) the termination of the Funding Swap Agreement at any time when there has been a termination of the Credit Default Swap where the Issuer is not the defaulting party in respect of such termination of the Credit Default Swap and the Credit Default Swap Counterparty and the Funding Swap Counterparty are the same entity or are entities which are an affiliate of one another)

then any termination payment arising from such termination will be made by the Issuer to the Funding Swap Counterparty only after paying interest and principal amounts due on the Notes. However, if a Funding Swap Agreement terminates for any other reason, and such termination results in a termination payment becoming due from the Issuer to the Funding Swap Counterparty, such swap termination payment will be made by the Issuer in accordance with the relevant Order of Priority.

The Issuer shall apply amounts received from the Funding Swap Counterparty in respect of swap termination payments in accordance with the Order of Priority, **provided that** the amount of any premium or other upfront payment received by the Issuer in respect of the cost of entering into a swap to replace a Funding Swap Agreement, shall to the extent of any such payment due to the Funding Swap Counterparty be paid directly to the Funding Swap Counterparty, and not via any Order of Priority. The application by the Issuer of swap termination payments due to the Funding Swap Counterparty may affect the funds available to pay amounts due on the Notes.

If a Funding Swap Agreement is terminated for any reason and not replaced within 30 days, it will constitute an Event of Default under the Notes.

### **Taxation**

Pursuant to the terms of each Funding Swap Agreement, the Issuer is not required to gross up payments made by it to the Funding Swap Counterparty if the Issuer is required to deduct or withhold an amount in respect of tax from payments made under such Funding Swap Agreement.

Where the Funding Swap Counterparty provides collateral in accordance with the terms of any Funding Swap Agreement, such collateral will, upon receipt by the Issuer, be credited to an account of the Issuer opened for such purpose. Any collateral or interest or distributions relating thereto shall not form part of the funds available to the Issuer other than collateral amounts applied in satisfaction of termination payments due to the Issuer following the designation of an early termination date under the relevant Funding Swap Agreement.

In the event that the Issuer were to designate an early termination date under a Funding Swap Agreement and there would be a termination payment due to the Funding Swap Counterparty, the Issuer may only designate such early termination date in respect of a ratings downgrade of the Funding Swap Counterparty if the Issuer has found a replacement counterparty willing to enter into a new



transaction that reflect as closely as reasonably possible the economic, legal and credit terms of the terminated transaction or transactions with the Funding Swap Counterparty.

Any premium or other amount received by the Issuer from a replacement swap counterparty providing a replacement Funding Swap Agreement transaction or transaction will be paid directly by the Issuer to the Funding Swap Counterparty and not in accordance with the Order of Priority. Similarly the cash benefit of any tax credit, allowance, set-off or repayment obtained by the Issuer as a result of the payments by the Funding Swap Counterparty of a tax gross up amount pursuant to a Funding Swap Agreement will be paid directly by the Issuer to the Funding Swap Counterparty in accordance with the Funding Swap Agreement and not in accordance with the Order of Priority.

**Governing Law**

Each Funding Swap Agreement will be governed by English law.

## CASH DEPOSIT

On the Closing Date, the Issuer will use the proceeds of the issue of the Notes in making a deposit (the "Cash Deposit") to the Cash Deposit Account.

### Cash Deposit Account Bank

HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, will be appointed as the cash deposit account bank (the "Cash Deposit Account Bank") in relation to the cash deposit account to be opened with the Cash Deposit Account Bank in the name of the Issuer (the "Cash Deposit Account") under the Cash Deposit Agreement to be dated on or about the Closing Date between the Issuer, the Cash Deposit Account Bank, the Cash Manager, the Credit Default Swap Counterparty and the Trustee.

### Cash Deposit Account Bank Agreement

The Cash Deposit Account Bank will operate the Cash Deposit Account in accordance with the Cash Deposit Account Bank Agreement and the Cash Management Agreement for so long as it maintains the Cash Deposit Account Bank Required Rating or for so long as it is able to procure a guarantee of its obligations as Cash Deposit Account Bank from a guarantor: (a) in respect of which a Rating Agency Confirmation has been received in relation to such entity acting as such guarantor, and (b) which has the Cash Deposit Account Bank Required Rating.

The Cash Deposit will consist of a deposit denominated in Sterling, with the amount of the Cash Deposit plus the Market Value (as defined in the Repo Agreement) of Repo Securities held by the Custodian on behalf of the Issuer corresponding to the aggregate Principal Amount Outstanding of the Notes.

Pursuant to the terms of the Cash Deposit Account Bank Agreement, the Cash Deposit Account Bank will make periodic payments of interest to the Issuer on each Interest Payment Date in respect of the funds deposited in the Cash Deposit Account and by reference to the Cash Deposit Rate.

At any time that the Cash Deposit comprises the Collateral Investment, if:

- (a) the Credit Default Swap Counterparty so directs, or
- (b) following the Cash Deposit Account Bank ceasing to have the Cash Deposit Account Bank Required Rating, the Issuer so directs

the Cash Manager to do so, then the Cash Manager shall within thirty (30) days of such direction, instruct the Cash Deposit Account Bank to release all amounts (or part thereof, as specified by the Credit Default Swap Counterparty) from the Cash Deposit Account and apply such amounts to purchase Repo Securities on behalf of the Issuer pursuant to the terms of the Repo Agreement (such liquidation of the Cash Deposit and investment in a Repo Transaction, a "Cash Deposit Collateral Transfer"). See "*Collateral Switch Arrangements*".

In the event that the Cash Deposit Account Bank ceases to have the Cash Deposit Account Bank Required Rating or a guarantee by a guarantor with the Cash Deposit Account Bank Required Rating, the Issuer will be required within thirty (30) days of such event to either: (a) transfer the Cash Deposit Account in accordance with the terms of the Cash Deposit Account Bank Agreement to a successor cash deposit bank that has, amongst other things, the Cash Deposit Account Bank Required Rating, or (b) effect a Cash Deposit Collateral Transfer. Failure by the Issuer to comply with the above would result in an early termination of the Cash Deposit Account Bank Agreement and an Event of Default under the Notes.

Unless previously terminated in accordance with terms of the Cash Deposit Account Bank Agreement, the Cash Deposit Account Bank Agreement will terminate on the earlier of the Final Maturity Date and the date on which the Trustee notifies the Cash Deposit Account Bank that all secured liabilities of the Issuer have been discharged in full.

## COLLATERAL SWITCH ARRANGEMENTS

On the Closing Date, the Issuer will enter into the Collateral Switch Agreement with, among others, the Credit Default Swap Counterparty and the Trustee.

### **Collateral Switch: Cash Deposit Collateral Transfer**

Pursuant to the Collateral Switch Agreement, the Credit Default Swap Counterparty shall be entitled, at any time after the Closing Date, other than during a Repo Existence Period and subject to satisfaction of the Rating Agency Collateral Switch Conditions, by notice in writing to the Issuer, the Cash Manager and the Trustee, to:

- (a) designate an Interest Payment Date as a Repo Commencement Date; and
- (b) instruct the Issuer, as at such Interest Payment Date, to (1) enter into a Repo Agreement in the Approved Form with the Repo Counterparty, (2) enter into a Custody Agreement in the Approved Form with an entity (as custodian) selected by the Credit Default Swap Counterparty pursuant to which the Custodian will be required to agree, among other things, to hold in custody the Eligible Securities purchased by the Issuer pursuant to the Repo Agreement and (3) apply all of the Collateral Principal Proceeds in purchasing Eligible Securities from the Repo Counterparty under the terms of the Repo Agreement.

In the event that the Cash Deposit Account Bank ceases to have the Cash Deposit Account Bank Required Rating or a guarantee by a guarantor with the Cash Deposit Account Bank Required Rating, the Issuer will be required within thirty (30) days of such event to either: (a) transfer the Cash Deposit Account in accordance with the terms of the Cash Deposit Account Bank Agreement to a successor cash deposit bank that has, amongst other things, the Cash Deposit Account Bank Required Rating, or (b) effect a Cash Deposit Collateral Transfer.

### **Collateral Switch: Reinvestment in Cash Deposit**

The Credit Default Swap Counterparty may at any time during a Repo Existence Period and subject to satisfaction of the Rating Agency Collateral Switch Conditions, by notice in writing to the Issuer, the Cash Manager and the Trustee:

- (a) designate an Interest Payment Date as the date upon which the existing Collateral Investment is terminated; and
- (b) instruct the Issuer to, as at such Interest Payment Date: (1) terminate the then current Collateral Investment in accordance with its terms; (2) if at such time there is no Cash Deposit Account, or no account of the Issuer into which the Collateral Principal Proceeds may be held, subject to Rating Agency Confirmation enter into a cash deposit account bank agreement substantially on the same terms as the Cash Deposit Account Bank Agreement with an entity selected by the Credit Default Swap Counterparty pursuant to which the Cash Deposit Account Bank thereunder will be required to agree, among other things, to hold the Collateral Principal Proceeds in accordance with the terms of such Cash Deposit Account Bank Agreement; and (3) pay all of the Collateral Principal Proceeds into the Cash Deposit Account pursuant to the terms of the Cash Deposit Account Bank Agreement.

The Credit Default Swap Counterparty may, at any time and from time to time, subject to compliance with the Rating Agency Collateral Switch Conditions, direct the Issuer to:

- (a) terminate the then current Cash Deposit Account Bank Agreement in accordance with its terms and on an Interest Payment Date; and
- (b) enter into a replacement Cash Deposit Account Bank Agreement in the Approved Form in accordance with the terms of the Cash Deposit Account Bank Agreement being terminated with an entity (as issuer account bank) selected by the Credit Default Swap Counterparty pursuant to which the relevant Issuer Account Bank will agree, among other things, to hold the Collateral Principal Proceeds and operate the Accounts in accordance with the terms of such Cash Deposit Account Bank Agreement.

If, pursuant to the terms of the Collateral Switch Agreement, the Issuer is required to enter into a Repo Agreement, a Custody Agreement or Cash Deposit Account Bank Agreement, then in accordance with the terms of the Deed of Charge, the Issuer will be required to enter into a supplemental deed and/or such other documents as may be required by the Trustee pursuant to which the Issuer will grant additional security to the Trustee for the benefit of the Secured Parties over its rights, interests and benefits under any such agreements and including in respect of any securities purchased or held on its behalf pursuant to such agreements.

The Credit Default Swap Counterparty may, at any time and from time to time, subject to compliance with the Rating Agency Collateral Switch Conditions, direct the Issuer to terminate any then current Collateral Investment and to invest the Collateral Principal Proceeds in the Alternative Collateral Investment.

**"Rating Agency Collateral Switch Conditions"** means:

- (a) with respect to a switch of the Collateral Investment from a cash deposit with the Cash Deposit Account Bank to an investment in Repo Securities pursuant to the Repo Agreement:
  - (i) the entry of the Repo Agreement is subject to Rating Agency Confirmation;
  - (ii) the Repo Counterparty has the Repo Counterparty Required Rating;
  - (iii) the Repo Agreement is in the Approved Form or includes only such amendments as have been subject to the Rating Agency Confirmation and the prior approval of the Credit Default Swap Counterparty;
  - (iv) the Custodian has the Required Custodian Rating;
  - (v) the Custody Agreement is in the Approved Form or includes only such amendments as have been subject to Rating Agency Confirmation and the prior approval of the Credit Default Swap Counterparty, and
- (b) with respect to a switch of an investment in Repo Securities pursuant to the Repo Agreement to a cash deposit with a Cash Deposit Account Bank:
  - (i) the Cash Deposit Account Bank has the Cash Deposit Account Bank Required Rating;  
and
  - (ii) the proposed form of cash deposit account bank agreement is in the Approved Form or includes only such amendments which have been subject to Rating Agency Confirmation and the prior approval of the Credit Default Swap Counterparty.

**"Rating Agency Confirmation"** means the Rating Agencies have confirmed (or, in respect of a matter specific to one Rating Agency only, such Rating Agency has confirmed), with respect to any action, event, matter or thing that the relevant action, event, matter or thing would not result in the then current rating of the Notes being downgraded or placed under review for possible downgrade.

**"Approved Form"** means:

- (a) with respect to the Repo Agreement, the form of the repurchase agreement attached as Schedule 1 to the Collateral Switch Agreement;
- (b) with respect to the Custody Agreement, the form of the custody agreement attached as Schedule 2 to the Collateral Switch Agreement; and
- (c) with respect to any cash deposit account bank agreement to be entered with respect to a switch of the Collateral Investment from an investment in Repo Securities pursuant to the Repo Agreement to a cash deposit with the Cash Deposit Account Bank and pursuant to which the Collateral Investment will be lodged, an agreement substantially in the form of the Cash Deposit Account Bank Agreement.

**"Collateral Investment"** means on any date, (a) if as at such date the proceeds of the Notes (or the remainder thereof) are on deposit in the Cash Deposit Account, the cash deposit thereunder, or (b) if as at such date the proceeds of the Notes (or the remainder thereof) are invested in Repo Securities pursuant to a Repo Agreement, the investment thereunder.

**"Alternative Collateral Investment"** means:

- (a) in respect of a Collateral Investment which is then in the form of a cash deposit held in the Cash Deposit Account, an investment in Repo Securities pursuant to the Repo Agreement; and
- (b) in respect of a Collateral Investment which is then in the form of an investment in Repo Securities pursuant to the Repo Agreement, cash deposited in the Cash Deposit Account.

## APPROVED FORM REPURCHASE AGREEMENT AND CUSTODY AGREEMENT

The following descriptions of the Approved Form of the Repo Agreement and the Approved Form of the Custody Agreement consist of a summary of certain provisions of the form of the Repo Agreement and the Custody Agreement each as scheduled to the Collateral Switch Agreement and is qualified by reference to the provisions thereof. The following summary does not purport to be complete and prospective investors must refer to the Approved Form of the Repo Agreement or the Approved Form of the Custody Agreement, as appropriate, for detailed information.

### Approved Form Repo Agreement

Pursuant to the Collateral Switch Agreement, the Issuer may be required to enter into a repurchase agreement (as amended, supplemented or otherwise modified from time to time, the "**Repo Agreement**") with the relevant Repo counterparty approved in accordance with the terms of the Collateral Switch Agreement (in such capacity and including any successor thereto, the "**Repo Counterparty**"). The terms of the Approved Form Repo Agreement are set out below.

### Form of Repo Agreement

Any Repo Agreement will be substantially in the form of the TBMA/ISMA Global Master Repurchase Agreement (2000 Version). Pursuant to a Repo Agreement, the Issuer will, on the relevant Repo Commencement Date, enter into a transaction (the "**Initial Transaction**") pursuant to which the Issuer will (a) on the relevant Repo Commencement Date purchase Eligible Securities from the Repo Counterparty at a purchase price (the "**Initial Purchase Price**") equal to the Outstanding Principal Balance of the Notes as at such Repo Commencement Date, and (b) from time to time in accordance with the terms of such Repo Agreement purchase further Eligible Securities upon the occurrence of certain events as described below.

### Repo Existence Period

The following description applies with respect to and during any Repo Existence Period.

"**Eligible Securities**" means:

- (a) securities issued or guaranteed by any OECD country (other than Japan, Russia or Switzerland) or sovereign agency thereof (each called an OECD Issuer) with the following attributes: (i) securities with a minimum foreign currency long term rating of AA- from S&P and Aa3 from Moody's (or, to the extent such securities with the minimum foreign currency required ratings are not readily available in the market, then such minimum rating shall not be required subject to confirmation from S&P that the acquisition of such OECD Issuer's securities would not affect the then currency ratings of the Notes and subject to notification to Moody's of the relevant OECD Issuer and quantum of such Eligible Securities purchased by the Issuer in respect of each Interest Period; (ii) securities with a remaining maturity of seven (7) years or less at the time of purchase by the Issuer; (iii) listed on a recognised stock exchange; and (iv) such securities accrue interest at a floating or fixed rate, provided that there shall at any time not be more than fifteen (15) OECD Issuers in respect of the Repo Securities
- (b) commercial paper and treasury bills and short-term money market instruments issued or guaranteed by an OECD country (excluding Japan, Russia and Switzerland) or sovereign agency thereof: (i) with a short term rating of A-1+ from S&P and P-1 from Moody's, respectively (or, to the extent such securities with the minimum foreign currency required ratings are not readily available in the market, then such minimum rating shall not be required subject to confirmation from S&P that the acquisition of such securities will not affect S&P's then current ratings of the Notes and notification to Moody's of the acquisition of such securities and quantum of such Repo Securities purchased by the Issuer in respect of each Interest Period; and (ii) if such securities comprise commercial paper, be scheduled to mature no later than the next Interest Payment Date, provided that all such securities will be required to have a scheduled maturity date between five (5) and two (2) Business Days (as defined in the Repo Agreement) prior to the next Interest Payment Date;

- (c) asset-backed securities (including residential mortgage-backed securities) with the following attributes: (i) the aggregate market value of such securities as a proportion (expressed as a percentage) of the Repo Securities at the start of any Repo Existence Period is not greater than 15 per cent. (excluding any Margin Securities provided pursuant to any adjustment of the Repo Transactions following downgrade of the Repo Counterparty below the Repo Counterparty Required Rating); (ii) such securities have (and had at the time of issue of such securities) a rating of AAA from S&P and Aaa from Moody's; (iii) such securities accrue interest at a floating rate on either a monthly or quarterly basis; (iv) such securities are (and were at the time of issue of such securities) the most senior ranking class of that particular asset-backed securities transaction of which such securities form a part; (v) the originator of the assets that collateralise the securities had, at the time of issuance of the relevant securities, an investment grade rating (or such other rating as S&P confirms will not affect the then current rating of the Notes); (vi) in relation to any class of securities issued, the face value of the relevant securities constitutes an amount no greater than 20 per cent. of the face value of such class of such securities outstanding at the time of purchase by the Issuer; (vii) such securities do not constitute collateralised debt obligations; (viii) the assets that collateralise such securities are RMBS Securities, Credit Card Securities or Automobile Securities (as each such term is defined in the Repo Agreement); and (ix) the average or expected life at the time of transfer of such securities is five years or less in respect of RMBS Securities, seven years or less in respect of Credit Card Securities or three years or less in respect of Automobile Securities; or
- (d) any other securities which are not covered in paragraphs (a) through (c) immediately above: (i) the investment in respect of which obtains Rating Agency Confirmation; and (ii) which the Credit Default Swap Counterparty has approved in writing

and provided in each case that such securities constitute a "qualifying asset" for purposes of the Irish Taxes Consolidation Act 1997 or would not upon acquisition give rise to a charge to Irish stamp duty for the Issuer.

Each of the Repo Counterparty or the Issuer, as applicable, is also obliged under the Repo Agreement to make transfers to the other party daily in the form of additional Eligible Securities or, as the case may be, cash in accordance with the applicable margining provisions in the Repo Agreement (except with regard to Principal Value Securities). "**Principal Value Securities**" are Repo Securities that are scheduled to be redeemed or capable of being redeemed at the option of the Issuer in its capacity as holder of such securities at face value in proximity to, but prior to the next Interest Payment Date.

At any time when the Repo Counterparty does not the Repo Counterparty Required Rating, the Repo Counterparty will be required, in accordance with and pursuant to the terms of the Repo Agreement to over collateralise its obligations (except with regard to Principal Value Securities) by way of the provision of cash or the provision of additional Repo Securities, as determined pursuant to the terms of the Repo Agreement.

The amount of over collateralisation shall be governed by the Margin Ratio (as defined in the Repo Agreement) and at any time at which the Repo Counterparty does not have the Repo Counterparty Required Rating, the Margin Ratio required in respect of non-Sterling Repo Securities, shall be the greater of (i) such percentage determined in accordance with Moody's collateral requirements plus 6% and (ii) such other amount as agreed with S&P to maintain S&P's current ratings of the Notes, and, in respect of Sterling Repo Securities, will be the greater of (i) such percentage determined in accordance with Moody's collateral requirements and (ii) such amount as agreed with S&P to maintain S&P's current ratings of the Notes.

#### **Substitution of Repo Securities**

The Repo Counterparty may, at any time and from time to time and with the consent of the Issuer, deliver to the account of the Issuer, in substitution for any Repo Securities, securities having a Market Value (as defined in the Repo Agreement) equal to the Market Value of such existing Repo Securities, subject to the terms of the Repo Agreement. If at any time the Repo Counterparty does not have the Repo Counterparty Required Rating, then the Repo Counterparty shall within fifteen (15) days following any such downgrade substitute any existing Repo Securities which do not have a rating of AAA from S&P and Aaa from Moody's with securities which have such ratings (or, to the extent that

securities with such ratings are not readily available in the market, such other securities as may be agreed with S&P as will maintain S&P's current ratings of the Notes and are notified to Moody's) and in relation to which S&P confirms would maintain S&P's then current rating of the Notes, and the Issuer shall be entitled to purchase from the Repo Counterparty, Repo Securities bearing such rating only. The Issuer will not bear the costs associated with such substitutions of Repo Securities.

If any of the Repo Securities that are the subject of any Repo Transaction are not Eligible Securities, the Repo Counterparty shall be required to, within thirty (30) days (in the event that the Repo Counterparty has the Repo Counterparty Required Rating) or within five (5) Business Days (in the event that the Repo Counterparty does not then have the Repo Counterparty Required Rating) and in accordance with the terms of the Repo Agreement, replace any such non-complying securities with securities which are Eligible Securities.

#### **Repurchase Date on each Interest Payment Date**

The Repurchase Date in respect of any Repo Transaction will fall on the Interest Payment Date immediately following the Purchase Date (as defined in the Repo Agreement) in respect of such Repo Transaction. On each Repurchase Date (as defined in the Repo Agreement) (except the Repurchase Date which is a Notes Termination Date), the Issuer and the Repo Counterparty will enter into a new Repo Transaction in respect of which the Purchase Price (as defined in the Repo Agreement) is equal to the Outstanding Principal Balance of the Notes on such Interest Payment Date (as adjusted on such date pursuant to the Conditions).

If the Notes Termination Date occurs during a Repo Existence Period, on the Notes Termination Date, the Repo Counterparty shall repurchase from the Issuer securities equivalent to all of the Repo Securities on such date at a price equal to the outstanding Repurchase Price as at such date.

Any Repo Securities so repurchased by the Repo Counterparty shall (once withdrawn from the Custody Account) be released from the Security created by the Deed of Charge and shall no longer form part of the Charged Assets.

#### **Income under the Repo Agreement**

An amount equal to income which is received by the Issuer (or the Custodian on its behalf) in respect of any Repo Securities during any Interest Period will be payable by the Issuer to the Repo Counterparty within two (2) Business Days of the day of any receipt thereof, together with interest from the date upon which such income was received.

The income to be realised by the Issuer under the Repo Agreement will be the Price Differential. Pursuant to the terms of the Repo Agreement, the Repo Counterparty will be required to pay on each Interest Payment Date, in respect of each outstanding Repo Transaction, an amount which represents (in part) the application of the Pricing Rate to the prevailing Purchase Price (as each such term is defined in the Repo Agreement) (the "Price Differential") that is equal to the product of: (a) the Average Purchase Price, (b) the Pricing Rate, and (c) a fraction, the numerator of which is the actual number of days in the period commencing on (and including) the Purchase Date (as defined in the Repo Agreement) of the Repo Transaction and ending on (but excluding) the Repurchase Date and the denominator of which is 365. "Pricing Rate" means the rate set forth under the Repo Agreement for any Repo Transaction. "Average Purchase Price" means in respect of a Repo Transaction the aggregate of the Purchase Price (as defined in the Repo Agreement) on each day during the term of such Repo Transaction divided by the number of days in such term.

The Repo Agreement provides that the amount payable on any Interest Payment Date by the Issuer to the Repo Counterparty in respect of income arising from and paid on the Repo Securities together with any interest accrued and paid thereon may be netted against the obligation of the Repo Counterparty to pay to the Issuer the sum equal to the Price Differential on such date (to the extent that such sums are expressed to be payable in the same currency and in respect of the same Repo Transaction), such that the party with the obligation to pay the greater amount prior to netting pays to the other party the difference between such greater amount and the amount that would otherwise be payable by the other party.

#### **Events of Default under the Repo Agreement**



The Repo Agreement includes events of default such as the insolvency of the Issuer, failure to make payments or deliveries thereunder (including margining requirements), early termination of the Credit Default Swap due to the occurrence of an Event of Default under the Credit Default Swap, suspension of either the Issuer or the Repo Counterparty from dealing in securities and failure by the Repo Counterparty to substitute within the specified period Repo Securities or to provide additional Repo Securities as described above.

Upon the occurrence of any such event of default (following service of a default notice, except in respect of certain acts of insolvency and an Event of Default (as defined in the Credit Default Swap) under the Credit Default Swap, the date for repurchase (the "**Repurchase Date**") for all of the Repo Securities will be deemed to occur immediately and an account will be taken of all sums due from one party to the other under the Repo Agreement (including the value of the obligations to deliver securities equivalent to the Repo Securities as established under the Repo Agreement). The sums due from one party to the other shall be set-off and only the balance of the account shall be payable between the parties on the following Business Day.

#### **Acceleration Events under the Repo Agreement**

The Repo Agreement may, in addition, be accelerated if:

- (a) by reason of any action taken by a tax authority or brought in a court of competent jurisdiction on or after the date upon which the Repo Transaction(s) is (or are) entered into or the enactment, promulgation, execution or ratification or any change in or amendment to any law (or in the application or official interpretation of any law) that occurs on or after the Repo Transaction(s) is (or are) entered into, or a change in the fiscal or regulatory regime of any relevant jurisdiction, the Issuer is required to receive a payment net of withholding or deduction for tax and the Repo Counterparty has not elected under the Repo Agreement to gross up;
  - (b) the Repo Counterparty is required to receive any payment from the Issuer net of tax;
  - (c) any income received on the Repo Securities is to be received net of tax;
- (any of such events in (a), (b) or (c) a "**Repo Tax Event**")
- (d) an early termination occurs in relation to the Credit Default Swap (other than due to the occurrence of an Event of Default (as defined in the Credit Default Swap)); or
  - (e) the occurrence of a Notes Termination Date (other than pursuant to an Event of Default under the Repo Agreement).

Upon the occurrence of any such event, the Issuer or the Repo Counterparty (as specified in the Repo Agreement) may, by giving written notice to the other, accelerate the repurchase obligations under the Repo Agreement and specify a date in such notice as the Repurchase Date.

#### **Substitution**

The Repo Agreement will permit the Repo Counterparty to deliver to the Custodian, on any Business Day, for deposit into the Custody Account, alternative Eligible Securities in substitution or exchange for existing Repo Securities subject to the Repo Agreement, **provided that** such substitution or exchange does not result in the creation or increase of a Collateral Value Deficiency. Any Eligible Securities so delivered to the Custodian shall constitute additional Repo Securities and any Eligible Securities so returned to the Repo Counterparty shall reduce the Repo Securities accordingly. Any Repo Securities withdrawn from the Custody Account and returned to the Repo Counterparty pursuant to such a substitution or exchange shall be released from the Security created by the Deed of Charge and shall no longer form part of the Charged Assets.

On any Business Day upon which the Issuer holds the proceeds of the redemption of any Repo Securities, the Repo Counterparty shall deliver to the Issuer Eligible Securities with a Market Value at least equal to such proceeds in substitution for such proceeds. Such substituted Eligible Securities will constitute replacement Repo Securities.

## **Replacement of Repo Counterparty**

The Repo Counterparty may, subject to certain conditions and upon giving at least 30 calendar days but not more than 60 calendar days prior written notice to the Issuer and the Trustee, choose to substitute any branch, affiliate or agency of it as the counterparty under the Repo Agreement.

## **Custody Agreement and Custody Account**

During any Repo Existence Period, pursuant to the Custody Agreement, the Custodian will hold the Repo Securities in the form of Eligible Securities in a designated custody securities account in London in the name of the Issuer (the "**Custody Account**").

The Custodian will cause such holding on behalf of the Issuer to be reflected in its own records and, if permissible, in its client records with Euroclear and/or Clearstream, Luxembourg. Repo Securities which are received by or on behalf of the Custodian for the account of the Issuer from time to time will be paid in to the Issuer's Cash Deposit Account maintained with the Issuer Account Bank.

## **Termination of the Custody Agreement and replacement of Custodian**

### *Termination by Custodian*

The Custody Agreement may be terminated, without assigning any reason therefore, by the Custodian upon the expiry of not less than 45 calendar days written notice of termination given by the Custodian to the Issuer, subject to and in accordance with the general termination provisions of the Custody Agreement described below.

### *Termination by Issuer*

The Custody Agreement may be terminated by the Issuer upon the expiry of not less than 45 calendar days written notice of such termination given by the Issuer to the Custodian subject to and in accordance with the general termination provisions of the Custody Agreement described below.

In the event that (a) the Custodian ceases to have the Required Custodian Rating or any such rating is withdrawn (any such event being a "**Custodian Downgrade Event**"), (b) the Custodian ceases to be authorised in respect of the activities carried out by it pursuant to the Custody Agreement, for the purposes of the Financial Services and Markets Act 2000 (as amended) (a "**cessation of authorisation**"), or (c) the Custodian is subject to any insolvency proceedings, the Issuer shall, by giving the Custodian not less than five Business Days' prior written notice to that effect, replace, within 30 calendar days of such downgrade, cessation of authorisation, or insolvency proceedings, the Custodian (or any successor thereof) with a substitute custodian which must (a) be approved in writing by the Trustee and the Credit Default Swap Counterparty, (b) have the Required Custodian Rating, (c) be so authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) and (d) have entered into an agreement with the Issuer, the Cash Manager and the Trustee substantially on the terms of the Custody Agreement, **provided that** the general termination provisions of the Custody Agreement (described below) are complied with.

### *General conditions relating to termination of the Custody Agreement*

Termination of the Custody Agreement will only take effect upon (and the Custodian will not be released from its obligations until) the satisfaction of the following conditions:

- (a) the party delivering the termination notice delivers such notice to the Custodian or the Issuer, as the case may be;
- (b) the Trustee and the Credit Default Swap Counterparty each consent in writing to such termination, such consent not to be unreasonably withheld or delayed; and
- (c) the appointment by the Issuer of a substitute custodian with suitable experience (selected by the Credit Default Swap Counterparty), **provided that**:

- (1) such appointment is approved in writing by the Trustee and the Credit Default Swap Counterparty (and, in the case of a retirement by the Custodian, the Custodian) and is effective not later than the termination of the Custody Agreement;
- (2) such substitute custodian has the Required Custodian Rating;
- (3) such substitute custodian is authorised in respect of the activities carried out by the Custodian under the Custody Agreement for the purposes of the Financial Services and Markets Act 2000 (as amended);
- (4) the Issuer has notified each Rating Agency in writing of the identity of such substitute custodian; and
- (5) such substitute custodian has entered into an agreement with the Issuer, the Cash Manager and the Trustee substantially on the terms of the Custody Agreement,

and **provided further that** if, by the 10th day prior to the expiration of the relevant notice period, a substitute custodian has not been appointed, the Custodian may itself appoint as its successor any reputable bank or financial institution with the written approval of the Issuer, the Trustee and the Credit Default Swap Counterparty.

The party delivering the termination notice shall also provide the Cash Manager, the Trustee, the Credit Default Swap Counterparty and each Rating Agency with a copy of the termination notice at the same time such notice is delivered to the Custodian or the Issuer, as the case may be.

#### **Security in respect of the Repo Securities**

Repo Securities in the form of Eligible Securities held in the Custody Account and the cash proceeds thereof held in the Cash Deposit Account will be subject to a first priority security interest in favour of the Trustee under the Deed of Charge.

#### **Proceeds on Enforcement**

If the Repo Agreement is accelerated on the occurrence of an Enforcement Date only the net proceeds of sale of the Repo Securities will be available for application by the Trustee pursuant to the Post-Enforcement Order of Priority.

On delivery of an Enforcement Notice and in relation to the Repo Securities, the Trustee (or an agent thereof) may, pending distribution thereof to the Credit Default Swap Counterparty and the Noteholders in accordance with the Post-Enforcement Order of Priority, invest any cash proceeds of such enforcement in Permitted Investments maturing not later than the next Interest Payment Date or may place such cash proceeds on deposit in the name or under the control of the Trustee with any financial institution with the Required Issuer Account Bank Rating. "**Permitted Investments**" means short-term tradable securities which are denominated in Sterling and which have a short-term debt rating of at least F1+ by Fitch, P-1 by Moody's and A-1+ by S&P and a long-term debt rating of A1 by Moody's.

#### **Governing Law**

The Repo Agreement and the Custody Agreement are governed by, and will be construed in accordance with, the laws of England. The parties have submitted to the nonexclusive jurisdiction of the English courts for all purposes in connection with the Repo Agreement and the Custody Agreement. The Issuer has appointed Structured Finance Management Limited in England to accept service of process on its behalf in connection with the Repo Agreement and the Custody Agreement.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to amendment and completion) will be endorsed on or attached to each Global Note Certificate and Individual Note Certificate and (subject to the provisions thereof) will apply to each such Note.

