



**BARCLAYS BANK PLC**  
*(incorporated with limited liability in England)*

**£3,054,000,000**

**Covered Bond Issuance**

**unconditionally and irrevocably guaranteed as to payments by  
Barclays Covered Bond Funding LLP**  
*(a limited liability partnership incorporated in England and Wales)*

On or about 11 November 2009 (the "**Closing Date**") Barclays Bank PLC (the "**Issuer**") will issue £3,054,000,000 bonds (the "**Covered Bonds**") due 25<sup>th</sup> November 2081 (the "**Issuance**").

Barclays Covered Bond Funding LLP (the "**LLP**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Investor Interest (as defined below) and its other assets. Recourse against the LLP under its guarantee is limited to the Investor Interest and other such assets of the LLP.

The Covered Bonds will be issued in registered form.

Following the Closing Date, the Issuer will apply to the Financial Services Authority (the "**FSA**") for the Issuer to be admitted to the register of issuers and for the Issuance and for the Covered Bonds to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (Statutory Instrument 2008/346, as amended from time to time) (the "**Regulated Covered Bonds Regulations 2008**" or the "**RCB Regulations**").

This base prospectus (the "**Base Prospectus**") has been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Irish Financial Services Regulatory Authority only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. The Base Prospectus constitutes a base prospectus for the purposes of the Prospective Directive. Application has been made to the Irish Stock Exchange for the Covered Bonds to be admitted to the official list and trading on its regulated market. References in this Base Prospectus to Covered Bonds being listed in Ireland (and all related references) shall mean that such Covered Bonds have been admitted to trading on the Irish Stock Exchange's regulated market and have been listed on the Irish Stock Exchange. References in this base prospectus to "Irish Stock Exchange" (and all related references) shall mean the regulated market of the Irish Stock Exchange.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States or to or for the benefit of U.S. persons. See "*Form of Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. The Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Please review and consider the risk factors beginning on page 13 in this Base Prospectus carefully before you purchase any Covered Bonds.

The Covered Bonds are expected on issue to be assigned an "AAA" rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., an "AAA" rating by Fitch Ratings Ltd. and an "Aaa" rating by Moody's Investors Service Limited. A credit 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.

**Barclays Bank PLC**

The date of this Base Prospectus is 10 November 2009.

## IMPORTANT NOTICE

The Issuer and the LLP each accept responsibility for the information contained in this Base Prospectus (the "**Prospectus**"). To the best of the knowledge and belief of each of the Issuer and the LLP (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information in the section "*The LLP*" has been provided by the Liquidation Member and each of the Issuer and the LLP confirms that such third party information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by the Liquidation Member, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Base Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

The information contained in this Base Prospectus was obtained from the Issuer, the Originator, the LLP and the Liquidation Member, but no assurance can be given by the Arranger, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer, the Originator and the LLP in connection with the issue and sale of the Covered Bonds. Neither the Arranger nor the Bond Trustee nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer and the LLP in connection with the issue and sale of the Covered Bonds .

No person is or has been authorised by the Issuer, the Originator, the LLP, the Arranger, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in this Base Prospectus or any other information supplied in connection with the issue and sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the LLP, the Arranger, the Bond Trustee or the Security Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the issue and sale of the Covered Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the LLP, the Originator, the Arranger, the Bond Trustee or the Security Trustee that any recipient of this Base Prospectus or any other information supplied in connection with issue and sale of the Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the LLP. Neither this Base Prospectus nor any other information supplied in connection with the issue and sale of the Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, the LLP, the Originator, the Arranger, the Bond Trustee or the Security Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and/ or the LLP and/or the Originator is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issue and sale of the Covered Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the LLP or the Originator during the life of the Covered Bonds or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Covered Bonds.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the LLP, the Arranger, the Bond Trustee and the Security Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any

Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the LLP, the Arranger, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States and the United Kingdom, see "*Subscription and Sale and Transfer and Selling Restrictions*" below.

**References in this Base Prospectus to "£", "Sterling" and "Pounds Sterling" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this Base Prospectus to "€" and "euro" are to the single currency introduced in the Member States of the European Community at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References in this Base Prospectus to "U.S. Dollars", "dollars", "\$", "Dollars" or "US\$" are references to the lawful currency for the time being of the United States of America.**

### **The RCB Regulations**

Following the Closing Date, the Issuer will apply to the FSA for admission to the register of issuers and for the Issuance and for the Covered Bonds to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008. As of the date of this Base Prospectus, neither the Issuer nor the Issuance will be so registered or regulated. The timetable for recognition by the FSA is expected to take not more than six months from the date of the application being made or further information being provided at the request of the FSA. Covered Bondholders will promptly be notified by the Issuer upon receipt from the FSA of its final decision on the application.

### **Governing Law**

The Transaction Documents are governed by, as applicable, the laws of England and Wales.

The "**United Kingdom**" and "**UK**" are abbreviated references to the United Kingdom of Great Britain and Northern Ireland. The UK comprises three distinct legal systems, namely those of England and Wales, Scotland and Northern Ireland, each with its own judicial process. However, leaving aside devolution of certain powers to Welsh, Scottish and Northern Irish legislative bodies, the legislative body for each of these three jurisdictions is the UK Parliament. Accordingly, references to UK law are to laws promulgated by the UK Parliament and which are binding on the United Kingdom.

The "**United States**", "**U.S.**" and "**US**" are abbreviated references to the United States of America.

### **Important Notices**

None of Barclays, the Issuer, the LLP, the Security Trustee or the Bond Trustee makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

### **Available Information**

By requesting copies of the documents referred to herein or by making any other requests for additional information relating to the issue of the Covered Bonds 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 Covered Bonds or as required by law.

## **Rounding Adjustments**

Certain monetary amounts included in this document have been subject to rounding adjustments.

## **Forward-Looking Statements**

Certain matters contained herein are forward looking statements. Such statements appear in a number of places in this Base Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer and/or the LLP that 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 and regulatory changes in the loan industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Covered Bonds 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 Arranger has not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward looking statements. None of the Arranger, the Issuer, the LLP, the Security Trustee, the Bond Trustee or any other party to the Transaction Document has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. A glossary of defined terms and an index of defined terms appears at the back of this document (see "*Glossary*" and "*Index of Defined Terms*").

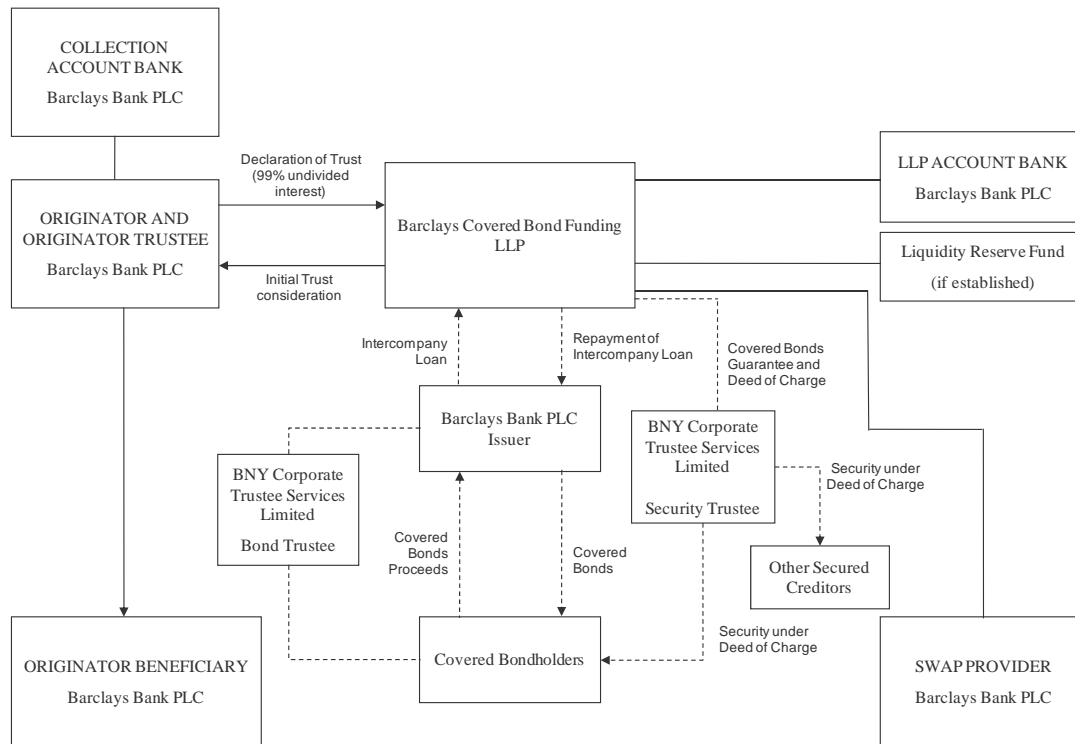
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## STRUCTURE OVERVIEW

The following structure overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained elsewhere in this Base Prospectus and the Conditions and the Transaction Documents. The information is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus.

### *Structural Diagram of the Transaction*



### *Principal Features of the Transaction Structure*

The Issuer will issue Covered Bonds to the Covered Bondholders on the Closing Date. The Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations of the Issuer.

Pursuant to the terms of the Intercompany Loan Agreement, the Issuer will lend the Intercompany Loan to the LLP in an amount equal to the Principal Amount Outstanding on the Closing Date of the Covered Bonds. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the LLP pursuant to the Intercompany Loan Agreement. Amounts owed by the LLP under the Intercompany Loan Agreement will be subordinated to amounts owed by the LLP under the Covered Bond Guarantee.

Pursuant to the terms of the Trust Deed, the LLP provides a guarantee as to payments of interest and principal under the Covered Bonds. The LLP agrees to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct and (following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer (whereupon the Covered Bonds will become immediately due and payable as against the Issuer but not at such time as against the LLP).

An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default. If an LLP Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer (if not already immediately due and payable as against the Issuer) and also against the LLP and the LLP's obligations under the Covered Bond Guarantee

will be accelerated. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

The LLP will use the proceeds of the Intercompany Loan to pay the Initial Trust Consideration payable by the LLP for the Investor Interest to be acquired on the Closing Date under the Originator Trust Deed (as described below) and/or to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). The Issuer will not be relying on repayment of the Intercompany Loan in order to meet its interest and principal payment obligations under the Covered Bonds. However, it may use amounts received under the Intercompany Loan Agreement to pay amounts due on the Covered Bonds. The primary source of funds available to the LLP to pay amounts under the Intercompany Loan Agreement and, upon delivery of a Notice to Pay, under the Covered Bond Guarantee will be the Revenue Receipts and Principal Receipts generated by the Loans forming part of the Originator Trust Property.