The notes due 2018 of Metrix Securities P.L.C. (the "**Issuer**") comprise the £110,000,000 Series 2006-1 Class A1 Floating Rate Notes due 2018 (the "**A1 Notes**"), the €738,000,000 Series 2006-1 Class A2 Floating Rate Notes due 2018 (the "**A2 Notes**") and the \$2,249,000,000 Series 2006-1 Class A3 Floating Rate Notes due 2018 (the "**A3 Notes**" and together with the A1 Notes and the A2 Notes, the "**A Notes**"), the £5,800,000 Series 2006-1 Class B1 Floating Rate Notes due 2018 (the "**B1 Notes**"), the €15,800,000 Series 2006-1 Class B2 Floating Rate Notes due 2018 (the "**B2 Notes**") and the \$18,000,000 Series 2006-1 Class B3 Floating Rate Notes due 2018 (the "**B3 Notes**" and together with the B1 Notes and the B2 Notes, the "**B Notes**"), the £4,100,000 Series 2006-1 Class C1 Floating Rate Notes due 2018 (the "**C1 Notes**"), the €15,500,000 Series 2006-1 Class C2 Floating Rate Notes due 2018 (the "**C2 Notes**") and the \$14,000,000 Series 2006-1 Class C3 Floating Rate Notes due 2018 (the "**C3 Notes**" and together with the C1 Notes and the C2 Notes, the "**C Notes**"), the £17,500,000 Series 2006-1 Class D1 Floating Rate Notes due 2018 (the "**D1 Notes**") and the €18,600,000 Series 2006-1 Class D2 Floating Rate Notes due 2018 (the "**D2 Notes**") and together with the D1 Notes, the "**D Notes**") and the £26,300,000 Series 2006-1 Class E1 Floating Rate Notes due 2018 (the "**E1 Notes**") and the €26,300,000 Series 2006-1 Class E2 Floating Rate Notes due 2018 (the "**E2 Notes**" and together with the E1 Notes, the "**E Notes**") and the £78,000,000 Series 2006-1 Class F Floating Rate Notes due 2018 (the "**F Notes**"). The A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the F Notes are together the "**Notes**". The Notes are constituted by a Trust Deed to be dated on or prior to the Closing Date (as defined in Condition 2 (*Definitions*) below), as amended or supplemented from time to time (the "**Trust Deed**"), between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Noteholders (as defined in Condition 2 (*Definitions*) below). The Notes have the benefit of (to the extent applicable) an agency agreement (the "**Agency Agreement**") to be dated on or prior to the Closing Date, as amended or supplemented from time to time, between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**"), as agent bank (the "**Agent Bank**"), as exchange agent (the "**Exchange Agent**") and as transfer agent (a "**Transfer Agent**"), HSBC Institutional Trustee Services (Ireland) Limited, as Irish paying agent (the "**Irish Paying Agent**") and HSBC Bank USA, National Association, as registrar (the "**Registrar**"), as New York paying agent (the "**New York Paying Agent**"), as custodian for the Depository Trust Company ("**DTC Custodian**") and transfer agent (a "**Transfer Agent**").

Any reference below to a "**Class**" of Notes or to the holders of a Class of Notes shall be a reference, for purposes of Condition 3(g), Condition 11(a)(v), Condition 12 and Condition 14, to the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, or the F Notes, and for all other purposes, to the A1 Notes, A2 Notes, A3 Notes, B1 Notes, B2 Notes, B3 Notes, C1 Notes, C2 Notes, C3 Notes, D1 Notes, D2 Notes, E1 Notes, E2 Notes or F Notes, as the case may be, or to the respective holders thereof.

The Notes also have the benefit of a deed of charge (the "**Deed of Charge**") to be dated on or prior to the Closing Date, as amended or supplemented from time to time, between, among others, the Issuer and the Trustee.

In these Conditions, all references to an "**Agent**" means the Agent Bank, the DTC Custodian, the Exchange Agent, the Transfer Agent, the Registrar and the Paying Agents and any other or additional agent appointed from time to time in accordance with the Agency Agreement and shall include any successors thereto and any reference to "**Agents**" means any or all (as applicable) of the above persons.

These Conditions include summaries of the detailed provisions of and definitions contained in the Trust Deed, the Agency Agreement and the Deed of Charge. Copies of the Trust Deed, the Agency Agreement and the Deed of Charge are available for inspection during usual business hours at the registered office of the Trustee (currently at Fifth Floor, 100 Wood Street, EC2V 7EX) and at the specified offices of the Principal Paying Agent and the Irish Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the Trust Deed, the Agency Agreement and the Deed of Charge.

1. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are in individual fully registered form, without interest coupons or principal receipts attached, in the applicable Minimum Denomination and integral multiples in excess thereof. An Individual Note Certificate will be issued to each Noteholder in respect of its registered holding or holdings of Notes.

(b) ***Register***

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(c) ***Title to the Notes***

Title to the Notes passes upon the registration of transfers in the Register in accordance with the provisions of the Agency Agreement and the Trust Deed. The registered holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on any Global Note Certificate or Individual Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Global Note Certificate or Individual Note Certificate) and no person shall be liable for so treating such holder.

(d) ***Transfer***

Subject to Condition 1(g) (*Closed Periods*) and 1(h) (*Regulations concerning transfers*), Notes may be transferred in whole or in part only in nominal amounts equal to the applicable Minimum Denomination and integral multiples in excess thereof upon the surrender of the related Individual Note Certificate with the endorsed form of transfer duly completed at the specified office of the Registrar or Transfer Agent, together with such evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer of part only of a holding of Notes represented by one Individual Note Certificate, a new Individual Note Certificate will be issued to the transferee in respect of the part transferred and a further new Individual Note Certificate in respect of the balance of the holding not transferred will be issued to the transferor.

(e) ***Registration and delivery of Individual Note Certificates***

Within five business days of the surrender of an Individual Note Certificate in accordance with Condition 1(d) (*Transfer*) above, the Registrar will register the transfer in question and deliver a new Individual Note Certificate or, in the case of a transfer of part only of a holding of Notes, new Individual Note Certificates, to each relevant holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 1(e), "**business day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar and Transfer Agent.

(f) ***Transfer free of charge***

Transfers of Notes in accordance with these Conditions will be effected without charge by or on behalf of the Issuer, the Registrar or Transfer Agent, but upon payment (or the giving of such indemnity as the Issuer, Registrar or the Transfer Agent may require in respect thereof) of any tax or other governmental charges which may be imposed in relation to such transfers.

(g) ***Closed Periods***

No Noteholder may require the transfer of a Note to be registered (i) during the period of fifteen calendar days ending on (and including) the due date for redemption (in full) of that Note or (ii) during the period of seven calendar days ending on (and including) any Record Date.

(h) ***Regulations concerning transfers***

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2. **Definitions**

In these Conditions, capitalised terms used and not otherwise defined in these Conditions have the meanings set forth below:

"**A Global Note Certificates**" means each A1 Regulation S Global Note Certificate, A2 Regulation S Global Note Certificate, A3 Regulation S Global Note Certificate, A1 Rule 144A Global Note Certificate, A2 Rule 144A Global Note Certificate and A3 Rule 144A Global Note Certificate;

"**A Individual Note Certificates**" means each A1 Regulation S Individual Note Certificate, A2 Regulation S Individual Note Certificate, A3 Regulation S Individual Note Certificate, A1 Rule 144A Individual Note Certificate, A2 Rule 144A Individual Note Certificate and A3 Rule 144A Individual Note Certificate;

"**A Noteholders**" means the holders of the A Notes from time to time;

"**A Regulation S Global Note Certificate**" means any A1 Regulation S Global Note Certificate, any A2 Regulation S Global Note Certificate or any A3 Regulation S Global Note Certificate;

"**A Regulation S Individual Note Certificate**" means any A1 Regulation S Individual Note Certificate, any A2 Regulation S Individual Note Certificate or any A3 Regulation S Individual Note Certificate;

"**A Rule 144A Global Note Certificate**" means any A1 Rule 144A Global Note Certificate, any A2 Rule 144A Global Note Certificate or any A3 Rule 144A Global Note Certificate;

"**A Rule 144A Individual Note Certificate**" means any A1 Rule 144A Individual Note Certificate, any A2 Rule 144A Individual Note Certificate or any A3 Rule 144A Individual Note Certificate;

"**A1 Global Note Certificates**" means each A1 Regulation S Global Note Certificate and each A1 Rule 144A Global Note Certificate;

"**A1 Individual Note Certificates**" means each A1 Regulation S Individual Note Certificate and each A1 Rule 144A Individual Note Certificate;

"**A1 Noteholders**" means the holders of the A1 Notes from time to time;

"**A1 Regulation S Global Note Certificate**" means any Global Note Certificate representing any A1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

"**A1 Regulation S Individual Note Certificate**" means any Individual Note Certificate representing any A1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

"**A1 Rule 144A Global Note Certificate**" means any Global Note Certificate representing any A1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"A1 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any A1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"A2 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the A2 Notes and pursuant to which the Issuer will make an initial exchange of Euros for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in Euros required to make payments in respect of the A2 Notes, as such agreement may be amended, replaced and/or supplemented;

**"A2 Global Note Certificates"** means each A2 Regulation S Global Note Certificate and each A2 Rule 144A Global Note Certificate;

**"A2 Individual Note Certificates"** means each A2 Regulation S Individual Note Certificate and each A2 Rule 144A Individual Note Certificate;

**"A2 Noteholders"** means the holders of the A2 Notes from time to time;

**"A2 Regulation S Global Note Certificate"** means any Global Note Certificate representing any A2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"A2 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any A2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"A2 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any A2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"A2 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any A2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"A3 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the A3 Notes and pursuant to which the Issuer will make an initial exchange of US dollars for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in US dollars required to make payments in respect of the A3 Notes, as such agreement may be amended, replaced and/or supplemented;

**"A3 Global Note Certificates"** means each A3 Regulation S Global Note Certificate and each A3 Rule 144A Global Note Certificate;

**"A3 Individual Note Certificates"** means each A3 Regulation S Individual Note Certificate and each A3 Rule 144A Individual Note Certificate;

**"A3 Noteholders"** means the holders of the A3 Notes from time to time;

**"A3 Regulation S Global Note Certificate"** means any Global Note Certificate representing any A3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"A3 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any A3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

"**A3 Rule 144A Global Note Certificate**" means any Global Note Certificate representing any A3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

"**A3 Rule 144A Individual Note Certificate**" means any Individual Note Certificate representing any A3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

"**Additional Interest**" has the meaning ascribed thereto in Condition 5(a);

"**Amortised Amount**" means:

- (a) on the last day of the Replenishment Period the amount by which the Maximum Portfolio Notional Amount (as defined in the Credit Default Swap) exceeds the Portfolio Notional Amount (as defined in the Credit Default Swap) on such date; and
- (b) in respect of any Interest Payment Date from and following the end of the Replenishment Period, an amount (but without double counting any amount which may be taken into account pursuant to subparagraph (a) or (c)) which is equal to the aggregate of the Reductions determined pursuant to the Credit Default Swap during the period from (and including) the date which is 10 Business Days prior to the immediately preceding Interest Payment Date to (but excluding) the date which is 10 Business Days prior to that Interest Payment Date; and
- (c) in respect of any Interest Payment Date from and following the end of the Replenishment Period and on which a Cash Settlement Amount is payable by the Issuer to the Credit Default Swap Counterparty in respect of any Defaulted Reference Obligation in relation to which the relevant Credit Event was Failure to Pay or Bankruptcy (as each such term is defined in the Credit Default Swap), an amount (but without double counting any amount which may be taken into account pursuant to subparagraphs (a) or (b)) equal to the amount by which the Defaulted Notional Amount for such Defaulted Reference Obligation exceeds the reduction in the Base Currency Outstanding Principal Balance of the Notes pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*) to the extent such reduction relates to the relevant Defaulted Reference Obligation;

"**Applicable Margin**" has the meaning ascribed thereto in Condition 5;

"**Applicable Ratio**" means, in relation to any Interest Payment Date:

- (a) in relation to the A1 Notes, the ratio of the Base Currency Outstanding Principal Balance of the A1 Notes to the Base Currency Outstanding Principal Balance of the A Notes;
- (b) in relation to the A2 Notes, the ratio of the Base Currency Outstanding Principal Balance of the A2 Notes to the Base Currency Outstanding Principal Balance of the A Notes;
- (c) in relation to the A3 Notes, the ratio of the Base Currency Outstanding Principal Balance of the A3 Notes to the Base Currency Outstanding Principal Balance of the A Notes;
- (d) in relation to the B1 Notes, the ratio of the Base Currency Outstanding Principal Balance of the B1 Notes to the Base Currency Outstanding Principal Balance of the B Notes;
- (e) in relation to the B2 Notes, the ratio of the Base Currency Outstanding Principal Balance of the B2 Notes to the Base Currency Outstanding Principal Balance of the B Notes;
- (f) in relation to the B3 Notes, the ratio of the Base Currency Outstanding Principal Balance of the B3 Notes to the Base Currency Outstanding Principal Balance of the B Notes;
- (g) in relation to the C1 Notes, the ratio of the Base Currency Outstanding Principal Balance of the C1 Notes to the Base Currency Outstanding Principal Balance of the C Notes;
- (h) in relation to the C2 Notes, the ratio of the Base Currency Outstanding Principal Balance of the C2 Notes to the Base Currency Outstanding Principal Balance of the C Notes;



- (i) in relation to the C3 Notes, the ratio of the Base Currency Outstanding Principal Balance of the C3 Notes to the Base Currency Outstanding Principal Balance of the C Notes;
- (j) in relation to the D1 Notes, the ratio of the Base Currency Outstanding Principal Balance of the D1 Notes to the Base Currency Outstanding Principal Balance of the D Notes;
- (k) in relation to the D2 Notes, the ratio of the Base Currency Outstanding Principal Balance of the D2 Notes to the Base Currency Outstanding Principal Balance of the D Notes;
- (l) in relation to the E1 Notes, the ratio of the Base Currency Outstanding Principal Balance of the E1 Notes to the Base Currency Outstanding Principal Balance of the E Notes;
- (m) in relation to the E2 Notes, the ratio of the Base Currency Outstanding Principal Balance of the E2 Notes to the Base Currency Outstanding Principal Balance of the E Notes;
- (n) in relation to the F Notes, one (1);

**"Approved Form Custody Agreement"** means the form of the custody agreement attached as Schedule 2 to the Collateral Switch Agreement;

**"Approved Form Repo Agreement"** means the form of the repurchase agreement attached as Schedule 1 to the Collateral Switch Agreement;

**"Available Funds"** means Interest Collections, any funds from time to time standing to the balance of the Reserve Account and Collateral Principal Proceeds;

**"B Global Note Certificates"** means each B1 Regulation S Global Note Certificate, B2 Regulation S Global Note Certificate, B3 Regulation S Global Note Certificate, B1 Rule 144A Global Note Certificate, B2 Rule 144A Global Note Certificate and B3 Rule 144A Global Note Certificate;

**"B Individual Note Certificates"** means each B1 Regulation S Individual Note Certificate, B2 Regulation S Individual Note Certificate, B3 Regulation S Individual Note Certificate, B1 Rule 144A Individual Note Certificate, B2 Rule 144A Individual Note Certificate and B3 Rule 144A Individual Note Certificate;

**"B Noteholders"** means the holders of the B Notes from time to time;

**"B Regulation S Global Note Certificate"** means any B1 Regulation S Global Note Certificate, any B2 Regulation S Global Note Certificate or any B3 Regulation S Global Note Certificate;

**"B Regulation S Individual Note Certificate"** means any B1 Regulation S Individual Note Certificate, any B2 Regulation S Individual Note Certificate or any B3 Regulation S Individual Note Certificate;

**"B Rule 144A Global Note Certificate"** means any B1 Rule 144A Global Note Certificate, any B2 Rule 144A Global Note Certificate or any B3 Rule 144A Global Note Certificate;

**"B Rule 144A Individual Note Certificate"** means any B1 Rule 144A Individual Note Certificate, any B2 Rule 144A Individual Note Certificate or any B3 Rule 144A Individual Note Certificate;

**"B1 Global Note Certificates"** means each B1 Regulation S Global Note Certificate and each B1 Rule 144A Global Note Certificate;

**"B1 Individual Note Certificates"** means each B1 Regulation S Individual Note Certificate and each B1 Rule 144A Individual Note Certificate;

**"B1 Noteholders"** means the holders of the B1 Notes from time to time;

**"B1 Regulation S Global Note Certificate"** means any Global Note Certificate representing any B1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"B1 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any B1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"B1 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any B1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"B1 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any B1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"B2 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the B2 Notes and pursuant to which the Issuer will make an initial exchange of Euros for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in Euros required to make payments in respect of the B2 Notes, as such agreement may be amended, replaced and/or supplemented;

**"B2 Global Note Certificates"** means each B2 Regulation S Global Note Certificate and each B2 Rule 144A Global Note Certificate;

**"B2 Individual Note Certificates"** means each B2 Regulation S Individual Note Certificate and each B2 Rule 144A Individual Note Certificate;

**"B2 Noteholders"** means the holders of the B2 Notes from time to time;

**"B2 Regulation S Global Note Certificate"** means any Global Note Certificate representing any B2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"B2 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any B2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"B2 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any B2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"B2 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any B2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"B3 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the B3 Notes and pursuant to which the Issuer will make an initial exchange of US dollars for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in US dollars required to make payments in respect of the B3 Notes, as such agreement may be amended, replaced and/or supplemented;

**"B3 Global Note Certificates"** means each B3 Regulation S Global Note Certificate and each B3 Rule 144A Global Note Certificate;

**"B3 Individual Note Certificates"** means each B3 Regulation S Individual Note Certificate and each B3 Rule 144A Individual Note Certificate;

**"B3 Noteholders"** means the holders of the B3 Notes from time to time;

**"B3 Regulation S Global Note Certificate"** means any Global Note Certificate representing any B3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"B3 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any B3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"B3 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any B3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"B3 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any B3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"Base Currency Amount"** means:

- (a) in relation to any amount in Sterling, such Sterling amount;
- (b) in relation to any amount in Euros, the Sterling equivalent of such amount calculated using the applicable Funding Swap Rate in respect of the Euro Notes; and
- (c) in relation to any amount in dollars, the Sterling equivalent of such amount calculated using the applicable Funding Swap Rate in respect of the Dollar Notes;

**"Base Currency Initial Principal Balance"** means, in relation to:

- (a) a Class of Sterling Notes, the Initial Principal Balance of such Class of Notes;
- (b) a Class of Euro Notes, the Sterling equivalent of the Initial Principal Balance of such Class of Notes, calculated using the applicable Funding Swap Rate in respect of the Funding Swap Agreement for that Class; and
- (c) a Class of Dollar Notes, the Sterling equivalent of the Initial Principal Balance of such Class of Notes, calculated using the applicable Funding Swap Rate in respect of the Funding Swap Agreement for that Class;

**"Base Currency Outstanding Principal Balance"** means:

- (a) in relation to any Class of Note with respect to any Class on any date or time of determination or relevant Interest Payment Date, an amount equal to:
  - (1) the Base Currency Initial Principal Balance of such Class;
  - (2) *minus* the aggregate amount of Cash Settlement Amounts allocated to such Class in reduction of the Base Currency Outstanding Principal Balance of such Class pursuant to the Conditions on or before such date or time;
  - (3) *plus* the aggregate amount of Reinstatement Amounts, if any, applied in the reinstatement of the Base Currency Outstanding Principal Balance of such Class of Notes made pursuant to the Conditions on or before such date or time;
  - (4) *minus* the aggregate amount of payments, expressed as a Base Currency Amount, of Redemption Amounts, if any, paid in respect of such Class on or before such date or time;
- (b) with respect to a Note of a Class on any date or any time of determination, a proportion of the Outstanding Principal Balance of that Class on that date or time of determination equal to the proportion that the Initial Principal Balance of the relevant Note bears to the Initial Principal Balance of such Class; and

(c) with respect to the Notes, the aggregate of the Outstanding Principal Balance of each Class;

**"Business Day"** unless otherwise defined in a particular Condition means a day on which (i) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and Dublin, and (ii) the TARGET System is open;

**"C Global Note Certificates"** means each C1 Regulation S Global Note Certificate, C2 Regulation S Global Note Certificate, C3 Regulation S Global Note Certificate, C1 Rule 144A Global Note Certificate, C2 Rule 144A Global Note Certificate and C3 Rule 144A Global Note Certificate;

**"C Individual Note Certificates"** means each C1 Regulation S Individual Note Certificate, C2 Regulation S Individual Note Certificate, C3 Regulation S Individual Note Certificate, C1 Rule 144A Individual Note Certificate, C2 Rule 144A Individual Note Certificate and C3 Rule 144A Individual Note Certificate;

**"C Noteholders"** means the holders of the C Notes from time to time;

**"C Regulation S Global Note Certificate"** means any C1 Regulation S Global Note Certificate, any C2 Regulation S Global Note Certificate or any C3 Regulation S Global Note Certificate;

**"C Regulation S Individual Note Certificate"** means any C1 Regulation S Individual Note Certificate, any C2 Regulation S Individual Note Certificate or any C3 Regulation S Individual Note Certificate;

**"C Rule 144A Global Note Certificate"** means any C1 Rule 144A Global Note Certificate, any C2 Rule 144A Global Note Certificate or any C3 Rule 144A Global Note Certificate;

**"C Rule 144A Individual Note Certificate"** means any C1 Rule 144A Individual Note Certificate, any C2 Rule 144A Individual Note Certificate or any C3 Rule 144A Individual Note Certificate;

**"C1 Global Note Certificates"** means each C1 Regulation S Global Note Certificate and each C1 Rule 144A Global Note Certificate;

**"C1 Individual Note Certificates"** means each C1 Regulation S Individual Note Certificate and each C1 Rule 144A Individual Note Certificate;

**"C1 Noteholders"** means the holders of the C1 Notes from time to time;

**"C1 Regulation S Global Note Certificate"** means any Global Note Certificate representing any C1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"C1 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any C1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"C1 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any C1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"C1 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any C1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"C2 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the C2 Notes and pursuant to which the Issuer will make an initial exchange of Euros for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in Euros required to make payments in respect of the C2 Notes, as such agreement may be amended, replaced and/or supplemented;

**"C2 Global Note Certificates"** means each C2 Regulation S Global Note Certificate and each C2 Rule 144A Global Note Certificate;

**"C2 Individual Note Certificates"** means each C2 Regulation S Individual Note Certificate and each C2 Rule 144A Individual Note Certificate;

**"C2 Noteholders"** means the holders of the C2 Notes from time to time;

**"C2 Regulation S Global Note Certificate"** means any Global Note Certificate representing any C2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"C2 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any C2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"C2 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any C2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"C2 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any C2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"C3 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the C3 Notes and pursuant to which the Issuer will make an initial exchange of US dollars for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in US dollars required to make payments in respect of the C3 Notes, as such agreement may be amended, replaced and/or supplemented;

**"C3 Global Note Certificates"** means each C3 Regulation S Global Note Certificate and each C3 Rule 144A Global Note Certificate;

**"C3 Individual Note Certificates"** means each C3 Regulation S Individual Note Certificate and each C3 Rule 144A Individual Note Certificate;

**"C3 Noteholders"** means the holders of the C3 Notes from time to time;

**"C3 Regulation S Global Note Certificate"** means any Global Note Certificate representing any C3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"C3 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any C3 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"C3 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any C3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"C3 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any C3 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"Cash Deposit Collateral Transfer"** means a release by the Cash Manager on behalf of the Issuer of funds standing to the credit of the Cash Deposit Account from such account, and the application of such funds to purchase Repo Securities pursuant to the terms of the Repo Agreement;

**"Cash Deposit Account"** means the segregated Sterling denominated interest-bearing deposit account specified as such in or pursuant to the Cash Deposit Account Bank Agreement;

**"Cash Deposit Account Bank Agreement"** means the issuer account bank agreement to be dated on or about the Closing Date between the Issuer, the Cash Manager, the Cash Deposit Account Bank, the Credit Default Swap Counterparty and the Trustee, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Cash Deposit Account Bank Required Rating"** means a short-term rating of at least A-1+ from S&P and P-1 from Moody's and a long-term rating of at least Aa3 from Moody's;

**"Cash Management Agreement"** means the cash management agreement to be dated on or about the Closing Date between the Issuer, the Credit Default Swap Counterparty, the Security Trustee and the Cash Manager, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Cash Settlement Amount"** has the meaning ascribed thereto pursuant to the terms of the Credit Default Swap;

**"Charged Assets"** means the assets (including the Collateral Investment) and Secured Accounts of the Issuer that form the subject of the Security created by the Issuer pursuant to the Deed of Charge;

**"Closing Date"** means 9<sup>th</sup> November 2006 or such other date as may be agreed by the Issuer, the Lead Manager, the Trustee and the Credit Default Swap Counterparty;

**"Collateral Income Proceeds"** means, on any Interest Payment Date or Notes Termination Date:

- (a) income pursuant to the Repo Agreement which has accrued and been paid to the Issuer in the Interest Period ending on that Interest Payment Date or Notes Termination Date; and
- (b) interest income in respect of the Issuer Transaction Account, Reserve Account and the Cash Deposit Account which has accrued and been paid to the Issuer on that Interest Payment Date or Notes Termination Date; and
- (c) income in respect of any other Permitted Investment which has accrued and been paid to the Issuer in the Interest Period ending on that Interest Payment Date or Notes Termination Date;

**"Collateral Investment"** means as at any date:

- (a) if as at such date the proceeds of the Notes (or the remainder thereof) are held in the Cash Deposit Account, the cash deposit thereunder; or
- (b) if as at such date the proceeds of the Notes (or the remainder thereof) are invested in Repo Securities pursuant to a Repo Agreement, the investment thereunder;

**"Collateral Principal Proceeds"** means on any date the following amounts:

- (a) principal amounts received from the Cash Deposit Account upon release of any part of the Cash Deposit (other than in respect of a Cash Deposit Collateral Transfer);
- (b) amounts received from the Repo Counterparty on any unwind of all or part of a Repo Transaction (as defined under the Repo Agreement) (unless such amounts are immediately invested in a Cash Deposit Account);
- (c) any amounts paid by the Credit Default Swap Counterparty to the Issuer following termination of the Credit Default Swap;

**"Collateral Switch Agreement"** means the collateral switch agreement dated the Closing Date between the Issuer, the Cash Manager, the Credit Default Swap Counterparty and the Trustee, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Corporate Services Agreement"** means the corporate services agreement between the Issuer, the Corporate Services Provider and the Trustee as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Corporate Services Provider"** means Structured Finance Management (Ireland) Limited in its capacity as corporate services provider under the Corporate Services Agreement;

**"Credit Default Swap"** means the credit default swap transaction entered into on the Closing Date between the Issuer and the Credit Default Swap Counterparty and documented under the ISDA Master;

**"Credit Default Swap Documents"** means the ISDA Master, schedule and confirmation evidencing the Credit Default Swap;

**"Credit Default Swap Counterparty"** means, in respect of the Credit Default Swap, HSBC in its capacity as counterparty or its successor or replacement thereto;

**"Custodian"** means any entity having the Required Custodian Rating as may be selected by the Credit Default Swap Counterparty in accordance with the terms of the Collateral Switch Agreement;

**"Custody Account"** means, during any Repo Existence Period, the custody securities account or accounts specified as such in or pursuant to any Custody Agreement or such other account or accounts as the Trustee, the Issuer and the Credit Default Swap Counterparty may agree to substitute in place thereof;

**"Custody Agreement"** means, during any Repo Existence Period, any custody agreement entered into pursuant to the Collateral Switch Agreement substantially in the form of the Approved Form Custody Agreement, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"D Global Note Certificates"** means each D1 Regulation S Global Note Certificate, D2 Regulation S Global Note Certificate, D1 Rule 144A Global Note Certificate and D2 Rule 144A Global Note Certificate;

**"D Individual Note Certificates"** means each D1 Regulation S Individual Note Certificate, D2 Regulation S Individual Note Certificate, D1 Rule 144A Individual Note Certificate and D2 Rule 144A Individual Note Certificate;

**"D Noteholders"** means the holders of the D Notes from time to time;

**"D Regulation S Global Note Certificate"** means any D1 Regulation S Global Note Certificate or any D2 Regulation S Global Note Certificate;

**"D Regulation S Individual Note Certificate"** means any D1 Regulation S Individual Note Certificate or any D2 Regulation S Individual Note Certificate;

**"D Rule 144A Global Note Certificate"** means any D1 Rule 144A Global Note Certificate or any D2 Rule 144A Global Note Certificate;

**"D Rule 144A Individual Note Certificate"** means any D1 Rule 144A Individual Note Certificate or any D2 Rule 144A Individual Note Certificate;

**"D1 Global Note Certificates"** means each D1 Regulation S Global Note Certificate and each D1 Rule 144A Global Note Certificate;

**"D1 Individual Note Certificates"** means each D1 Regulation S Individual Note Certificate and each D1 Rule 144A Individual Note Certificate;

**"D1 Noteholders"** means the holders of the D1 Notes from time to time;

**"D1 Regulation S Global Note Certificate"** means any Global Note Certificate representing any D1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"D1 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any D1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"D1 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any D1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"D1 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any D1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"D2 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the D2 Notes and pursuant to which the Issuer will make an initial exchange of Euros for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in Euros required to make payments in respect of the D2 Notes, as such agreement may be amended, replaced and/or supplemented;

**"D2 Global Note Certificates"** means each D2 Regulation S Global Note Certificate and each D2 Rule 144A Global Note Certificate;

**"D2 Individual Note Certificates"** means each D2 Regulation S Individual Note Certificate and each D2 Rule 144A Individual Note Certificate;

**"D2 Noteholders"** means the holders of the D2 Notes from time to time;

**"D2 Regulation S Global Note Certificate"** means any Global Note Certificate representing any D2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"D2 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any D2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"D2 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any D2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"D2 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any D2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"Declaration of Trust"** means the declaration of trust in respect of the shares of the Issuer;

**"Deferred Interest"** has the meaning ascribed thereto in Condition 5(a);

**"Distributable Principal Amount"** means, as of any date, an amount equal to the aggregate Outstanding Principal Balance of the Notes on such date (after giving effect to any adjustments applicable thereto as a result of the payment of any Cash Settlement Amount to be paid by the Issuer on such date or any Reinstatement Amount to be applied thereto on such date pursuant to Condition 6(i) and 6(j), respectively, but before giving effect to any adjustments applicable thereto as a result of any principal payments to be made on such date) *minus* the Maximum Cash Settlement Amount;

**"Dollar Notes"** means the A3 Notes, the B3 Notes and the C3 Notes;

**"E Global Note Certificates"** means each E1 Regulation S Global Note Certificate, E2 Regulation S Global Note Certificate, E1 Rule 144A Global Note Certificate and E2 Rule 144A Global Note Certificate;

**"E Individual Note Certificates"** means each E1 Regulation S Individual Note Certificate, E2 Regulation S Individual Note Certificate, E1 Rule 144A Individual Note Certificate and E2 Rule 144A Individual Note Certificate;

**"E Noteholders"** means the holders of the E Notes from time to time;



**"E Regulation S Global Note Certificate"** means any E1 Regulation S Global Note Certificate or any E2 Regulation S Global Note Certificate;

**"E Regulation S Individual Note Certificate"** means any E1 Regulation S Individual Note Certificate or any E2 Regulation S Individual Note Certificate;

**"E Rule 144A Global Note Certificate"** means any E1 Rule 144A Global Note Certificate or any E2 Rule 144A Global Note Certificate;

**"E Rule 144A Individual Note Certificate"** means any E1 Rule 144A Individual Note Certificate or any E2 Rule 144A Individual Note Certificate;

**"E1 Global Note Certificates"** means each E1 Regulation S Global Note Certificate and each E1 Rule 144A Global Note Certificate;

**"E1 Individual Note Certificates"** means each E1 Regulation S Individual Note Certificate and each E1 Rule 144A Individual Note Certificate;

**"E1 Noteholders"** means the holders of the E1 Notes from time to time;

**"E1 Regulation S Global Note Certificate"** means any Global Note Certificate representing any E1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"E1 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any E1 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"E1 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any E1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"E1 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any E1 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"E2 Funding Swap Agreement"** means the swap agreement (including the master agreement, schedule and confirmation thereto and a credit support annex) dated the Closing Date between the Issuer and the Funding Swap Counterparty relating to the E2 Notes and pursuant to which the Issuer will make an initial exchange of Euros for Sterling and, following the Closing Date, on each Interest Payment Date, will pay to the Funding Swap Counterparty amounts in Sterling in exchange for amounts in Euros required to make payments in respect of the E2 Notes, as such agreement may be amended, replaced and/or supplemented;

**"E2 Global Note Certificates"** means each E2 Regulation S Global Note Certificate and each E2 Rule 144A Global Note Certificate;

**"E2 Individual Note Certificates"** means each E2 Regulation S Individual Note Certificate and each E2 Rule 144A Individual Note Certificate;

**"E2 Noteholders"** means the holders of the E2 Notes from time to time;

**"E2 Regulation S Global Note Certificate"** means any Global Note Certificate representing any E2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"E2 Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any E2 Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"E2 Rule 144A Global Note Certificate"** means any Global Note Certificate representing any E2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 1, Part A of the Trust Deed;

**"E2 Rule 144A Individual Note Certificate"** means any Individual Note Certificate representing any E2 Notes that are Rule 144A Notes in, or substantially in, the form set out in Schedule 2, Part A of the Trust Deed;

**"Early Redemption Date"** means:

- (a) the date, if any, on which the Enforcement Date occurs pursuant to Condition 11(c)(ii) (*Acceleration and Enforcement*), or
- (b) the Tax Redemption Date; or
- (c) the date, if any, on which the Credit Default Swap is terminated early (in whole or in part) in accordance with the terms thereof;

**"Early Termination Date"** has the meaning ascribed thereto in the Credit Default Swap;

**"Eligible Securities"** has the meaning ascribed thereto in the Repo Agreement;

**"Enforcement Date"** has the meaning ascribed thereto in Condition 11(c)(ii) (*Acceleration and Enforcement*);

**"Enforcement Notice"** has the meaning ascribed thereto in Condition 11(c)(ii) (*Acceleration and Enforcement*);

**"EURIBOR"** means the Relevant Screen Rate for the Euro Notes;

**"Euro Notes"** means the A2 Notes, the B2 Notes, the C2 Notes, the D2 Notes and the E2 Notes;

**"Eurozone"** means the region comprised of member states of the European Union that adopt the Euro in accordance with the EC Treaty;

**"Event Determination Date"** means in relation to a Credit Event, the date on which the Credit Event Notice is delivered to the Issuer, the Cash Manager and the Calculation Agent.