Under the terms of the Originator Trust Deed, the Originator will declare a trust over the Originator Trust Property. The Originator Trust Property consists of a certain number of Loans identified by Barclays on the Closing Date which have been made pursuant to Loan Facilities and all moneys derived therefrom from time to time. The LLP will not have any direct relationship with, and will not be able directly to enforce the obligations of any Borrower. However, the Originator will, under the terms of the Originator Trust Deed, grant to the LLP (and any delegate of the LLP) the Originator Power of Attorney to permit the LLP, upon the occurrence of certain events, to take certain actions in the name of the Originator to ensure performance by the Originator of its obligations under the Originator Trust Deed (including its covenants to enforce Loan Instruments, where possible, and to collect amounts payable under or in respect of the Loans).

Of the amounts received by the Originator Trustee in respect of the Loans, the LLP has the benefit of the Investor Interest which will result in an amount equal to 99 per cent. of such amounts being paid to the Investor Beneficiary and the Originator has the benefit of the Originator Interest which will result in an amount equal to 1 per cent. of such amounts being paid to the Originator Beneficiary.

On a monthly basis, the Investor Interest Amount shall, in the case of a Revenue Receipt or a Principal Receipt, be deposited into the GIC Account pending use in accordance with the relevant Priority of Payment.

To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP will grant security (the "**Security**") over the Charged Property (which consists principally of the LLP's benefit in and right to the Investor Interest, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.

Prior to service of a Notice to Pay on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, under the Covered Bond Guarantee, the LLP will:

- (a) apply Available Revenue Receipts to pay interest due on the Intercompany Loan (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and/or to make certain payments to the Members in accordance with their respective entitlements to income under the LLP Deed. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Swap Provider, amounts (if any) to be credited to the Reserve Fund and interest due and payable on the Intercompany Loan); and
- (b) apply Available Principal Receipts towards making Capital Distributions to the Members but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments.

Following service on the LLP of a Notice to Pay (but prior to an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP,) the LLP will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain

higher ranking obligations of the LLP in the Guarantee Priority of Payments. In such circumstances, the Members of the LLP, including the Originator, will only be entitled to receive any remaining income of the LLP after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable against the LLP and the Issuer (if not already due and payable following the occurrence of an Issuer Event of Default) and the Bond Trustee will then have a claim against the LLP under the Covered Bond Guarantee for an amount equal to the Principal Amount Outstanding in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds other than additional amounts payable by the Issuer under Condition 7 (*Taxation*) and the Security will become enforceable. Any moneys received or recovered by the Security Trustee following enforcement of the Security in accordance with the Deed of Charge will be distributed according to the Post-Enforcement Priority of Payments.

The assets of the LLP are subject to an Asset Coverage Test in respect of the Covered Bonds. Accordingly, for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date prior to the service of a Notice to Pay on the LLP. A breach of the Asset Coverage Test on a Calculation Date which is not remedied by the immediately succeeding Calculation Date will result in an Issuer Event of Default and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice on the Issuer. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

In addition, following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) and, for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following an Issuer Event of Default, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.

Following the Closing Date, the Issuer will apply to the FSA for admission to the register of issuers and for the Issuance and for the Covered Bonds to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008. As of the date of this Base Prospectus, neither the Issuer nor the Issuance will be so registered or regulated. The timetable for recognition by the FSA is expected to take not more than six months from the date of the application being made or further information being provided. Covered Bondholders will promptly be notified by the Issuer upon receipt from the FSA of its final decision on the application.

For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Base Prospectus, "*Parties and Principal Features of the Covered Bonds*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Transaction Documents*", "*Credit Structure*", "*Cashflows*", "*Origination of Loans*" and "*Loans*" below.

As at the Closing Date, the Members of the LLP are the Originator and the Liquidation Member. A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, written confirmation from the Rating Agencies that this would not adversely affect the then current ratings of all outstanding Covered Bonds. Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprised of, as at the Closing Date, directors and/or employees of the Originator) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP.



## DOCUMENTS INCORPORATED BY REFERENCE

The following information has been filed with the Irish Stock Exchange and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- the joint Annual Report of the Issuer and Barclays PLC, as filed with the U.S. Securities and Exchange Commission ("SEC") on Form 20 F in respect of the years ended 31 December 2007 and 31 December 2008 (the "**Joint Annual Report**"), with the exception of the information incorporated by reference in the Joint Annual Report referred to in the Exhibit Index of the Joint Annual Report, which shall not be deemed to be incorporated in this Base Prospectus;
- the Annual Reports of the Issuer containing the audited consolidated accounts of the Issuer in respect of the years ended 31 December 2007 (the "**2007 Bank Annual Report**") and 31 December 2008 (the "**2008 Bank Annual Report**"), respectively;
- the unaudited interim results announcement of Barclays PLC as filed with the SEC on Form 6-K on Film Number 09979402 on 3 August 2009 in respect of the six months ended 30 June 2009 (the "**Interim Results Announcement**") and the unaudited interim results announcement of the Issuer in respect of the six months ended 30 June 2009 ( the "**Bank Interim Results Announcement**") with the exception of the sections headed "Performance Highlights", "Group Chief Executive's Review" and "Group Finance Director's Review" on pages 2-9 inclusive of the Bank Interim Results Announcement which shall not be deemed to be incorporated in this Base Prospectus;
- the announcement of Barclays PLC issued on 16 September 2009 in relation to the restructuring of US\$12.3 billion of credit market assets (the "**Announcement**") as filed with the SEC on Form 6-K on Film Number 091071595;
- the announcement of Barclays PLC issued on 12 June, 2009 in relation to the receipt of a binding offer of US\$13.5 billion (£8.2 billion) by BlackRock, Inc. for Barclays Global Investors business (the "**BGI Announcement**") with the exception of the paragraph on page 2 of the BGI Announcement beginning "Together with the conversion of the Mandatorily Convertible Notes..." and the paragraph on page 5 of the BGI Announcement beginning "Taking into account the expected net gain..." which shall not be deemed to be incorporated in this Base Prospectus; and
- the unaudited third quarter Interim Management Statement of Barclays PLC as filed with the SEC on Form 6-K on Film Number [•] on 10 November 2009 (the "**Interim Management Statement**").

The above documents may be inspected as described in paragraph 10 of "General Information".

The table below sets out the relevant page references for all of the information contained within the Joint Annual Report as filed on Form 20-F:

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Each of the Issuer and Barclays PLC has applied International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("IFRS") in the financial statements incorporated by reference above. A summary of the significant accounting policies for each of the Issuer and Barclays PLC is included in each of the Joint Annual Report, the 2007 Bank Annual Report and the 2008 Bank Annual Report.

## PARTIES AND PRINCIPAL FEATURES OF THE COVERED BONDS

The following is an overview of the parties and the principal features of the Covered Bonds and does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained elsewhere in this Base Prospectus, the Conditions, the Transaction Documents and the Final Terms. The information is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus.

**You should read the entire Prospectus together with the Final Terms carefully, especially the risks of investing in the Covered Bonds discussed under "*Risk Factors*".**

### *The Parties*

<b>Arranger</b>	Barclays Bank PLC (" <b>Barclays</b> ").
<b>Issuer</b>	<p>Barclays, a public limited company registered in England and Wales under number 1026167. The Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Company Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".</p> <p>The whole of the issued ordinary share capital of the Issuer is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group and one of the largest financial services companies in the world by market capitalisation.</p>
<b>LLP</b>	<p>Barclays Covered Bond Funding LLP, a limited liability partnership incorporated in England and Wales (registered number OC349085). The Members of the LLP on the Closing Date are Barclays (in its capacity as Originator) and the Liquidation Member. The LLP was established as a special purpose entity for the purpose of, <i>inter alia</i>, becoming a beneficiary of the Originator Trust and guaranteeing the Covered Bonds pursuant to the Covered Bond Guarantee in the Trust Deed. The LLP will hold its Investor Interest and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP will provide a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following the service on the LLP of a Notice to Pay or an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party will be secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets. For a more detailed description of the LLP, see "<i>The LLP</i>", below.</p>
<b>Liquidation Member</b>	<p>Canton III Limited, a special purpose vehicle incorporated in England and Wales as a private limited company with registered number 06790352 whose registered address is at 35 Great St. Helen's, London EC3A 6AP. The Liquidation Member is 100 per cent. owned by the Share Trustee.</p> <p>All the Liquidation Member's share capital is held by (or by nominees for) the Share Trustee. The shares held by the Share Trustee are pursuant to the terms of a trust established under English law held pursuant to the terms of the Share Trust, for any trust foundation or company established exclusively for charitable purposes and relating to homelessness in London, England.</p>
<b>Share Trustee</b>	SFM Corporate Services Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP.

<b>Originator</b>	Barclays, as Originator, will, on the Closing Date and pursuant to the terms of the Originator Trust Deed, declare a trust over the Portfolio in favour of the LLP and the Originator Beneficiary.
<b>Originator Trustee</b>	Barclays will act as trustee of the Loans originated by Barclays and subject to the Originator Trust. Barclays cannot be removed by the beneficiaries as trustee of the Originator Trust.
<b>Originator Beneficiary</b>	Barclays will be a beneficiary of the Originator Trust in addition to the LLP.
<b>Cash Manager</b>	Barclays will act as Cash Manager and will enter into the Cash Management Agreement with the LLP and the Security Trustee on or about the Closing Date. The Cash Manager will act as agent for the LLP to (i) manage all cash transactions, (ii) maintain certain ledgers on behalf of the LLP and (iii) monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test.
<b>Bond Trustee</b>	BNY Corporate Trustee Services Limited will be appointed pursuant to the Trust Deed to be entered into on or about the Closing Date between the Issuer, the LLP and the Bond Trustee to represent the interests of the Covered Bondholders and to, <i>inter alia</i> , hold the benefit of the Covered Bond Guarantee on their behalf.
<b>Security Trustee</b>	BNY Corporate Trustee Services Limited will be appointed pursuant to the Deed of Charge to be entered into on or about the Closing Date between the LLP and the Security Trustee to represent the interests of the Covered Bondholders and the other Secured Creditors and to, <i>inter alia</i> , hold the security granted by the LLP pursuant to the Deed of Charge.
<b>Swap Provider</b>	Barclays (in such capacity, the " <b>Swap Provider</b> ") will, on or about the Closing Date, enter into a total return swap transaction with the LLP to swap interest rates payable on the Loans in the Portfolio into rates calculated by reference to, prior to an Issuer Event of Default, three-month Sterling LIBOR or, following an Issuer Event of Default, one-month Sterling LIBOR, in each case plus a margin (the " <b>Swap Transaction</b> "), which is governed by the provisions of an ISDA Master Agreement entered into between the Swap Provider, the LLP and the Security Trustee (the " <b>Swap Agreement</b> ").
<b>Account Bank</b>	Barclays will act as the Account Bank to the LLP pursuant to the terms of the Account Bank Agreement to be entered into by, <i>inter alios</i> , the Account Bank, the LLP and the Security Trustee on or about the Closing Date. The LLP will open an account into which amounts constituting the Investor Interest in the Originator Trust will be paid from the Collection Account (the " <b>GIC Account</b> ") and, together with any additional accounts to be established pursuant to the Account Bank Agreement from time to time, the " <b>LLP Accounts</b> ") with the Account Bank on or before the Closing Date.

If at any time the short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to have a rating of at least F1 by Fitch, P-1 by Moody's and A-1 by S&P (or such other short term or long term rating which is otherwise acceptable to the Rating Agencies), the LLP will be required to arrange for the transfer of the LLP Accounts to a bank or financial institution rated at least F1 by Fitch, P-1 by Moody's and A-1 by S&P (or such other short term or long term rating which is otherwise acceptable to the Rating Agencies) within (a) 10 Business Days in the event of the Fitch rating; (b) 10 Business Days in the event of the Moody's rating, or (c) 30 days in the event of the S&P rating, on identical or substantially similar terms to those set out in the

Account Bank Agreement in order to maintain the ratings of the Covered Bonds at their then current ratings.

**Collection Account Bank**

As at the date of this Base Prospectus, the Originator maintains its collection account with Barclays (in such capacity the "**Collection Account Bank**").

The Collection Account Bank receives all collections from the respective Borrowers and other borrowers into its general collection account (the "**Collection Account**"). Barclays, on behalf of the Originator Trustee, shall on a monthly basis transfer all amounts allocable to the Investor Interest in the Originator Trust Property from the general collection account to the GIC Account held by the LLP with Barclays as the Account Bank in the name of the LLP, however if at any time the short term unsecured, unsubordinated and unguaranteed debt obligations of Barclays cease to have a short-term rating of at least F-1 by Fitch, P-1 by Moody's and A-1 by S&P and a long-term rating of at least A by Fitch this transfer shall occur on a daily basis. All amounts standing to the credit of the Collection Account allocable to the Loans that form part of the Portfolio shall form part of the Originator Trust Property (see "*Summary of the Key Transaction Documents - Originator Trust Deed - Originator Trust Property*").

**Corporate Services Provider**

Structured Finance Management Limited will be appointed to provide certain corporate services to the Liquidation Member pursuant to the Corporate Services Agreement to be entered into on or about the Closing Date by, *inter alios*, the Liquidation Member and the Corporate Services Provider.

**Principal Paying Agent**

The Bank of New York Mellon, London Branch will be appointed to act as principal paying agent pursuant to the Agency Agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer, the LLP and the Principal Paying Agent.

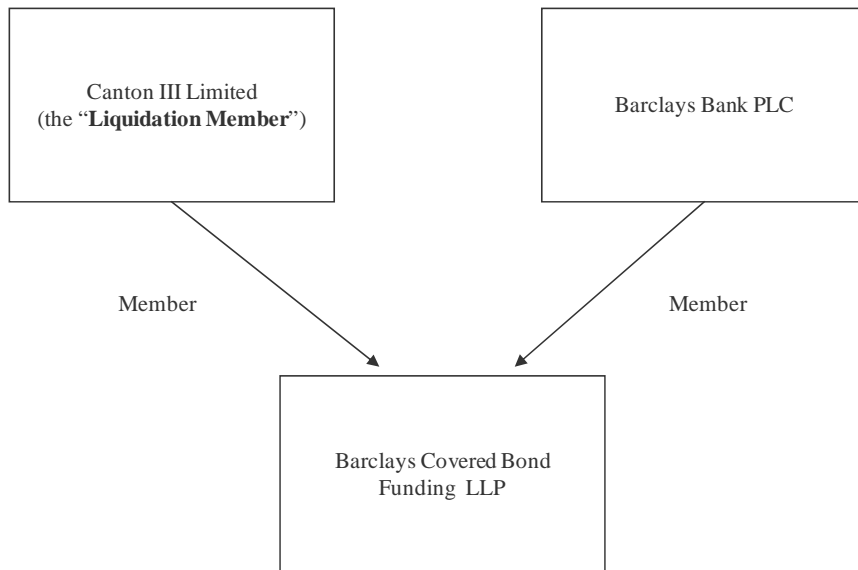
**Registrar**

The Bank of New York Mellon (Luxembourg) S.A. will be appointed to act as registrar pursuant to the Agency Agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer, the LLP and the Registrar.

**Asset Monitor**

PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London WC2N 6RH acting through its office at Hay's Galleria, 1 Hays Lane, London SE1 2RD, has been appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required.

**Structure Diagram of the LLP**



As at the Closing Date, the entire issued share capital of the Liquidation Member is held on trust by SFM Corporate Services Limited as share trustee on trust for charitable purposes.

## ***Principal Features of the Covered Bonds***

<b>The Covered Bonds</b>	<p>The Covered Bonds are constituted by a Trust Deed. The Bond Trustee will hold the benefit of the Issuer's covenant to pay amounts due under the Covered Bonds and the LLP's covenant to repay amounts due under the Covered Bond Guarantee on trust for the Covered Bondholders.</p> <p>The Issuer intends to apply following the Closing Date for the Issuer and for the Issuance and for the Covered Bonds to be registered under the RCB Regulations.</p> <p>On the Closing Date, the Issuer will issue the Covered Bonds and will lend the gross proceeds of such issuance to the LLP by way of an intercompany loan.</p>
<b>The Covered Bond Guarantee</b>	<p>Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that (i) an Issuer Event of Default occurs, following which an Issuer Acceleration Notice is served on the Issuer and following which a Notice to Pay is served on the LLP or, (ii) if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.</p>
<b>The Covered Bonds Certain Restrictions</b>	<p>The Covered Bonds will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "<i>Subscription and Sale and Transfer and Selling Restrictions</i>").</p>
<b>Regulated Covered Bonds Application</b>	<p>Following the Closing Date, the Issuer will apply to the FSA for the Issuer, the Issuance and the Covered Bonds to be admitted to the register of issuers and the register of regulated covered bonds, as appropriate, under the Regulated Covered Bonds Regulations 2008.</p>
<b>Compliant with the Banking Consolidation Directive</b>	<p>The Issuance is intended to be compliant with the Banking Consolidation Directive once the Issuer has been accepted to the register of issuers and the Issuance and the Covered Bonds have been admitted to the register of regulated covered bonds under the RCB Regulations.</p>
<b>Issue Price</b>	100 per cent.
<b>Currency</b>	Sterling
<b>Principal Amount</b>	£3,054,000,000
<b>Form of Covered Bonds</b>	<p>The Covered Bonds will be issued in registered form as described in "<i>Form of the Covered Bonds</i>".</p>
<b>Interest and Principal</b>	<p>Payments of interest and principal on the Covered Bonds will rank <i>pari passu</i> and rateably without any preference or priority among themselves and will (save for any applicable statutory provisions) rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.</p>
<b>Interest Rate</b>	<p>The interest rates applicable to the Covered Bonds will prior to an Issuer Event of Default and the service of a Notice to Pay on the LLP, be determined by reference to LIBOR for three-month Sterling deposits as</p>

displayed on Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Bond Trustee (other than the first Interest Period, which will be determined by reference to a linear interpolation of 3-month and 4-month Sterling LIBOR, as the case may be) plus, in each case, a margin. Sterling LIBOR will be determined on the first day of the relevant Interest Period for which the relevant interest rate will apply. Following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the interest rates applicable to the Covered Bonds will be determined by reference to LIBOR for one-month Sterling deposits in the same way.

The margins applicable to the Covered Bonds, and the Interest Periods for which such margins apply, are set out in the Final Terms.

<b>Interest Payment Dates</b>	Interest is payable in respect of the Covered Bonds in Sterling and quarterly in arrear on the 25 <sup>th</sup> day of February, May, August and November in each year or, if such day is not a Business Day, on the immediately succeeding Business Day.
<b>Interest Periods</b>	The period from (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the First Interest Payment Date).
<b>Mandatory Redemption</b>	The Covered Bonds will be redeemed on each Interest Payment Date in accordance with Condition 6(b) ( <i>Mandatory Redemption</i> ).
<b>Redemption</b>	The Covered Bonds can be redeemed prior to their stated maturity (i) for taxation reasons, (ii) if it becomes unlawful for the Intercompany Loan to remain outstanding or (iii) at the option of the Issuer upon giving notice to the holders of the Covered Bonds, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the Arranger (as set out in the Final Terms).
<b>Final Maturity</b>	Unless previously redeemed in full in accordance with the terms and conditions, the Covered Bonds will be finally redeemed at their respective Principal Amount Outstanding (plus any accrued interest thereon) on the Final Maturity Date as specified in the Final Terms.
<b>Denomination of Covered Bonds</b>	The Covered Bonds will be issued in minimum denominations of £50,000 and any amount in excess thereof in integral multiples of £1,000.
<b>Taxation</b>	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, subject as provided in Condition 7 ( <i>Taxation</i> ). If any such deduction or withholding is made the Issuer will, save in the limited circumstances provided in Condition 7 ( <i>Taxation</i> ), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts payable by the Issuer under Condition 7 ( <i>Taxation</i> ).
<b>Status of the Covered Bonds</b>	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.



**Ratings**

The Covered Bonds to be issued are expected to be rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's unless otherwise specified in the relevant Final Terms.

**A credit 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 Agency.**

**Listing and admission to trading**

Application has been made to admit the Covered Bonds to the Official List and to admit the Covered Bonds to trading on the regulated market of the Irish Stock Exchange.

**Governing Law**

The Covered Bonds will be governed by, and construed in accordance with, English law.

## **RISK FACTORS**

This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this Base Prospectus, including the considerations set out below, before making any investment decision.

### **1. Considerations Relating to the Covered Bonds**

#### ***Issuer liable to make payments when due on the Covered Bonds***

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and (subject to applicable law and any applicable statutory provisions) equally with all other present and future direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute an LLP Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the LLP under the Covered Bond Guarantee and the Security Trustee to enforce the Security.

#### ***Obligations under the Covered Bonds***

The Covered Bonds will not represent an obligation or be the responsibility of the Arranger, the Bond Trustee, the Security Trustee or any other party to the Issuance, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the LLP. The Issuer and the LLP will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

#### ***Security Trustee's powers may affect the interests of the holders of the Covered Bonds***

In the exercise of its powers, trusts, authorities and discretions the Security Trustee shall only have regard to the interests of the holders of the Covered Bonds. In the exercise of its powers, trusts, authorities and discretions, the Security Trustee may not act on behalf of the Originator.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee or the Bond Trustee is of the opinion that the interests of the holders of the Covered Bonds may be materially prejudiced thereby, the Security Trustee or, as the case may be the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of the holders of the Covered Bonds by Extraordinary Resolution or, in certain cases, by a direction in writing of the holders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds then outstanding.