**"Event of Default"** has the meaning ascribed thereto in Condition 11 (*Events of Default*);

**"Exceptional Expenses"** means for any Interest Payment Date or Notes Termination Date any Expenses of any Operating Creditor other than the Trustee or any Receiver which exceed an aggregate of GBP 40,000 (any such excess amount to be calculated *pro rata* and *pari passu* in respect of any such excess Expense amount and such Operating Creditor);

**"Expenses"** means (i) any fees, expenses, costs, liabilities or indemnity amounts or other amounts (including value added tax) which are incurred and in respect of which an invoice has been delivered by the Trustee, any Receiver or any Operating Creditor to the Issuer and copied to the Credit Default Swap Counterparty and the Cash Manager and which are payable by Issuer, and (ii) all taxes (including, but without double counting, any value added tax payable by the Issuer on a reverse charge basis) owing by the Issuer to any tax authority (but for greater certainty not including any withholding taxes in respect of any payments on the Notes);

**"Extraordinary Resolution"** means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast;

**"F Global Note Certificates"** means each F Regulation S Global Note Certificate;

**"F Individual Note Certificates"** means each F Regulation S Individual Note Certificate;

**"F Noteholders"** means the holders of the F Notes from time to time;

**"F Regulation S Global Note Certificate"** means any Global Note Certificate representing any F Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 1, Part B of the Trust Deed;

**"F Regulation S Individual Note Certificate"** means any Individual Note Certificate representing any F Notes that are Regulation S Notes in, or substantially in, the form set out in Schedule 2, Part B of the Trust Deed;

**"Final Maturity Date"** means the Interest Payment Date falling in November 2018;

**"Fixed Amount"** has the meaning ascribed thereto in the Credit Default Swap;

**"Following Business Day Convention"** means that, if any Interest Payment Date (or other relevant date) would otherwise fall on a day which is not a Business Day, it will be postponed to the following Business Day;

**"Funding Swap Agreements"** means the A2 Funding Swap Agreement, the A3 Funding Swap Agreement, the B2 Funding Swap Agreement, the B3 Funding Swap Agreement, the C2 Funding Swap Agreement, the C3 Funding Swap Agreement, the D2 Funding Swap Agreement and the E2 Funding Swap Agreement and **"Funding Swap Agreement"** means any one of them;

**"Funding Swap Counterparty"** means in respect of each Funding Swap Agreement, HSBC in its capacity as counterparty under each Funding Swap Agreement, or any successor or replacement appointed in accordance with the terms of the relevant Funding Swap Agreement;

**"Funding Swap Counterparty Default"** means with respect to any Funding Swap Agreement:

- (i) the occurrence of a Failure to Pay or Bankruptcy (as defined under the Funding Swap Agreement) where the Funding Swap Counterparty is the defaulting party (and which shall include any failure by the Funding Swap Counterparty to comply with the collateralisation requirement under the Funding Swap Agreement and any related credit support annex in relation thereto), or
- (ii) an Illegality (as defined under the Funding Swap Agreement), or
- (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination and where the Funding Swap Counterparty and the Repo Counterparty are the same entity or are entities which are an affiliate of one another), or
- (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination and where the Funding Swap Counterparty and the Repo Counterparty are the same entity or are entities which are an affiliate of one another), or
- (v) as a result of a Tax Event Upon Merger (as defined in the Funding Swap Agreement) in respect of the Funding Swap Counterparty, or
- (vi) the termination of the Funding Swap Agreement at any time when there has been a termination of the Credit Default Swap where the Issuer is not the defaulting party in respect of such termination of the Credit Default Swap and the Credit Default Swap Counterparty and the Funding Swap Counterparty are the same entity or are entities which are an affiliate of one another);

**"Funding Swap Rate"** means, in respect of:

- (i) the Class A2 Notes, €1 = £0.6720000;
- (ii) the Class B2 Notes, €1 = £0.6735000;
- (iii) the Class C2 Notes, €1 = £0.6750000;

- (iv) the Class D2 Notes, €1 = £0.6720400;
- (v) the Class E2 Notes, €1 = £0.6730000;
- (vi) the Class A3 Notes, £1 = \$1.8834800;
- (vii) the Class B3 Notes, £1 = \$1.8831000; and
- (viii) the Class C3 Notes, £1 = \$1.8823500;

"**Funding Swap Termination Payment**" means a termination payment calculated in accordance with the relevant Funding Swap Agreement pursuant to the terms thereof;

"**Global Note Certificate**" means a Regulation S Global Note Certificate or a Rule 144A Global Note Certificate or any of them;

"**Global Notes**" means the A Global Note Certificates, the B Global Note Certificates, the C Global Note Certificates, the D Global Note Certificates, the E Global Note Certificates and the F Global Note Certificates or any of them;

"**HSBC**" means HSBC Bank plc;

"**Individual Note Certificates**" means the A Individual Note Certificates, the B Individual Note Certificates, the C Individual Note Certificates, the D Individual Note Certificates, the E Individual Note Certificates and the F Individual Note Certificates or any of them;

"**Initial Principal Balance**" means in the case of each of the Notes referred to in the first column below, the amount set out opposite the relevant Note in the second column below:

<i>Class</i>	<u>Initial Principal Balance</u>
A1 Notes	£110,000,000
A2 Notes	€738,000,000
A3 Notes	\$2,249,000,000
B1 Notes	£5,800,000
B2 Notes	€15,800,000
B3 Notes	\$18,000,000
C1 Notes	£4,100,000
C2 Notes	€15,500,000
C3 Notes	\$14,000,000
D1 Notes	£17,500,000
D2 Notes	€18,600,000
E1 Notes	£26,300,000
E2 Notes	€26,300,000
F Notes	£78,000,000

"**Initial Termination Date**" has the meaning ascribed thereto in the Credit Default Swap;

"**Instructing Party**" means the Credit Default Swap Counterparty unless and until an Early Termination Date has been effectively designated under the Credit Default Swap following an Event of Default (as defined in the Credit Default Swap), in respect of which the Credit Default Swap Counterparty is the defaulting party (and in such circumstances there shall be no Instructing Party);

"**Interest Amount**" has the meaning ascribed thereto in Condition 5 (*Interest*);

"**Interest Collections**" means, for any Interest Payment Date, Collateral Income Proceeds and the Fixed Amounts received from the Credit Default Swap Counterparty in respect of such Interest Payment Date;

**"Interest Determination Date"** means:

- (i) in the case of Sterling Notes and any Interest Period in respect of which a Rate of Interest is to be established, the first day of such Interest Period;
- (ii) in the case of Euro Notes and any Interest Period in respect of which a Rate of Interest is to be established, the day which is two TARGET Business Days before the first day of such Interest Period; and
- (iii) in the case of Dollar Notes and any Interest Period in respect of which a Rate of Interest is to be established, the day which is two London Banking Days before the first day of such Interest Period;

**"Interest Payment Date"** has the meaning ascribed thereto in Condition 5(b) (*Interest Payment Date; Interest Period*);

**"Interest Period"** has the meaning ascribed thereto in Condition 5(b) (*Interest Payment Date; Interest Period*);

**"ISDA Master"** means the 1992 ISDA Master Agreement (Multicurrency — Cross Border) together with a schedule thereto to be entered into on the Closing Date between the Issuer and the Credit Default Swap Counterparty together with any agreement for the time being in force amending or supplementing such agreement;

**"Issuer Accounts"** means the Issuer Transaction Account, the Issuer Sterling Account, the Issuer Euro Account, and the Issuer Dollar Account;

**"Issuer Account Bank Agreement"** means the issuer account bank agreement to be dated on or about the Closing Date between the Issuer, the Credit Default Swap Counterparty, the Cash Manager, the Issuer Account Bank and the Trustee, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Issuer Dollar Account"** means the segregated dollar denominated Notes funding account specified as such in or pursuant to the Issuer Account Bank Agreement or such other account as the Trustee, the Issuer and the Cash Manager may agree to substitute in place thereof;

**"Issuer Domestic Account"** means the account established by the Issuer for the purpose of, *inter alia*, holding the proceeds of the issued share capital of the Issuer and any fees received by the Issuer in connection with the issue of the Notes;

**"Issuer Euro Account"** means the segregated Euro denominated Notes funding account specified as such in or pursuant to the Issuer Account Bank Agreement or such other account as the Trustee, the Issuer and the Cash Manager may agree to substitute in place thereof;

**"Issuer Sterling Account"** means the segregated Sterling denominated Notes funding account specified as such in or pursuant to the Issuer Account Bank Agreement or such other account as the Trustee, the Issuer and the Cash Manager may agree to substitute in place thereof;

**"Issuer Transaction Account"** means the segregated Sterling denominated account specified as such in or pursuant to the Issuer Account Bank Agreement or such other account as the Trustee, the Issuer and the Cash Manager may agree to substitute in place thereof;

**"London Banking Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

**"Master Definitions Schedule"** means the master definitions schedule to be dated on or about the Closing Date between, *inter alios*, the Issuer, the Trustee, as the same may be amended and/or supplemented;

**"Maximum Cash Settlement Amount"** has the meaning ascribed thereto in the Credit Default Swap;

"**Meeting**" means a meeting of Noteholders of any Class (whether originally convened or resumed following an adjournment);

"**Minimum Balance**" means:

- (a) with respect to any Class of Notes on any date for redemption of such Class of Notes (i) if the Base Currency Outstanding Principal Balance of such Class has been reduced pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*) and the aggregate amount of such reduction has not been reinstated in full pursuant to Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account Balances*), then prior to the Notes Termination Date, £1 (one pound sterling) per Class of Sterling Notes, \$1 (one US dollar) per Class of US Dollar Notes, Euro 1 (one Euro) per Class of Euro Notes; and (ii) otherwise, zero;
- (b) with respect to any Class of Notes on any date where the Base Currency Outstanding Principal Balance of such Class is to be reduced pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*): (i) prior to the Final Maturity Date £1 (one pound sterling) per Class of Sterling Notes, \$1 (one US dollar) per Class of US Dollar Notes, Euro 1 (one Euro) per Class of Euro Notes; and (ii) otherwise, zero; and
- (b) with respect to any Note of a Class, the aggregate Minimum Balance of such Class divided by the number of Notes in such Class;

"**Minimum Denomination**" means:

- (a) in the case of Sterling Notes, £50,000 (and integral multiples of £10,000 in excess thereof);
- (b) in the case of the Euro Notes, €50,000 (and integral multiples of €10,000 in excess thereof);
- (c) in the case of the Dollar Notes, \$100,000 (and integral multiples of \$10,000 in excess thereof);

"**Moody's**" means Moody's Investors Service Limited;

"**Most Senior Class**" means, if and so long as any Class A Notes remain outstanding, the Class A Notes or, as the context may require, the holders of the Class A Notes, otherwise, if and so long as any Class B Notes remain outstanding, then the Class B Notes or, as the context may require, the holders of the Class B Notes, otherwise, if and so long as any Class C Notes remain outstanding, then the Class C Notes or, as the context may require, the holders of the Class C Notes, otherwise, if and so long as any Class D Notes remain outstanding, then the Class D Notes or, as the context may require, the holders of the Class D Notes, otherwise, if and so long as any Class E Notes remain outstanding, then the Class E Notes or, as the context may require, the holders of the Class E Notes, otherwise, if and so long as any Class F Notes remain outstanding, then the Class F Notes or, as the context may require, the holders of the Class F Notes;

"**Note Certificate**" means a certificate representing a Global Note Certificate or an Individual Note Certificate, in the respective forms;

"**Note Default Notice**" has the meaning ascribed thereto in Condition 11(b);

"**Noteholders**" means the holders of the Notes from time to time and "**Noteholder**" means any one of them;

"**Notes Termination Date**" means the date which is the earliest to occur of:

- (a) the Early Redemption Date;
- (b) the Enforcement Date;
- (c) the Optional Termination Date; and
- (d) the Scheduled Redemption Date;

"**Notification Screen**" has the meaning given thereto in Condition 16 (*Notice to Noteholders*);

"Operating Creditors" means any of:

- (a) any Agent;
- (b) the Cash Manager;
- (c) the Corporate Services Provider;
- (d) any director of the Issuer;
- (e) any Listing Agent;
- (f) the Issuer's auditors;
- (g) the Issuer's counsel;
- (h) each Rating Agency;
- (i) any accountant appointed pursuant to the Credit Default Swap;
- (j) any process agent of the Issuer;
- (k) any stock exchange on which the Notes are listed;
- (l) any taxing authority of the Issuer;
- (m) any insolvency official appointed to ensure the orderly dissolution of the Issuer; and
- (n) any other party (other than the Credit Default Swap Counterparty), from time to time a creditor of the Issuer in respect of whom its status as an Operating Creditor has been agreed by the Issuer and the Credit Default Swap Counterparty;

"Optional Termination Date" means the Interest Payment Date upon which the Credit Default Swap Counterparty has exercised its Termination Option (as defined in the Credit Default Swap) upon no less than 15 calendar days prior written notice to the Issuer and certain other specified parties to terminate the Credit Default Swap;

"Order of Priority" means, in respect of any payment to be made by the Issuer before the Enforcement Date, the Pre-Enforcement Order of Priority: Interest Collections, the Pre-Enforcement Order of Priority: Collateral Principal Proceeds, as applicable, or, in respect of any payment to be made by the Issuer on or after the Enforcement Date, the Post-Enforcement Order of Priority;

"Order of Seniority" means the order in which:

- (a) any amounts owing to the Noteholders are to be paid, being:
  - (i) *first*, to the Class A Noteholders;
  - (ii) *second*, to the Class B Noteholders;
  - (iii) *third*, to the Class C Noteholders;
  - (iv) *fourth*, to the Class D Noteholders;
  - (v) *fifth*, to the Class E Noteholders; and
  - (vi) *sixth*, to the Class F Noteholders; or
- (b) any amounts by which the Outstanding Principal Balance of the Notes is to be reinstated are attributed to each Class of Notes, being:
  - (i) *first*, to the Class A Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any);

- (ii) *second*, to the Class B Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any);
- (iii) *third*, to the Class C Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any);
- (iv) *fourth*, to the Class D Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any);
- (v) *fifth*, to the Class E Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any); and
- (vi) *sixth*, to the Class F Notes (unless and until the Outstanding Principal Balance thereof equals the Initial Principal Balance thereof less the Redemption Amounts, if any);

**"Outstanding Principal Balance"** means, in relation to a Note on any date, the amount expressed in the currency of the relevant Note which is the Base Currency Outstanding Principal Balance of such Note multiplied by the applicable Funding Swap Rate;

**"Paying Agents"** means the Principal Paying Agent, the New York Paying Agent and the Irish Paying Agent, together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

**"Permitted Investments"** means with respect to investment of funds standing to the credit of or to the order of any Issuer Account:

- (a) demand or time deposits, certificates of deposit and short-term unsecured debt obligations including commercial paper **provided that** the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated A-1+ by S&P or the long-term unsecured and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated AAA by S&P and the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated P-1 by Moody's and the long-term unsecured and unguaranteed debt obligations of the issuing entity, or if such investment is guaranteed, of the guaranteeing entity, are rated A1 by Moody's; and
- (b) a guaranteed investment contract with a Qualifying Institution (which initially is contemplated to be HSBC) in respect of such account; or
- (c) any other investment the investment in respect of which is subject to Rating Agency Confirmation or, if the Notes are no longer rated by the Rating Agencies, the investment in which is approved by the Trustee, **provided that** each such investment must be denominated in the currency of the relevant Issuer Account and must mature on or before the first date upon which a payment is required to be made out of such account after the date on which such investment is made or acquired (and in any such case must be less than three months);

**"Portfolio Notional Amount"** means on any date, the aggregate of the Reference Obligation Notional Amounts of all Reference Obligations comprising the Reference Portfolio on such date, provided that on the Initial Termination Date the Portfolio Notional Amount shall be reduced to an amount equal to the Maximum Cash Settlement Amount on such date and shall thereafter equal the Maximum Cash Settlement Amount.

**"Post-Enforcement Order of Priority"** means on any date following the date on which an Enforcement Notice is delivered by the Trustee, the following order of priority in relation to the application of Available Funds by or on behalf of the Issuer in making the following payments:

- (a) *first*, to pay or provide for, in no order of priority, inter se, but *pro rata* to the respective amounts payable under the provisions of the Deed of Charge, the Trust Deed and the other Transaction Documents by way of remuneration and/or indemnification or which are otherwise



payable by the Issuer to the Trustee and/or any Receiver appointed pursuant to the Deed of Charge or the Trust Deed, their respective Expenses;

- (b) *second*, to pay, or provide for on a *pari passu* basis and *pro rata* to the respective amounts payable to the Operating Creditors their respective Expenses (other than Exceptional Expenses) payable and not previously paid;
- (c) *third, pari passu and pro rata*, to pay or provide for: (i) any remaining unpaid amount of any Cash Settlement Amount or any other amount (other than a Subordinated Credit Default Swap Termination Payment) due and payable on such Interest Payment Date or Notes Termination Date (following application of any Reserve Account balance on such Interest Payment Date pursuant to the Reserve Account Payments Order of Priority) to the Credit Default Swap Counterparty; and (ii) any amounts then due and payable to the Repo Counterparty under the Repo Agreement other than any termination costs;
- (d) *fourth*, to pay, *pari passu and pro rata*:
  - (i) in respect of the Class A Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Base Currency Outstanding Principal Balance of the Class A Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class A Notes based upon the proportion which such Class represents in respect of all Class A Notes); and, in the case of any Class A Notes which are Dollar Notes or Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class A Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class A Notes based upon the proportion which such Class represents in respect of all Class A Notes);
  - (ii) to pay any Funding Swap Termination Payment relating to the Class A Notes and where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu and pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;
- (e) *fifth*, to pay, *pari passu and pro rata*:
  - (i) in respect of the Class B Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Base Currency Outstanding Principal Balance of the Class B Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class B Notes based upon the proportion which such Class represents in respect of all Class B Notes); and, in the case of any Class B Notes which are Dollar Notes or Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class B Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class B Notes based upon the proportion which such Class represents in respect of all Class B Notes);
  - (ii) to pay any Funding Swap Termination Payment relating to the Class B Notes and where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu and pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;

- (f) *sixth, to pay, pari passu and pro rata:*
- (i) in respect of the Class C Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Base Currency Outstanding Principal Balance of the Class C Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class C Notes based upon the proportion which such Class represents in respect of all Class C Notes); and, in the case of any Class C Notes which are Dollar Notes or Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class C Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class C Notes based upon the proportion which such Class represents in respect of all Class C Notes);
  - (ii) to pay any Funding Swap Termination Payment relating to the Class C Notes and where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu and pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;
- (g) *seventh, to pay, pari passu and pro rata:*
- (i) in respect of the Class D Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Base Currency Outstanding Principal Balance of the Class D Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class D Notes based upon the proportion which such Class represents in respect of all Class D Notes); and, in the case of any Class D Notes which are Dollar Notes or Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class D Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class D Notes based upon the proportion which such Class represents in respect of all Class D Notes);
  - (ii) to pay any Funding Swap Termination Payment relating to the Class D Notes and where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu and pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;
- (h) *eighth, to pay, pari passu and pro rata:*
- (i) in respect of the Class E Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Base Currency Outstanding Principal Balance of the Class E Notes (*pari passu and pro rata* in respect of each Class of Notes which are Class E Notes based upon the proportion which such Class represents in respect of all Class E Notes); and, in the case of any Class E Notes which are Dollar Notes or Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class E Notes (*pari passu and pro rata* in

respect of each Class of Notes which are Class E Notes based upon the proportion which such Class represents in respect of all Class E Notes);

- (ii) to pay any Funding Swap Termination Payment relating to the Class E Notes and where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu* and *pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;
- (i) *ninth*, to pay, or provide for on a *pari passu* basis and *pro rata* to the respective amounts payable to the Operating Creditors their respective Exceptional Expenses payable and not previously paid;
- (j) *tenth*, to pay, in respect of the Class F Notes, firstly, all amounts of interest then due and payable and, secondly, all amounts of principal then due and payable in respect of the Outstanding Principal Balance of the Class F Notes;
- (j) *eleventh*, to pay to the Repo Counterparty any termination or break costs under the Repo Agreement;
- (k) *twelfth*, to pay *pari passu* and *pro rata* any Funding Swap Termination Payment and where such termination occurred as a result of a Funding Swap Counterparty Default and such amount to be paid to each such Funding Swap Counterparty *pari passu* and *pro rata* in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates;
- (l) *thirteenth*, to pay to the Credit Default Swap Counterparty any Subordinated Credit Default Swap Termination Payment due on such date; and
- (m) *fourteenth*, to pay the balance, if any, to the Issuer;

"**Pre-Enforcement Order of Priority: Collateral Principal Proceeds**" means the following order of priority in relation to the application by or on behalf of the Issuer on each Interest Payment Date or Notes Termination Date of the Collateral Principal Proceeds in making the following payments (but only to the extent that any prior ranking item is satisfied in full):

- (a) *first*, to pay to the Trustee, on a *pro rata* and *pari passu* basis, any Expenses due to the Trustee and unpaid on such Interest Payment Date or Notes Termination Date to the extent not paid out of Interest Collections;
- (b) *second*, to pay to the Operating Creditors, on a *pro rata* and *pari passu* basis, any Expenses (other than Exceptional Expenses) due to the respective Operating Creditors and unpaid on such Interest Payment Date or Notes Termination Date to the extent not paid out of Interest Collections;
- (c) *third*, to pay any remaining unpaid amount of any Cash Settlement Amount or any other amount (other than a Subordinated Credit Default Swap Termination Payment) due and payable on such Interest Payment Date or Notes Termination Date (following application of any Reserve Account balance on such Interest Payment Date pursuant to the Reserve Account Payments Order of Priority) to the Credit Default Swap Counterparty;
- (d) *fourth, pari passu and pro rata*:
  - (i) to make payments of principal due on, and reduce to the Minimum Balance, the Base Currency Outstanding Principal Balance (after giving effect to the allocation of any Cash Settlement Amount, if any, on such Interest Payment Date or Notes Termination Date pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*)) of each Note of each Class, in the Order of Seniority; in relation to the Dollar Notes and the Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes in the

Order of Seniority and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to make payments of principal due on, and reduce to the Minimum Balance the Base Currency Outstanding Principal Balance, of each Class of Dollar Notes and Euro Notes;

- (ii) to the extent not satisfied through payments from Interest Collections on such Interest Payment Date or Notes Termination Date, to pay any Funding Swap Termination Payment where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates and in the Order of Seniority;
- (e) *fifth*, to the extent not satisfied through payments from Interest Collections on such Interest Payment Date or Notes Termination Date, to pay any Funding Swap Termination Payment where such termination occurred as a result of a Funding Swap Counterparty Default and such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates and in the Order of Seniority;
- (f) *sixth*, to pay to the Operating Creditors, on a *pro rata* and *pari passu* basis, any Exceptional Expenses due to the respective Operating Creditors and unpaid on such Interest Payment Date or Notes Termination Date to the extent not paid out of Interest Collections
- (g) *seventh*, to pay to the Credit Default Swap Counterparty any Subordinated Credit Default Swap Termination Payment due on such date;
- (g) *seventh*, to pay the balance to the Issuer;

"**Pre-Enforcement Order of Priority: Interest Collections**" means the following order of priority in relation to the application by or on behalf of the Issuer on each Interest Payment Date or Notes Termination Date of Interest Collections in making the following payments in (but only to the extent that any prior ranking item is satisfied in full):

- (a) *first*, to pay or provide for payment to the Trustee, on a *pro rata* and *pari passu* basis, any Expenses due to the Trustee and unpaid on such Interest Payment Date or Notes Termination Date (or, where applicable, budgeted and anticipated to be payable prior to the next following Interest Payment Date);
- (b) *second*, to pay or provide for payment to the Operating Creditors, on a *pro rata* and *pari passu* basis, any Expenses (other than Exceptional Expenses) due to the respective Operating Creditors and unpaid on such Interest Payment Date or Notes Termination Date (or, where applicable, budgeted and anticipated to be payable prior to the next following Interest Payment Date);
- (c) *third*, to pay any amounts then due and payable to the Repo Counterparty under the Repo Agreement other than any termination costs;
- (d) *fourth, pari passu and pro rata*:
  - (i) to pay any accrued and unpaid interest on each Class of Notes due on such Interest Payment Date or Notes Termination Date, in the Order of Seniority and in an amount equal to the Base Currency Amount for each Class; in relation to the Dollar Notes and the Euro Notes, provided that the relevant Funding Swap Agreement in respect thereof has not been terminated without replacement, such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for such Class of Notes in the Order of Seniority and the amount received from such Funding Swap Counterparty to be utilised by the Issuer to pay any accrued and unpaid interest on each Class of Notes which are Dollar Notes or Euro Notes;
  - (ii) to pay any Funding Swap Termination Payment where such termination occurred other than as a result of a Funding Swap Counterparty Default and such amount to be paid to

each Funding Swap Counterparty in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates and in the Order of Seniority;

- (e) *fifth*, to pay any Funding Swap Termination Payment where such termination occurred as a result of a Funding Swap Counterparty Default and such amount to be paid to each Funding Swap Counterparty in respect of the Funding Swap Agreement for the Class of Notes to which such Funding Swap Termination Payment relates and in the Order of Seniority;
- (f) *sixth*, to pay to the Operating Creditors, on a *pro rata* and *pari passu* basis, any Exceptional Expenses due to the respective Operating Creditors and unpaid on such Interest Payment Date or Notes Termination Date to the extent not paid out of Interest Collections
- (g) *seventh*, to pay to the Repo Counterparty any termination or break costs under the Repo Agreement; and
- (f) *seventh*, to pay any remaining balance to the Reserve Account;

"**Provisions for Meetings of Noteholders**" means the provisions so named and contained in Schedule 6 to the Trust Deed;

"**Rate of Interest**" has the meaning ascribed thereto in Condition 5(c) (*Rate of Interest*);

"**Rating Agencies**" means Moody's and S&P, and "**Rating Agency**" means any of them;

"**Rating Agency Confirmation**" means the Rating Agencies have confirmed (or, in respect of a matter specific to one Rating Agency only, such Rating Agency has confirmed), with respect to any action, event, matter or thing that the relevant action, event, matter or thing would not result in the then current rating of the Notes being downgraded or placed under review for possible downgrade;

"**Record Date**" has the meaning ascribed thereto in Condition 8 (*Payments and Subordination*);

"**Redemption Amounts**" means with respect to any Note and as at any date, the aggregate sums, expressed as a Base Currency Amount, paid by the Issuer as at such date, towards redemption of such Note pursuant to Conditions 6(a) (*Amortised Redemption*) or 6(b) (*Redemption on or after the Notes Termination Date*);

"**Redemption Date**" means the Notes Termination Date and each Interest Payment Date thereafter;

"**Reduction**" has the meaning ascribed thereto in the Credit Default Swap;

"**Reference Banks**" means, for the purposes of the Sterling Notes and the Dollar Notes, four major banks in the London interbank market and, for the purposes of the Euro Notes, four major banks in the Eurozone interbank market, in each case selected by the Agent Bank;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note Certificates**" means the A Regulation S Global Note Certificates, the B Regulation S Global Note Certificates, the C Regulation S Global Note Certificates, the D Regulation S Global Note Certificates, the E Regulation S Global Note Certificates and the F Regulation S Global Note Certificates and "**Regulation S Global Note Certificate**" means any of them;

"**Regulation S Individual Note Certificates**" means the A Regulation S Individual Note Certificates, the B Regulation S Individual Note Certificates, the C Regulation S Individual Note Certificates, the D Regulation S Individual Note Certificates, the E Regulation S Individual Note Certificates and the F Regulation S Individual Note Certificates and "**Regulation S Individual Note Certificate**" means any of them;

"**Regulation S Notes**" means Notes of any Class sold to non-US persons in reliance on Regulation S;

**"Regulatory Information Service"** means a primary information provider service that the Financial Services Authority has approved, and whose name appears in Appendix 3 to the Listing Rules of the Irish Stock Exchange;

**"Reinstatement Amount"** is defined in Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account Balances*);

**"Reinstatement Date"** is defined in Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account Balances*);

**"Relevant Date"** has the meaning ascribed thereto in Condition 9 (*Prescription*);

**"Relevant Financial Centre"** means London (in the case of the Sterling Notes and the Dollar Notes) or the Eurozone (in the case of the Euro Notes);

**"Relevant Screen Rate"** means:

- (i) in respect of the Sterling Notes, the rate for three-month Sterling deposits or, in the case of the first Interest Period, the interpolated rate for three and four month Sterling deposits, displayed on Telerate page LIBOR01 (or such replacement page on that service which displays the information);
- (ii) in respect of the Euro Notes, the rate for three-month Euro deposits or, in the case of the first Interest Period, the interpolation rate for three and four month Euro deposits displayed on Telerate page EURIBOR01 (or such replacement page on that service which displays the information); and
- (iii) in respect of the Dollar Notes, the rate for three-month US dollar deposits or, in the case of the first Interest Period, the interpolation rate for three and four month US dollar deposits, displayed on Telerate page LIBOR01 (or such replacement page on that service which displays the information);

**"Relevant Time"** means in respect of the Sterling Notes and the Dollar Notes, 11.00 a.m. London time and in respect of the Euro Notes, 11.00 a.m. Brussels time;

**"Replenishment Period"** means the period from and including the Closing Date to but excluding the earliest of:

- (a) the Interest Payment Date falling in November 2010; and
- (b) the Initial Termination Date;

**"Repo Agreement"** means, during any Repo Existence Period, the global master repurchase agreement in respect of Eligible Securities entered into on the relevant Repo Commencement Date pursuant to the Collateral Switch Agreement and between the Issuer and the relevant Repo Counterparty substantially in the form of the Approved Form Repo Agreement and in respect of which Rating Agency Confirmation has been received, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Repo Securities"** means, at any time during any Repo Existence Period, all Eligible Securities purchased by the Issuer from the Repo Counterparty or delivered by the Repo Counterparty to the Issuer by way of margin or substitution (or, if applicable, the cash proceeds thereof) and which, at such time, have not been repurchased by or redelivered to the Repo Counterparty;

**"Repo Commencement Date"** means, during any Repo Existence Period, the date of the relevant Repo Agreement entered into at the commencement of such Repo Existence Period;

**"Repo Counterparty"** means any entity having the Repo Counterparty Required Rating as may be selected by the Credit Default Swap Counterparty in accordance with the terms of the Collateral Switch Agreement;

**"Repo Counterparty Required Rating"** means a short-term rating of at least A-1+ from S&P and P-1 from Moody's and a long-term rating of at least A1 from Moody's;

**"Repo Event of Default"** mean, during any Repo Existence Period, an Event of Default as defined in the relevant Repo Agreement;

**"Repo Existence Period"** means any period during which the proceeds of the Notes (or the remainder thereof) are invested in Eligible Securities pursuant to a Repo Agreement;

**"Repo Tax Event"** has the meaning ascribed thereto in the Repo Agreement;

**"Required Custodian Rating"** means a long-term debt rating by Moody's of A1 and a short-term debt rating by Moody's of P-1 and by S&P of A-1;

**"Reserve Account"** means the Sterling denominated account specified as such in or pursuant to the Reserve Account Bank Agreement or such other account as the Trustee, the Issuer and the Cash Manager may agree to substitute in place thereof;

**"Reserve Account Bank Agreement"** means the reserve account bank agreement to be dated on or about the Closing Date between the Issuer, the Cash Manager, the Reserve Account Bank and the Trustee, as the same may be amended and/or supplemented in accordance with its terms from time to time;

**"Reserve Account Payments Order of Priority"** means on any date payments in the following order of priority:

- (a) on any date other than an Interest Payment Date, an amount (any such amount, the **"Intra Period Expense Amount"** for the relevant Interest Period) to pay any Expenses (other than any Exceptional Expenses) due and payable on that date and not otherwise provisioned or reserved for (and accordingly standing to the credit of the Issuer Transaction Account) on the previous Interest Payment Date;
- (b) on any Interest Payment Date, to satisfy any obligation to pay Cash Settlement Amounts due and payable on that Interest Payment Date;
- (c) to reinstate the Outstanding Principal Balance of the Notes in accordance with Condition 6(j) (*Reinstatement of Outstanding Principal Balance utilising Reserve Account Balances*) (and any such amount so utilised to be withdrawn from the Reserve Account and deposited by or on behalf of the Issuer into the Cash Deposit Account (or, during any Repo Existence Period to be paid to the Repo Counterparty for purchase of additional Eligible Securities pursuant to the Repo Agreement));
- (d) on any Interest Payment Date falling in November, to be paid to HSBC pursuant to the terms of the Credit Default Swap;

**"Reserved Matter"** has the meaning ascribed thereto in Condition 12;

**"Reverse Order of Seniority"** means the order in which any amounts by which the Base Currency Outstanding Principal Balance of the Notes is to be reduced without payment to Noteholders are attributed to each Class of Notes being:

- (a) first, to the Class F Notes until the Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance;
- (b) second, to the Class E Notes until the Base Currency Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance;
- (c) third, to the Class D Notes until the Base Currency Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance;
- (d) fourth, to the Class C Notes until the Base Currency Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance;

- (e) fifth, to the Class B Notes until the Base Currency Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance; and
- (f) sixth, to the Class A Notes until the Base Currency Outstanding Principal Balance of the Class thereof is reduced to the Minimum Balance;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note Certificates**" means the A Rule 144A Global Note Certificates, the B Rule 144A Global Note Certificates, the C Rule 144A Global Note Certificates, the D Rule 144A Global Note Certificates and the E Rule 144A Global Note Certificates and "**Rule 144A Global Note Certificate**" means any of them;

"**Rule 144A Individual Note Certificates**" means the A Rule 144A Individual Note Certificates, the B Rule 144A Individual Note Certificates, the C Rule 144A Individual Note Certificates, the D Rule 144A Individual Note Certificates and the E Rule 144A Individual Note Certificates and "**Rule 144A Individual Note Certificate**" means any of them;

"**Rule 144A Legend**" means the transfer restriction legend relating to the Securities Act set out in the forms of the Rule 144A Individual Note Certificates and the Rule 144A Global Note Certificates;

"**Rule 144A Notes**" means Notes of any Class sold in reliance on Rule 144A;

"**Scheduled Redemption Date**" means the Interest Payment Date falling in August 2015;

"**Secured Accounts**" means the Issuer Accounts, the Cash Deposit Account, and the Reserve Account;

"**Secured Obligations**" means all present and future obligations and liabilities (whether actual or contingent and whether jointly or severally or in any other capacity whatsoever) of the Issuer to the Secured Parties under the Transaction Documents;

"**Secured Parties**" means the Trustee, the Noteholders, the Credit Default Swap Counterparty, each Funding Swap Counterparty, the Repo Counterparty, the Cash Deposit Account Bank, the Reserve Account Bank, the Issuer Account Bank, the Agent Bank, the Cash Manager, the Corporate Services Provider, the Paying Agents, the Custodian, and "**Secured Party**" means any one of them;

"**Security**" has the meaning ascribed thereto in Condition 3;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**S&P**" means Standard and Poor's - A division of the McGraw-Hill Companies, Inc.;

"**Sterling LIBOR**" means the Relevant Screen Rate for the Sterling Notes;

"**Sterling Notes**" means the A1 Notes, the B1 Notes, the C1 Notes, the D1 Notes, the E1 Notes and the F Notes;

"**Subordinated Credit Default Swap Termination Payment**" means any termination payment calculated as being payable to the Credit Default Swap Counterparty by the Issuer (but excluding any amount of Verified Loss Amounts in respect of Verified Reference Obligations (as such terms are defined in the Credit Default Swap) for which, prior to the Early Termination Date (as defined under the Credit Default Swap), a Cash Settlement Date (as defined in the Credit Default Swap) has not occurred) where there has been a termination of the Credit Default Swap pursuant to the terms thereof as the result of an Early Termination Date for any of the following reasons: (i) the occurrence of a failure to pay or deliver or bankruptcy (as described under the Credit Default Swap) where the Credit Default Swap Counterparty is the defaulting party, or (ii) an Illegality (as defined under the Credit Default Swap), or (iii) as a result of the Repo Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (iv) as a result of the Cash Deposit Account Bank Agreement being terminated early without replacement (where the Issuer is not the defaulting party in respect of such termination), or (v) as a result of the termination of any Funding Swap Agreement (where the Credit Default Swap Counterparty is the Funding Swap Counterparty thereunder and where such Funding Swap is terminated early as a result of the default of



the Funding Swap Counterparty thereunder), or (vi) as a result of a Tax Event Upon Merger (as defined in the Credit Default Swap) in respect of the Credit Default Swap Counterparty;

"**Subscription Agreement**" means the agreement so named dated on or about 6 November 2006 between the Issuer, HSBC and the managers referred to therein;

"**Swap Tax Event**" has the meaning ascribed thereto in the Credit Default Swap;

"**TARGET Business Day**" means a day on which the TARGET System is open for settlement of payments in Euro;

"**TARGET System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer System;

"**Tax**" has the meaning ascribed thereto in Condition 10(a);

"**Tax Redemption Event**" means that there has been an occurrence of a Swap Tax Event (as defined under the Credit Default Swap) and any obligation, imposition, withholding or deduction incurred as a result of the Tax Redemption Event either (A) cannot be avoided by the Issuer taking reasonable measures available to it (without incurring additional cost), or (B) will not be ameliorated through the Credit Default Swap Counterparty electing pursuant to the terms of the Credit Default Swap to gross up payments by the Credit Default Swap Counterparty to the Issuer in respect of additional amounts which would be required in respect of the imposition of such withholding or deduction incurred as a result of the Swap Tax Event;

"**Tax Redemption Date**" means the date upon which a Tax Redemption Event has occurred;

"**Termination Option**" means the option of the Credit Default Swap Counterparty to designate, upon no less than 15 calendar days prior written notice to the Issuer, the Cash Manager and the Calculation Agent, an Interest Payment Date as the Optional Termination Date under the Credit Default Swap;

"**Transaction Documents**" means these Conditions, the Master Definitions Schedule, the Trust Deed, the Deed of Charge, the Agency Agreement, the Global Notes, the Issuer Account Bank Agreement, the Cash Deposit Account Bank Agreement, the Reserve Account Bank Agreement, the Cash Management Agreement, the Collateral Switch Agreement, the Custody Agreement (if any), the Repo Agreement (if any), the Credit Default Swap Documents, the Funding Swap Agreements, the Declaration of Trust, and the Corporate Services Agreement; and

"**US dollar LIBOR**" means the Relevant Screen Rate for the Dollar Notes.

### 3. Status, Priority and Security

#### *Status and Priority*

- (a) The Notes constitute direct, secured, and unconditional obligations of the Issuer recourse in respect of which is limited as set out in Condition 13. The A Notes rank *pari passu* and rateably without preference or priority among themselves. The B Notes rank *pari passu* and rateably without preference or priority among themselves. The C Notes rank *pari passu* and rateably without preference or priority among themselves. The D Notes rank *pari passu* and rateably without preference or priority among themselves. The E Notes rank *pari passu* and rateably without preference or priority among themselves. The F Notes rank *pari passu* and rateably without preference or priority among themselves.
- (b) Payment of interest on the B Notes is subordinated to, among other things, payment of interest on the A Notes. Payment of interest on the C Notes is subordinated to, among other things, payment of interest on the A Notes and the B Notes. Payment of interest on the D Notes is subordinated to, among other things, payment of interest on the A Notes, B Notes and C Notes. Payment of interest on the E Notes is subordinated to, among other things, payment of interest on the A Notes, B Notes, C Notes and D Notes. Payment of interest on the F Notes is subordinated to, among other things, payment of interest on the A Notes, B Notes, C Notes, D Notes and E Notes.

- (c) Payment of principal on the B Notes is subordinated to, among other things, payment of principal on the A Notes. Payment of principal on the C Notes is subordinated to, among other things, payment of principal on the A Notes and the B Notes. Payment of principal on the D Notes is subordinated to, among other things, payment of principal on the A Notes, the B Notes and the C Notes. Payment of principal on the E Notes is subordinated to, among other things, payment of principal on the A Notes, B Notes, C Notes and D Notes. Payment of principal on the F Notes is subordinated to, among other things, payment of principal on the A Notes, B Notes, C Notes, D Notes and E Notes.
- (d) Prior to delivery of an Enforcement Notice, interest and principal due on the Notes will each be paid using proceeds from separate cashflows received by the Issuer. Payments of interest due on the Notes will be funded using the proceeds of the Interest Collections and will be applied in accordance with the Pre-Enforcement Order of Priority: Interest Collections. Payments of principal due on the Notes will be funded using Collateral Principal Proceeds and will be applied in accordance with the Pre-Enforcement Order of Priority: Collateral Principal Proceeds. Therefore, payments of interest will not be subordinated to payments of principal and payments of principal will not be subordinated to payments of interest.
- (e) After the delivery of an Enforcement Notice, payments of interest and principal on the A Notes will rank senior to payments of interest and principal on the B Notes, which will rank senior to payments of interest and principal on the C Notes, which will rank senior to payments of interest and principal on the D Notes, which will rank senior to payments of interest and principal on the E Notes, which will rank senior to payments of interest and principal on the F Notes.
- (f) The A Notes are constituted by the Trust Deed and are secured by the same Security (as defined in Condition 3(h)) that secures the B Notes, the C Notes, the D Notes, the E Notes and the F Notes but the A Notes will rank in priority to the B Notes, the C Notes, the D Notes, the E Notes and the F Notes in the event of the Security being enforced. The B Notes are constituted by the Trust Deed and are secured by the same Security that secures the A Notes, the C Notes, the D Notes, the E Notes and the F Notes but the B Notes will rank after the A Notes and in priority to the C Notes, the D Notes, the E Notes and the F Notes in the event of the Security being enforced. The C Notes are constituted by the Trust Deed and are secured by the same Security that secures the A Notes, the B Notes, the D Notes, the E Notes and the F Notes but the C Notes will rank after the A Notes and the B Notes but in priority to the D Notes, the E Notes and the F Notes in the event of the Security being enforced. The D Notes are constituted by the Trust Deed and are secured by the same Security that secures the A Notes, B Notes, C Notes, E Notes and F Notes but the D Notes will rank after the A Notes, B Notes and C Notes but in priority to the E Notes and the F Notes in the event of the Security being enforced. The E Notes are constituted by the Trust Deed and are secured by the same Security that secures the A Notes, B Notes, C Notes, D Notes and F Notes but the E Notes will rank after the A Notes, B Notes, C Notes and D Notes but in priority to the F Notes in the event of the Security being enforced. The F Notes are constituted by the Trust Deed and are secured by the same Security that secures the A Notes, B Notes, C Notes, D Notes and E Notes but the F Notes will rank after the A Notes, B Notes, C Notes, D Notes and E Notes in the event of the Security being enforced.
- (g) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the A Noteholders, the B Noteholders, C Noteholders, the D Noteholders, the E Noteholders and the F Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee, (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to:
- (i) the interests of the A Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of (x) the A Noteholders and (y) the other Noteholders or any Class of them;
  - (ii) subject as provided in (i) above, the interests of the B Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of (x) the B Noteholders and (y) the C Noteholders, the D Noteholders, the E Noteholders and/or the F Noteholders;

- (iii) subject as provided in (i) and (ii) above, the interests of the C Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of (x) the C Noteholders and (y) the D Noteholders, the E Noteholders and/or the F Noteholders;
- (iv) subject as provided in (i) to (iii) above, the interests of the D Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of (x) the D Noteholders and (y) the E Noteholders and/or the F Noteholders; and
- (v) subject as provided in (i) to (iv) above, the interests of the E Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of (x) the E Noteholders and (y) the F Noteholders.

**Security**

- (h) As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee or any Receiver (as defined in the Deed of Charge) appointed under the Deed of Charge) and certain of the other Transaction Documents, the Issuer has entered into the Deed of Charge creating the following security (the "Security") in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:
  - (i) an assignment by way of first fixed security of all of its rights, title, interests and benefits, present and future, in and to all sums of money to which the Issuer is or may be entitled and are from time to time and at any time standing to the credit of the Secured Accounts and any other bank or other account present or future in any jurisdiction and which relates to the Notes or the Transaction Documents in which the Issuer may at any time acquire any right, title, interest or benefit together with all interest accruing from time to time thereon and the debt represented by such accounts (save for the Issuer Domestic Account and all moneys from time to time standing to the credit thereof and the debts represented thereby and including, without limitation, all interest accrued and other moneys received in respect thereof);
  - (ii) an assignment by way of first fixed security of all of its rights, title, interests and benefits, present and future, under each of the Issuer Account Bank Agreement, the Cash Deposit Account Bank Agreement, the Reserve Account Bank Agreement, the Cash Management Agreement, the Agency Agreement, the Corporate Services Agreement, the Collateral Switch Agreement, the Credit Default Swap (subject to the application of any netting or set-off contained therein), the Notes, the Trust Deed, the Deed of Charge (save for any rights, title, interests and benefits, present and future that the Issuer may have against the Trustee under the Deed of Charge), the Subscription Agreement;
  - (iii) an assignment by way of first fixed security of any and all of its rights, title, interests and benefits, present and future, in and to any amounts that may be held from time to time by any custodian under any custody or other agreement and to any securities credited from time to time to any custody or other account;
  - (iv) an assignment by way of first fixed security of any and all its rights, title, interests and benefits, present and future, in and to any custody account including, without limitation, its rights against any custodian for the delivery of any specified securities or an equivalent number or nominal value thereof arising in connection with such assets being held in a clearing system or through a financial intermediary and, to the extent that the same may be assigned, all of its rights, title, interest and benefits, present and future, in and to all assets and property thereafter belonging to the Issuer and deriving from such assets together with all rights attaching thereto and income deriving therefrom;
  - (v) an assignment by way of first fixed security of all of its rights, title, interests and benefits, present and future, under any repurchase agreement or other agreement entered into pursuant to or as contemplated in the Transaction Documents from time to time; and

- (vi) a first floating charge over the whole of the Issuer's undertaking, property, assets, rights and revenues (save for the Issuer Domestic Account and all moneys from time to time standing to the credit thereof and the debts represented thereby and including, without limitation, all interest accrued and other moneys received in respect thereof) to the extent not effectively encumbered by the assignments described above.
- (i) The Security will become enforceable on the occurrence of an Event of Default (as defined in Condition 11 (*Events of Defaults*)).
- (j) Where the Funding Swap Counterparty provides collateral in accordance with the terms of any Funding Swap Agreement, such collateral will, upon receipt by the Issuer, be credited to an account of the Issuer opened for such purpose. Any collateral or interest or distributions relating thereto shall not form part of the funds available to the Issuer other than collateral amounts applied in satisfaction of termination payments due to the Issuer following the designation of an early termination date under the relevant Funding Swap Agreement.
- (k) Any premium or other amount received by the Issuer from a replacement swap counterparty providing a replacement Funding Swap Agreement transaction or transaction will be paid directly by the Issuer to the Funding Swap Counterparty and not in accordance with the Order of Priority. Similarly the cash benefit of any tax credit, allowance, set-off or repayment obtained by the Issuer as a result of the payments by the Funding Swap Counterparty of a tax gross up amount pursuant to a Funding Swap Agreement will be paid directly by the Issuer to the Funding Swap Counterparty in accordance with the Funding Swap Agreement and not in accordance with the Order of Priority.

#### 4. Covenants

Save with the prior written consent of the Trustee (having regard to the interests of the Secured Parties), or, as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding (as defined in the Master Definitions Schedule):

##### *Negative Pledge*

- (a) grant, create or permit to exist any Encumbrance (as defined in the Master Definitions Schedule) over (including the grant of security or trust over or the occurrence of execution or diligence in respect of) the Charged Assets (as defined in the Master Definitions Schedule) other than any Permitted Encumbrance (as defined in the Master Definitions Schedule);

##### *Restrictions on Activities*

- (b) in relation to the Charged Assets, engage in any activity which is not incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (c) in relation to the Charged Assets or the Transaction Documents, open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 3 (*Status, Priority and Security*) or save for the Issuer Domestic Account;
- (d) have any subsidiaries, employees or premises;

##### *Disposal of Assets*

- (e) other than in accordance with the Transaction Documents, transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option, or present or future right, to acquire any of the Charged Assets or any interest, estate, right, title or benefit therein;

##### *Borrowings*

- (f) other than in accordance with the Transaction Documents, incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

##### *Merger*

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

*Other*

- (h) be, or take any steps which could cause it to be treated as, a member of any group of companies for the purposes of value added tax;
- (i) offer to surrender to any company any amounts which are available for surrender by way of group relief;
- (j) amend, supplement or otherwise modify its memorandum and articles;
- (k) engage in any course of conduct (whether by act or omission) whereby the Issuer could be made liable for tax which is primarily the liability of another person; and
- (l) permit the validity or effectiveness of the Transaction Documents or of the Security to be impaired or to be amended, hypothecated, subordinated, terminated or discharged; or permit any party to any of the Transaction Documents or any other person whose obligations form part of the Security to be released from such obligations or enter into any new Transaction Document, save as aforesaid.

In giving any consent to the foregoing the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders or Secured Parties.

5. **Interest**

(a) ***Accrual of Interest***

- (i) Interest will accrue on a daily basis (i) in respect of each Class of Notes, at the relevant Rate of Interest on the Outstanding Principal Balance of each such Note from and including the Closing Date, payable quarterly in arrear on each Interest Payment Date subject as provided in Condition 8 (*Payments and Subordination*).

To the extent that the aggregate of the monies which are paid to or to the order of Noteholders on each Interest Payment Date after applying such amounts in accordance with the Order of Priority is less than the full amount of interest due on the B Notes, C Notes, D Notes, E Notes or F Notes (as the case may be) on such Interest Payment Date, payment of the amount of any shortfall ("**Deferred Interest**") which will be borne by each B Noteholder, C Noteholder, D Noteholder, E Noteholder or F Noteholder, as the case may be, in the Applicable Ratio (in each case as determined on the Interest Payment Date on which such Deferred Interest arises), will be deferred until the earlier of (a) the next following Interest Payment Date on which funds are available to the Issuer to pay such Deferred Interest (in accordance with the Order of Priority) to the extent of such available funds, and (b) the date upon which all of the Notes of the same Class have been redeemed in full, and (c) the Final Maturity Date. This paragraph shall cease to apply: (i) in respect of the B Notes, upon the redemption in full of the A Notes; (ii) in respect of the C Notes, upon redemption in full of the A Notes and the B Notes; (iii) in respect of the D Notes, upon redemption in full of the A Notes, B Notes and C Notes; (iv) in respect of the E Notes, upon redemption in full of the A Notes, B Notes, C Notes and D Notes; (v) in respect of the F Notes, upon redemption in full of the A Notes, B Notes, C Notes, D Notes and E Notes. Such Deferred Interest will accrue interest ("**Additional Interest**") at the Rate of Interest and payment of any Additional Interest will also be deferred until the earlier of: (A) the next following Interest Payment Date upon which funds are available to the Issuer to pay such Additional Interest (in accordance with the Order of Priority) and (B) the date upon which all of the Notes of the same Class have been redeemed in full, and (C) the Final Maturity Date.

(ii) Each Note will cease to bear interest from the Final Maturity Date unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Interest*) (as well after as before judgment) until whichever is the earlier of:

- (1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (2) the day which is seven days after the Principal Paying Agent or the Trustee has notified the relevant Noteholder that it has received all sums due in respect of such Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) ***Interest Payment Date; Interest Period***

(i) Interest on the Notes is payable in arrear on each Interest Payment Date. An "**Interest Payment Date**" is the 20<sup>th</sup> day of February, May, August and November in each year (or, if any such day is not a Business Day, the next succeeding Business Day) or if the Notes Termination Date occurs other than on one of such dates, the Notes Termination Date. The first Interest Payment Date falls in February 2007.

(ii) An "**Interest Period**" is a period commencing on and including one Interest Payment Date or, in the case of the first such period, commencing on and including the Closing Date (as defined in Condition 2 (*Definitions*)), and ending on but excluding the next Interest Payment Date or, in the case of the final such period, ending on but excluding the Final Maturity Date or, if earlier, the date on which the Notes are redeemed in full.

(c) ***Rate of Interest***

(i) The rate of interest payable from time to time in respect of each Class of Notes (each a "**Rate of Interest**") and the relevant Interest Amount will be determined on the basis of the provisions set out below:

- (a) at approximately the Relevant Time on the Interest Determination Date in respect of each Interest Period, the Agent Bank will determine the Relevant Screen Rate, and the Rate of Interest in respect of such Interest Period will be the sum of such Relevant Screen Rate and the Applicable Margin (as defined below);
- (b) if the Relevant Screen Rate is unavailable, the Agent Bank will request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Agent Bank with its rate quoted to prime banks for deposits in the relevant currency for a period equivalent to the duration of such Interest Period. If at least two such quotations are provided, the Rate of Interest in respect of such Interest Period will be the sum of the arithmetic mean of the quotations and the Applicable Margin;
- (c) if fewer than two of the Reference Banks provide quotations requested in accordance with (ii) above, the Agent Bank will determine the arithmetic mean of the rates quoted by major banks in the Relevant Financial Centre (in the case of Sterling Notes and Euro Notes) or New York (in the case of Dollar Notes) selected by the Agent Bank at approximately the Relevant Time (in the case of Sterling Notes and Euro Notes) or approximately 11:00 a.m. New York time (in the case of the Dollar Notes) on the first day of the relevant Interest Period Date for loans in the relevant currency for a period equivalent to the duration of such Interest Period to leading European banks and the Rate of Interest in respect of such Interest Period will be the sum of the arithmetic mean of such quotations and the Applicable Margin.

For purposes of these Conditions, the "**Applicable Margin**" shall, prior to the Notes Termination Date, be:

- (1) in respect of the A1 Notes 0.16 per cent. per annum;
- (2) in respect of the A2 Notes 0.16 per cent. per annum;
- (3) in respect of the A3 Notes 0.16 per cent. per annum;
- (4) in respect of the B1 Notes 0.27 per cent. per annum;
- (5) in respect of the B2 Notes 0.27 per cent. per annum;
- (6) in respect of the B3 Notes 0.27 per cent. per annum;
- (7) in respect of the C1 Notes 0.50 per cent. per annum;
- (8) in respect of the C2 Notes 0.50 per cent. per annum;
- (9) in respect of the C3 Notes 0.50 per cent. per annum;
- (10) in respect of the D1 Notes 0.90 per cent. per annum;
- (11) in respect of the D2 Notes 0.90 per cent. per annum;
- (12) in respect of the E1 Notes 3.05 per cent. per annum;
- (13) in respect of the E2 Notes 3.05 per cent. per annum;
- (14) in respect of the F Notes 5.50 per cent. per annum,

and, from and after the Notes Termination Date, shall be zero per cent. per annum.

Any certificate of the Agent Bank setting out the rate referred to in this Condition 5(c) shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders.

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

- (i) The Agent Bank will, on the Interest Determination Date in relation to each Interest Period, calculate (in accordance with these Conditions) the Relevant Screen Rate and the Rate of Interest payable in respect of each Note for such Interest Period.
- (ii) The Agent Bank will on or as soon as reasonably practicable after each Interest Determination Date in relation to each Interest Period, determine the amount (the "Interest Amount") that would be payable in respect of each Note on the next following Interest Payment Date (taking into account any adjustment to the Outstanding Principal Balance of the Notes to be made on the first day of the relevant Interest Period);
- (iii) in the event that an Interest Period is extended or shortened for any reason, promptly re-calculate the Interest Amount payable in respect of each Note for such Interest Period in the case of each Note, applying the Rate of Interest applicable to the Class to which such Note belongs for the relevant Interest Period to the arithmetic average of the Outstanding Principal Balance of such Note for each day in such Interest Period (after any adjustments to the Outstanding Principal Balance thereof due to be made on each such day), multiplying the product by the actual number of days in such Interest Period divided by 360 (in the case of the Dollar Notes and the Euro Notes) or 365 (in the case of the Sterling Notes) and rounding the resulting figure to the nearest cent or penny (half a cent or penny being rounded upwards).

The Interest Amount for each Note will be calculated by, in the case of each Note, applying the Rate of Interest applicable to the Class to which such Note belongs for the relevant Interest Period to the Outstanding Principal Balance of such Note on the first day in such Interest

Period, multiplying the product by the actual number of days in such Interest Period divided by 360 (in the case of the Dollar Notes and the Euro Notes) or 365 (in the case of the Sterling Notes) and rounding the resulting figure to the nearest cent or penny (half a cent or penny being rounded upwards).

(e) ***Notification of Determinations***

The Agent Bank shall on the first day of each Interest Period or as soon as practicable after any such determination is made and in respect of payments to be made on the relevant Interest Payment Date in respect of such Interest Period (unless otherwise directed by any party hereafter referred to) cause the Relevant Screen Rate, each Rate of Interest, the Interest Amount, any recalculated Interest Amount, and, if applicable, any Deferred Interest or Additional Interest determined by it in respect of the Notes of each Class, together with the next following Interest Payment Date to be notified to the Paying Agents, the Trustee, the Issuer, the Cash Manager, the Calculation Agent, the Credit Default Swap Counterparty and each stock exchange, competent listing authority, quotation system and/or regulated market, (if any, and if so required by the rules thereof) on which or by which the relevant Notes are then listed, quoted and/or traded. The Principal Paying Agent will cause notice thereof to be promptly given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

(f) ***Notifications generally***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 or Condition 6 (*Redemption*) by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee, the Noteholders and the other Secured Parties and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) ***Failure of Agent Bank***

If the Agent Bank fails at any time to determine, notify and/or publish the Relevant Screen Rate, any Rate of Interest, any Interest Amount, recalculated Interest Amount, Deferred Interest or Additional Interest (as applicable) and the Interest Payment Date applicable to any Class of Notes for any Interest Period as provided in this Condition, it shall forthwith notify the Issuer, the Trustee and the Principal Paying Agent of such failure and the Trustee or an agent acting on its behalf will, at the cost of the Issuer, determine or procure the determination, notification or publication, as the case may be of any such Relevant Screen Rate, Rate of Interest, any Interest Amount, Deferred Interest or Additional Interest (as applicable) and next Interest Payment Date, applicable to any Class of Notes as it, in its discretion, considers fair and reasonable in the circumstances (having such regard, as it thinks fit, to Condition 5(c) (*Rate of Interest*) above) or, as the case may be, calculate, determine or procure to be calculated or determined such Relevant Screen Rate, Interest Amount, Deferred Interest, Additional Interest, Rate of Interest or Interest Payment Date in accordance with this Condition 5. Any such determination made by or procured by the Trustee will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee, and the other Secured Parties and no liability to any such person (including any Noteholder) will attach to the Trustee in respect of such determination.

(h) ***Priorities***

Interest on the Notes will be paid, to the extent of funds available for that purpose, in accordance with the Order of Seniority. No interest will be paid on a Note of any Class until all interest due on the Classes of Notes ranking in priority (as per the Order of Seniority) to such Class has been paid in full.

6. ***Redemption***

(a) ***Mandatory Redemption on or after the end of the Replenishment Period***



If at any time on or after the end of the Replenishment Period, an Amortised Amount is calculated in respect of any Interest Payment Date, the Issuer shall subject to any prior ranking claims in accordance with the applicable Order of Priority, allocate and apply the Collateral Principal Proceeds in an amount equal to the Amortised Amount for that Interest Payment Date in or towards redemption of each of the Classes of Notes in the Order of Seniority until the Base Currency Outstanding Principal Balance of each Note of each Class is at the Minimum Balance.

(b) ***Redemption on or after the Notes Termination Date***

On the Notes Termination Date and on each Redemption Date thereafter (if any), the Issuer shall, subject to any prior ranking claims in accordance with the applicable Order of Priority, allocate and apply the Collateral Principal Proceeds in an amount equal to the Distributable Principal Amount for that date in redemption of each of the Classes of Notes in the Order of Seniority until the Base Currency Outstanding Principal Balance of each Note of each Class is at the Minimum Balance.

(c) ***Final Redemption***

Unless previously redeemed and cancelled, the Notes of each Class will be redeemed at their Outstanding Principal Balance together with any accrued but unpaid interest on the Final Maturity Date, subject as provided in Condition 8 (*Payments and Subordination*).

(d) ***Order of Seniority***

On any date upon which the Notes are to be redeemed pursuant to the Conditions, the Notes will be redeemed in whole or in part in accordance with the Order of Seniority. No amount will be paid in redemption of any Class of Notes until all amounts due in respect of the Notes of the Classes ranking senior to such Class have been paid in full. The Notes of each Class will be redeemed *pro rata* within such Class.

(e) ***No other Redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 6 (*Redemption*).

(f) ***Purchase***

The Issuer may not purchase Notes in the open market or otherwise.

(g) ***Cancellation***

All Notes so redeemed by the Issuer shall be cancelled and may not be reissued or resold.

(h) ***Notice of Principal Repayment***

If in accordance with these Conditions, principal on any Note is payable on any date other than the Final Maturity Date, the Issuer shall procure that the date and amount of any such payments are notified to Noteholders (in accordance with Condition 16 (*Notice to Noteholders*)), the Trustee, the Agents and any stock exchange, competent listing authority and/or quotation system, if any, on which or by which the Notes are then listed, quoted and/or traded as soon as practicable after the determination of such date and amount.

(i) ***Reduction of Outstanding Principal Balance***

Under the terms of the Credit Default Swap, the Calculation Agent is required to inform the Issuer of any Cash Settlement Amount. For each Cash Settlement Amount payable by the Issuer, on the Interest Payment Date immediately following notification thereof (or, if such notification falls during the period which is less than 2 Business Days prior to an Interest Payment Date, on the Interest Payment Date next following notification thereof), an amount equal to:

(a) such Cash Settlement Amount

less

(b) the amount standing to the credit of the Reserve Account on that Interest Payment Date

shall be applied in reduction of the aggregate Base Currency Outstanding Principal Balance of the Notes of one or more Classes without any corresponding payment to the Noteholders. Such reduction will be allocated to the Notes in the Reverse Order of Seniority (until the Base Currency Outstanding Principal Balance of each Class of Notes is reduced to GBP 1 (one pound Sterling) or, on the Final Interest Payment Date, zero).

(j) ***Reinstatement of Outstanding Principal Balance utilising Reserve Account Balances***

On any Interest Payment Date or Notes Termination Date upon which:

(a) the Base Currency Initial Principal Balance of any Class of Notes less any Redemption Amounts previously paid in respect of such Class is greater than the then Base Currency Outstanding Principal Balance of such Class of Notes; and

(b) there are amounts standing to the credit of the Reserve Account (first taking into account any amounts in the Reserve Account to be utilised in payment of any Cash Settlement Amount on such Interest Payment Date) (any such remaining amount on such Interest Payment Date, an "Available Reserve Account Reinstatement Amount"),

the Base Currency Outstanding Principal Balance of the Notes or one or more Classes will be increased, without any corresponding payment to Noteholders, by an amount equal to the Available Reserve Account Reinstatement Amount, in order to reinstate any amounts previously applied in reduction of the Base Currency Outstanding Principal Balance of the Notes (the date of such increase being a "Reinstatement Date"). Such reinstatement shall be allocated to the Notes in accordance with the Reserve Account Payments Order of Priority and the Order of Seniority of the Notes, commencing with the most senior Class of Notes the Base Currency Outstanding Principal Balance in respect of which has been reduced pursuant to Condition 6(i) (*Reduction of Outstanding Principal Balance*) and until the Base Currency Outstanding Principal Balance of such Class of Notes is equal to its Base Currency Initial Principal Balance less any Redemption Amounts previously paid in respect of such Class of Notes (the amount, if any, of such Available Reserve Account Reinstatement Amount so allocated to any Class of Notes being the "Reinstatement Amount" in respect of such Class).

(k) ***Notification of Reductions and Reinstatements of the Outstanding Principal Balance***

The Principal Paying Agent shall, as soon as reasonably practicable thereafter, notify the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and each stock exchange (if any) on which the Notes are then listed of any reduction or reinstatement of the Outstanding Principal Balance of any Class of Notes.

7. **Allocation of Collections**

Pursuant to the Trust Deed and the Deed of Charge, the Issuer or, in the case of Condition 7(c) (*Proceeds on Enforcement*), the Trustee, shall apply or cause to be applied funds standing to the credit of the Accounts in the following manner:

(a) ***Application of Interest Collections***

On each Interest Payment Date prior to delivery of an Enforcement Notice the Issuer shall, subject to Condition 7(b) (*Application of Collateral Principal Proceeds*), apply, or cause to be applied, the Interest Collections for such Interest Payment Date in accordance with the Pre-Enforcement Order of Priority: Interest Collections.

(b) ***Application of Collateral Principal Proceeds***

Prior to the delivery of an Enforcement Notice, Collateral Principal Proceeds will be applied by or on behalf of the Issuer on each Interest Payment Date in accordance with the Pre-Enforcement Order of Priority: Collateral Principal Proceeds.

(c) **Proceeds on Enforcement**

Following the date upon which an Enforcement Notice is delivered, the Trustee shall (subject to any applicable laws including laws of bankruptcy, insolvency, liquidation or other laws affecting creditors' rights generally and subject to the proviso below) apply or cause to be applied the proceeds of the Charged Assets in accordance with the Post-Enforcement Order of Priority.

8. **Payments and Subordination**

(a) ***Payments in respect of the Notes: Individual Note Certificates***

(i) Payments of principal and interest (except where, after such payment, the unpaid principal amount of the related Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note, in which case the related payment of principal or interest, as the case may be, will be made against surrender of such Note)) in respect of Individual Note Certificates will be made by Sterling, Euro or US dollar cheque, as applicable, drawn on a branch of a bank in London posted to the holder (or to the first-named of joint holders) of such Individual Note Certificate at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Individual Note Certificate is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, paid. For the purposes of this Condition 8, the holder of an Individual Note Certificate will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the fifteenth day before the due date for such payment (the "**Record Date**").

(ii) Upon application by the holder of an Individual Note Certificate to the specified office of the Registrar or a Transfer Agent or Paying Agent not later than the Record Date for payment in respect of such Individual Note Certificate, such payment will be made by transfer to a Sterling, Euro or US dollar account, as applicable, maintained by the payee with a branch of a bank in London or in the case of Dollar Notes, New York. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Individual Note Certificate until such time as the Registrar or Transfer Agent or Paying Agent is notified in writing to the contrary by the holder thereof.

(b) ***Payments: General***

(i) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations, applicable thereto.

(ii) If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5(a) (*Accrual of Interest*) or Condition 8(b)(v) will be paid to the extent received (in respect of any Global Note Certificate) or against presentation of such Note at the specified office of any Paying Agent or the Registrar and (in respect of any Individual Note Certificate) in accordance with Condition 8(a) (*Payments in respect of the Notes: Individual Note Certificates*) above.