#### ***The Covered Bonds may not be a suitable investment for all investors***

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

***Covered Bonds subject to Optional Redemption by the Issuer***

The Covered Bonds are subject to Optional Redemption in certain circumstances. This feature of the Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate which is as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Ratings of the Covered Bonds***

The ratings assigned to the Covered Bonds address:

- (a) the likelihood of full and timely payment to holders of the Covered Bonds of all payments of interest on each Interest Payment Date;
- (b) the likelihood of ultimate payment of principal in relation to Covered Bonds on the Final Maturity Date; and
- (c) in respect of Fitch, the probability of default, and loss in respect of such default, on the Covered Bonds.

Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. 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.

***Absence of secondary market; lack of liquidity***

There is not, at present, an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide holders of the Covered Bonds with liquidity of investment with the result that a holder of the Covered Bonds may not be able to find a buyer to buy its

Covered Bonds readily or at prices that will enable the holder of the Covered Bonds to realise a desired yield.

In addition, Covered Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Covered Bonds. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

***The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the holders of the Covered Bonds or other Secured Creditors' prior consent***

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Bond Trustee and the Security Trustee may, without the consent or sanction of any of the holders of the Covered Bonds of any Series or any of the other Secured Creditors, concur with any person in making or sanctioning any modifications to, or any waiver or authorisation of any breach of, the Transaction Documents:

- (a) **provided that** (i) the Bond Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the holders of the Covered Bonds, and (ii) the Security Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the holders of the Covered Bonds; or
- (b) which in the opinion of the Bond Trustee and the Security Trustee (i) is made to correct a manifest error (or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee) or (ii) is of a formal, minor or technical nature or is made to comply with mandatory provisions of law.

and provided that, prior to the Bond Trustee and/or the Security Trustee agreeing to any such modification, waiver or authorisation, the Issuer must send written confirmation to the Bond Trustee and/or the Security Trustee:

- (i) that such modification, waiver or authorisation, as applicable, would not result in a breach of the RCB Regulations and/or the Issuer, the Issuance and/or the Covered Bonds ceasing to be registered under the RCB Regulations; and
- (ii) that either: (a) such modification, waiver or authorisation would not require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations; or (b) if such modification, waiver or authorisation would require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FSA and the FSA has given its consent to such proposed modification, waiver, authorisation or determination.

***Conflict of Interest between Secured Creditors (including the Covered Bondholders)***

The Deed of Charge contains provisions requiring the Security Trustee as regards all of its powers, trusts, authorities, duties and discretions, for so long as any of the Covered Bonds remain outstanding, to have regard only (except where expressly provided otherwise) to the interests of the Covered Bondholders and not the interests of the other Secured Creditors and, after the Covered Bonds have been redeemed in full, the interests of each of the Secured Creditors.

***European Monetary Union***

If the United Kingdom joins the European Monetary Union prior to the maturity of the Covered Bonds, there is no assurance that this would not adversely affect the realisable value of the Portfolio or any part thereof or pending such realisation (or if the Portfolio or any part thereof cannot be sold), the ability of

the LLP to make payments of interest and principal on the Covered Bonds under the Covered Bond Guarantee.

It is possible that prior to the maturity of the Covered Bonds the United Kingdom may become a participating member state in the European Monetary Union and that the euro may become the lawful currency of the United Kingdom. In that event, (a) all amounts payable in respect of any Covered Bonds denominated in pounds Sterling may become payable in euro; (b) applicable provisions of law may allow or require the Covered Bonds to be re-denominated into euro and additional measures to be taken in respect of such Covered Bonds; and (c) 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 pounds Sterling used to determine the rates of interest on such Covered Bonds or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Covered Bonds.

#### ***Changes of law and/or regulatory, accounting and/or administrative practices***

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law, regulatory, accounting and administrative practice in effect as at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of the United Kingdom HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law, regulatory, accounting or administrative practice in the United Kingdom or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of the United Kingdom HM Revenue & Customs as applied in the United Kingdom after the date of this Base Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds when due or the ability of the LLP to make payments under the Covered Bonds Guarantee when due.

#### ***The Regulated Covered Bonds Regulations 2008***

Following the Closing Date, the Issuer will apply to the FSA for admission to the register of issuers and for the Issuance and for the Covered Bonds to be admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008. As at the date of this Base Prospectus, neither the Issuer nor the Issuance will be so registered or regulated. The exact timetable for assessment by the FSA of the Issuer's application is unknown and although the RCB Regulations provide that the FSA must notify its decision on an application within six months of the application being made, there is no assurance that the assessment process will not take longer. Furthermore, where the FSA requests additional information from the Issuer within such six month period, the FSA is permitted six months from the date of receipt of such additional information to notify its decision on an application. The Issuer considers that its application for admission should be accepted by the FSA, however, the FSA holds considerable discretion in this regard and certain aspects of the new regime are unclear and therefore, no assurance can be given that the FSA will accept the Issuer's application.

Furthermore, while the Regulated Covered Bonds Regulations 2008 are intended to meet the requirements set out in Article 22(4) of the UCITS Directive, it is not certain that the Regulated Covered Bonds Regulations 2008 meet such requirements. Accordingly, there is no guarantee that admission of the Issuance and/or the Covered Bonds to the register of covered bonds kept by the FSA will confer on Covered Bondholders any of the benefits associated with UCITS Directive-compliant covered bonds.

While the Regulated Covered Bonds Regulations 2008 have been tailored to accommodate certain aspects of existing UK covered bond structures, certain changes are required to such structures to meet the requirements of the Regulated Covered Bonds Regulations 2008.

Covered Bondholders should be aware that the structural features included in the Issuance resulting from the Regulated Covered Bonds Regulations 2008 depart from the market standard of covered bonds issued to date by issuers of this type.

In addition, the Regulated Covered Bonds Regulations 2008 and the RCB Sourcebook impose certain new ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required

to, amongst other things, following the insolvency of the Issuer, make arrangements for the maintenance and administration of the asset pool, to ensure compliance with certain asset capability and quality related requirements.

The FSA has the authority to take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP. Additionally, the FSA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). To date there is no example and/or clarity as to how the FSA will apply the discretionary powers that it has been given under the RCB Regulations. There is a risk that any such enforcement actions by the FSA may reduce the amounts available to pay Covered Bondholders. A winding-up of the LLP, in particular prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, may have an adverse effect on the ability of the Issuer to make payments under the Covered Bonds.

With respect to the risks referred to above, see also the sections "*Cashflows*" and "*Description of the Regulated Covered Bonds Regulations 2008*" below for further details.

### ***Expenses of insolvency officeholders***

Under the Regulated Covered Bonds Regulations 2008, certain costs and expenses of an insolvency officeholder in respect of the LLP (including a liquidator, an administrator or an administrative receiver) rank ahead of the claims of the Covered Bondholders with respect to both fixed and floating charge realisations. While the Regulated Covered Bonds Regulations 2008 are not clear as to the scope of these permitted costs and expenses, it appears that these costs and expenses would include costs incurred by the officeholder in relation to certain senior service providers and also general expenses incurred in a winding up, administration, administrative receivership or receivership of the LLP (which could include any corporation tax charges). This is a departure from the general position under English or Scots law which provides that the expenses of any administration (and, following the implementation of new section 176ZA of the Insolvency Act 1986 on 6 April 2008, the expenses of any liquidation) only rank ahead of unsecured debts and floating chargee's claims.

While it is intended that the LLP should be a bankruptcy-remote entity and a provision has been included in the Deed of Charge such that each Secured Creditor agrees that if it receives any amounts in respect of any secured liabilities owed to it other than in accordance with the provisions of the Deed of Charge (including the Post-Enforcement Priority of Payments set out therein) then such amounts will be held on trust for the Security Trustee and paid over to the Security Trustee immediately upon receipt so that such amounts may be applied in accordance with the Post-Enforcement Priority of Payments set out in the Deed of Charge and referred to under the section "*Cashflows*" below, there is a risk that in certain circumstances the relevant provisions of the Regulated Covered Bonds Regulations 2008 may result in a reduction in the amounts available to pay Covered Bondholders.

### ***Integral multiples of less than £50,000***

The Covered Bonds are issued in the denominations of £50,000 per Covered Bond. However, for so long as the Covered Bonds are represented by a Global Covered Bond, and Euroclear and Clearstream, Luxembourg so permit, the Covered Bonds shall be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 thereafter.

If Definitive Covered Bonds are issued, Covered Bondholders should be aware that Definitive Covered Bonds which have a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof in integral multiples of £1,000 up to and including £99,000 may be illiquid and difficult to trade.

## **2. Investment Considerations Relating To The Issuer and the Barclays Group**

### ***Business Conditions and General Economy***

The profitability of the Issuer and the Barclays Group's businesses could be adversely affected by the worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the United States, Spain or South Africa. Factors such as interest rates, inflation, investor

sentiment, the availability and cost of credit, foreign exchange risk, creditworthiness of counterparties, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the Barclays Group's customers' activity levels and financial position. For example:

- (a) the current economic downturn or significantly higher interest rates or continued lack of credit availability to the Barclays Group's customers could adversely affect the credit quality of the Barclays Group's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Barclays Group's customers and counterparties would be unable to meet their obligations;
- (b) a market downturn or further worsening of the economy could cause the Barclays Group to incur further mark to market losses in its trading portfolios;
- (c) a further decline in the value of Sterling relative to other currencies could increase risk weighted assets and therefore the capital requirements of the Barclays Group;
- (d) a further market downturn could reduce the fees the Barclays Group earns for managing assets. For example, a downturn in trading markets could affect the flows of assets under management; and
- (e) a further market downturn would be likely to lead to a decline in the volume of transactions that the Barclays Group executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

#### ***Current market volatility and recent market developments***

The global financial system has been experiencing difficulties since August 2007 and financial markets have deteriorated dramatically since the bankruptcy filing of Lehman Brothers in September 2008. Despite measures taken by the United Kingdom and United States governments and the European Central Bank and other central banks to stabilise the financial markets, the volatility and disruption of the capital and credit markets have continued. Together with the significant declines in the property markets in the United Kingdom, the United States, Spain and other countries, these events over the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major retail, commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be nationalised and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced and, in some cases, stopped their funding to borrowers, including other financial institutions.

While the capital and credit markets have been experiencing difficulties for some time, the volatility and disruption reached unprecedented levels in the final months of 2008 and economic activity started to contract in many of the economies in which the Barclays Group operates. These conditions have produced downward pressure on stock prices and credit capacity for certain issuers. The resulting lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could continue to materially and adversely affect the Barclays Group's business, financial condition and results of operations.