(iii) The initial Agents and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, Transfer Agent and/or the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Paying Agent with a specified office in London and an Irish Paying Agent with a specified office in Dublin (so long as the Notes are listed on the Irish Stock Exchange) and (b) an Agent Bank. The Issuer will cause at least thirty days' notice of any change

in or addition to any of the Agents or their specified offices to be given to Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

- (iv) If any Note is presented (if required) for payment on a day which is not a Business Day, no further payments or additional amounts by way of interest, principal or otherwise shall be due in respect of such Note. No Noteholder will be entitled to any interest or other payment for any delay in receiving the amount due as a result of the due date not being a Business Day, the relevant Noteholder being late in surrendering its Note (if required to do so) or a cheque posted in accordance with this Condition 8 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to Noteholders in respect of such payments.
- (v) If upon a relevant Interest Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of any Note or part thereof by the Issuer or the Paying Agents, the Issuer will indemnify the relevant affected Noteholders by paying the Trustee on behalf of such Noteholders a sum equal to the amount so withheld or refused plus an amount equal to the amount of interest which would have accrued in accordance with Condition 5(a) (*Accrual of Interest*) if such amount had not been paid by the Issuer on the relevant Interest Payment Date (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note are received by the relevant Noteholder, payment under such indemnity to be due without demand from the relevant Interest Payment Date.

(d) ***Subordination***

Interest on each Class of Notes shall be payable in accordance with the provisions of Condition 3 (*Status, Priority and Security*), Condition 5 (*Interest*) and this Condition 8. In the event that, on any Interest Payment Date, funds then available to the Issuer to make payments of interest in respect of the Notes are insufficient to enable the Issuer to make payment in full of the Interest Amount, any outstanding Deferred Interest and any Additional Interest due on the next Interest Payment Date following such Interest Payment Date, such funds shall be applied first to the payment of any Interest Amount, second to the payment of outstanding Deferred Interest and thereafter to the payment of any Additional Interest.

9. **Prescription**

A Note Certificate shall become void unless presented for payment of principal within a period of ten years from the relevant date in respect thereof and twelve years from the relevant date in respect of payment of interest. Claims in respect of principal and interest in respect of Individual Note Certificates shall become void unless made within a period of ten years, in the case of principal, and twelve years, in the case of interest, from the appropriate relevant date in respect thereof. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "**relevant date**" in respect of a Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

10. **Taxation**

- (a) All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges ("**Taxes**" and each a "**Tax**") of whatsoever nature imposed, levied, collected, withheld or assessed by or within any applicable jurisdiction or any political subdivision thereof or by any authority thereof or therein having power to tax, unless such withholding or deduction is required by any applicable law. In that event the Issuer will make such payments after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will be obliged to pay any additional amounts to the Noteholders in respect of such withholding or deduction.**

However, in that event, **provided that** the Issuer has been specifically provided with funds by the Credit Default Swap Counterparty (at the option of the Credit Default Swap Counterparty) for such purpose, the Issuer will pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had become required, except that no Additional Amounts will be payable in respect of any Notes:

- (i) held by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the relevant jurisdiction other than the mere holding of such Note; or
  - (ii) where (in the case of a payment of principal or interest on redemption) the relevant Note is presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Note on the last day of such period of 30 days; or
  - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to EU Council Directive 2003/48/EU or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.
- (b) In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.
- (c) In the event that the Issuer would, if provided with funds therefor, be required to pay any Additional Amounts to Noteholders and the Credit Default Swap Counterparty has elected to terminate the Credit Default Swap or has failed to pay any additional amount which it has elected to pay under the Credit Default Swap or has elected not to indemnify the Issuer in respect of any Tax incurred by it or for any Additional Amount which the Issuer would, if it were so funded, be obliged to pay to Noteholders under this Condition 10 (*Taxation*), the Notes will be redeemed in accordance with Condition 6(b) (*Redemption on or after the Notes Termination Date*).
- (d) Any reference in these Conditions to principal or interest will be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable (subject to the discretion of the Credit Default Swap Counterparty electing to fund such payments) under this Condition 10.

## 11. **Events of Default**

### (a) ***Events of Default***

The occurrence of any of the following events shall constitute an "**Event of Default**":

#### (i) **Non-payment**

the Issuer defaults in the payment of any interest or principal due in respect of any A Note (or, if there are no A Notes outstanding, any B Note or, if there are no A Notes or B Notes outstanding, any C Note or, if there are no A Notes, B Notes or C Notes outstanding, any D Note or, if there are no A Notes, B Notes, C Notes or D Notes outstanding, any E Note or, if there are no A Notes, B Notes, C Notes, D Notes or E Notes outstanding, any F Note) and such default continues for a period of 5 (five) Business Days after the due date or, if the Principal Paying Agent notifies the Trustee in writing (which notification the Trustee may rely upon without further

enquiry) that any default in payment is solely as a result of technical problems in the interbank payment systems, 10 (ten) Business Days;

(ii) Breach of other obligations

the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed or any other Transaction Document which failure is, in the sole opinion of the Trustee (1) materially prejudicial to the interests of the Noteholders and (2) incapable of remedy or, if capable of remedy, continues unremedied for a period of 30 calendar days following the delivery by the Trustee of written notice of such default to the Issuer;

(iii) Security enforceable

the Trustee ceases to have a valid and enforceable security interest in all or, in the sole opinion of the Trustee, a material part of the Charged Assets;

(iv) Insolvency proceedings

- (1) proceedings are initiated against the Issuer under any applicable liquidation (voluntary or judicial), insolvency, bankruptcy, examinership, composition, reorganisation or other similar laws (together, "**Insolvency Law**"); or
  - (2) a receiver, trustee, administrator, examiner, custodian, conservator or other similar official (a "**receiver**") is appointed pursuant to any Insolvency Law, or any other Security Document or the Deed of Charge in relation to the Issuer or in relation to the whole or substantially the whole of the undertaking or assets of the Issuer; or
  - (3) a winding up petition is presented in respect of, or a distress or execution or other process is levied or enforced upon or sued out against, the whole or substantially the whole of the undertaking or assets of the Issuer and such possession or process, as the case may be, is not discharged or does not otherwise cease to apply within 30 calendar days; or
  - (4) an application is made for the appointment of an administrator in relation to the Issuer, or the Issuer is deemed by a court to be insolvent, bankrupt or unable to pay its debts; or
  - (5) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable Insolvency Law or Examinership, or seeks the appointment of a receiver, examiner or an administrator, or makes a conveyance or assignment for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Trustee); or
- (v) any Funding Swap Agreement is terminated prior to the earlier of the Final Maturity Date and the dates upon which the Notes are redeemed in full;
- (vi) other than in connection with a Cash Deposit Collateral Transfer, the Cash Deposit Account Bank Agreement is terminated prior to the earlier of the Final Maturity Date and the date upon which the Trustee notifies the Cash Deposit Account Bank that all Secured Obligations of the Issuer have been discharged in full; or
- (vii) during any Repo Existence Period and other than in respect of immediate replacement of any Repo Agreement by investment pursuant to a Cash Deposit Account, the Repo Agreement is terminated prior to the earlier of the Final Maturity Date and the date upon which the Trustee notifies the Cash Deposit Account Bank that all Secured Obligations of the Issuer have been discharged in full.

(b) *Note Default Notice*

If an Event of Default occurs, the Issuer shall, as soon as it has actual knowledge of same, deliver a notice (a "Note Default Notice") setting out details of any Event of Default, including the date any Event of Default occurred, to the Trustee, Noteholders and the Credit Default Swap Counterparty in accordance with Condition 16.

(c) ***Acceleration and Enforcement***

- (i) In the event that an Event of Default occurs, the Notes shall become immediately due and repayable in accordance with Condition 6(b) (*Redemption on or after the Notes Termination Date*) without any further notice or other action on the part of the Trustee, or the Noteholders.
- (ii) Immediately upon the Notes becoming immediately due and repayable in accordance with Condition 11(c)(i), the Security shall become enforceable. Subject to the terms of the Deed of Charge and subject to being indemnified and/or secured to its satisfaction, the Trustee may at its discretion (or shall if so directed by the Most Senior Class or shall if the Event of Default is under Condition 11(a)(v) (unless the whole Class of Notes to which any relevant Funding Swap Agreement relates instructs the Trustee that the Security is not to be enforced in respect of such Event of Default)) give a notice (an "Enforcement Notice") to the Issuer (with a copy to each Rating Agency and each Agent) stating that the Security will be enforced. The date upon which any Enforcement Notice is deemed to be delivered to the Issuer pursuant to the Deed of Charge is the "Enforcement Date".
- (iii) The Issuer shall procure that the Noteholders are notified (in accordance with Condition 16 (*Notice to Noteholders*)) of the receipt by the Issuer of a Note Default Notice and/or an Enforcement Notice as soon as is practicable thereafter.

12. **Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor**

- (a) The Trust Deed contains provisions for convening separate meetings of each Class of Noteholders or combined meetings of Noteholders of any Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions, the Trust Deed or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes. The quorum at any original meeting for the passing of an Extraordinary Resolution shall be two or more persons holding or representing a majority of the Outstanding Principal Balance of the relevant Class or Classes of Notes or Base Currency Outstanding Principal Balance of the relevant Classes in the case of any meeting of the holders of Notes of more than one currency or, at any adjourned meeting, two or more persons being or representing the Noteholders of that Class or Classes whatever the Outstanding Principal Balance or Base Currency Outstanding Principal Balance of such Notes so held or represented, except that at any meeting the business of which includes the sanctioning of a modification of certain terms including, *inter alia*, the date of maturity of a Class of Notes, a modification which would have the effect of changing any day for payment of interest or principal thereon, changing the amount of interest or principal payable in respect of a Class of Notes (if applicable) or altering the currency of payment for a Class of Notes, amending this definition or altering the majority or quorum required to pass an Extraordinary Resolution (any such modification being referred to as a "Reserved Matter"), (which must be proposed separately to each Class of Noteholders) the necessary quorum for passing an Extraordinary Resolution (at an original meeting) shall be two or more persons holding or representing not less than 75 per cent. of the Outstanding Principal Balance of the Notes of the relevant Class and at an adjourned meeting 25 per cent. of the Outstanding Principal Balance of the relevant Class. The majority required for passing an Extraordinary Resolution (including the sanctioning of a Reserved Matter) shall be not less than 75 per cent. of the votes cast on that resolution. An Extraordinary Resolution passed at any meeting of the Noteholders of any Class shall be binding on all such Noteholders of such Class whether or not they are present at the meeting. So long as the aggregate Outstanding Principal Balance of the Notes of any Class is represented by a Rule 144A Global Note Certificate and/or a Regulation S Global Note Certificate, the holder of such global note shall be deemed to be two persons for the purposes of forming a quorum.

The Trust Deed provides that, except in the case of an Extraordinary Resolution directing the Trustee to give an Enforcement Notice, in which case the provisions of Condition 11 (*Events of Default*) shall apply, the following shall apply to the passing of resolutions of Noteholders, provided that no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes (to the extent there are outstanding Notes in each such other Class):

- (i) a resolution which, in the opinion of the Trustee affects the interest of the holders of one Class only of any of: (1) the A Notes; or (2) the B Notes; or (3) the C Notes; or (4) the D Notes; or (5) the E Notes; or (6) the F Notes, (as the case may be), shall be deemed to have been duly passed if passed at a separate meeting of that Class;
  - (ii) a resolution which, in the opinion of the Trustee, affects the interests of the holders of two or more Classes of any of: (1) the A Notes; or (2) the B Notes; or (3) the C Notes; or (4) the D Notes; or (5) the E Notes; or (6) the F Notes, (as the case may be), but does not give rise to a conflict of interest between the holders of each such affected Class shall be deemed to have been duly passed if passed at a single meeting of the holders of those affected Classes;
  - (iii) a resolution which, in the opinion of the Trustee, affects the interests of the holders of two or more Classes of any of: (1) the A Notes; or (2) the B Notes; or (3) the C Notes; or (4) the D Notes; or (5) the E Notes; or (6) the F Notes, (as the case may be), and gives or may give rise to a conflict of interest between the holders of each such affected Class shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such Classes, it shall be duly passed at separate meetings of the holders of each of those affected Classes.
- (b) The Trust Deed contains provisions limiting (subject to the following Paragraph):
- (i) the powers of the holders of the B Notes, the C Notes, the D Notes, the E Notes and the F Notes, amongst other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the A Notes; and
  - (ii) the powers of the holders of the C Notes, the D Notes, the E Notes and the F Notes, amongst other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the A Notes and the B Notes; and
  - (iii) the powers of the holders of the D Notes, the E Notes and the F Notes, amongst other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the A Notes, B Notes and C Notes; and
  - (iv) the powers of the holders of the E Notes and the F Notes, amongst other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the A Notes, B Notes, C Notes and D Notes; and
  - (v) the powers of the holders of the F Notes, amongst other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the A Notes, B Notes, C Notes, D Notes and E Notes.

Save for in relation to Reserved Matter, the Trust Deed imposes no such limitation on the powers of the holders of any Class of Notes by reference to the effect thereof on the interests of holders of lower ranking Classes of Notes, the exercise of which will be binding on the holders of lower ranking Classes of Notes irrespective of the effect on their interests, except that an Extraordinary Resolution regarding a Reserved Matter shall not be effective unless it has been



sanctioned by an Extraordinary Resolution of the holders of each such lower ranking Class of Notes.

In addition, a resolution in writing signed by or on behalf of all Noteholders of any Class who for the time being are entitled to receive notice of a meeting of such Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more such Noteholders.

- (c) The Trustee may at any time and from time to time in its sole discretion, without any consent or sanction of the Noteholders or any other Secured Party, from time to time and at any time: (a) but only if and in so far as in its opinion the interests of the holders of the Most Senior Class of Notes then outstanding shall not be materially prejudiced thereby, (A) authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Transaction Documents; or (B) determine that any Event of Default or Potential Event of Default (as defined in the Master Definitions Schedule) shall not be treated as such for the purposes of the Notes or any of the other Transaction Documents, or (C) waive any provision of the Trust Deed and any other Transaction Document to the extent such waiver is deemed (in the sole discretion of the Trustee) necessary to effect compliance with the restrictions applicable to the Issuer and the Notes under Section 3(c)(7) of the Investment Company Act, including, without limitation, compliance with any new and/or modified procedures established by Euroclear or Clearstream, Luxembourg to comply with the restrictions under Section 3(c)(7) of the Investment Company Act. The Trustee shall not exercise any powers conferred upon it by this Condition 12 in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Outstanding Principal Balance of the Most Senior Class of Notes then outstanding but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless each Class of Notes has, by Extraordinary Resolution, so authorised its exercise.

The Trustee may, at any time and from time to time, without the consent or sanction of the Noteholders or any of the other Secured Parties, concur with the Issuer and any other relevant parties in: (a) making any modification to these Conditions, the Trust Documents (as defined in the Master Definitions Schedule) (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of a Reserved Matter), the Notes or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding; or (b) making any modification to the Conditions, Trust Documents, the Notes or the other Transaction Documents or any other documents, the rights and benefits in respect of which are comprised in the Security, in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature, or is made to correct a manifest error; or (c) executing or consenting to any amendment, supplement, waiver or modification to any provision of the Trust Deed and any other Transaction Document to the extent such amendment, supplement, waiver or modification is deemed (in the sole discretion of the Issuer and the Trustee) necessary to effect compliance with the restrictions applicable to the Issuer and the Notes under Section 3(c)(7) of the Investment Company Act, including, without limitation, compliance with any new and/or modified procedures established by Euroclear or Clearstream, Luxembourg to comply with the restrictions under Section 3(c)(7) of the Investment Company Act.

- (d) Unless the Trustee agrees otherwise, the Issuer shall cause any such authorisation, waiver, determination or modification to be notified to the Noteholders and the other Secured Parties as soon as practicable after it has been made in accordance with Condition 16 (Notice to Noteholders) and the relevant Transaction Documents. Any authorisation, waiver, determination or modification referred to in Condition 12(c) shall be binding on the Noteholders and the other Secured Parties.

- (e) The Trustee may agree subject to the relevant provisions of the Trust Deed, but without the consent of the Noteholders or any of the other Secured Parties, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Transaction Documents, the Notes and the other Secured Amounts subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a special purpose vehicle and undertaking itself to be bound by the provisions set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Paragraph (d), the Trustee may in its absolute discretion agree, without the consent of the Noteholders or any of the other Secured Parties, to a change of the law from time to time governing the Notes and/or any of the Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.
- (f) Where the Trustee is required in connection with the exercise of its powers, trusts, rights, authorities, duties and discretions to have regard to the interests of the holders of the Notes of any Class, it shall have regard to the interests of such holders as one Class and, in particular but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders of the relevant Class resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction, nor will the Trustee have regard to the currency in which the relevant Class is denominated. In connection with any such exercise, the Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or other Secured Parties.
- (g) The Trustee shall be entitled, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, these Conditions or any of the Transaction Documents, to take into account among other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Rated Notes or, as the case may be, the Rated Notes of the relevant Class will not be downgraded, withdrawn or qualified and that, where any original rating of the Rated Notes has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise.

13. **Limited Recourse and Non-Petition**

The obligations of the Issuer to pay amounts due and payable in respect of the Notes and to the other Secured Parties at any time shall be limited to the net proceeds of realisation of the security over the Charged Assets available at such time to make such payment in accordance with these Conditions and the Deed of Charge. Notwithstanding anything to the contrary in these Conditions and the Deed of Charge or any other Transaction Document, each Secured Party agrees with each of the Issuer and the Trustee that all obligations of the Issuer to it, including, without limitation, the Secured Obligations, are limited in recourse as set out below:

- (a) it will have a claim only in respect of the Charged Assets and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its contributed capital;
- (b) sums payable to it in respect of the Issuer's obligations to such Secured Party shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to it and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Charged Assets whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Order of Priority in priority to or *pari passu* with sums payable to it; and

upon the Trustee giving written notice to the Transaction Parties that it has determined in its sole opinion, and the Cash Manager having certified to the Trustee, that there is no reasonable likelihood of there being any further realisations in respect of the Charged Assets (whether

arising from an enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents, it shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full

None of the Noteholders of any Class, nor the other Secured Parties (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, examinership, reorganisation, arrangement, insolvency, winding-up or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Deed of Charge or otherwise owed to the Secured Parties, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

In addition, none of the Noteholders of any Class nor any of the other Secured Parties shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of these Conditions, the Deed of Charge or any other document relating to the Notes to which the Issuer is a party or any notice or documents which it is requested to deliver hereunder or thereunder.

#### 14. **Trustee and Agents**

##### (a) *Indemnification of the Trustee*

Under the Trust Deed and the Deed of Charge, the Trustee is entitled to be indemnified and/or secured to its satisfaction and relieved from responsibility in certain circumstances and to be paid its remuneration, costs and expenses in priority to the claims of the Noteholders and the other Secured Parties.

##### (b) *Trustees' consideration of interests*

Subject to the Trust Deed, where the Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution) to have regard to the interests of the Noteholders (or, as the case may be, the holders of the Notes of each Class affected thereby) and there is a conflict between the interests of a Class of Noteholders and any other Class or Classes of Noteholders, it will have regard to the interests of, and resolve any conflict in favour of, the Noteholders of the Most Senior Class or, in the case of a conflict arising that does not concern the Most Senior Class, the Noteholders of the most senior Class or Classes (in the Order of Seniority), disregarding, for this purpose, that no payments may be made to Noteholders, affected by such conflict, in each case as one class, and, in particular but without prejudice to the generality of the foregoing, the Trustee will not have regard to, or be in any way liable for, the consequences of such exercise for individual holders of Notes of the relevant Class resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction, nor will the Trustee have regard to the currency in which the relevant Class is denominated. In connection with any such exercise no holder of a Note will be entitled to claim (via the Trustee or otherwise), from the Issuer or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

Unless otherwise duly instructed pursuant to these Conditions or the Deed of Charge (a) in connection with the exercise by it of any of its powers, trusts, authorities, duties and discretions under the Deed of Charge, (including, without limitation, any modification, waiver, authorisation, determination or substitution), while any amounts are due by the Issuer to the Credit Default Swap Counterparty under the Credit Default Swap, and in the event of a conflict between interests of the Secured Parties, the Trustee is required to have regard *first*, to the interests of the Credit Default Swap Counterparty (for so long as the Credit Default Swap Counterparty is the Instructing Party), *second*, to the interests of the Noteholders in the manner set out above and, *finally*, to the interests of the other Secured Parties, and (b) if instructed by

both the Most Senior Class and, upon any Event of Default under Condition 11(a)(v), the Class to which the Funding Swap Agreement relates, in accordance with Condition 11(c)(ii) and such instructions conflict, it will comply with the instructions of the Most Senior Class.

#### 15. **Replacement of Note Certificates**

If any Note Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of a Paying Agent or the Registrar in London subject to all applicable laws and stock exchange requirements. Replacement of any mutilated, defaced, lost, stolen or destroyed Note Certificate will only be made on payment of such out of pocket costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or relevant Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before new ones will be issued.

#### 16. **Notice to Noteholders**

Any notice to Noteholders shall be deemed to have been duly given (in respect of Notes represented by a Global Note Certificate) if sent to DTC, Euroclear and Clearstream, Luxembourg, and shall be deemed to be given on the date on which it was so sent. In addition (other than when the Notes are represented by Global Note Certificates), notice to the Noteholders shall be validly given if published in the Financial Times and The Wall Street Journal or, if either of these newspapers shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve and having a general circulation in Europe and the United States (as applicable), **provided that** if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters Screen or of the Bloomberg service, and such page has been notified to the Noteholders in the manner set out above, or any other medium for electronic display of data as may be previously approved in writing by the Trustee and so notified to Noteholders (in each case the "**Notification Screen**"), publication in the Financial Times and The Wall Street Journal shall not be required with respect to such information. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Notification Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and **provided that** notice of such other method is given to the Noteholders in such manner as the Trustee shall require. While the Notes are listed on the Irish Stock Exchange, copies of all notices given in accordance with these provisions shall be sent to a Regulatory Information Service prescribed by the Listing Rules of the Financial Regulator and to DTC, Euroclear and Clearstream, Luxembourg.

#### 17. **Third Party Rights**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

#### 18. **Governing Law**

- (a) The Transaction Documents, the Global Note Certificates and the Individual Note Certificates (if any) are governed by, and shall be construed in accordance with, English law.
- (b) The courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes may be brought in such courts.

## PURCHASE AND TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or any state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Without limiting the foregoing, by holding a Note, each Holder of a Note will acknowledge and agree, among other things, that such Holder understands that the Issuer is not registered as an investment company under the Investment Company Act, but that the Issuer is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) exempts issuers from the registration requirements of the Investment Company Act that privately place their securities solely to QPs. In general, QP means, among other things, any natural person who owns not less than U.S.\$5,000,000 in investments; any person who in the aggregate owns and invests, on a discretionary basis, not less than U.S.\$25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment).

### Prospective Initial Investors in the Notes

Each prospective purchaser of the Notes offered in reliance on Rule 144A under the Securities Act (a "U.S. Offeree") and each prospective purchaser of the Notes offered in reliance on Regulation S (a "Non-U.S. Offeree" and together with the U.S. Offerees, the "Offerees"), by accepting delivery of this prospectus, will be deemed to have represented, acknowledged and agreed as follows:

- (i) The Offeree acknowledges that this prospectus is personal to the Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A, or another exemption from registration from the Securities Act, or in offshore transactions in accordance with Regulation S. Distribution of this prospectus or disclosure of any of its contents to any person other than the Offeree and those persons, if any, retained to advise the Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (ii) The Offeree agrees to make no photocopies of this prospectus or any documents referred to herein and, if the Offeree does not purchase the Notes or the offering is terminated, to return this Prospectus and all documents referred to herein to:

HSBC Bank plc,  
Level 19, 8 Canada Square,  
London E14 5HQ,  
Attention: Corporate Banking Business Support

- (iii) The Offeree has carefully read and understands this prospectus, including, without limitation, the "*Risk Factors and Investment Considerations*" section herein, and has based its decision to purchase the Notes upon the information contained herein and on written information, if any, provided to it by the Issuer and the Lead Manager and not on any other information.

### Notes

#### *Legend*

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Notes will bear a legend substantially set forth below:

**THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE ISSUER HAS NOT**

BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT IT HAS OBTAINED THIS NOTE IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE RESTRICTIONS ON SALE AND TRANSFER SET FORTH IN THE TRUST DEED. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE RESTRICTIONS, CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE TRUST DEED (i) TO A TRANSFEREE (a) THAT IS A QUALIFIED PURCHASER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED PURCHASER IN A TRANSACTION THAT WOULD NOT CAUSE THE ISSUER TO BE REQUIRED TO BE REGISTERED UNDER THE INVESTMENT COMPANY ACT, (b)(I) THAT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, (2) THAT IS NOT A PARTNERSHIP, COMMON TRUST FUND, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE AND (3) IF IT WOULD BE AN INVESTMENT COMPANY BUT FOR THE EXCEPTION IN SECTION 3(C)(1) OR SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, WHOSE INVESTMENT IN THE NOTES DOES NOT EXCEED 40% OF ITS TOTAL ASSETS, IN EACH CASE, EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER, (c) THAT (1) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS IF THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (2) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (3) IS NOT A SPECIAL TRUST, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE BENEFICIARIES OR PARTICIPANTS MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE AND (4) AGREES TO PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS PROVIDED IN THIS LEGEND AND (D) THAT IS A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "QUALIFIED INSTITUTIONAL BUYER") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT OR (II) TO A TRANSFEREE THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSES (I) AND (II), IN A PRINCIPAL AMOUNT, WITH RESPECT TO EACH CLASS OF NOTES OF NOT LESS THAN \$100,000/€ 50,000/£50,000 FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING. EACH PURCHASER OR TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE TRUST DEED.

"QUALIFIED PURCHASER" MEANS ANY PERSON THAT IS (i) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER, OR (ii) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS DEFINED IN RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR (iii) A COMPANY BENEFICIALLY OWNED

**EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER.**

**ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY.**

The following paragraph is to be included in the legend for Regulation S Notes only:

**EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE TRUST DEED TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL ANY INTEREST IN THIS NOTE PREVIOUSLY TRANSFERRED TO HOLDERS NOT ELIGIBLE TO PURCHASE SUCH INTERESTS IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE TRUST DEED. HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE TRUSTEE OR ANY NOTE PAYING AGENT ANY RIGHT AGAINST EUROCLEAR AND/OR CLEARSTREAM, LUXEMBOURG TO REQUIRE THAT EUROCLEAR AND/OR CLEARSTREAM, LUXEMBOURG, AS THE CASE MAY BE, REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF EUROCLEAR AND/OR CLEARSTREAM, LUXEMBOURG, AS THE CASE MAY BE.**

The following paragraph is to be included in the legend for Rule 144A Notes only:

**EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE TRUST DEED TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL ANY INTEREST IN THIS NOTE PREVIOUSLY TRANSFERRED TO HOLDERS NOT ELIGIBLE TO PURCHASE SUCH INTERESTS IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE TRUST DEED. HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE TRUSTEE OR ANY NOTE PAYING AGENT ANY RIGHT AGAINST THE DEPOSITORY TRUST COMPANY ("DTC") TO REQUIRE THAT DTC REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF DTC.**

The following paragraph is to be included in the legend for the A Notes, the B Notes, the C Notes and the D Notes only:

**EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR AN INTEREST THEREIN IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) THE HOLDER IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" WITHIN THE MEANING OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY PERSON OR ENTITY WHOSE ASSETS INCLUDE THE ASSETS OF ANY SUCH "EMPLOYEE BENEFIT PLAN" OR "PLAN" BY REASON OF 29 C.F.R. 2510.3-101, AS MODIFIED BY ERISA, OR OTHERWISE, OR ANY OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND IS NOT PURCHASING THIS NOTE ON BEHALF OF ANY SUCH PERSON, OR (B) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE WILL**

**NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANY SUCH OTHER EMPLOYEE BENEFIT PLAN, ARE NOT IN VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW).**

The following paragraph is to be included in the legend for the E Notes and F Notes:

**THIS NOTE (AND ANY INTEREST IN THIS NOTE) MAY NOT BE PURCHASED BY OR OTHERWISE ACQUIRED BY ANY EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF AND SUBJECT TO SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY PERSON OR ENTITY WHOSE ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF 29 C.F.R. 2510.3-101, AS MODIFIED BY ERISA, OR OTHERWISE. EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR AN INTEREST THEREIN IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT (A) IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE) AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (OR BE DEEMED FOR SUCH PURPOSES TO BE) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO ERISA OR A "PLAN" AS DEFINED IN SECTION 4975 OF THE CODE, AND (B)(i) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST IN THIS NOTE) WILL NOT BE AN EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (ii) THE PURCHASE AND HOLDING OF THE NOTES DO NOT AND WILL NOT VIOLATE ANY SUCH SUBSTANTIALLY SIMILAR LAW. ANY PURPORTED HOLDING OF THIS NOTE BY A PURCHASER (OR AN INTEREST IN THIS NOTE) OR TRANSFER OF THIS NOTE (OR ANY INTEREST IN THIS NOTE) TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.**

The following two paragraphs are to be included in the legend for Regulation S Global Note Certificates only:

**ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, HSBC BANK PLC ("HSBC"), HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF HSBC OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG (AND ANY PAYMENT HEREON IS MADE TO HSBC).**

**TRANSFER OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG OR TO SUCCESSORS THEREOF OR SUCH SUCCESSORS' NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE TRUST DEED.**

The following two paragraphs are to be included in the legend for Rule 144A Global Note Certificates only:

**ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. ("CEDE"), HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO**



THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE).

TRANSFER OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE TRUST DEED.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE TRUST DEED. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE PRINCIPAL PAYING AGENT.

THE HOLDER OF THIS NOTE ACKNOWLEDGES THAT NOTWITHSTANDING ANY OTHER PROVISION OF THE TRUST DEED OR ANY OTHER TRANSACTION DOCUMENT, ALL PAYMENTS OF PRINCIPAL, INTEREST OR ANY OTHER AMOUNT TO BE MADE BY THE ISSUER IN RESPECT OF THE NOTES OR UNDER ANY TRANSACTION DOCUMENT WILL BE PAYABLE PURSUANT TO THE PRIORITY OF PAYMENTS AND ONLY FROM, AND TO THE EXTENT OF, THE SUMS PAID TO, OR NET PROCEEDS RECOVERED BY OR ON BEHALF OF, THE ISSUER IN RESPECT OF THE SECURITY (AS DEFINED IN THE DEED OF CHARGE). IF THE PROCEEDS OF THE SECURITY (AS DEFINED IN THE DEED OF CHARGE) ARE NOT SUFFICIENT FOR THE ISSUER TO MEET ITS OBLIGATIONS IN RESPECT OF THE NOTES AND OTHER TRANSACTION DOCUMENTS, NO OTHER ASSETS OF THE ISSUER WILL BE AVAILABLE TO MEET SUCH INSUFFICIENCY.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, NO PARTICIPANT IN THE TRANSACTION REPRESENTED BY THIS NOTE SHALL BE LIMITED FROM DISCLOSING THE U.S. FEDERAL INCOME TAX TREATMENT OR THE U.S. FEDERAL INCOME TAX STRUCTURE OF THIS TRANSACTION.

The following paragraph shall be included in the legends for the B Notes, C Notes, D Notes and E Notes only:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR U.S. FEDERAL INCOME TAX PURPOSES. INFORMATION RELATING TO THE ISSUE PRICE OF THE NOTE, THE AMOUNT OF OID ON THE NOTE, ITS ISSUE DATE AND THE YIELD TO MATURITY OF THE NOTE MAY BE OBTAINED FROM HSBC BANK PLC AT 8 CANADA SQUARE, LONDON E14 5HQ, UNITED KINGDOM.

*Initial Investors and Transferees of Interests in Rule 144A Global Notes*

Each initial investor in, and subsequent transferee of, an interest in a Rule 144A Global Note Certificate will be deemed to have represented and agreed as follows:

- (i) It (a) is a QIB and is acquiring the Notes in reliance on the exemption from the Securities Act registration provided by Rule 144A thereunder, (b) is a QP purchasing for its own account and (c) understands the Notes will bear the legend set forth above and be represented by one or more Rule 144A Global Notes Certificates. In addition, it will be deemed to have represented and agreed that it (a)(1) was not formed for the purpose of investing in the Issuer, (2) is not a partnership, common trust fund, pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (3) if it would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, its investment in the Notes does not exceed 40% of its total assets, in each case, except when each beneficial owner of the

purchaser is a QP purchasing for its own account, (b) has received the necessary consent from its beneficial owners if the purchaser is a private investment company formed before April 30, 1996, (c) is not a broker-dealer that owns and invests on a discretionary basis less than U.S. \$25,000,000 in securities of unaffiliated issuers, (d) it is not a special trust, pension, profit sharing or other retirement trust fund or plan in which the beneficiaries or participants may designate the particular investments to be made, (e) will provide notice to any subsequent transferee of the transfer restrictions provided in the legend, (f) will hold and transfer in an amount of not less than, with respect to each Class of Notes, \$100,000/€ 50,000/£ 50,000 for it or for each account for which it is acting and (g) will provide the Issuer from time to time such information as it may reasonably request in order to ascertain compliance with this paragraph (i).

- (ii) It understands that the Notes have been offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act and, if in the future it decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Trust Deed and the legend on such Notes. It acknowledges that no representation is made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes.
- (iii) In connection with the purchase of the Notes: (a) the Issuer is not acting as a fiduciary or financial or investment advisor for it; (b) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or the Lead Manager (in its capacity as such) or any of their agents, other than any statements in a current prospectus for such Notes and any representations expressly set forth in a written agreement with such party; (c) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or the Lead Manager; (d) its purchase of the Notes will comply with all applicable laws in any jurisdiction in which it resides or is located; (e) it is acquiring the Notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; (f) it has made investments prior to the date hereof and was not formed solely for the purpose of investing in the Notes; (g) it is not a (1) partnership, (2) common trust fund or (3) special trust, pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants may designate the particular investments to be made; (h) it may not hold any Notes for the benefit of any other person, shall at all times be the sole beneficial owner thereof for purposes of the Investment Company Act and all other purposes and will not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes; (i) all Notes (together with any other securities of the Issuer) purchased and held directly or indirectly by it constitute in the aggregate an investment of no more than 40% of its assets or capital; and (j) it is a sophisticated investor and is purchasing the Notes with a full understanding of all of the terms, Conditions and risks thereof and is capable of assuming and willing to assume those risks.
- (iv) In the case of the A Notes, B Notes, C Notes and D Notes, either: (A) it is not, and for so long as it holds an A Note, B Note, C Note or D Note, as applicable, will not be, an "employee benefit plan" subject to ERISA, a plan subject to 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), any person or entity whose assets include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. 2510.3-101, as modified by ERISA, or otherwise, or any other employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to section 406 of ERISA or Section 4975 of the Code, and is not purchasing such note on behalf of any such person, or (B) the purchase, holding and subsequent disposition of such Note will not result in a prohibited transaction under section 406 of ERISA or Section 4975 of the Code (or, in the case of any such other employee benefit plan, is not in violation of any such substantially similar law).
- (v) In the case of the E Notes and F Notes: (A) it is not (and is not deemed for purposes of ERISA or Section 4975 of the Code to be) and, for so long as it holds an E Note or F Note, will not be

(or be deemed for such purposes to be) an "employee benefit plan" as defined in and subject to ERISA or a "plan" as defined in Section 4975 of the Code, and (B)(i) it is not and for so long as it holds an E Note or F Note (or any interest therein), as applicable, will not be an employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or (ii) the purchase and holding of the E Notes or F Notes do not and will not violate any such substantially similar law. Any purported holding of an E Note or F Note by a purchaser (or an interest therein) or transfer of an E Note or F Note (or any interest therein) to a transferee that does not comply with the foregoing shall be null and void *ab initio*.

- (vi) It understands that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. It has had access to such financial and other information concerning the Issuer and the Notes, as it deemed necessary or appropriate in order to make an informed investment decision with respect to its acquisition of the Notes, including an opportunity to ask questions of and request information from the Issuer. It understands that the Notes will be highly illiquid and are not suitable for short-term trading. It understands that it is possible that due to the structure of the transaction and the performance of the portfolio, payments on the Notes may be deferred, reduced or eliminated entirely. The Issuer has assets limited to the Security for payment of the Notes.
- (vii) It understands that the Trust Deed permits the Issuer to demand that any beneficial owner of Rule 144A Global Notes who is determined not to be both a QIB and a QP at the time of acquisition of such Rule 144A Global Notes Certificates to sell all its right, title and interest in such Notes (a) to a person who is both a QIB and a QP in a transaction meeting the requirements of Rule 144A or (b) to a person who will take delivery of its interest in Rule 144A Global Note Certificates in the form of an interest in a Regulation S Global Note Certificate and who is not a U.S. Person in a transaction meeting the requirements of Regulation S in a transaction exempt from registration under the Securities Act or any state or other relevant securities laws and, if it does not comply with such demand within thirty (30) days thereof, the Issuer may sell its interest in the Note.
- (viii) It acknowledges that it is its intent and that it understands it is the Issuer's intent, that for purposes of U.S. federal, state and local income taxes, the Issuer will be treated as a corporation and the A Notes, B Notes, C Notes, D Notes, and E Notes will be treated as indebtedness of the Issuer and the F Notes will be treated as equity of the Issuer; it agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment, except as otherwise required by any taxing authority under applicable law.
- (ix) It is aware that, except as otherwise provided in the Trust Deed, the Notes being sold to it will be represented by one or more Global Note Certificates, and that beneficial interests therein may be held only through Euroclear and Clearstream, Luxembourg or DTC or one of their nominees, as applicable.
- (x) It understands that the Issuer, the Trustee, the Lead Manager and their counsel will rely on the accuracy and truth of the foregoing representation, and it hereby consents to such reliance.

***Initial Investors and Transferees of Interests in Regulation S Global Notes***

Each initial investor in, and subsequent transferee of, an interest in a Regulation S Global Note Certificate will be deemed to have made the representations set forth in clauses (ii), (iii), (iv), (vi), (viii), (ix) and (x) above and will be deemed to have further represented and agreed as follows:

- (i) It is aware that the sale of Notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the Notes offered in reliance on Regulation S will bear the legend set forth above and be represented by or one or more Regulation S Global Note Certificate. The Notes so represented may not at any time be held by or on behalf of U.S. Persons as defined in Regulation S. It and each beneficial owner of the Notes that it holds is not, and will not be, a U.S. Person (as defined in Regulation S) and its

purchase of the Notes will comply with all applicable laws in any jurisdiction in which it resides or is located.

- (ii) If it is not a "**United States person**" as defined in Section 7701 (a)(30) of the Code, it is not acquiring any Note as part of a plan to reduce, avoid or evade U.S. federal income taxes owed, owing or potentially owed or owing.
- (iii) It understands that the Trust Deed permits the Issuer to demand that any beneficial owner of Regulation S Global Notes who is determined to be a U.S. Person to sell all its right, title and interest in such Regulation S Global Note Certificate (a) to a person who is not a U.S. Person in a transaction meeting the requirements of Regulation S or (b) in the case of a Regulation S Global Note that is not an F Regulation S Global Note, to a person who will take delivery of the Holder's Regulation S Global Notes in the form of an interest in a Rule 144A Global Note Certificate, who is both a QIB and a QP in a transaction meeting the requirements of Rule 144A or another exemption from registration under the Securities Act and, if the Holder does not comply with such demand within thirty (30) days thereof, the Issuer may sell such Holder's interest in the Note.
- (iv) In the case of the A Notes, B Notes, C Notes and D Notes, either: (A) it is not, and for so long as it holds an A Note, B Note, C Note or D Note, as applicable, will not be, an "**employee benefit plan**" subject to ERISA, a plan subject to 4975 of the Code, any person or entity whose assets include the assets of any such "**employee benefit plan**" or "**plan**" by reason of 29 C.F.R. 2510.3-101, as modified by ERISA, or otherwise, or any other employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to section 406 of ERISA or Section 4975 of the Code, and is not purchasing such note on behalf of any such person, or (B) the purchase, holding and subsequent disposition of such Note will not result in a prohibited transaction under section 406 of ERISA or Section 4975 of the Code (or, in the case of any such other employee benefit plan, is not in violation of any such substantially similar law).
- (v) In the case of the E Notes and F Notes: (A) it is not (and is not deemed for purposes of ERISA or Section 4975 of the Code to be) and for so long as it holds an E Note or F Note, as applicable, will not be (or be deemed for such purposes to be) an "**employee benefit plan**" as defined in and subject to ERISA or a "**plan**" as defined in Section 4975 of the Code, and (B)(i) it is not and for so long as it holds an E Note or F Note (or any interest therein), as applicable, will not be an employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or (ii) the purchase and holding of the E Notes or F Notes do not and will not violate any such substantially similar law. Any purported holding of an E Note or F Note by a purchaser (or an interest therein) or transfer of an E Note or F Note (or any interest therein) to a transferee that does not comply with the foregoing shall be null and void *ab initio*.

#### **Settlement**

All payments in respect of the Sterling Notes shall be made in Sterling in same-day funds. All payments in respect of the Euro Notes shall be made in Euros in same-day funds. All payments in respect of the Dollar Notes shall be made in US dollars in same-day funds.

## FORM OF NOTES

### Rule 144A Global Note Certificates

The Notes sold in the United States or to U.S. Persons pursuant to Rule 144A will be represented by one or more Rule 144A Global Note Certificates. The Rule 144A Global Note Certificates will be deposited with the DTC Custodian, as custodian for DTC and registered in the name of Cede, as nominee of DTC, or in the case of the other Notes, with the Common Depositary.

All or a portion of an interest in a Rule 144A Global Note Certificate may be transferred to a person taking delivery in the form of an interest in a Rule 144A Global Note Certificate in accordance with the applicable procedures of DTC (in addition to procedures and restrictions set forth under the Trust Deed); **provided that** (i) any remaining principal amount of the transferor's interest in the Rule 144A Global Note Certificate will either equal zero or meet the required Minimum Denominations and (ii) such transfer is made to a U.S. Person that is a QIB and a QP in a transaction that meets the requirements of Rule 144A and that the transferee, by purchase of such interest in the Rule 144A Global Note Certificates, will be deemed to have made all representations, warranties and acknowledgments applicable to transfers or purchases of an interest in a Rule 144A Global Note Certificate described under "*Purchase and Transfer Restrictions*".

In addition, all or a portion of an interest in a Rule 144A Global Note Certificate may be transferred to a person taking delivery in the form of an interest in a Regulation S Global Note Certificate or exchanged for an interest in a Regulation S Global Note Certificate, in accordance with the applicable procedures of DTC, Clearstream, Luxembourg or Euroclear (in addition to the procedures and restrictions set forth under the Trust Deed) and only upon receipt by the Trustee of a written certification (i) from the transferee (in the form provided in the Trust Deed) to the effect that, among other things, the transferee is not a U.S. Person and that such transfer is being made in an offshore transaction in accordance with Regulation S and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and only in a denomination greater than or equal to the required Minimum Denominations and (ii) from the transferor (in the form provided in the Trust Deed) to the effect that, among other things, the transfer is being made to a person whom the transferor reasonably believes is not a U.S. Person and that such transfer is being made in an offshore transaction in accordance with Regulation S and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; **provided that** any remaining principal amount of the transferor's interest in the Rule 144A Global Note Certificate will either equal zero or meet the required Minimum Denominations.

Any beneficial interest in a Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate will, upon transfer, cease to be an interest in such Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in a Regulation S Global Note Certificate for as long as it remains such an interest. No service charge will be made for any registration of transfer or exchange for an interest in a Rule 144A Global Note Certificate, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Each transferee of a Rule 144A Global Note Certificate (or any interest therein) will be deemed to represent at the time of transfer that: (i) the transferee is a QIB and also a QP; (ii) the transferee is not a dealer described in Paragraph (a)(1)(ii) of Rule 144A unless such transferee owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not affiliated persons of the dealer; (iii) the transferee is not a plan referred to in Paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in Paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (iv) the transferee will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any subsequent transferee.

The Trust Deed provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Rule 144A Global Note Certificate (or any interest therein) (i) is a U.S. Person and (ii) is not a QIB and also a QP, such Issuer may require, by notice to such Holder, that such Holder sell all of its right, title and interest to such Rule 144A Global Note

Certificate (or interest therein) to a Person that is a QIB and a QP, with such sale to be effected within thirty (30) days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such thirty (30) day period, (i) upon direction from the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee and the Issuer, in connection with such transfer, that such person is a QIB and a QP and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

Transfers of interests in the Rule 144A Global Note Certificates are subject to certain additional restrictions. In particular, each transferee of an interest in a Rule 144A Global Note Certificate will also be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Trust Deed. See "*Purchase and Transfer Restrictions*".

### **Regulation S Global Note Certificates**

The Notes sold to persons who are not U.S. Persons in offshore transactions (as defined in Regulation S) in reliance on Regulation S under the Securities Act will be represented by one or more Regulation S Global Note Certificates. The Regulation S Global Note Certificate will be deposited with the Common Depository.

Beneficial interests in Regulation S Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deed (as applicable) as described herein under "*Purchase and Transfer Restrictions*". Interests in the Regulation S Global Note Certificates may not be held by a U.S. Person at any time.

All or a portion of an interest in a Regulation S Global Note Certificate may be transferred to a person taking delivery in the form of an interest in a Regulation S Global Note Certificate, in accordance with the applicable procedures of Clearstream, Luxembourg or Euroclear (in addition to the procedures and restrictions set forth in the Trust Deed); **provided that** (i) any remaining principal amount of the transferor's interest in the Regulation S Global Note Certificates will either equal zero or meet the Minimum Denominations and (ii) such transfer is made to a person who is not a U.S. Person in offshore transactions in reliance on an exemption from the registration requirements of the Securities Act under Regulation S and that the transferee, by purchase of such interest in such Regulation S Global Note Certificates, will be deemed to have made all representations, warranties and acknowledgements applicable to transfers or purchases of an interest in a Regulation S Global Note Certificate described under "*Purchase and Transfer Restrictions*".

In addition, all or a portion of an interest in a Regulation S Global Note Certificate (other than an F Regulation S Global Note Certificate) may be transferred to a person taking delivery in the form of an interest in a Rule 144A Global Note Certificate or exchanged for an interest in a Rule 144A Global Note Certificate in accordance with the applicable procedures of DTC, Clearstream, Luxembourg or Euroclear (in addition to the procedures and restrictions set forth in the Trust Deed) upon receipt by the Trustee of a written certification from each of the transferor and the transferee (in the case of a transfer) or the Holder (in the case of an exchange) in the form provided in the Trust Deed to the effect that, among other things, the transfer or exchange is to a person that is both a QIB and a QP, and only in a denomination greater than or equal to the Minimum Denominations; **provided that** any remaining principal amount of the transferor's interest in the Regulation S Global Note Certificate will either equal zero or meet the required Minimum Denominations.

Any interest in a Regulation S Global Note Certificate (other than an F Regulation S Global Note Certificate) that is transferred to a person taking delivery in the form of a Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in such Regulation S Global Note Certificate and become an interest in a Rule 144A Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in a Rule 144A Global Note Certificate for as long as it remains such an interest. No service charge will be made for any registration of transfer or exchange for an interest in a Regulation S Global Note Certificate, but the

Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trust Deed permits the Issuer to demand that the Holder sell to a Holder permitted under the Trust Deed, any interest in a Regulation S Global Note Certificate held by such Holder who is determined to be a U.S. Person and if the Holder does not comply with such demand within thirty (30) days thereof, the Issuer may sell such Holder's interest in the Regulation S Global Note Certificate.

Transfers of interests in the Regulation S Global Note Certificates are subject to certain additional restrictions. In particular, each transferee of an interest in a Regulation S Global Note Certificate will also be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Trust Deed. See "*Purchase and Transfer Restrictions*".

#### **Amendments to Conditions**

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

*Payments:* Payments of principal and interest in respect of Notes represented by a Global Note Certificate will be made against presentation for endorsement and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificates to or to the order of the Registrar or such other Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Global Note Certificates. See also "*Book-Entry Clearance Procedures*".

*Notices:* Notwithstanding Condition 16 (*Notice to Noteholders*) of the Notes, while all the Notes are represented by Global Note Certificates which are deposited with the Common Depositary or, as the case may be, deposited with the DTC Custodian, as custodian for DTC and registered in the name of Cede, as nominee of DTC, notice to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or DTC (as applicable) rather than by publication in accordance with Condition 16 (*Notice to Noteholders*) of the Notes, for so long as the Notes are listed on the Irish Stock Exchange, and the rules of the Irish Stock Exchange so permit. Such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) of the Notes on the date of delivery to Euroclear and Clearstream, Luxembourg or DTC (as applicable).

*Meetings:* The holder of a Global Note Certificate will be deemed to be two (2) persons for the purpose of forming a quorum at a meeting of Noteholders.

*Purchase and Cancellation:* For so long as any Notes are represented by a Global Note Certificate, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or DTC, as appropriate.

#### **Exchange for Individual Note Certificates**

##### ***Exchange***

Each Rule 144A Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in individual certificate form ("**Rule 144A Individual Note Certificates**") and each Regulation S Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in individual certificate form ("**Regulation S Individual Note Certificates**"):

- (a) if a Global Note Certificate is held (directly or indirectly) on behalf of Euroclear and/or Clearstream, Luxembourg or an alternative clearing system and any such clearing system is closed for business for a continuous period of fourteen (14) days (other than by reason of

holiday, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so; or

- (b) if the Global Note Certificate is held on behalf of DTC, DTC notifies the DTC Custodian that it is unwilling or unable to continue as depository for the Global Note Certificates or DTC ceases to be a "clearing agency" registered under the Exchange Act, and a successor depository or clearing agency is not appointed by the DTC Custodian within ninety (90) days after receiving such notice; or
- (c) if the Issuer or any Paying Agent or any other person is or will be required to make any withholding or deduction from any payment in respect of the Notes for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Notes were in individual certificate form.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Note Certificates (the "Exchanged Global Note Certificate") becomes exchangeable for Individual Note Certificates in accordance with the above Paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Individual Note Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

"Individual Exchange Date" means a day falling not less than thirty days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

#### ***Delivery***

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Individual Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB that is a QP. Individual Note Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*Purchase and Transfer Restrictions*".

#### ***Legends and Transfers***

The holder of an Individual Note Certificate may transfer the Notes represented thereby in whole or in part in the applicable Minimum Denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of an Individual Note Certificate bearing the legend referred to under "*Purchase and Transfer Restrictions*", or upon specific request for removal of the legend on an Individual Note Certificate, the Issuer will deliver only Individual Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out



therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Individual Note Certificates for the Rule 144A Notes will bear the same legend as the legend for the Rule 144A Global Note Certificates for such as set out under "*Purchase and Transfer Restrictions*". The Rule 144A Individual Note Certificates may not at any time be held by or on behalf of U.S. Persons that are not QIBs that are QPs. Before any Rule 144A Individual Note Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Regulation S Individual Note Certificate, the transferor and/or transferee, as applicable, will be required to provide the Issuer and the Registrar with a written certification substantially in the form set out in the Agency Agreement.

Individual Note Certificates for the Regulation S Notes will bear the same legend as the legend for the Regulation S Global Note Certificates for such as set out under "*Purchase and Transfer Restrictions*". Before any Regulation S Individual Note Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Rule 144A Individual Note Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Agency Agreement.

## BOOK-ENTRY CLEARANCE PROCEDURES

*The information set out below has been obtained from the Clearing Systems (as defined herein) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from public information published by the Clearing Systems (as defined below) and as far as the Issuer is aware and is able to ascertain from information published by the Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of HSBC, the Issuer, the Trustee, any Paying Agent or the Credit Default Swap Counterparty (or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act), will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

### ***Euroclear, Clearstream, Luxembourg and DTC***

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "-- *Settlement and Transfer of Notes*" below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Note Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

### ***DTC***

DTC is a limited purpose trust company organised under the New York Banking Law, a "**banking organisation**" within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("**Direct Participants**") and to facilitate the clearance and settlement of securities transactions between its Direct Participants through electronic computerised book-entry changes in accounts of Direct Participants, thereby eliminating the need for physical movement of certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others such as securities brokers, dealers, banks, trust companies and clearing corporations, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**").

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Certificates for exchange as described under "*Form of*

*the Notes - Exchange for Individual Note Certificates*" above) only at the direction of one or more participants in whose accounts with DTC interests in Global Note Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Global Note Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described under "*Form of the Notes - Exchange for Individual Note Certificates*" above, DTC will surrender the relevant Rule 144A Global Note Certificates for exchange for Individual Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A or Reg S (as applicable)).

### **Book-Entry Ownership**

#### ***Euroclear and Clearstream, Luxembourg***

Each Regulation S Global Note Certificate will have an ISIN and a Common Code and will be deposited with HSBC as Common Depository acting through its offices at 8 Canada Square, London E14 5HQ.

#### ***DTC***

Each Rule 144A Global Note Certificate will have an ISIN and CUSIP number and will be deposited with the DTC Custodian as custodian for, and registered in the name of Cede as nominee of, DTC. The DTC Custodian and DTC will electronically record the principal amount of the Notes held within DTC.

#### ***Payments and Relationship of Participants with Clearing Systems***

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note represented by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate (save in the case of payments other than in US dollars outside DTC, as referred to below) and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be).

The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note Certificate, the depository by whom such Note is held, or nominee in whose name it is registered, will (save as provided below in respect of the Rule 144A Global Note Certificates) immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices.

Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of HSBC, the Issuer, the Trustee, any Paying Agent, the Credit Default Swap Counterparty or the Corporate Services Provider will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

#### **Denomination of Payments**

DTC is unable to accept payments denominated in Sterling or Euro in respect of the Notes. Accordingly, holders of beneficial interests in A1 Rule 144A Global Note Certificates and A2 Rule 144A Global Note Certificates must notify the DTC Custodian not less than fifteen (15) days prior to each Interest Payment Date (i) that they wish to be paid in Sterling or Euro (as applicable) and (ii) of the relevant bank account details into which such Sterling or Euro (as applicable) payments are to be made.

If such instructions are not received by the DTC Custodian, the Exchange Agent will exchange the relevant Sterling or Euro (as applicable) amounts into US dollars at the highest exchange rate quoted by three (3) foreign exchange dealers (which may include the Exchange Agent) in London chosen by the Exchange Agent and the relevant holders of beneficial interests will receive the US dollar equivalent of such Sterling or Euro (as applicable) payment converted at such exchange rate. Upon written request by a holder of a beneficial interest in an A1 Rule 144A Global Note Certificates or A2 Rule 144A Global Note Certificates (as applicable), the Exchange Agent will provide information regarding the exchange rate (and any relevant commission) with respect to any of the amounts converted into US dollars. It is understood that all currency exchange costs will be borne by the holders of the Book-Entry Interests who have elected not to receive payments in US dollars in respect of the A1 Notes or A2 Notes (as applicable) in accordance with the rules and procedures of DTC and will be deducted by the Exchange Agent from funds transmitted to, or in accordance with the instructions of, the DTC Custodian pursuant to the Agency Agreement. The Issuer has agreed in the Agency Agreement to indemnify the Exchange Agent in connection with its activities thereunder.

#### **Settlement and Transfer of Notes**

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a Clearing System are exchanged for Individual Note Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Notes held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

#### ***Trading between Euroclear and/or Clearstream, Luxembourg Participants***

Secondary market sales of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Sterling-denominated bonds, Euro-denominated bonds and US dollar-denominated bonds.

#### ***Trading between DTC Participants***

Secondary market sales of Book-Entry Interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day

funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

***Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser***

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in that Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede, and evidenced by the relevant Global Note Certificate and (ii) increase the amount of Notes registered in the name of the nominee of the Common Depository and evidenced by the relevant Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date.

***Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser***

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Global Note Certificate (subject to the certification procedures provided in the Issuer Trust Deed), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the Common Depository and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Global Note Certificate who will in turn deliver evidence of such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the Common Depository and evidenced by the relevant Global Note Certificate and (ii) increase the amount of Notes registered in the name of Cede and evidenced by the relevant Global Note Certificate.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of HSBC, the Issuer, the Trustee, any Paying Agent, the Credit Default Swap Counterparty or the Corporate Services Provider will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective Direct Participant or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Any purported transfer of a Note not in accordance with the Trust Deed will be null and void *ab initio* and will not be given effect for any purpose whatsoever; **provided, however**, without prejudice to the rights of the Issuer against any beneficial owner or purported beneficial owner of Notes, nothing in the Trust Deed or the Notes will be interpreted to confer on the Issuer, the Trustee or any Paying Agent any right against Euroclear, Clearstream, Luxembourg or DTC to require that Euroclear, Clearstream, Luxembourg or DTC, as applicable, reverse or rescind any trade completed in accordance with its rules.

***Pre-issue Trades Settlement***

It is expected that delivery of Notes will be made against payment therefor on the Closing Date, which could be more than three Business Days following the date of pricing. Under Rule 15c6-1 under the

Exchange Act, trades in the United States secondary market generally are required to settle within three Business Days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding Business Days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the Closing Date should consult their own adviser.

## TAXATION IN IRELAND

### Introduction

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes thereon as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

### Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which includes interest payable on the Notes. However, an exemption from withholding on interest payments exists for certain securities ("**quoted Eurobonds**") issued by a company (such as the Issuer) interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such "quoted Eurobonds" can be paid free of withholding tax provided:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland, and either:
  - (i) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (DTC, Euroclear and Clearstream Luxembourg are so recognised), or
  - (ii) the person who is the beneficial owner of the "quoted Eurobond" and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes continue to be quoted on the Irish Stock Exchange and are held in DTC, Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted on the Irish Stock Exchange but are not held through DTC, Euroclear or Clearstream, Luxembourg, interest on the Notes may be paid without any deduction for or take into account any Irish income tax provided such payment is made through a paying agent outside Ireland.

### Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any "quoted Eurobond" or on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There is an exemption from Irish tax on interest payments made by a company in the ordinary course of its trade or business provided the recipient of the interest is not resident in Ireland and is a company

resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double tax treaty and provided it does not carry on a trade in Ireland through a branch or agency in Ireland. In addition, any interest which can be paid free of withholding tax under the "quoted Eurobond" exemption is exempt from tax where the payment is made to a person not resident in Ireland and resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation treaty. For these purposes, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. In each case, the Issuer must be satisfied that the terms of the exemption are satisfied.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Irish Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of any Noteholder.

#### **Capital Gains Tax**

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

#### **Capital Acquisitions Tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 20 per cent.) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland). A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

#### **Stamp Duty**

For as long as the Issuer is a "qualifying company" for the purposes of Section 110 of the Taxes Consolidation Act, 1997, of Ireland (as amended) no stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) to the Irish Stamp Duties Consolidation Act, 1999 (as amended) assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.



## EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Ireland has implemented this Directive.

In addition, with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into a reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

## UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of the taxation of the Notes. It is not intended to be, and should not be construed as, tax advice. Some aspects of the summary do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders should seek their own professional advice. This summary does not take into consideration any United Kingdom tax implications of a substitution of the Issuer.

The following is a general summary of certain of the anticipated UK tax consequences of the purchase, ownership and disposal of the Notes. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a prospective holder of the Notes.

The statements regarding UK tax law and practices set out below, are based on those laws as in force and as applied in practice as at the date of this prospectus and are subject to changes therein (possibly with retrospective effect).

This summary relates only to the position of persons who are the absolute beneficial owners of their Notes and does not address the tax consequences to (i) investors that do not hold their Notes as capital assets, or (ii) special classes of investor such as dealers in securities.

References below to "**Qualifying Companies**" are to companies within the charge to UK corporation tax, and references to "**Relevant Noteholders**" are to Noteholders who are individuals, trustees or companies not within the charge to UK corporation tax.

*Prospective investors are advised to consult their tax advisers as to the United Kingdom or other tax consequences of the purchase, ownership or disposal of Notes, including the effect of any local tax laws.*

### A. Payment of Interest on the Notes

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of interest in respect of the Notes.

- (a) The Notes will constitute "**quoted Eurobonds**" **provided that** they carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the "**Act**") (the Irish Stock Exchange is currently "**a recognised stock exchange**" for these purposes). Whilst the Notes are and continue to be quoted Eurobonds as so defined, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.
- (b) In cases falling outside the exemption described in Paragraph (a) above interest on the Notes will generally fall to be paid under deduction of UK income tax at the lower rate (currently 20 per cent.), subject to such relief as may be available under the provisions of any applicable double taxation treaty. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more. Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, **provided that** H.M. Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.
- (c) Where interest has been paid under deduction of UK income tax (for example, if the Notes have ceased to qualify as quoted Eurobonds as described above) Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Noteholders may also be entitled to make a claim for interest on the Notes to be paid without, or subject to a reduced rate of, deduction or withholding under the provisions of an applicable double taxation treaty.

Any authority granted by H.M. Revenue & Customs to the Issuer to allow it to make payments of interest to a Noteholder of a Note without deducting tax or at a reduced rate will relate only to the facts of the application made by that Noteholder. The authority may cease to apply if the circumstances of the Noteholder or the nature of the Notes are altered.

- (d) Noteholders who are individuals should note that where any interest on Notes is paid to them, or to any person acting on their behalf, by the Issuer or any person in the United Kingdom acting on behalf of the Issuer, called a "paying agent", or is received by any person in the United Kingdom acting on behalf of the relevant holder, other than solely by clearing or arranging the clearing of a cheque, called a "collecting agent", then the Issuer, the paying agent or the collecting agent as the case may be, may in certain circumstances be required to supply to H.M. Revenue & Customs details of the payment and certain details relating to the holder, including the holder's name and address. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the holder is not so resident, the details provided to H.M. Revenue & Customs, in certain cases, may be passed by H.M. Revenue & Customs to the tax authorities of the jurisdiction in which the holder is resident for taxation purposes.

#### **B. Ownership and Disposal (including redemption) of the Notes**

##### ***Qualifying Companies***

Generally, Qualifying Companies will be subject to tax on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment. Such Noteholders will generally be charged in each accounting period by reference to interest and discount (if any) accrued in that period.

Noteholders that are authorised unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Notes as other Noteholders that are within the charge to United Kingdom corporation tax, other than, in each case, with respect to profits and losses of a capital nature in respect of these Notes.

##### ***Relevant Noteholders***

##### ***Accrued Income Scheme***

On a transfer of a Note, a Relevant Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which that Note is attributable may be chargeable to United Kingdom income tax on an amount treated (by rules known as the accrued income scheme contained in Chapter II of Part XVII of the Act) as representing interest on the Note from the last interest payment date to the time of transfer.

##### ***Taxation of Chargeable Gains***

A disposal of any Note which does not constitute a "qualifying corporate bond" (within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992) by a Relevant Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains depending on the individual circumstances of the Noteholder. In computing any such gain or loss, the consideration for the disposal of the Note will be reduced by any amount on which the Noteholder is chargeable to United Kingdom income tax on the transfer of the Note under the accrued income scheme as described above. Notes that are not denominated in Sterling or in respect of which a provision for conversion into, or redemption in, a currency other than Sterling is made, will not be qualifying corporate bonds. The Issuer has been advised that it may be arguable that the Sterling Notes do not constitute "qualifying corporate bonds" on the grounds that it could be argued that there is a provision for such Notes to be

converted into or redeemed in Euro and prospective Noteholders should seek their own professional advice as to whether such Notes are qualifying corporate bonds.

**C. Stamp Duty and Stamp Duty Reserve Tax**

No UK stamp duty or stamp duty reserve tax will be payable on the issue or on transfer by delivery or on redemption of the Notes.

**D. European Union Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement relating to information exchange with certain non-EU countries.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures. In addition, the Member States have entered into reciprocal arrangements with certain of those dependent or associated territories.

**E. Other Rules Relating to United Kingdom Withholding Tax**

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the transaction. Each prospective investor should seek advice based on such person's particular circumstances from an independent tax advisor.

The following is a general summary of certain of the anticipated U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws.

The summary is based on the Code, its legislative history, existing and proposed Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective investors should note that no rulings have been or will be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, the term "U.S. Holder" includes a beneficial owner of a Note that is, for U.S. federal income tax purposes, a citizen or individual resident of the United States of America, a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States of America, any state thereof or the District of Columbia, an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or a trust if, in general, a court within the United States of America is able to exercise primary supervision over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust, but excludes certain types of investors that are subject to special U.S. federal income tax rules which are not discussed herein, including but not limited to, dealers in securities or currencies, traders in securities, financial institutions, tax exempt investors, persons subject to alternative minimum tax, U.S. expatriates, insurance companies, persons that own (directly or indirectly) 10% of the voting stock of the Issuer or equity interests in a beneficial owner of Notes, U.S. Holders that purchase the Notes for a price other than the Notes' respective Issue Prices and subsequent purchasers of the Notes.

If a partnership or an entity classified as a partnership for U.S. federal income tax purposes, purchase Notes, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of such partner and the activities of the partnership. Prospective investors that are partnerships, and partners in such partnerships, should consult their own tax advisors to determine the U.S. federal income tax consequences to them of the purchase, ownership and disposition the Notes.

### **PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES.**

#### **A. Tax Treatment of the Credit Default Swap**

Under current U.S. federal income tax law, the treatment of credit default swaps is unclear. Certain possible tax characterisations of a credit default swap, if adopted by the IRS and if applied to the Credit Default Swap to which the Issuer is then a party, could subject payments received by the Issuer under the Credit Default Swap to U.S. withholding or excise tax. It is also possible that because of such tax characterisations, the Issuer could be treated as engaging in a trade or business in the United States and therefore subject to net income tax.

#### **B. Tax Treatment of the A Notes, the B Notes, the C Notes, the D Notes, and the E Notes**

In the opinion of Clifford Chance US LLP (business address: 31 W. 52nd Street, New York, NY 10019), Special U.S. Tax Counsel, the A Notes, the B Notes, the C Notes and the D Notes will be

treated as debt for U.S. federal income tax purposes. The Issuer intends and each holder of the A Notes, the B Notes, the C Notes, the D Notes or the E Notes, by the acceptance of such Notes, will agree to treat such Notes as debt for U.S. federal income tax purposes. Such agreement and opinion is not binding on the IRS and no assurance can be given that the characterisation of the E Notes as debt will prevail if the issue were challenged by the IRS. The IRS might attempt to treat the A Notes, the B Notes, the C Notes, the D Notes or, in particular, the E Notes, as equity interests in a corporation. Treatment of the A Notes, the B Notes, the C Notes, the D Notes or the E Notes as equity interests could have adverse tax consequences in the case of holders of such Notes that are U.S. Holders. If any of the A Notes, the B Notes, the C Notes, the D Notes or the E Notes were treated as equity in, rather than debt of, the Issuer for U.S. federal income tax purposes, the U.S. Holders thereof would be subject to the treatment described below for U.S. Holders of Notes treated as equity for U.S. federal income tax purposes and there might be adverse tax consequences for such U.S. Holders upon sale, redemption, retirement or other disposition of, or the receipt of certain types of distributions on, the Notes of such Class. The remainder of this discussion assumes that the A Notes, the B Notes, and the C Notes, the D Notes and the E Notes are treated as debt for U.S. federal income tax purposes.

**C. Payment of Interest on the A Notes, the B Notes, the C Notes, the D Notes and the E Notes**

- (c) Subject to the discussion below "*Interest on the Euro-denominated and the sterling-denominated A Notes, B Notes, C Notes, D Notes and E Notes*", U.S. Holders of the A Notes generally will include in gross income payments of stated interest received on the A Notes, in accordance with their usual method of tax accounting, as ordinary interest income from sources outside the United States.