#### ***Credit risk***

Credit risk is the risk of suffering financial loss, should any of the Barclays Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Barclays Group. The credit risk that the Barclays Group faces arises mainly from wholesale and retail loans and advances. However, credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Barclays Group's investment in that entity's financial instruments to fall.

In a recessionary environment, such as that ongoing in the United Kingdom, the United States and other economies, credit risk increases. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself.

Another form of credit risk is settlement risk, which is the possibility that the Barclays Group may pay a counterparty but fail to receive the corresponding settlement in return. The Barclays Group is exposed to

many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these relationships expose the Barclays Group to credit risk in the event of default of a counterparty and to systemic risk affecting its counterparties. Where the Barclays Group holds collateral against counterparty exposures, it may not be able to realise it or liquidate it at prices sufficient to cover the full exposures. Many of the hedging and other risk management strategies utilised by the Barclays Group also involve transactions with financial services counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of the Barclays Group's hedging and other risk management strategies.

### ***Market risk***

Market risk is the risk that the Barclays Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. Market risk has increased due to the volatility of the current financial markets. The main market risk arises from trading activities. The Barclays Group is also exposed to market risk through non-traded interest rate risk and the pension fund.

The Barclays Group's future earnings could be affected by depressed asset valuations resulting from a deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by recent events affecting asset backed CDOs and the US sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Barclays Group incurring additional losses.

In 2007 and in 2008, the Barclays Group recorded material net losses on certain credit market exposures, including ABS CDO super senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Barclays Group's earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

### ***Liquidity risk***

This is the risk that the Barclays Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters. The Barclays Group's liquidity risk management has several components:

- (a) intra-day monitoring to maintain sufficient liquidity to meet all settlement obligations;
- (b) mismatch limits to control expected cash flows from maturing assets and liabilities;
- (c) monitoring of undrawn lending commitments, overdrafts and contingent liabilities; and
- (d) diversification of liquidity sources by geography and provider.

During periods of market dislocation, such as those currently ongoing, the Barclays Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Barclays Group.



In illiquid markets, the Barclays Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Barclays Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

### ***Capital risk***

Capital risk is the risk that the Barclays Group has insufficient capital resources to:

- (a) meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Barclays Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- (b) support its credit rating. A weaker credit rating would increase the Barclays Group's cost of funds; and
- (c) support its growth and strategic options.

During periods of market dislocation, increasing the Barclays Group's capital resources may prove more difficult or costly. Regulators have also recently increased the Barclays Group's capital targets and amended the way in which capital targets are calculated and may further do so in future. This would constrain the Barclays Group's planned activities and contribute to adverse impacts on the Barclays Group's earnings.

### ***Operational risk***

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Barclays Group's operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List of the FSA or that any member of the Barclays Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

### ***Financial crime risk***

Financial crime risk is a category of operational risk. It arises from the risk that the Barclays Group might fail to comply with financial crime legislation and industry laws on anti-money laundering or might suffer losses as a result of internal or external fraud, or might fail to ensure the security of personnel, physical premises and the Issuer's assets.

### ***Regulatory compliance risk***

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial service industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that any member of the Barclays Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

In addition, the Barclays Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the EU, the United States, South Africa and elsewhere. All these are subject to change, particularly in the current market environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in

their respective banking sectors, including by imposing enhanced capital requirements or by imposing conditions on direct capital injections and funding. Any future regulatory changes may potentially restrict the Barclays Group's operations, mandate certain lending activity and impose other compliance costs. It is uncertain how the more rigorous regulatory climate will impact financial institutions, including the Barclays Group.

Areas where changes could have an impact include:

- (a) the monetary, interest rate and other policies of central banks and regulatory authorities;
- (b) general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Barclays Group operates;
- (c) general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- (d) changes in competition and pricing environments;
- (e) further developments in the financial reporting environment;
- (f) differentiation amongst financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees; and
- (g) implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes.

One specific matter that directly impacts the Barclays Group is the Financial Services Compensation Scheme:

#### *Financial Services Compensation Scheme*

The Financial Services Compensation Scheme (the "FSCS") was created under the Financial Services and Markets Act 2000 and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it.

In 2008, a number of institutions were declared in default by the FSA. In order to meet its obligations to the depositors of these institutions, the FSCS obtained facilities from HM Treasury on an interest only basis which totalled £18.2 billion as at 31 March 2009. The majority of the facilities are anticipated to be repaid wholly from recoveries from the institutions concerned, although some shortfalls are anticipated in the smaller facilities. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31 December each year. If an institution is a market participant on this date it is obligated to pay a levy. The Issuer was a market participant at 31 December 2007 and 2008. The Barclays Group has accrued £37 million in 2009 (£101 million for year ended 31 December 2008) for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of the Barclays Group's market participation in the relevant periods. Interest will continue to accrue on the FSCS facilities and will form part of future FSCS management expenses levies. To the extent that the facilities have not been repaid in full by 31 March 2012, the FSCS will agree a schedule of repayments with HM Treasury, which will be recouped from the industry in the form of additional levies. Under the Banking Act 2009, in April 2009 HM Treasury issued a Notification to the FSCS requiring a contribution to the resolution costs of a further institution. The timing and size of any actual payments by the FSCS under the Notification and the consequent need for levies on the industry, is unclear.

In the event that the FSCS raises funds from the authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Barclays Group may have a material impact on the Barclays Group's results of operations and financial condition.

### ***Legal risk***

The Barclays Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Barclays Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- (a) the Barclays Group's business may not be conducted in accordance with applicable laws around the world;
- (b) contractual obligations may either not be enforceable as intended or may be enforced against the Barclays Group in an adverse way;
- (c) the intellectual property of the Barclays Group (such as its trade names) may not be adequately protected; and
- (d) the Barclays Group may be liable for damages to third parties harmed by the conduct of its business.

The Barclays Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Barclays Group is successful. Although the Barclays Group has processes and controls to manage legal risks, failure to manage these risks could impact the Barclays Group adversely, both financially and by reputation.

### ***Insurance risk***

Insurance risk is the risk that the Barclays Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

### ***Business risk***

The Barclays Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans are not delivered as anticipated, the Barclays Group's earnings could grow more slowly or decline. In addition, potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

### ***Competition***

The global financial services markets in which the Barclays Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants, as well as recent consolidation among banking institutions in the United Kingdom, the United States and throughout Europe. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Barclays Group's profitability if the Barclays Group fails to retain and attract clients and customers.

### ***Tax risk***

The Barclays Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level. A number of double taxation agreements entered between two countries also impact on the taxation of the Barclays Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Barclays Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- (a) tax risks are assessed as part of the Barclays Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- (b) the tax charge is also reviewed by the Board Audit Committee;
- (c) the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- (d) the Barclays Group takes appropriate advice from reputable professional firms;
- (e) the Barclays Group employs high-quality tax professionals and provides ongoing technical training;
- (f) the tax professionals understand and work closely with the different areas of the business;
- (g) the Barclays Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- (h) where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Barclays Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

### 3. **Investment Considerations Relating To The LLP**

The LLP is only obliged to pay Guaranteed Amounts when the same are Due for Payment. Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of the Covered Bonds, the Bond Trustee may serve an Issuer Acceleration Notice but is not obliged to unless and until requested or directed by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of the holders of the Covered Bonds in accordance with Condition 9(a) (*Issuer Events of Default*). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

Payments by the LLP will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 7 (*Taxation*).

Subject to any grace period, if the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Principal Amount Outstanding of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)), although in such circumstances the LLP will not be obliged to gross up in respect of any withholding which may be required in respect of any payment. Following service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP, the Security Trustee may enforce the Security over the Charged Property. The proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Deed of Charge, and holders of the Covered Bonds will receive amounts from the LLP on an accelerated basis.

#### ***Excess Proceeds received by the Bond Trustee***

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Excess Proceeds will be paid by the Bond Trustee on behalf of the holders of the Covered Bonds to the LLP for its own account, as soon as practicable, and will be held by the LLP in the GIC Account and the Excess Proceeds will thereafter form part of the

Security and will be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the LLP). However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bond(s), each holder of the Covered Bonds will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

#### ***Finite resources available to the LLP to make payments due under the Covered Bond Guarantee***

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on (i) the realisable value of its Investor Interest under the Originator Trust Deed; (ii) amounts received from the Swap Provider, (iii) the realisable value of the Authorised Investments held by it and (iv) the receipt by it of credit balances and interest on credit balances on the LLP Accounts. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

- (a) the interest and other net income of the LLP may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Covered Bonds; and
- (b) there may be insufficient funds to repay the Covered Bonds on or prior to the Final Maturity Date of the Covered Bonds unless the other net income of the LLP is sufficient, after making other payments to be made in priority thereto.

If an LLP Event of Default occurs and the Security created by or pursuant to the Deed of Charge is enforced, the Charged Property may not be sufficient to meet the claims of all the Secured Creditors, including the holders of the Covered Bonds.

If, following enforcement of the Security constituted by or pursuant to the Deed of Charge, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Holders of the Covered Bonds should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Loan Amount is greater than the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this). The LLP and the Originator (in its capacity as a Member) must ensure that, following the occurrence of an Issuer Event of Default, the Amortisation Test is met on each Calculation Date and a breach of the Amortisation Test will constitute an LLP Event of Default and will entitle the Bond Trustee to serve an LLP Acceleration Notice on the LLP. The Asset Coverage Test and the Amortisation Test have in the aggregate been structured to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding). However, no assurance can be given that the Asset Pool will in fact generate sufficient amounts for such purposes. (see "*Summary of the Key Transaction Documents – LLP Deed – Asset Coverage Test and Credit Structure – Asset Coverage Test*", and "*Summary of Key Transaction Documents – LLP Deed – Asset Coverage Test and Credit Structure – Amortisation Test*").

#### ***Reliance of the LLP on third parties***

The LLP has entered into agreements with a number of third parties, which will agree to perform services for the LLP. In particular, but without limitation, the Cash Manager has been appointed to calculate and

monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the LLP, the Asset Monitor has been appointed to report on the arithmetical accuracy of the Cash Manager's calculations and the GIC Account will be held with the Account Bank. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Investor Interest or any part thereof or pending such realisation (if the Portfolio or any part thereof cannot be sold) the ability of the LLP to make payments under the Covered Bond Guarantee may be affected. The LLP will also be reliant on the Swap Provider to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

### ***Change of counterparties***

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Bank) are required to satisfy certain criteria in order to continue to receive and hold such monies.

These criteria include requirements imposed by the FSA under the FSMA and requirements in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by S&P, Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including the such ratings criteria, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the LLP) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

### ***Reliance on Swap Provider***

In order to hedge certain interest rate or other risks in respect of amounts received by the LLP under the Originator Trust Deed, the amounts standing to the credit of the GIC Account, any assets that the LLP may hold from time to time, and amounts payable by the LLP under the Intercompany Loan Agreement to the Issuer and/or amounts payable by the LLP under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds in issue, the LLP will enter into a total return swap transaction with the Swap Provider.