However, if the issue price of a Note is less than such Note's "stated redemption price at maturity" by more than a de minimis amount, a U.S. Holder will be considered to have purchased such Note with original issue discount ("OID"). The stated redemption price at maturity of a Note will be the sum of all payments to be received on such Note other than payments of "qualified stated interest" (in general, stated interest which is unconditionally payable in money at least annually).

It is not anticipated that the A Notes will be issued with OID and the remainder of this discussion assumes this to be the case. Prospective U.S. Holders should note that, because interest on the B Notes, the C Notes, the D Notes and the E Notes is not unconditionally payable in money on each Interest Payment Date (and, therefore, will not be "qualified stated interest"), all of the stated interest payments on such Notes will be included in the stated redemption price at maturity of such Notes and must therefore be accrued by a U.S. Holder pursuant to the OID rules, as described below.

A U.S. Holder of a Note issued with OID will be required to accrue and include in gross income the sum of the "daily portions" of total OID on such Note under a constant yield method, as interest from sources outside the United States, for each day during the taxable year on which the U.S. Holder held such Note regardless of such U.S. Holder's usual method of tax accounting and without regard to the timing of actual payments on such Note.

The amount of OID to be accrued will be based initially on the assumption that the Reference Interest Rate in effect for the first Interest Period will remain constant. The amount of OID for each subsequent Interest Period will be adjusted for any difference in the actual value of the Reference Interest Rate used in setting interest for that subsequent Interest Period and the assumed rate. Under the foregoing method, U.S. Holders of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income.

Because principal repayments on the B Notes, the C Notes, the D Notes and the E Notes is subject to acceleration, the method by which OID on such Notes is required to be accrued is uncertain. For purposes of accruing OID on these Notes under such circumstances, the Issuer intends to treat these Notes as being subject to the "prepayment assumption method" prescribed by Sections 1271 through 1273 and 1275 of the Code. These rules require that the amount and rate of accrual of OID be calculated based on a prepayment assumption and the anticipated

reinvestment rate, if any, relating to the Notes. The rules prescribe a method for adjusting the amount and rate of accrual of the OID where the actual prepayment rate differs from the prepayment assumption. Under the Code, the prepayment assumption must be determined in the manner prescribed by the Treasury regulations, which have not yet been issued. The legislative history provides, however, that Congress intended the Treasury regulations to require that the prepayment assumption be the prepayment assumption that is used in determining the initial offering price of the Notes. No representation is made that the Notes will prepay at the prepayment assumption or at any other rate.

The Issuer intends to take the position, and the foregoing discussion assumes, that the Notes will not be classified as "contingent payment debt obligations" for purposes of calculating OID. However, it is possible that the IRS will take a contrary view and seek to so classify some or all of the Notes. If the IRS were successful in so classifying the Notes, among other consequences, any gain recognised on the sale, redemption, retirement or other disposition of such Notes might be treated as ordinary income rather than as capital gain.

- (d) *Interest on the Euro-denominated and the sterling-denominated A Notes, B Notes, C Notes, D Notes and E Notes.* A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Sterling-denominated or Euro-denominated A Note, B Note, C Note, D Note or E Note (other than OID) will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date such payment is received) regardless of whether the payment is in fact converted into US dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such foreign currency.

The amount of interest income recognised by a U.S. Holder who is an accrual method taxpayer or by a cash method taxpayer with respect to OID, will be the U.S. dollar value of the interest income that has accrued or is otherwise required to be taken into account with respect to a Sterling-denominated or Euro-denominated A Note, B Note, C Note, D Note or E Note in accordance with the prepayment assumption method discussed above, determined in accordance with either of two methods.

Under the first method, the amount of accrued interest income will be based upon the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, a U.S. Holder may elect to determine the amount of accrued interest income on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). If the last day of an accrual period is within five Business Days of the date of receipt of the accrued interest, an electing U.S. Holder may instead translate the accrued interest into US dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment in Euro or in Sterling (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a sterling-denominated or a Euro-denominated A Note, B Note, C Note, D Note or E Note), a U.S. Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) measured by the difference, if any, between the exchange rate used to accrue income pursuant to one of the two above methods and the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars.

#### **D. Sale or Retirement of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes**

In general, a U.S. Holder will have a basis in an A Notes, a B Note, a C Note, a D Note or an E Note equal to the cost of such Note to such U.S. Holder, increased by any amount includible in income by such U.S. Holder as OID and reduced by any payments thereon other than payments of stated interest. Upon a sale or exchange of an A Notes, a B Note, a C Note, a D Note or an E Note, a U.S. Holder

generally will recognise gain or loss equal to the difference between the amount realised (less any accrued interest or market discount, which would be taxable as such) and the U.S. Holder's basis in such Note. Such gain or loss will be a long-term capital gain or loss if the U.S. Holder has held such Note for more than one year at the time of disposition, except to the extent such gain or loss is attributable to fluctuation in currency exchange rates. Gain or loss attributable to fluctuations in currency exchange rates will equal the difference between the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date such payment is received or the Note is disposed of, and the U.S. dollar value of the foreign currency principal amount of the Note as determined on the date the U.S. Holder acquired the Note. Any such gain or loss will be taxable as ordinary income or loss and will not be treated as interest income or expense. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale or exchange of the Note.

**E. Tax Treatment of the Notes Treated as Equity for U.S. Federal Income Tax Purposes**

- (a) Although the Issuer intends and each holder of the E Notes, by the acceptance of such Notes, will agree to treat the E Notes as debt for U.S. federal income tax purposes, such agreement is not binding on the IRS and, as stated above, no assurance can be given that the characterisation of the E Notes as debt will prevail if the issue were challenged by the IRS. The IRS might attempt to treat the E Notes as equity interests in a corporation. Treatment of the E Notes as equity interests could have adverse tax consequences, such as the consequences described below, in the case of holders of such Notes that are U.S. Holders.
- (b) *Investment in a Passive Foreign Investment Company.* A U.S. Holder of Notes which are treated as equity interests in the Issuer for U.S. federal income tax purposes will be subject to special tax rules with respect to such Notes because the Issuer will be classified as a PFIC. In particular, a U.S. Holder would be subject to special rules with respect to (i) any gain realised on the sale or other disposition of its Notes or deemed realised on a direct or indirect pledge (including pursuant to a margin account) of the Notes to secure an obligation of the U.S. Holder or (ii) any "excess distribution" (generally, the aggregate amount of interest payments and return of capital distributions) received by the U.S. Holder on such Notes during its taxable year that exceeds 125 per cent. of the average annual amount of such distributions received during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for such Notes (calculated for this purpose by annualising interest received during any holding period of less than one year). Under these rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for such Notes, (b) the amount allocated to the taxable year in which the gain or excess distribution was realised would be taxable as ordinary income, (c) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that prior year and (d) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax allocable to each prior year. A U.S. Holder would be required to make an annual return on IRS Form 8621 with respect to any Notes treated as equity interests in the Issuer.

Prospective investors should consult their own tax advisors as to the consequences to them of the potential application of the PFIC rules. The Issuer does not intend to make available to U.S. Holders any information or records that may be required in order to enable U.S. Holders to treat the Issuer as a qualified electing fund.

- (c) *Investment in a Controlled Foreign Corporation.* In addition, the Issuer could be treated as a "controlled foreign corporation" ("CFC") if more than 50% of its shares, by vote or value (including any Notes treated as equity), are owned by United States persons that each own 10 per cent. or more of the combined voting power of the Issuer (each such United States person, a "U.S. Shareholder"). If the Issuer were to constitute a CFC, it is expected that substantially all of its income would be "subpart F" income and, therefore, would be currently includible in the income of such U.S. Shareholders. In addition, income that would otherwise be characterised as capital gain on the sale of the Issuer's stock might be recharacterised in whole or in part as ordinary dividend income. Prospective investors should consult their own tax advisers as to the consequences to them of the potential application of the CFC rules.



- (d) A U.S. Holder that recognises subpart F income in respect of the Notes will recognise the taxable amount of the Issuer's earnings as determined in the functional currency of the Issuer and translated into US dollars by the average exchange rate for the taxable year of the Issuer. A U.S. Holder that has paid tax on the undistributed earnings of the Issuer pursuant to a subpart F inclusion shall receive distributions from the Issuer tax free up to the amount of the previously taxed earnings. The tax-free amount is determined in the functional currency of the Issuer and is translated into dollars at the spot exchange rate on the date of distribution. Differences between the amount taxed and the amount distributed that result from fluctuations in the exchange rate are taxable as ordinary income or loss from the same sources as the associated income inclusion.

**F. Payment of Interest on Notes Treated as Equity for U.S. federal income tax purposes**

- (a) The treatment of actual distributions of cash on Notes treated as equity for U.S. federal income tax purposes, in very general terms, will vary depending whether the U.S. Holder is a U.S. Shareholder of a CFC. If the U.S. Holder is a U.S. shareholder of a CFC, distributions should be allocated first to amounts previously taxed pursuant to the CFC rules and to this extent will not be taxable to U.S. Holders. Distributions in excess of previously taxed amounts pursuant to the CFC rules will be treated first as a nontaxable reduction to the U.S. Holder's tax basis for Notes treated as equity for U.S. federal income tax purposes to the extent thereof and then as capital gain.
- (b) Except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Notes treated as equity for U.S. federal income tax purposes may constitute "excess distributions", taxable as previously described. See "*Investment in a Passive Foreign Investment Company*". In that event, except to the extent that distributions may be attributable to amounts previously taxed to the U.S. Holder pursuant to the CFC rules or are treated as "excess distributions", distributions on the Notes treated as equity for U.S. federal income tax purposes generally would be treated as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits not allocated to any "excess distributions", then as a nontaxable reduction to the U.S. Holder's tax basis for the Notes treated as equity for U.S. federal income tax purposes to the extent thereof and then as capital gain. Dividends received from a foreign corporation generally will be treated as income from sources outside the United States for U.S. federal foreign tax credit purposes.
- (c) Distributions (other than U.S. Dollar distributions) will be translated into a U.S. dollar amount at the spot rate of exchange in effect on the date of receipt whether or not the payment is converted into U.S. dollars at that time. A U.S. Holder will recognise exchange gain or loss with respect to previously taxed amounts attributable to movements in exchange rates between the times of the deemed distributions and the actual distributions, and any such exchange gain or loss will be treated as ordinary income from the same source as the associated income inclusion. The tax basis of the Sterling or Euro received by the U.S. Holder generally will equal the U.S. dollar value of the Sterling or Euro determined at the spot rate of exchange in effect on the date the Sterling is received, regardless of whether the payment is converted to U.S. dollars at that time. Any gain or loss recognised on a subsequent conversion of Sterling or Euro for U.S. dollars, in an amount equal to the U.S. dollars received and the U.S. Holders tax basis in Sterling, generally will be U.S. source ordinary income or loss.

**G. Disposition of Notes Treated as Equity for U.S. Federal Income Tax Purposes**

- (a) In general, a U.S. Holder of a Note treated as equity for U.S. federal income tax purposes will recognise a gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a Note treated as equity for U.S. federal income tax purposes equal to the difference between the amount realised and such U.S. Holder's adjusted tax basis in the Note treated as equity for U.S. federal income tax purposes. Initially, a U.S. Holder's tax basis for Note treated as equity for U.S. federal income tax purposes will equal the amount paid for such Note treated as equity for U.S. federal income tax purposes. Such basis will be increased by amounts taxable to such U.S. Holder under the QEF or CFC regimes, as applicable, and decreased by actual distributions from the Issuer that are deemed to consist of such previously

taxed amounts or are treated as a nontaxable reduction to the U.S. Holder's tax basis for the Note treated as equity for U.S. federal income tax purposes (as described above). Except as discussed below, such gain or loss will be a capital gain or loss and will be a long-term capital gain or loss if the U.S. Holder held the Notes treated as equity for U.S. federal income tax purposes for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who are individuals may be entitled to preferential treatment for net long-term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited. Any gain or loss recognised by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Note treated as equity for U.S. federal income tax purposes (other than, in the case of a U.S. Holder treated as a "U.S. Shareholder", any such gain characterised as a dividend, as discussed below) generally will be treated as from sources within the United States.

In general, a U.S. Holder of a Note treated as equity for U.S. federal income tax purposes will recognise U.S. source ordinary income or loss in an amount equal to the difference (if any) between the U.S. dollar fair market value of Euro or Sterling used to purchase the Note treated as equity for U.S. federal income tax purposes determined at the spot rate of exchange in effect on the date of purchase of such Note treated as equity for U.S. federal income tax purposes and such U.S. Holder's tax basis in Euro or Sterling.

- (b) Except as provided below, any gain realised on the sale, exchange, redemption or other taxable disposition of a Note treated as equity for U.S. federal income tax purposes, other than gain constituting an excess distribution under the PFIC rules, if applicable, will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules applicable to an "excess distribution" from a PFIC described above. See "*Investment in a Passive Foreign Investment Company*" above.
- (c) If the Issuer were treated as a CFC and a U.S. Holder were treated as a U.S. Shareholder therein, then any gain realised by such U.S. Holder upon the disposition of the Note treated as equity for U.S. federal income tax purposes would be treated as ordinary income to the extent of the U.S. Holder's share of the current or accumulated earnings and profits of the Issuer. In this regard, earnings and profits would not include any amounts previously taxed pursuant to the CFC rules.

#### **H. Transfer Reporting Requirements**

A U.S. Person (including a tax-exempt entity) that purchases a Note treated as equity for U.S. federal income tax purposes for cash will be required to file a Form 926 or similar form with the IRS if (i) such person owned, directly or by attribution, immediately after the transfer at least 10% by vote or value of the Issuer or (ii) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds U.S.\$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10% of the gross amount paid for such Notes (subject to a maximum penalty of U.S.\$100,000, except in cases involving intentional disregard). U.S. persons should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition of the Notes.

#### **I. Backup Withholding and Information Reporting**

Payments of principal, interest and OID on, and the proceeds of sale or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary may be subject to information reporting requirements. If information reporting requirements apply to a U.S. Holder, interest on the U.S. Holder's Notes will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding at a rate of 28 per cent. will also apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or to report all interest and dividends required to be shown on its U.S. federal income tax return. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. Backup withholding is not an additional tax, and a U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess amount. U.S. Holders should consult their tax advisors as to their qualifications for exemption from backup withholding and the procedure for obtaining such an exemption.

## J. Disclosure of Reportable Transactions and Maintenance of Participants List

Under U.S. Treasury regulations, any person that files a U.S. federal income tax return or U.S. federal information return and participates in a "reportable transaction" in a taxable year is required to disclose certain information on IRS Form 8886 (or its successor form) attached to such person's U.S. federal tax return for such taxable year (and also file a copy of such form with the IRS's Office of Tax Shelter Analysis) and to retain certain documents related to the transaction. In addition, under these regulations, under certain circumstances, certain organizers and sellers of a "reportable transaction" will be required to maintain lists of participants in the transaction containing identifying information, retain certain documents related to the transaction, and furnish those lists and documents to the IRS upon request. The definition of "**reportable transaction**" is highly technical. However, in very general terms, a transaction may be a "reportable transaction" if, among other things, it is offered under conditions of confidentiality or it results in the claiming of a loss or losses for U.S. federal income tax purposes in excess of certain threshold amounts. Holders that recognise foreign currency losses in excess of certain thresholds may incur additional United States federal income tax reporting obligations. Prospective purchasers should consult their own tax advisors regarding any additional reporting requirements with respect to the Notes.

In addition, under these U.S. Treasury regulations, if the Issuer participates in a "reportable transaction", a U.S. Holder of a Note treated as equity for U.S. federal income tax purposes that is a "reporting shareholder" of the Issuer will be treated as participating in the transaction and will be subject to the rules described above. Although most of the Issuer's activities generally are not expected to give rise to "reportable transactions," the Issuer nevertheless may participate in certain types of transactions that could be treated as "reportable transactions." A U.S. Holder of Notes treated as equity for U.S. federal income tax purposes or other equity in the Issuer will be treated as a "reporting shareholder" of the Issuer if the Issuer is treated as a CFC and such U.S. Holder is a "U.S. Shareholder" (as defined above) of the Issuer.

The Issuer does not intend to provide any information to U.S. Holders for purposes of completing IRS Forms in relation to any Notes.

Prospective investors in the Notes should consult their own tax advisors concerning any possible disclosure obligations under these U.S. Treasury regulations with respect to their ownership or disposition of the Notes in light of their particular circumstances.

## CERTAIN ERISA AND OTHER CONSIDERATIONS

### General

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code impose certain requirements on all employee benefit plans which are subject to ERISA or Section 4975 of the Code, (all of which are hereinafter referred to as "Plans"), and on persons who are fiduciaries with respect to Plans. Any Plan fiduciary which proposes to cause a Plan to acquire the Notes will be required to determine whether such an investment is permitted under the governing Plan instruments and that such investment is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio and the Plan fiduciary will have the responsibility of ensuring that any purchase and holding of a Note does not and will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

### Prohibited Transaction Rules

In addition to the general fiduciary requirements described above, ERISA and the Code prohibit certain transactions involving the assets of a Plan and "disqualified persons" (within the meaning of the Code) and "parties in interest" (within the meaning of ERISA) who have certain specified relationships to the Plan, and certain of their affiliates.

The Issuer may be a party in interest or a disqualified person with respect to a Plan that is considering purchasing the Notes (or an interest in a Note). Therefore, the purchase by a Plan of Notes (or an interest in a Note) may give rise to a direct or indirect prohibited transaction under ERISA and/or the Code. There can be no assurances given that any particular exemption would apply to a Plan's purchase of a Note (or an interest in a Note). Certain exemptions from the prohibited transaction rules may, however, be applicable depending in part on the type and circumstances of the purchase and of the Plan fiduciary making the decision to acquire the Notes (or an interest in a Note).

### Plan Assets Regulation

An additional issue concerns the extent to which assets of the Issuer could themselves be treated as subject to ERISA. The United States Department of Labor has issued final regulations concerning the definition of what constitutes the assets of a Plan for purposes of ERISA and the prohibited transaction provisions of the Code (the "Plan Assets Regulation"). Under the Plan Assets Regulation, generally when a Plan invests in another entity, the Plan's assets do not include, solely by reason of such investment, any of the underlying assets of the entity. Plan Assets Regulation provides, however, that if a Plan acquires an "equity interest" (including for these purposes debt with substantial equity features) in an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless equity participation in the entity by "benefit plan investors" is not significant. For this purpose, the term "benefit plan investors" includes Plans and entities holding their plan assets. Under the Plan Assets Regulation, equity participation by benefit plan investors is considered "significant" on any date if, immediately after the most recent acquisition of a particular class of equity interests, benefit plan investors held 25% or more of the aggregate value of the interests in such class (excluding the value of any interests held by certain persons, other than benefit plan investors, having authority or control over the assets of the entity or providing investment advice for a direct or indirect fee with respect to such assets or any affiliates of any such person (any such person, a "Controlling Person")) is held by benefit plan investors. Under ERISA, an entity that does not satisfy the 25% test will be deemed to hold plan assets only to the extent of the percentage of the equity interests in the entity held by benefit plan investors.

Consistently with the discussion above under "*Material United States Federal Income Considerations*," the Issuer intends to take the position that for purposes of the Plan Assets Regulation, the A Notes, B Notes, C Notes and D Notes will not be considered "equity interests". If any A Note, B Note, C Note or D Note is deemed to comprise equity interests in the Issuer, the Issuer may be considered to hold plan assets subject to ERISA. In particular, for purposes of the Plan Assets Regulation, the A Notes, B Notes, C Notes and D Notes will not constitute publicly offered securities, and the Issuer will not be an investment company or an operating company. Further, there can be no assurance that benefit plan

investors will hold less than 25% of the total value of any Class of Notes at the completion of the initial offering or thereafter, and no monitoring or other measures will be undertaken with respect to the level of such ownership. If the underlying assets of the Issuer are deemed to be plan assets, among other possible adverse results, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

Any purchaser or holder of any A Note, B Note, C Note or D Note (or any interests in any A Note, B Note, C Note and D Note) will be deemed to have made, by its purchase and holding thereof, representations to the effect that either (i) it is not and for so long as it holds such Note (or an interest in such Note) will not be a Plan (or another employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code) or (ii) the purchase, holding and subsequent disposition of such Note (or an interest in such Note) are and will be exempt from the prohibited transaction rules of ERISA and Section 4975 of the Code (or in the case of any such other plan, are not in violation of any such substantially similar law).

The E Notes and F Notes (and interests therein) are not intended for purchase or holding by or on behalf of employee benefit plans and certain other plans subject to ERISA, Section 4975 of the Code. Each purchaser of an E Note or F Note (or any interest in an E Note or F Note) will be deemed to have represented and agreed that (i) it is not (and is not deemed for purposes of ERISA or Section 4975 of the Code to be) and for so long as it holds an E Note or F Note (or any interest in an E Note or F Note), as applicable, will not be (or be deemed for such purposes to be) a Plan and (ii)(A) it is not, and for so long as it holds an E Note or F Note (or any interest in an E Note or F Note), as applicable, will not be, an employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (B) the purchase and holding of an E Note or F Note (or any interest in an E Note or F Note), as applicable, do not and will not violate any such substantially similar law. Any purported purchase of E Notes or F Notes by a purchaser or transfer of an E Note or F Note (or any interest in an E Note or F Note) to a transferee, that does not comply with the foregoing shall be null and void *ab initio*.

The foregoing discussion is general in nature and is not intended to be comprehensive. Any fiduciary of a Plan considering the purchase of Notes (or an interest in a Note) should consult its legal advisors regarding the consequences of such purchase under ERISA and the Code. Plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), and certain non-U.S. and other plans, are not subject to the prohibited transaction rules under ERISA. Nevertheless, investments by such plans must be made in accordance with governing plan documents and any applicable federal, state, local or non-U.S. law.

The sale of any Notes (or an interest in a Note) to an employee benefit plan is in no respect a representation by the Issuer or the Lead Manager or any other party to this transaction that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular plan, or that such an investment is appropriate for such plans generally or any particular plan.

**Any Plan and any employee benefit plan not subject to ERISA or Section 4975 of the Code proposing to invest in the Notes should consult with its counsel to confirm that such investment will not result in a prohibited transaction that is not subject to an exemption and will satisfy the other requirements of ERISA and the Code (and, in the case of any non-ERISA plans, any additional federal, state, local or non-U.S. requirements).**

## SUBSCRIPTION AND SALE

Pursuant to the Subscription Agreement the Lead Manager has agreed, subject to certain conditions, to subscribe for the Notes at a price equal to the issue price of 100 per cent. of the principal amount of the Notes. The Lead Manager is entitled to terminate the Subscription Agreement and be released and discharged from its obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Lead Manager against certain liabilities, costs and expenses in connection with the offer, sale and issue of the Notes as more particularly described in the Subscription Agreement.

### *United States of America*

The Lead Manager has acknowledged that the Notes have not been and will not be registered under the Securities Act or the state securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in the case of the Rule 144A Notes, in reliance on Rule 144A to QIBs who are also QPs within the meaning of Section 2(a)(51) of the Investment Company Act. None of the Notes other than the Rule 144A Notes may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

The Lead Manager has acknowledged and agreed that they will offer and sell the Regulation S Notes: (a) (i) as part of its distribution at any time; and (ii) otherwise until 40 days after the Closing Date (the "**40-Day Distribution Compliance Period**"), only in accordance with Rule 903 of Regulation S or, pursuant to Rule 144A or another exemption from the registration requirements under the Securities Act, and (b) it will send to each dealer or person receiving a selling concession, fee or other remuneration in respect of such Regulation S Notes that purchases Regulation S Notes from it in reliance on Regulation S a notice stating that such dealer or person receiving a selling concession, fee or other remuneration is subject to the same restrictions during the 40-Day Distribution Compliance Period.

In addition, until 40 days after the commencement of the offering of the Regulation S Notes, an offer or sale of the Regulation S Notes within United States by any dealer (whether or not participating in the offering of the Regulation S Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Lead Manager has acknowledged and agreed that neither it nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Regulation S Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

The Lead Manager has acknowledged and agreed that neither it nor any persons acting on its or their behalf have engaged or will engage in any form of general solicitation or general advertising (within the meaning of 502(c) under the Securities Act) in connection with any offer or sale of the Notes in the United States.

Due to the restrictions set forth above in "*Purchase and Transfer Restrictions*", purchasers of the Notes in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Notes.

Each purchaser of Notes offered hereby will be deemed to have represented and agreed that it has received a copy of this prospectus and such other information as it deems necessary to make an investment decision. Purchasers are also deemed to have made the representations and agreements set out in "*Form of Notes*" and "*Purchase and Transfer Restrictions*".

### *United Kingdom*

The Lead Manager has represented, warranted and agreed with the Issuer that:

- (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;

- (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;
- (iii) **Financial Promotion:** it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iv) **General compliance:** 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, from or otherwise involving the United Kingdom.

### **Ireland**

The Lead Manager has agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 - 1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Irish Central Bank and the Financial Regulator; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Financial Regulator.

### **France**

The Lead Manager has represented, warranted and undertaken to the Issuer that it has not offered and sold, and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (investisseurs qualifiés), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

### **Belgium**

The Lead Manager has represented, warranted and undertaken to the Issuer that it will not:

- (i) offer for sale, sell or market in Belgium such Notes by means of a public offer within the meaning of the Law of 22nd April, 2003 on the public offer of securities; or

- (ii) sell Notes to any person qualifying as a consumer within the meaning of Article 1.7° of the Belgian law of 14th July, 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

### ***Japan***

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**") and each Manager has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The Notes are subject to a selling restriction in Japan where all transferor assignment of the Notes are prohibited unless such transfer or assignment is made in a bloc by the person who acquired or purchased the Notes to another person pursuant to Paragraph 3-1, Article 7 of the Cabinet Order regarding Definitions under Article 2 of the Securities and Exchange Law.

### ***Hong Kong***

The Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

### ***Singapore***

The Lead Manager has represented, warranted and undertaken to the Issuer that this prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**") under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

The Lead Manager has further represented, warranted and agreed to notify (whether through the distribution of this prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes or otherwise) each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Notes from and through that Manager, namely a person who is: (a) a corporation (which is not an



accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 of the Securities and Futures Act except: (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (2) where no consideration is given for the transfer; or (3) by operation of law.

### *General*

Other than the approval of this document as the prospectus in accordance with the Prospectus Regulations, admission of the Notes to the Official List of the Irish Stock Exchange and admission to trading on the regulated market of the Irish Stock Exchange, no action has been taken by the Issuer or the Lead Manager which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes in any country or jurisdiction where action for that purpose is required and neither this prospectus nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations.

The Lead Manager does not represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, nor assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

1. All authorisations, consents and approvals to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the performance by the Issuer of the obligations expressed to be undertaken by it and the distribution of this Prospectus have been obtained and are in full force and effect. The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer passed on 31 October 2006.
2. Application has been made to the Financial Regulator, as competent authority under the Prospectus Directive for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.
3. The Rule 144A Notes have been accepted for clearance through DTC, and the Regulation S Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The applicable Common Code numbers, CUSIP numbers and International Securities Identification Numbers (ISIN) for the Rule 144A Global Notes, and the applicable CUSIP (CINS) numbers, Common Code Numbers and International Securities Identification Numbers (ISIN) for the Regulation S Global Notes are as follows:

Class of Notes	Rule 144A CUSIP	Rule 144A ISIN	Rule 144A Common Code	Regulation S Common Code	Regulation S ISIN
A1	59160X AF 6	US59160XAF69	27447007	27173454	XS0271734542
A2	59160X AG 4	US59160XAG43	27447210	27173535	XS0271735358
A3	59160X AA 7	US59160XAA72	27375430	27173586	XS0271735861
B1	59160X AH 2	US59160XAH26	27447236	27173608	XS0271736083
B2	59160X AJ 8	US59160XAJ81	27447287	27173616	XS0271736166
B3	59160X AB 5	US59160XAB55	27375499	27173624	XS0271736240
C1	59160X AK 5	US59160XAK54	27447317	27173659	XS0271736596
C2	59160X AL 3	US59160XAL38	27447333	27173667	XS0271736679
C3	59160X AC 3	US59160XAC39	27375545	27173675	XS0271736752
D1	59160X AM 1	US59160XAM11	27447350	27173691	XS0271736919
D2	59160X AN 9	US59160XAN93	27447392	27173705	XS0271737057
E1	59160X AP 4	US59160XAP42	27447406	27173721	XS0271737214
E2	59160X AQ 2	US59160XAQ25	27447414	27173730	XS0271737305
F	N/A	N/A	N/A	27173772	XS0271737727

The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, B - 1210 Brussels. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of the Depository Trust Company is 55 Water Street New York, NY 10041.

4. The Issuer is not involved, nor has been involved, in any legal, governmental or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position, nor is the Issuer aware that any such proceedings are pending or threatened.
5. Save as disclosed in this Prospectus, since 6 October 2006 (being the date of incorporation of the Issuer), the Issuer has not:
  - (a) commenced operations;
  - (b) made up annual financial accounts as at the date of this Prospectus; or
  - (c) entered into any contracts or arrangements not being in its ordinary course of business.
6. Save as disclosed in this Prospectus, since 6 October 2006 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Issuer.
7. For so long as the Notes are admitted to listing on the Official List of the Irish Stock Exchange, the most recently published Quarterly Report of the Issuer will be available at the office of the Irish Paying Agent and at the Issuer's registered office free of charge. Other than the Quarterly Report, the Issuer will not provide any post-issuance information on the performance of the Notes or the Reference Portfolio.
8. It is expected that the Notes which are to be admitted to the Official List of the Irish Stock Exchange will be admitted, when issued, subject only to the issue of the relevant Global Notes.
9. The expenses incurred in relation to the listing of the Notes are not expected to exceed €15,000, and will be paid by the Credit Default Swap Counterparty.
10. The auditors of the Issuer in Ireland are KPMG of 1 Stokes Place, Stephen's Green, Dublin 2, Ireland who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.
11. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, copies of the following documents and this Prospectus may be inspected (in either physical or electronic format) (and, in the case of the documents listed in items (d)(i) to (xiv) (inclusive), may be obtained free of charge) during usual business hours on any week day (excluding Saturdays, Sundays and public holidays) at the specified offices of the Irish Paying Agent and at the registered office of the Issuer from the date of this Prospectus:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the latest annual financial reports of the Issuer (which will be prepared in accordance with statutory requirements) and will be available on or about 1 December in each year in respect of the preceding financial year. The Issuer will produce no interim financial reports);
  - (c) the Subscription Agreement; and
  - (d) prior to the Closing Date, drafts (subject to modification) and, after the Closing Date, copies of the following documents (the Transaction Documents):
    - (i) the Notes and the Conditions appended thereto;
    - (ii) the Trust Deed;
    - (iii) the Agency Agreement;
    - (iv) the Deed of Charge;

- (v) the Cash Management Agreement;
- (vi) the Credit Default Swap Agreement;
- (vii) the Collateral Switch Agreement (including the Approved Form Repo Agreement and Approved Form Custody Agreement);
- (viii) the Cash Deposit Account Bank Agreement;
- (ix) the Issuer Account Bank Agreement;
- (x) the Reserve Account Bank Agreement;
- (xi) the Master Definitions Schedule;
- (xii) the Funding Swap Agreements; and
- (xiii) the Declaration of Trust.

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## **APPENDIX 1 - TABULAR INFORMATION**

This appendix highlights certain features of the transaction and the Reference Portfolio as at the Initial Portfolio Composition Date. For ease of reference, it presents certain data in graphic or tabular form. This appendix should be read in conjunction with, and is qualified in its entirety by, the information set out in the other parts of this Prospectus.

**APPENDIX 2 - INITIAL PORTFOLIO COMPOSITION DATE REFERENCE REGISTRY  
INFORMATION**

On the Initial Portfolio Composition Date, the Credit Default Swap Counterparty constituted the Reference Portfolio. US dollar-denominated and Euro-denominated Reference Obligations were converted into sterling at the exchange rates set forth in the table below. **The below table gives certain statistical information in respect of the Reference Portfolio at the Initial Portfolio Composition Date. On and following the Closing Date, the Reference Portfolio will not necessarily include the Reference Obligations contained in the Reference Portfolio on the Initial Portfolio Composition Date, and accordingly the statistical information set out below does not necessarily represent the Reference Portfolio from and after the Closing Date.**

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
5	15/01/2011	EUR	1,232,276	4.2	17	13	41.216%	1.4727	344,876
37	06/04/2010	GBP	1,524,390	4.2	20	14	100.000%	1.0000	1,524,390
16	31/12/2006	GBP	15,000,000	4.1	35	28	65.237%	1.0000	9,785,622
129	29/11/2010	GBP	85,000,000	1.2	37	31	43.672%	1.0000	37,121,160
20	23/12/2012	GBP	7,260,000	4.2	27	19	100.000%	1.0000	7,260,000
73	31/03/2011	USD	7,894,737	3.2	15	17	100.000%	1.8646	4,234,011
52	31/03/2008	USD	20,036,364	2.2	37	27	100.000%	1.8646	10,745,663
53	25/06/2008	EUR	1,500,000	3.2	24	7	59.687%	1.4727	607,932
51	26/03/2010	USD	13,046,528	4.2	11	30	76.489%	1.8646	5,351,936
32	08/03/2011	GBP	16,482,301	4.1	38	29	100.000%	1.0000	16,482,301
3	08/03/2011	GBP	30,000,000	2.2	7	5	13.655%	1.0000	4,096,611
77	04/11/2010	EUR	46,446,180	4.1	15	17	56.030%	1.4727	17,670,957
109	30/10/2006	GBP	2,100,000	2.2	6	14	76.838%	1.0000	1,613,602
48	30/10/2007	GBP	2,700,000	3.2	24	11	80.541%	1.0000	2,174,612
7	30/05/2008	USD	1,187,568	3.2	2	31	100.000%	1.8646	636,902
50	30/03/2010	GBP	1,000,000	2.1	35	28	100.000%	1.0000	1,000,000
49	14/01/2010	GBP	1,917,808	2.1	40	5	100.000%	1.0000	1,917,808
25	30/11/2007	GBP	26,000,000	3.2	40	5	38.138%	1.0000	9,915,860
40	10/08/2011	GBP	753,846	3.1	8	10	100.000%	1.0000	753,846
55	15/12/2009	GBP	6,644,444	4.1	8	10	39.285%	1.0000	2,610,294
28	25/05/2009	GBP	1,578,947	3.3	40	5	100.000%	1.0000	1,578,947
8	24/02/2010	GBP	1,666,667	3.2	17	13	64.458%	1.0000	1,074,304
64	31/10/2011	GBP	812,500	4.1	6	14	100.000%	1.0000	812,500
102	12/07/2011	GBP	9,000,000	3.1	20	14	92.803%	1.0000	8,352,261
60	14/01/2011	GBP	5,500,000	3.2	37	27	100.000%	1.0000	5,500,000
66	25/11/2009	EUR	2,916,667	3.1	8	10	100.000%	1.4727	1,980,489

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
18	30/07/2008	GBP	4,090,909	2.2	35	2	100.000%	1.0000	4,090,909
47	28/02/2008	GBP	5,591,398	2.1	20	14	100.000%	1.0000	5,591,398
46	30/11/2009	USD	3,975,000	3.1	8	10	100.000%	1.8646	2,131,825
14	06/04/2011	USD	215,851	2.2	2	31	100.000%	1.8646	115,763
49	14/01/2010	GBP	5,863,014	2.1	40	5	100.000%	1.0000	5,863,014
55	15/12/2009	GBP	11,555,556	4.1	8	10	100.000%	1.0000	11,555,556
6	04/02/2009	GBP	205,882	3.1	37	27	100.000%	1.0000	205,882
14	06/04/2011	USD	210,708	2.2	2	31	100.000%	1.8646	113,005
2	10/07/2011	GBP	3,750,000	3.3	20	3	43.863%	1.0000	1,644,848
92	31/10/2008	USD	1,666,667	3.1	37	27	92.803%	1.8646	829,516
30	21/05/2007	USD	21,207,178	3.2	35	28	100.000%	1.8646	11,373,580
97	08/03/2010	GBP	8,485,714	3.1	4	4	92.803%	1.0000	7,874,989
114	30/06/2008	GBP	42,500,000	3.2	27	19	69.155%	1.0000	29,391,036
21	24/03/2010	GBP	714,286	3.2	35	25	100.000%	1.0000	714,286
2	10/07/2011	GBP	10,500,000	3.3	20	3	100.000%	1.0000	10,500,000
63	29/03/2011	EUR	1,935,484	4.2	38	29	100.000%	1.4727	1,314,242
28	25/05/2009	GBP	2,368,421	3.3	40	5	100.000%	1.0000	2,368,421
72	30/06/2008	GBP	42,500,000	3.2	27	19	16.214%	1.0000	6,891,036
66	25/11/2009	EUR	2,916,667	3.1	8	10	100.000%	1.4727	1,980,489
77	08/11/2010	EUR	5,251,969	4.1	15	17	100.000%	1.4727	3,566,218
130	31/01/2011	GBP	95,100,000	3.2	27	19	30.905%	1.0000	29,391,036
79	02/03/2009	GBP	7,777,938	3.2	30	21	90.934%	1.0000	7,072,826
47	28/02/2008	GBP	4,894,737	2.1	20	14	100.000%	1.0000	4,894,737
37	06/04/2010	USD	2,743,902	4.2	20	14	100.000%	1.8646	1,471,577
117	04/02/2010	GBP	8,624,000	2.2	35	28	66.359%	1.0000	5,722,788
91	31/10/2008	USD	1,666,667	3.1	37	27	92.803%	1.8646	829,516
68	13/12/2009	EUR	25,868,193	2.2	28	22	92.616%	1.4727	16,268,190
14	06/04/2011	USD	206,614	2.2	2	31	100.000%	1.8646	110,809
61	10/10/2006	EUR	2,000,000	3.1	6	14	100.000%	1.4727	1,358,050
3	08/03/2011	GBP	14,081,909	2.2	7	5	100.000%	1.0000	14,081,909
76	30/01/2007	USD	2,110,250	3.2	6	14	100.000%	1.8646	1,131,744
67	29/03/2011	EUR	37,330,350	4.2	10	6	63.441%	1.4727	16,081,087
50	30/03/2010	GBP	2,000,000	2.1	35	28	82.256%	1.0000	1,645,120
79	02/03/2009	GBP	1,211,538	3.2	30	21	100.000%	1.0000	1,211,538

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
24	07/04/2010	USD	17,930,473	4.2	36	23	100.000%	1.8646	9,616,257
22	19/06/2007	USD	603,024	3.3	2	31	29.203%	1.8646	94,445
23	02/10/2006	GBP	5,000,000	3.1	40	5	32.799%	1.0000	1,639,969
77	04/11/2010	USD	14,495,143	4.1	15	17	100.000%	1.8646	7,773,862
61	13/10/2006	EUR	750,000	3.1	6	14	100.000%	1.4727	509,269
126	02/05/2011	GBP	66,000,000	3.3	8	10	47.172%	1.0000	31,133,735
37	06/04/2010	GBP	1,524,390	4.2	20	14	100.000%	1.0000	1,524,390
60	14/01/2011	GBP	3,600,000	3.2	37	27	81.807%	1.0000	2,945,064
21	24/03/2010	EUR	1,428,571	3.2	35	25	100.000%	1.4727	970,036
12	30/09/2006	EUR	1,500,000	3.1	37	31	9.423%	1.4727	95,974
57	31/12/2008	GBP	6,917,735	3.1	7	5	100.000%	1.0000	6,917,735
19	10/09/2006	GBP	15,000,000	2.2	12	10	100.000%	1.0000	15,000,000
42	08/02/2007	GBP	16,400,000	2.2	40	5	26.829%	1.0000	4,399,888
75	22/02/2007	EUR	341,300	3.2	4	4	85.211%	1.4727	197,479
38	16/07/2011	EUR	3,227,727	3.2	8	10	100.000%	1.4727	2,191,707
64	31/10/2011	GBP	32,113,900	4.1	6	14	5.539%	1.0000	1,778,885
7	30/05/2008	USD	1,217,822	3.2	2	31	100.000%	1.8646	653,128
33	09/09/2009	GBP	22,000,000	4.1	33	26	100.000%	1.0000	22,000,000
39	28/04/2011	EUR	32,489,989	4.2	8	10	100.000%	1.4727	22,061,512
58	01/03/2011	USD	93,333	2.2	7	5	100.000%	1.8646	50,055
77	04/11/2010	USD	1,593,701	4.1	15	17	100.000%	1.8646	854,715
38	16/07/2011	EUR	5,738,182	3.2	8	10	100.000%	1.4727	3,896,368
122	28/01/2007	GBP	2,000,000	3.3	40	5	52.000%	1.0000	1,039,991
125	29/08/2011	GBP	35,000,000	2.1	7	5	51.939%	1.0000	18,178,520
83	03/05/2007	USD	944,378	3.3	2	31	92.803%	1.8646	470,026
49	14/01/2008	GBP	7,561,644	2.1	40	5	2.608%	1.0000	197,192
28	25/05/2009	GBP	1,894,737	3.3	40	5	100.000%	1.0000	1,894,737
10	31/10/2006	GBP	10,764,474	3.2	35	28	100.000%	1.0000	10,764,474
123	08/02/2007	GBP	18,750,000	3.3	40	5	52.000%	1.0000	9,749,916
37	06/04/2010	GBP	1,219,512	4.2	20	14	100.000%	1.0000	1,219,512
4	14/10/2007	GBP	205,882	3.1	37	27	69.961%	1.0000	144,037
43	25/06/2007	EUR	1,329,817	2.2	10	6	40.036%	1.4727	361,518
127	28/11/2010	EUR	15,225,000	4.1	7	5	45.446%	1.4727	4,698,309
99	31/07/2010	GBP	5,000,000	4.1	20	3	92.803%	1.0000	4,640,145

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70	12/05/2008	EUR	21,555,556	3.3	4	4	100.000%	1.4727	14,636,759
112	30/06/2008	GBP	22,046,911	3.2	27	19	73.478%	1.0000	16,199,539
58	01/03/2011	USD	666,667	2.2	7	5	100.000%	1.8646	357,539
32	08/03/2011	GBP	8,695,652	4.1	38	29	100.000%	1.0000	8,695,652
53	25/06/2008	EUR	2,400,000	3.2	24	7	100.000%	1.4727	1,629,660
9	27/02/2008	GBP	1,428,571	3.3	20	14	100.000%	1.0000	1,428,571
71	16/11/2015	GBP	4,116,667	3.1	37	27	100.000%	1.0000	4,116,667
111	05/08/2009	GBP	3,385,000	3.2	27	19	73.478%	1.0000	2,487,216
37	06/04/2010	GBP	609,756	4.2	20	14	100.000%	1.0000	609,756
37	06/04/2010	EUR	1,219,512	4.2	20	14	100.000%	1.4727	828,079
37	06/04/2010	GBP	1,524,390	4.2	20	14	100.000%	1.0000	1,524,390
116	25/06/2009	USD	12,527,473	3.1	35	28	66.359%	1.8646	4,458,376
54	30/06/2008	GBP	12,000,000	3.2	27	19	100.000%	1.0000	12,000,000
14	06/04/2011	USD	229,726	2.2	2	31	100.000%	1.8646	123,204
34	31/07/2007	GBP	18,000,000	2.1	40	5	100.000%	1.0000	18,000,000
66	25/11/2009	EUR	2,916,667	3.1	8	10	100.000%	1.4727	1,980,489
37	06/04/2010	EUR	6,402,439	4.2	20	14	69.598%	1.4727	3,025,725
4	14/10/2007	GBP	205,884	3.1	37	27	100.000%	1.0000	205,884
47	28/02/2008	GBP	71,709,677	2.1	20	14	1.474%	1.0000	1,056,643
24	09/05/2010	USD	14,598,097	4.2	36	23	100.000%	1.8646	7,829,077
15	16/08/2010	GBP	5,681,818	2.1	7	5	63.607%	1.0000	3,614,016
7	30/05/2008	USD	1,114,878	3.2	2	31	100.000%	1.8646	597,918
100	04/05/2009	GBP	20,900,000	3.2	21	16	92.803%	1.0000	19,395,806
26	31/12/2011	USD	3,898,776	3.1	2	31	100.000%	1.8646	2,090,945
57	31/12/2008	GBP	7,452,162	3.1	7	5	100.000%	1.0000	7,452,162
24	07/04/2010	USD	22,065	4.2	36	23	100.000%	1.8646	11,834
9	27/02/2008	GBP	1,428,571	3.3	20	14	100.000%	1.0000	1,428,571
1	21/12/2009	USD	10,000,000	2.2	7	5	38.957%	1.8646	2,089,278
27	07/02/2008	GBP	1,730,769	4.1	29	20	100.000%	1.0000	1,730,769
23	02/10/2006	GBP	2,000,000	3.1	40	5	100.000%	1.0000	2,000,000
80	13/03/2011	GBP	3,125,000	3.2	27	19	100.000%	1.0000	3,125,000
17	24/03/2010	GBP	2,596,154	3.2	37	31	100.000%	1.0000	2,596,154
51	26/03/2010	USD	5,798,457	4.2	11	30	100.000%	1.8646	3,109,759
113	30/05/2007	GBP	5,670,000	3.3	27	19	73.478%	1.0000	4,166,179

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70	12/05/2008	EUR	21,555,556	3.3	4	4	100.000%	1.4727	14,636,759
64	31/10/2011	GBP	28,143,889	4.1	6	14	100.000%	1.0000	28,143,889
101	16/12/2010	EUR	15,125,000	3.2	21	16	92.803%	1.4727	9,531,092
39	23/06/2010	GBP	1,511,288	4.2	8	10	100.000%	1.0000	1,511,288
69	01/06/2009	EUR	2,000,000	4.1	38	29	100.000%	1.4727	1,358,050
9	27/02/2008	GBP	1,428,571	3.3	20	14	100.000%	1.0000	1,428,571
86	03/08/2007	GBP	19,700,000	3.3	33	26	92.803%	1.0000	18,282,171
58	01/03/2011	USD	500,000	2.2	7	5	100.000%	1.8646	268,154
115	14/02/2007	GBP	20,000,000	2.2	35	28	66.359%	1.0000	13,271,771
20	23/12/2012	GBP	10,000,000	4.2	27	19	90.310%	1.0000	9,031,036
58	01/03/2011	USD	200,000	2.2	7	5	100.000%	1.8646	107,262
66	25/11/2009	EUR	4,861,111	3.1	8	10	100.000%	1.4727	3,300,816
47	28/02/2008	GBP	417,091	2.1	20	14	100.000%	1.0000	417,091
79	02/03/2009	GBP	230,769	3.2	30	21	100.000%	1.0000	230,769
66	25/11/2009	EUR	4,861,111	3.1	8	10	100.000%	1.4727	3,300,816
88	29/12/2006	USD	7,925,273	3.1	12	10	92.803%	1.8646	3,944,483
46	30/11/2009	USD	3,312,500	3.1	8	10	100.000%	1.8646	1,776,520
22	19/06/2007	USD	1,102,087	3.3	2	31	100.000%	1.8646	591,058
87	10/12/2011	USD	2,448,454	2.2	37	31	92.803%	1.8646	1,218,618
50	30/03/2010	GBP	1,000,000	2.1	35	28	100.000%	1.0000	1,000,000
74	27/11/2006	GBP	1,000,000	1.2	40	5	100.000%	1.0000	1,000,000
81	07/04/2011	GBP	25,444,648	3.2	7	5	53.842%	1.0000	13,699,914
90	31/03/2008	GBP	8,387,500	3.1	37	27	92.803%	1.0000	7,783,843
89	30/09/2008	GBP	7,917,159	2.2	37	31	92.803%	1.0000	7,347,353
73	31/03/2011	USD	4,385,965	3.2	15	17	100.000%	1.8646	2,352,228
17	24/03/2010	GBP	10,384,615	3.2	37	31	100.000%	1.0000	10,384,615
17	24/03/2010	GBP	2,596,154	3.2	37	31	100.000%	1.0000	2,596,154
24	29/01/2007	USD	88,666,667	4.2	36	23	41.352%	1.8646	19,663,992
73	31/03/2011	USD	4,385,965	3.2	15	17	100.000%	1.8646	2,352,228
53	25/06/2008	USD	5,700,000	3.2	24	7	100.000%	1.8646	3,056,956
27	07/02/2008	GBP	1,923,077	4.1	29	20	100.000%	1.0000	1,923,077
58	01/03/2011	USD	400,000	2.2	7	5	100.000%	1.8646	214,523
96	11/02/2010	USD	747,854	4.2	4	4	92.803%	1.8646	372,214
42	08/02/2007	GBP	3,600,000	2.2	40	5	100.000%	1.0000	3,600,000



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26	02/04/2011	USD	3,739,864	3.1	2	31	76.830%	1.8646	1,540,993
25	30/11/2007	USD	14,000,000	3.2	40	5	100.000%	1.8646	7,508,313
6	04/02/2009	GBP	205,882	3.1	37	27	100.000%	1.0000	205,882
45	13/12/2011	USD	43,000,000	2.1	37	27	100.000%	1.8646	23,061,246
9	27/02/2008	GBP	714,286	3.3	20	14	28.029%	1.0000	200,207
45	13/12/2011	USD	15,000,000	2.1	37	27	100.000%	1.8646	8,044,621
84	02/07/2008	USD	12,969,670	2.2	2	31	92.803%	1.8646	6,455,127
69	01/06/2009	EUR	13,000,000	4.1	38	29	83.391%	1.4727	7,361,221
14	06/04/2011	USD	399,356	2.2	2	31	100.000%	1.8646	214,178
35	16/02/2011	EUR	29,304,029	3.2	35	28	51.706%	1.4727	10,288,629
43	26/06/2007	EUR	9,059,612	2.2	10	6	100.000%	1.4727	6,151,702
105	23/11/2009	EUR	51,357,154	3.2	38	29	92.803%	1.4727	32,362,958
54	30/06/2008	GBP	12,000,000	3.2	27	19	24.853%	1.0000	2,982,381
47	28/02/2008	GBP	1,118,280	2.1	20	14	100.000%	1.0000	1,118,280
37	06/04/2010	GBP	2,134,146	4.2	20	14	100.000%	1.0000	2,134,146
79	02/03/2009	GBP	576,923	3.2	30	21	100.000%	1.0000	576,923
5	15/12/2010	GBP	1,505,952	4.2	17	13	100.000%	1.0000	1,505,952
13	26/10/2008	USD	279,530	3.3	2	31	100.000%	1.8646	149,914
43	26/06/2007	EUR	690,158	2.2	10	6	100.000%	1.4727	468,635
77	08/11/2010	EUR	10,685,040	4.1	15	17	100.000%	1.4727	7,255,408
44	06/08/2009	GBP	10,856,640	2.2	40	5	100.000%	1.0000	10,856,640
63	29/03/2011	EUR	27,822,581	4.2	38	29	92.302%	1.4727	17,437,946
31	31/03/2008	GBP	5,000,000	3.2	25	17	85.606%	1.0000	4,280,290
36	30/11/2006	GBP	9,306,492	3.1	40	5	100.000%	1.0000	9,306,492
37	06/04/2010	EUR	1,219,512	4.2	20	14	100.000%	1.4727	828,079
6	04/02/2009	GBP	102,941	3.1	37	27	56.058%	1.0000	57,706
80	13/03/2011	GBP	24,375,000	3.2	27	19	70.077%	1.0000	17,081,337
41	13/05/2008	GBP	4,096,000	4.1	35	28	100.000%	1.0000	4,096,000
14	06/04/2011	USD	225,426	2.2	2	31	100.000%	1.8646	120,898
94	11/11/2008	EUR	15,000,000	1.2	11	30	92.803%	1.4727	9,452,322
46	30/11/2009	USD	12,918,750	3.1	8	10	51.122%	1.8646	3,541,943
69	01/06/2009	EUR	13,000,000	4.1	38	29	100.000%	1.4727	8,827,324
66	25/11/2009	EUR	4,861,111	3.1	8	10	100.000%	1.4727	3,300,816
74	27/11/2006	GBP	14,750,000	1.2	40	5	36.542%	1.0000	5,389,913

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7	30/05/2008	USD	1,085,276	3.2	2	31	52.063%	1.8646	303,026
65	02/02/2008	USD	3,142,857	2.1	31	11	81.680%	1.8646	1,376,751
74	27/11/2006	GBP	3,750,000	1.2	40	5	100.000%	1.0000	3,750,000
37	06/04/2010	GBP	609,756	4.2	20	14	100.000%	1.0000	609,756
47	28/02/2008	GBP	18,451,613	2.1	20	14	100.000%	1.0000	18,451,613
66	25/11/2009	EUR	2,916,667	3.1	8	10	100.000%	1.4727	1,980,489
9	27/02/2008	GBP	2,142,857	3.3	20	14	100.000%	1.0000	2,142,857
29	10/02/2010	EUR	15,769,231	3.1	4	4	37.769%	1.4727	4,044,237
110	10/11/2006	GBP	21,000,000	3.3	6	14	76.838%	1.0000	16,136,019
61	13/10/2006	USD	3,000,000	3.1	6	14	100.000%	1.8646	1,608,924
41	13/05/2008	GBP	2,944,000	4.1	35	28	19.554%	1.0000	575,663
61	13/10/2006	EUR	3,500,000	3.1	6	14	100.000%	1.4727	2,376,587
40	10/08/2011	EUR	8,588,462	3.1	8	10	22.174%	1.4727	1,293,138
78	21/06/2007	GBP	66,387,630	3.2	20	14	42.359%	1.0000	28,121,160
45	13/12/2011	USD	10,000,000	2.1	37	27	51.060%	1.8646	2,738,374
38	16/07/2011	EUR	4,482,955	3.2	8	10	17.248%	1.4727	525,042
42	08/02/2007	GBP	1,500,000	2.2	40	5	100.000%	1.0000	1,500,000
104	27/02/2007	GBP	491,566	3.1	20	14	92.803%	1.0000	456,188
22	19/06/2007	USD	1,117,480	3.3	2	31	100.000%	1.8646	599,314
52	31/03/2008	USD	3,109,091	2.2	37	27	46.422%	1.8646	774,048
14	06/04/2011	USD	239,678	2.2	2	31	34.441%	1.8646	44,271
35	24/09/2009	GBP	8,666,667	3.2	35	28	100.000%	1.0000	8,666,667
19	10/09/2006	GBP	110,000,000	2.2	12	10	20.110%	1.0000	22,121,160
18	30/07/2008	GBP	6,545,455	2.2	35	2	45.333%	1.0000	2,967,260
72	30/06/2008	GBP	22,500,000	3.2	27	19	100.000%	1.0000	22,500,000
59	21/07/2009	EUR	28,350,000	3.3	4	16	100.000%	1.4727	19,250,356
108	02/05/2007	EUR	17,186,575	3.2	8	10	77.834%	1.4727	9,083,355
106	31/12/2009	GBP	15,267,857	3.2	35	28	90.936%	1.0000	13,884,010
78	21/06/2007	GBP	9,000,000	3.2	20	14	100.000%	1.0000	9,000,000
4	23/12/2008	GBP	8,000,000	3.1	37	27	100.000%	1.0000	8,000,000
65	02/02/2008	USD	4,857,143	2.1	31	11	100.000%	1.8646	2,604,925
131	25/01/2010	GBP	63,245,189	3.2	7	5	28.743%	1.0000	18,178,520
51	26/03/2010	USD	579,846	4.2	11	30	100.000%	1.8646	310,976
13	26/10/2008	USD	500,903	3.3	2	31	88.787%	1.8646	238,515

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
71	16/11/2015	GBP	1,541,667	3.1	37	27	73.585%	1.0000	1,134,431
29	10/02/2010	GBP	26,923,077	3.1	4	4	100.000%	1.0000	26,923,077
28	25/05/2009	GBP	21,315,789	3.3	40	5	18.221%	1.0000	3,884,048
121	14/09/2007	GBP	15,000,000	3.1	40	5	52.000%	1.0000	7,799,933
21	24/03/2010	GBP	1,428,571	3.2	35	25	76.233%	1.0000	1,089,048
62	25/11/2006	USD	59,558,824	2.1	6	14	87.556%	1.8646	27,966,978
66	26/10/2010	EUR	6,000,000	3.1	8	10	100.000%	1.4727	4,074,150
62	25/11/2006	USD	1,852,941	2.1	6	14	100.000%	1.8646	993,747
42	08/02/2007	GBP	3,500,000	2.2	40	5	100.000%	1.0000	3,500,000
133	03/01/2007	GBP	120,000,000	1.2	40	5	17.333%	1.0000	20,799,821
58	01/03/2011	USD	500,000	2.2	7	5	100.000%	1.8646	268,154
37	06/04/2010	EUR	1,219,512	4.2	20	14	100.000%	1.4727	828,079
12	30/09/2006	GBP	11,800,000	3.1	37	31	100.000%	1.0000	11,800,000
62	25/11/2006	USD	1,191,176	2.1	6	14	100.000%	1.8646	638,838
47	28/02/2008	GBP	5,591,398	2.1	20	14	100.000%	1.0000	5,591,398
28	25/05/2009	GBP	1,263,158	3.3	40	5	100.000%	1.0000	1,263,158
28	25/05/2009	GBP	2,368,421	3.3	40	5	100.000%	1.0000	2,368,421
29	10/02/2010	GBP	6,153,846	3.1	4	4	100.000%	1.0000	6,153,846
93	31/03/2009	EUR	40,000,000	2.2	29	20	92.803%	1.4727	25,206,192
54	30/06/2008	GBP	10,000,000	3.2	27	19	100.000%	1.0000	10,000,000
107	14/07/2008	GBP	7,300,000	2.2	35	25	79.085%	1.0000	5,773,220
76	30/01/2007	USD	150,000,000	3.2	6	14	36.799%	1.8646	29,603,530
98	31/10/2006	GBP	30,000,000	2.2	4	4	92.803%	1.0000	27,840,870
68	13/12/2009	EUR	670,667	2.2	28	22	100.000%	1.4727	455,399
57	31/12/2008	GBP	10,790,136	3.1	7	5	35.297%	1.0000	3,808,623
75	22/02/2007	EUR	360,000	3.2	4	4	100.000%	1.4727	244,449
20	23/12/2012	GBP	3,500,000	4.2	27	19	100.000%	1.0000	3,500,000
62	25/11/2006	USD	2,117,647	2.1	6	14	100.000%	1.8646	1,135,711
32	08/03/2011	GBP	69,542,015	4.1	38	29	17.174%	1.0000	11,943,207
36	06/12/2006	GBP	20,483,308	3.1	40	5	30.191%	1.0000	6,184,071
85	30/09/2010	GBP	8,196,721	3.1	39	32	92.803%	1.0000	7,606,795
70	12/05/2008	EUR	43,111,111	3.3	4	4	18.561%	1.4727	5,433,330
30	21/05/2007	USD	31,810,767	3.2	35	28	22.253%	1.8646	3,796,381
20	23/12/2012	GBP	9,600,000	4.2	27	19	100.000%	1.0000	9,600,000

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
14	06/04/2011	USD	220,600	2.2	2	31	100.000%	1.8646	118,309
58	01/03/2011	USD	166,667	2.2	7	5	100.000%	1.8646	89,385
11	06/07/2007	GBP	3,600,000	2.1	7	5	98.401%	1.0000	3,542,453
61	13/10/2006	USD	8,000,000	3.1	6	14	45.242%	1.8646	1,941,093
119	31/03/2010	GBP	2,410,000	3.3	40	5	52.000%	1.0000	1,253,189
73	31/03/2011	USD	526,316	3.2	15	17	100.000%	1.8646	282,267
11	06/07/2007	GBP	13,000,000	2.1	7	5	100.000%	1.0000	13,000,000
120	30/11/2011	GBP	35,010,936	3.1	40	5	52.000%	1.0000	18,205,530
128	31/03/2011	EUR	21,000,000	3.3	7	5	45.446%	1.4727	6,480,426
50	30/03/2010	GBP	1,000,000	2.1	35	28	100.000%	1.0000	1,000,000
51	26/03/2010	USD	4,348,843	4.2	11	30	100.000%	1.8646	2,332,319
14	06/04/2011	USD	235,280	2.2	2	31	100.000%	1.8646	126,183
4	14/10/2007	GBP	205,883	3.1	37	27	100.000%	1.0000	205,883
48	31/12/2007	GBP	4,600,000	3.2	24	11	100.000%	1.0000	4,600,000
51	26/03/2010	USD	1,449,614	4.2	11	30	100.000%	1.8646	777,440
26	31/12/2011	USD	4,401,320	3.1	2	31	100.000%	1.8646	2,360,463
40	10/08/2011	USD	25,900,000	3.1	8	10	100.000%	1.8646	13,890,379
28	25/05/2009	GBP	1,578,947	3.3	40	5	100.000%	1.0000	1,578,947
22	19/06/2007	USD	1,111,721	3.3	2	31	100.000%	1.8646	596,225
67	29/03/2011	EUR	26,395,238	4.2	10	6	100.000%	1.4727	17,923,024
51	26/03/2010	USD	5,798,457	4.2	11	30	100.000%	1.8646	3,109,759
38	16/07/2011	EUR	3,287,500	3.2	8	10	100.000%	1.4727	2,232,294
6	04/02/2009	GBP	205,882	3.1	37	27	100.000%	1.0000	205,882
30	21/05/2007	USD	21,207,178	3.2	35	28	100.000%	1.8646	11,373,580
39	15/07/2010	GBP	17,873,901	4.2	8	10	42.302%	1.0000	7,560,936
59	21/07/2009	USD	8,400,000	3.3	4	16	62.049%	1.8646	2,795,292
58	01/03/2011	USD	333,333	2.2	7	5	100.000%	1.8646	178,769
37	06/04/2010	GBP	914,634	4.2	20	14	100.000%	1.0000	914,634
4	14/10/2007	GBP	205,882	3.1	37	27	100.000%	1.0000	205,882
124	02/01/2007	GBP	9,310,000	3.3	40	5	52.000%	1.0000	4,841,158
17	24/03/2010	GBP	7,788,462	3.2	37	31	100.000%	1.0000	7,788,462
66	25/11/2009	EUR	2,916,667	3.1	8	10	100.000%	1.4727	1,980,489
66	25/11/2009	EUR	14,583,333	3.1	8	10	24.383%	1.4727	2,414,556
81	07/04/2011	GBP	4,478,606	3.2	7	5	100.000%	1.0000	4,478,606

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
73	31/03/2011	USD	4,385,965	3.2	15	17	100.000%	1.8646	2,352,228
73	31/03/2011	USD	3,859,649	3.2	15	17	36.862%	1.8646	763,025
58	01/03/2011	USD	333,333	2.2	7	5	100.000%	1.8646	178,769
95	03/04/2007	GBP	3,074,500	4.1	4	4	92.803%	1.0000	2,853,225
51	26/03/2010	USD	7,248,071	4.2	11	30	100.000%	1.8646	3,887,199
73	31/03/2011	USD	1,754,386	3.2	15	17	100.000%	1.8646	940,891
58	01/03/2011	USD	240,000	2.2	7	5	100.000%	1.8646	128,714
69	01/06/2009	EUR	2,000,000	4.1	38	29	100.000%	1.4727	1,358,050
15	16/08/2010	GBP	5,681,818	2.1	7	5	100.000%	1.0000	5,681,818
17	24/03/2010	GBP	4,326,923	3.2	37	31	89.911%	1.0000	3,890,390
73	31/03/2011	USD	5,263,158	3.2	15	17	100.000%	1.8646	2,822,674
132	22/03/2007	EUR	250,714,286	3.1	15	17	21.805%	1.4727	37,121,160
67	29/03/2011	EUR	4,590,476	4.2	10	6	100.000%	1.4727	3,117,048
22	19/06/2007	USD	1,111,813	3.3	2	31	100.000%	1.8646	596,274
33	10/05/2007	GBP	5,000,000	4.1	33	26	61.136%	1.0000	3,056,783
44	07/08/2009	GBP	6,480,094	2.2	40	5	89.246%	1.0000	5,783,217
1	21/12/2009	USD	30,000,000	2.2	7	5	100.000%	1.8646	16,089,242
8	24/02/2010	EUR	9,666,667	3.2	17	13	100.000%	1.4727	6,563,908
7	30/05/2008	USD	1,359,232	3.2	2	31	100.000%	1.8646	728,967
73	31/03/2011	USD	1,403,509	3.2	15	17	100.000%	1.8646	752,713
31	31/03/2008	GBP	5,000,000	3.2	25	17	100.000%	1.0000	5,000,000
28	25/05/2009	GBP	2,368,421	3.3	40	5	100.000%	1.0000	2,368,421
27	07/02/2008	EUR	2,307,692	4.1	29	20	76.021%	1.4727	1,191,232
46	30/11/2009	USD	8,281,250	3.1	8	10	100.000%	1.8646	4,441,301
58	01/03/2011	USD	333,333	2.2	7	5	100.000%	1.8646	178,769
6	04/02/2009	GBP	1,029,413	3.1	37	27	100.000%	1.0000	1,029,413
51	26/03/2010	USD	4,348,843	4.2	11	30	100.000%	1.8646	2,332,319
70	12/05/2010	EUR	3,555,556	3.3	4	4	100.000%	1.4727	2,414,311
21	24/03/2010	GBP	714,286	3.2	35	25	100.000%	1.0000	714,286
82	17/03/2007	EUR	55,000,000	2.2	31	11	99.397%	1.4727	37,121,160
2	10/07/2011	GBP	15,000,000	3.3	20	3	100.000%	1.0000	15,000,000
22	19/06/2007	USD	885,743	3.3	2	31	100.000%	1.8646	475,031
16	31/12/2006	GBP	500,000	4.1	35	28	100.000%	1.0000	500,000
17	24/03/2010	GBP	9,865,385	3.2	37	31	100.000%	1.0000	9,865,385

Customer Number	Facility Maturity Date	Currency	Amount	CRR	S&P Industry Code	Moody's Industry Code	Percentage of Loan included	Exchange Rate Used	Effective GBP Amount
103	08/11/2010	EUR	3,947,368	3.3	4	4	92.803%	1.4727	2,487,453
10	30/05/2007	GBP	16,209,074	3.2	35	28	44.018%	1.0000	7,134,863
28	25/05/2009	GBP	1,578,947	3.3	40	5	100.000%	1.0000	1,578,947
7	30/05/2008	USD	1,263,869	3.2	2	31	100.000%	1.8646	677,823
34	31/07/2007	GBP	18,000,000	2.1	40	5	3.999%	1.0000	719,839
118	29/11/2010	GBP	59,020,000	3.2	6	14	52.076%	1.0000	30,735,274
5	15/01/2011	USD	8,375,000	4.2	17	13	100.000%	1.8646	4,491,580
58	01/03/2011	USD	833,333	2.2	7	5	24.221%	1.8646	108,248
6	04/02/2009	GBP	205,882	3.1	37	27	100.000%	1.0000	205,882
56	18/04/2010	EUR	3,750,000	3.1	35	28	100.000%	1.4727	2,546,343
58	01/03/2011	USD	500,000	2.2	7	5	100.000%	1.8646	268,154
56	18/04/2010	EUR	22,500,000	3.1	35	28	60.752%	1.4727	9,281,727

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