If the LLP fails to make timely payments of amounts due under the Swap Agreement, then it will have defaulted under the Swap Agreement and the Swap Transaction may be terminated. Further, the Swap Provider is only obliged to make payments to the LLP as long as and to the extent that the LLP does not trigger an event of default under the Swap Agreement. If the Swap Transaction terminates or the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts, the LLP will be exposed to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or the Covered Bond Guarantee.

If the Swap Transaction terminates, then the LLP may be obliged to make (or entitled to receive) a swap termination payment to (or from, as the case may be) the Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the Swap Agreement, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has both sufficiently high ratings as may be required by any of the Rating Agencies or meets their criteria and which agrees to enter into a replacement swap agreement on similar commercial terms.

If the LLP is obliged to pay a swap termination payment under the Swap Agreement, any such swap termination payment will, prior to enforcement, rank senior to amounts due to the Issuer under the Intercompany Loan Agreement or amounts due to the Covered Bondholders on the Covered Bonds or post-enforcement will rank *pari passu* with amounts due and payable in respect of the Covered Bonds, except where default by, or downgrade of, the Swap Provider has caused the Swap Transaction to terminate. The obligation to pay a swap termination payment may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

#### 4. **Certain Legal and Other Considerations**

##### ***The Banking Act 2009***

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**" and, together with HM Treasury and the Bank of England, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with a UK bank, building society or other UK institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 ("**FSMA**") (each a "**relevant entity**") in circumstances in which the Authorities consider its failure has become highly likely and a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to UK banks (such as the Issuer) which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its UK-incorporated holding company. In each case, the Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as Barclays) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits), (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated. If the Issuer were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Issuer.

As at the date of this Base Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Covered Bondholders will not be adversely affected by any such order or instrument if made in respect of the Issuer.

##### ***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 or certain limited types of entity established 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. By Royal Decree dated 27 September 2009 and published in the Belgian Official Gazette on 1 October 2009, the Belgian State elected to abandon the transitional withholding system and provide information in accordance with the Directive as from 1 January 2010.

Also, a number of non-EU countries, and certain dependent or associated territories of certain member states have adopted 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 or certain limited types of entity established in a member state. In addition, the Member States have entered into 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 or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the LLP, any paying agent nor any other person would be obliged to pay additional amounts to the Covered Bondholders or to otherwise compensate the Covered Bondholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the directive (if such a state exists).

### ***Insolvency Act 2000***

The Insolvency Act 2000 which amends the Insolvency Act 1986 (as amended from time to time) (the "**Insolvency Act**") allows certain "small" companies to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. Prior to 1 October 2005, the moratorium provisions of the Insolvency Act 2000 did not expressly state that they applied to limited liability partnerships such as the LLP. On 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 confirmed that the moratorium provisions apply to limited liability partnerships subject to certain modifications.

A "**small**" company is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £6.5 million, (ii) its balances sheet total is not more than £3.26 million and (iii) the number of employees is not more than 50. The position as to whether or not a company is a "small" company may change from time to time and consequently no assurance can be given that the LLP will not, at any given time, be determined to be a "small" company. The United Kingdom Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for "small" companies and can make different provision for different cases. No assurance can be given that any such modification or different provision will not be detrimental to the interest of the holders of the Covered Bonds.

Certain special purpose companies in relation to capital markets transactions are excluded from the optional moratorium provisions. Such exclusions include (a) a company which, at the time of filing for a moratorium, is a party to an agreement which is or forms part of a "capital market arrangement" (as defined in paragraph 4D of Schedule A1 of the Insolvency Act 1986) under which a party has incurred, or when the agreement was entered into was expected to incur, debt of at least £10 million and which involves the issue of a "capital market investment" (also defined but generally a rated, listed or traded bond) and (b) a company which, at the time of filing for a moratorium, has incurred a liability (including a present, future or contingent liability and a liability payable wholly or partly in a foreign currency) of at least £10 million. While the LLP is expected to fall within one of the exceptions there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance can be given that any modifications of the exceptions will not be detrimental to the interest of the holders of the Covered Bonds. Correspondingly, if the LLP is determined to be a "small" company and determined not to fall within one of the exceptions, then certain actions in respect of the LLP may, for a period, be prohibited by the imposition of a moratorium.

### ***Enterprise Act 2002***

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act and, in particular, the administration provisions which were reformed by introducing a new Schedule B1 to the Insolvency Act. These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of



a floating charge to appoint an administrative receiver (unless the floating charge was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating charge holder.

From 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 have applied the new administration provisions of Schedule B1 of the Insolvency Act to limited liability partnerships (such as to the LLP) with certain modifications.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. These provisions apply to the LLP as if it were a company. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Security) which form part of a capital market arrangement (as defined in the Insolvency Act), which would include the issue of covered bonds, and which involves indebtedness of at least £50 million (or, when the relevant security document (being in respect of the transactions described in this Base Prospectus, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50 million) and the arrangement involves the issue of a capital market investment (also defined but generally a rated, listed or traded bond). The Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Base Prospectus, will not be detrimental to the interests of the holders of the Covered Bonds.

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating charge-holder, the relevant company itself or its directors. These provisions have been applied to limited liability partnerships (such as the LLP) with certain modifications from 1 October 2005. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge-holder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge which was created prior to 15 September 2003 or within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new administration provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. As noted above, these new administration provisions will now apply to limited liability partnerships (such as the LLP) and have done so from 1 October 2005. From this date, no assurance could be given that the primary purpose of the new provisions would not conflict with the interests of the holders of the Covered Bonds were the LLP ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. These provisions apply to the LLP as if it were a company. The company's "**net property**" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "**prescribed part**" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/ 2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, **provided that** such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits. It should however be noted that the RCB Regulations disapply the provisions of section 176A of the Insolvency Act.

### *English law security and insolvency considerations*

The LLP will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Covered Bonds Guarantee (as to which, see "*Summary of Key Transaction Documents – Deed of Charge*"). If certain insolvency proceedings are commenced in respect of the LLP, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In particular, the ability to realise the security granted by the LLP may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the LLP. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Enterprise and Regulatory Reform may by regulation modify the capital markets exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the LLP will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the LLP should fall within the current exceptions, it should be noted that the Secretary of State for Business, Enterprise and Regulatory Reform may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the LLP are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986 (the "**Insolvency Act**"), certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants to be given by the LLP in the Transaction Documents will be intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the LLP has any other such creditors at any time. There can be no assurance that the Covered Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

While the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent, there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

Whether a fixed security interest expressed to be created by the Deed of Charge will be upheld as a fixed security interest rather than floating security will depend, among other things, on whether the Security Trustee has the requisite degree of control under the Transaction Documents over the LLP's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Security

Trustee in practice. In particular, it is likely that the Security Trustee does not exert sufficient control over the accounts of the LLP for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised as a floating charge if the proceeds thereof are paid into a bank account over which the Security Trustee is not deemed to have sufficient control as may be the case in this transaction.

Unlike the fixed charges, the floating charge does not attach to specific assets but instead "floats" over a class of assets which may change from time to time, allowing the LLP to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the LLP's business. Any assets acquired by the LLP after the Closing Date (including assets acquired as a result of the disposition of any other assets of the LLP) will also be subject to the floating charge unless they are subject to the fixed charges mentioned in this section.

The floating charge created by the Deed of Charge allows the Security Trustee to appoint an administrative receiver of the LLP and thereby prevent the appointment of an administrator of the LLP by one of the LLP's other creditors. An appointment of an administrative receiver by the Security Trustee under the Deed of Charge will not be prohibited by Section 72A of the Insolvency Act 1986 as the appointment will fall within the exception set out under Section 72B of the Insolvency Act 1986 (First Exception: Capital Markets). Therefore, in the event that enforcement proceedings are commenced in respect of amounts due and owing by the LLP, the Security Trustee will be entitled to control those proceedings. However, see "*Risk factors — Changes of law and/or regulatory, accounting and/or administrative practices*" relating to the appointment of administrative receivers.

### ***Liquidation expenses***

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the LLP would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

### ***Basel Capital Accord***

The EU Capital Requirements Directive ("**CRD**") will affect risk weighting of the Covered Bonds for investors. Consequently, Covered Bondholders should consult their own advisers as to the consequences to and effect on them of the application of the CRD as implemented by their own regulator, to their holding of any Covered Bonds. The Issuer is not responsible for informing Covered Bondholders of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the CRD.

### ***Pensions Act 2004***

Under the Pensions Act 2004 a person that is connected with or an "associate" of an employer under an occupational pension scheme, can be subject to either a contribution notice or a financial support direction. As the LLP is a member of the Barclays Group, it may be treated as connected to an employer under an occupational pension scheme which is within the Barclays Group.

A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which it was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the

Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the LLP where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

In April 2008, the UK Government published a consultation on extending the Pension Regulator's powers in this regard. The UK Government and the Pensions Regulator have confirmed that the focus of their attention is business models that may sever the link between the pensions scheme and the employer in order to operate schemes for a profit, not legitimate corporate transactions. However, if enacted as currently proposed, these changes would extend the Pension Regulator's ability to require the LLP to support an occupational pension scheme that is within the Barclays Group under various circumstances, notably where the effect (regardless of the intention) of any transaction is to materially weaken the respective pension scheme.

If a contribution notice or financial support direction were to be served on the LLP this could adversely affect the interests of the Covered Bondholders.

#### ***Limited Liability Partnerships***

The LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the LLPA 2000, are bodies corporate for general English law purposes and have unlimited capacity. A general description of limited liability partnerships is set out below under Description of Limited Liability Partnerships. This area of the law is relatively undeveloped. Accordingly, there is a risk that as the law develops, new case law or new regulations made under or affecting the LLPA 2000 or relating to limited liability partnerships could adversely affect the ability of the LLP to perform its obligations under the Transaction Documents which could, in turn, adversely affect the interests of holders of the Covered Bonds.

## **USE OF PROCEEDS**

The Issuer will use the gross proceeds of the Covered Bonds to make available to the LLP the Intercompany Loan pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP to pay the Initial Trust Consideration payable by the LLP for the Investor Interest to be acquired on the Closing Date (see "*Summary of Key Transaction Documents – Intercompany Loan*" and "*Summary of Key Transaction Documents – Originator Trust Deed*").

## THE ISSUER

The Issuer is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Issuer is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, telephone number +44 (0)20 7116 1000. The Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Issuer was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

The Issuer and its subsidiary undertakings (taken together, the "**Barclays Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, United States, Africa and Asia. The whole of the issued ordinary share capital of the Issuer is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group.

The short term unsecured obligations of the Issuer are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of the Issuer are rated AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch Ratings Limited.

Based on the Barclays Group's audited financial information for the year ended 31 December 2008, the Barclays Group had total assets of £2,053,029 million (2007: £1,227,583 million), total net loans and advances<sup>1</sup> of £509,522 million (2007: £385,518 million), total deposits<sup>2</sup> of £450,443 million (2007: £386,395 million), and total shareholders' equity of £43,574 million (2007: £31,821 million) (including minority interests of £2,372 million (2007: £1,949 million)). The profit before tax of the Barclays Group for the year ended 31 December 2008 was £6,035 million (2007: £7,107 million) after impairment charges on loans and advances and other credit provisions of £5,419 million (2007: £2,795 million). The financial information in this paragraph is extracted from the 2008 Bank Annual Report.

Based on the Barclays Group's unaudited financial information for the six months ended 30 June 2009, the Barclays Group had total assets of £1,545,528 million, total net loans and advances<sup>1</sup> of £464,748 million, total deposits<sup>2</sup> of £424,908 million and total shareholders' equity of £48,846 million (including minority interests of £2,533 million). The profit before tax of the Barclays Group for the six months ended 30 June 2009 was £2,965 million after impairment charges and other credit provisions of £4,556 million. The financial information in this paragraph is extracted from the Bank Interim Results Announcement.

### Acquisitions, Disposals and Recent Developments

#### *Acquisitions*

2009

On 2 February 2009, the Issuer completed the acquisition of PT Bank Akita, which was announced initially on 17 September 2008, following the approval of the Central Bank of Indonesia. As at 31 December 2008, PT Bank Akita had total assets of £53.7 million.

2008

On 6 November 2008, the Issuer purchased the Italian residential mortgage business of Macquarie Bank Limited. The acquired business includes a mortgage portfolio with a total outstanding balance of approximately £813 million as well as Macquarie's operational support functions, including staff. The total consideration paid was £765 million.

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<sup>1</sup> Total net loans and advances include balances relating to both banks and customers.

<sup>2</sup> Total deposits include deposits from banks and customer accounts.

On 22 September 2008, the Issuer completed the acquisition of Lehman Brothers North American businesses. The Lehman Brothers North American businesses include Lehman Brothers North American fixed income and equities sales, trading and research and investment banking businesses, Lehman Brothers New York Head Office at 745 Seventh Avenue and two data centres in New Jersey. The total consideration paid was £874 million.

On 1 July 2008, the Barclays Group acquired 100 per cent. of the ordinary shares of Expobank. Expobank is based in Moscow and its main products and services are issuance and servicing of debt and credit cards, mortgages and loans, currency transactions, internet banking, retail discount cards and other services. The total consideration paid was £393 million.

On 31 March 2008, the Barclays Group completed the acquisition of Discover Financial Services' UK credit card businesses, Goldfish. The total consideration paid was £38 million.

## **Disposals**

2008

On 31 October 2008, the Barclays Group completed the sale of Barclays Life Assurance Company Limited to Swiss Reinsurance Company for a net consideration of £729 million.

## **Recent developments**

### ***Acquisition of Standard Life Bank***

On 26 October 2009 Barclays PLC announced that Barclays has agreed to acquire Standard Life Bank Plc from Standard Life Plc for a consideration of £226m. Completion is subject, amongst other things, to regulatory approval and is expected to occur in the first quarter of 2010.

### ***Acquisition of Citi's Portuguese credit card business***

On 29 September 2009 Barclays PLC announced that Barclays, acting through its Portuguese branch, has agreed to acquire approximately 400,000 credit card accounts (representing gross assets of approximately €644m (as at 30 June 2009)) from Citibank International plc, Sucursal em Portugal. Completion is subject to competition clearance and is expected to occur before the end of 2009.

### ***Restructuring of credit market assets***

On 16 September 2009 Barclays PLC announced the restructuring of US\$12.3 billion of credit market assets. Further information is included in the Announcement incorporated by reference.

### ***Lehman Brothers***

On 15 September 2009 motions were filed in the Southern District of New York Bankruptcy Court by Lehman Brothers Holdings Inc, Lehman Brothers Inc and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc, seeking either relief from or to modify both the transaction pursuant to which the Lehman Brothers North American businesses were sold to Barclays and the order approving such sale. Barclays is defending its position vigorously. It is too early to assess Barclays' possible loss (if any) in relation to these matters and the effect that they might have upon operating results in any particular financial period.

### ***Life insurance joint venture***

On 10 September 2009 Barclays and CNP Assurances SA ("**CNP**") confirmed the establishment of a long-term life insurance joint venture in Spain, Portugal and Italy. As part of this transaction, Barclays sold a 50 per cent stake in Barclays Vida y Pensiones Compañía de Seguros ("**BVP**"), Barclays Iberian life insurance and pensions subsidiary, to CNP. CNP paid €140 million on completion. This is subject to a post-completion adjustment by reference to BVP's net assets as at closing.

### *Sale of Barclays Global Investors*

On 12 June 2009, Barclays PLC announced receipt of a binding offer for the Barclays Global Investors business and on 16 June 2009 announced acceptance of such offer. Further information is included in the BGI Announcement incorporated by reference.

### *UK Government measures concerning its financial support to the banking sector*

On 8 October 2008 and 13 October 2008 the UK Government announced a package of measures and schemes designed to provide financial support to the banking industry. The Barclays Group has participated and continues to participate in certain of these schemes, including the credit guarantee scheme. Following these UK Government announcements, Barclays PLC and the Barclays Group conducted the Capital Raising described in more detail below.

On 19 January 2009 the UK Government announced a further package of measures and schemes designed to inject liquidity in the UK economy and restore confidence in the financial system. These include, among others, the extension of the credit guarantee scheme and the implementation of an asset protection scheme to protect participating banks from credit losses, beyond and up to an agreed point, on eligible assets placed within the scheme. The FSA also published considerations relating to appropriate long-term changes to the bank capital regulatory framework, including a programme of work to reduce the requirement for additional capital resulting from the pro-cyclical effects of the International Basel Accord and a preference for the capital regime to incorporate counter-cyclical measures which would lead to banks building up capital buffers in good years which can be drawn down during economic downturns. However, this continues to be a supervisory framework and not a new set of rules.

On 30 March 2009, Barclays PLC announced that following discussions with major shareholders and careful assessment of the potential benefits and costs of participation in HM Treasury's Asset Protection Scheme, the Board of directors had determined that it would not be in the interests of its investors, depositors and clients to participate in the Asset Protection Scheme.

### *The Capital Raising*

On 31 October 2008, the Board made an announcement of a proposal to raise more than £7 billion of additional capital (the "**Capital Raising**") from existing and new strategic and institutional investors. The Capital Raising satisfied the target capital levels agreed with the FSA.

The Capital Raising included:

- An issue of £3 billion of Reserve Capital Instruments (the "**RCIs**") by the Issuer to Qatar Holding LLC and entities representing the beneficial interests of HH Sheikh Mansour Bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi ("**HH Sheikh Mansour Bin Zayed Al Nahyan**"). The RCIs pay an annual coupon of 14 per cent. until June 2019. On 18 November 2008, the Board announced that Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan had each offered to make available up to £250 million of RCIs for clawback by existing Barclays PLC institutional investors at par. By consequence £500 million of RCIs (excluding Warrants described below) were placed with Barclays PLC institutional investors by way of a bookbuild placing on 18 November 2008.
- In conjunction with the issue of the RCIs, Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan also subscribed (for a nominal consideration) for warrants (the "**Warrants**") to subscribe at their option for up to 1,516,875,236 new ordinary shares of Barclays PLC with an exercise price of 197.775 pence per share or £3 billion in aggregate, representing 18.1 per cent. of the then existing issued ordinary share capital. The Warrants are exercisable at any time for a five-year term from the date of issue of the RCIs until 31 October 2013.
- An issue of £2.8 billion of Mandatorily Convertible Notes (the "**MCNs**") by the Issuer to Qatar Holding LLC, Challenger Universal Limited (a company representing the beneficial interests of His Excellency Sheikh Hamad Bin Jassim Bin Jabr Al-Thani, the chairman of Qatar Holding LLC, and his family) ("**Challenger**") and HH Sheikh Mansour Bin Zayed Al Nahyan, and a further issue of £1.25 billion of MCNs to existing institutional shareholders and other institutional investors by way of an accelerated non-underwritten bookbuild placing implemented



on 31 October 2008. The MCNs were converted into Barclays PLC ordinary shares on or before 30 June 2009 resulting in the issue of 2,642,292,334 new Barclays PLC ordinary shares.

Qatar Holding LLC agreed to invest £500 million in MCNs and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. On 20 October 2009, Qatar Holding LLC exercised half of the Warrants it had subscribed for, resulting in the issue of 379 million new Barclays PLC ordinary shares, which were then placed with other investors. Challenger agreed to invest £300 million in MCNs. Following conversion of their MCNs and assuming the full exercise of the remaining Warrants, Qatar Holding LLC would hold ordinary shares representing 9.5 per cent. of the fully diluted share capital of Barclays PLC. Following conversion of their MCNs, Challenger holds ordinary shares representing 2.8 per cent. of the current share capital of Barclays PLC. In addition to any other fees and commissions payable in connection with the issue of the securities, Qatar Holding LLC received a fee of £66 million for having arranged certain of the subscriptions in the Capital Raising.

HH Sheikh Mansour Bin Zayed Al Nahyan agreed to invest £2 billion in MCNs and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. On 2 June 2009, the Abu Dhabi governmental investment vehicle which funded HH Sheikh Mansour Bin Zayed Al Nahyan's investment in the Warrants, MCNs and the RCIs, International Petroleum Investment Company ("**IPIC**"), announced its intention to dispose of 1,304,835, 721 Barclays PLC shares for which its entire holding of MCNs were exchangeable and such shares have since been sold. An investment vehicle controlled by His Excellency Khadem Abdulla Khadem Butti Al Qubaisi, the managing director of IPIC, holds Warrants exercisable into a further 758,437,618 Barclays PLC shares at a price of 197.775 pence per share.

#### ***Dividend Policy***

On 13 October 2008 Barclays PLC announced that its Board would not be recommending the payment of a final dividend on Barclays PLC's ordinary shares for 2008. This dividend, amounting to approximately £2 billion, would otherwise have been payable in April 2009. Barclays PLC intends to resume dividend payments on its ordinary shares in the second half of 2009.

#### ***The Placing***

On 18 September 2008, the Board announced the completion of a placing. A total of 226 million new Barclays PLC ordinary shares of 25 pence each (the "**Placing Shares**") issued by Barclays PLC were placed with certain institutions at a price of 310 pence per Placing Share. Based on the placing price, the gross proceeds were £701 million.

#### ***The Firm Placing and Placing and Open Offer***

On 25 June 2008, Barclays PLC announced a share issue to raise approximately £4.5 billion through the issue of 1,576 million new Barclays PLC ordinary shares (the "**Firm Placing and Placing and Open Offer**"). The Firm Placing and Placing and Open Offer includes:

- approximately £500 million raised through a firm placing of 169 million new Barclays PLC ordinary shares at 296 pence per new Barclays PLC ordinary share to Sumitomo Mitsui Banking Corporation;
- approximately £4.0 billion raised through a placing of 1,407 million new Barclays PLC ordinary shares at 282 pence per new Barclays PLC ordinary share to Qatar Investment Authority, Challenger, China Development Bank, Temasek Holdings (Private) Limited and certain leading institutional shareholders and other investors, which shares were available for clawback in full by means of an open offer to existing shareholders. Pursuant to such open offer, existing shareholders were offered the opportunity to subscribe for up to a maximum of their pro rata entitlement on the basis of three open offer shares for every 14 existing ordinary shares they held.

The firm placing of 169 million new Barclays PLC ordinary shares was completed on 4 July 2008 and the placing and open offer was completed on 22 July 2008. Valid applications under the open offer were received from qualifying shareholders in respect of approximately 267 million Barclays PLC shares in aggregate, representing 19.0 per cent. of the Barclays PLC shares offered pursuant to the open offer. Accordingly, the remaining 1,140,310,966 Barclays PLC shares were allocated to the various investors with whom they had been conditionally placed.

## *Other*

On 17 February 2009 the Barclays Group announced that Barclays Capital will discontinue operations at its Equifirst subsidiary.

### *Competition and regulatory matters*

The scale of regulatory change remains challenging and the global financial crisis is resulting in a significant tightening of regulation and changes to regulatory structures globally, especially for banks that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in the legal framework, policies and regulatory action cannot currently be fully predicted and are beyond the Barclays Group's control but, especially in the area of banking regulation, are likely to have an impact on the Barclays Group's businesses and earnings.

The market for payment protection insurance ("**PPI**") has been under scrutiny by the UK competition authorities and financial services regulators. In September 2005, the Office of Fair Trading ("**OFT**") received a super-complaint from the Citizens Advice Bureau relating to PPI. As a result, the OFT commenced a market study on PPI in April 2006. In October 2006 the OFT announced the outcome of the market study and the OFT referred the PPI market to the UK Competition Commission ("**CC**") for an in-depth inquiry in February 2007. In June 2008, the CC published its provisional findings. The CC published its final report into the PPI market on 29 January 2009. The CC's conclusion was that the businesses which offer PPI alongside credit face little or no competition when selling PPI to their credit customers. The CC set out a draft package of measures which it considered would introduce competition into the market (the "**Remedies**"). The Remedies are: a prohibition on sale of PPI at the point of sale ("**POSP**") ; a prohibition on the sale of single premium PPI; mandatory personal PPI quotes to customers; annual statements for all regular premium policies, including the back book (for example credit card and mortgage protection policies); measures to ensure that improved information is available to customers; obliging providers to give information to the OFT to monitor the Remedies and to provide claims ratios to any person on request. The Barclays Group is reviewing the report, the CC's draft Remedies order and considering the next steps, including how this might affect the Barclays Group's different products. In March 2009, Barclays submitted an appeal of part of the CC's final report to the Competition Appeal Tribunal ("**CAT**"). The targeted appeal was focused on the POSP remedy which it is felt is not based on sound analysis, and is unduly draconian. The judgment of the CAT was handed down on 16 October 2009. The CAT upheld the Group's appeal on two grounds, meaning that the CC will be required to reconsider the POSP remedy and the basis for it. An order from the CAT is expected in November 2009.

Separately, in October 2006, the FSA published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly and that the FSA would strengthen its actions against such firms. Tackling poor PPI sales practices remains a priority for the FSA, with their most recent update on their thematic work published in September 2008. The Barclays Group voluntarily complied with the FSA's request to cease selling single premium PPI by the end of January 2009. There has been no enforcement action against the Barclays Group in respect of its PPI products. The Barclays Group has cooperated fully with these investigations into PPI and will continue to do so.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT is progressing its investigations in the Visa interchange case and a second MasterCard interchange case in parallel and both are ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Barclays Group's business in this sector. In February 2007, the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT initiated a market study into personal current accounts ("**PCAs**") in the UK on 26 April 2007. The study's focus was PCAs but it also included an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. On 16 July 2008, the OFT published its market study report, in which it concluded that certain

features of the UK PCA market were not working well for consumers. The OFT reached the provisional view that some form of regulatory intervention is necessary in the UK PCA market. On 16 July 2008, the OFT also announced a consultation to seek views on the findings and possible measures to address the issues raised in its report. The consultation period closed on 31 October 2008. The Barclays Group has participated fully in the market study process and will continue to do so.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. The Barclays Group has been conducting an internal review of its conduct with respect to US Dollar payments involving countries, persons and entities subject to these sanctions and has been reporting to governmental authorities about the results of that review. The Barclays Group received inquiries relating to these sanctions and certain US Dollar payments processed by its New York branch from the New York County District Attorney's Office and the US Department of Justice, which along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. The Barclays Group has responded to those inquiries and is cooperating with the regulators, the Department of Justice and the District Attorney's Office in connection with their investigations of the Barclays Group's conduct with respect to sanctions compliance. Barclays has also received a formal notice of investigation from the FSA, and has been keeping the FSA informed of the progress of the US investigations and the Barclays Group's internal review. The Barclays Group's review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by the Barclays Group's review and the investigations, including the timing and potential financial impact of any resolution, which could be substantial.

The Financial Services Compensation Scheme (the "FSCS") provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. In 2008, a number of institutions were declared in default by the FSA. In order to meet its obligations to the depositors of these institutions, the FSCS obtained facilities from HM Treasury on an interest only basis which totalled £18.2 billion as at 31 March 2009. The majority of the facilities are anticipated to be repaid wholly from recoveries from the institutions concerned, although some shortfalls are anticipated in the smaller facilities. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31 December each year. If an institution is a market participant on this date it is obligated to pay a levy. The Issuer was a market participant at 31 December 2007 and 2008. The Barclays Group has accrued £37 million in 2009 (£101 million for year ended 31 December 2008) for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of the Barclays Group's market participation in the relevant periods. Interest will continue to accrue on the FSCS facilities and will form part of future FSCS management expenses levies. To the extent that the facilities have not been repaid in full by 31 March 2012, the FSCS will agree a schedule of repayments with HM Treasury, which will be recouped from the industry in the form of additional levies. Under the Banking Act 2009, in April 2009, HM Treasury issued a Notification to the FSCS requiring a contribution to the resolution costs of a further institution. The timing and size of any actual payments by the FSCS under the Notification and the consequent need for levies on the industry, is unclear. It is not currently possible to estimate whether there will ultimately be additional levies on the industry, the level of the Barclays Group's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

## Directors

The Directors of the Issuer, each of whose business address is 1 Churchill Place, London E14 5HP, their functions in relation to the Barclays Group and their principal outside activities (if any) of significance to the Barclays Group are as follows:

<u>Name</u>	<u>Function(s) within the Barclays Group</u>	<u>Principal outside activities</u>
Marcus Agius	Group Chairman	Non-Executive Director, British

<b>Name</b>	<b>Function(s) within the Barclays Group</b>	<b>Principal outside activities</b>
		Broadcasting Corporation
John Varley	Group Chief Executive	Non-Executive Director, AstraZeneca PLC
Chris Lucas	Group Finance Director	—
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	Chairman, Old Vic Productions PLC
Sir Richard Broadbent	Deputy Chairman, Senior Independent Director and Non-Executive Director	Chairman, Arriva plc
David Booth	Non-Executive Director	—
Leigh Clifford	Non-Executive Director	Chairman, Qantas Airways Limited
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel SpA, Director, AON Corporation
Simon Fraser	Non-Executive Director	Non-Executive Director, Fidelity Japanese Values Plc and Fidelity European Values Plc
Reuben Jeffery III	Non-Executive Director	Senior Adviser, Center for Strategic & International Studies
Sir Andrew Likierman	Non-Executive Director	Professor of Management Practice in Accounting, London Business School, Chairman, National Audit Office
Sir Michael Rake	Non-Executive Director	Chairman, BT Group PLC, Director, McGraw-Hill Companies, Director, Financial Reporting Council, Chairman, UK Commission for Employment and Skills
Sir John Sunderland	Non-Executive Director	Director, Financial Reporting Council

No potential conflicts of interest exist between any duties to the Issuer of the Board of Directors listed above and their private interests or other duties.

### **Employees**

The average number of persons employed by the Barclays Group worldwide during 2008, excluding agency staff, was 151,500 (2007: 128,900).

### **Shareholder**

The Issuer's sole shareholder is Barclays PLC, a public company with limited liability incorporated in England (registration number 00048839). The rights of Barclays PLC as a shareholder are contained in the Issuer's articles of association. The Issuer is managed by its board of directors in accordance with such articles of association.

## THE LLP

### Introduction

The LLP was incorporated in England and Wales on 29 September 2009 as a limited liability partnership (registered number OC349085) with limited liability under the LLPA 2000 by Barclays and the Liquidation Member as its Members. The principal place of business of the LLP is at 1 Churchill Place, London E14 5HP (telephone number: +44(0) 20 7116 1000). The LLP has no subsidiaries.

### Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, *inter alia*, becoming a beneficiary of the Originator Trust, entering into the Intercompany Loan Agreement and guaranteeing the Covered Bonds pursuant to the Covered Bond Guarantee in the Trust Deed with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party, applying for a standard licence under the Consumer Credit Act 1974, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to the foregoing.

### Members

The members of the LLP as at the date of this Base Prospectus are and their principal offices are:

<i>Name</i>	<i>Principal Office</i>
Barclays	1 Churchill Place, London E14 5HP
Canton III Limited	35 Great St. Helen's. London EC3A 6AP

The LLP has no employees.

The issued share capital of the Liquidation Member is 1 ordinary share of £1.

### Directors of the Members

The following table sets out the directors of the Liquidation Member and their respective business addresses and occupations.

<i>Name</i>	<i>Business Address</i>	<i>Business Occupation</i>
SFM Directors Limited	35 Great St. Helen's, London, EC3A 6AP	Acting as corporate company director of special purpose companies
SFM Directors (No.2) Limited	35 Great St. Helen's, London, EC3A 6AP	Acting as corporate company director of special purpose companies
Jonathan Keighley	35 Great St. Helen's, London, EC3A 6AP	Director

Each of the directors of SFM Directors Limited and SFM Directors (No. 2) Limited, Jonathan Keighley and their principal activities or business occupations are:

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Jonathan Keighley	35 Great St. Helen's, London, EC3A 6AP	Director
James McDonald	35 Great St. Helen's, London,	Director

EC3A 6AP

Robert Berry	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Director/Company Secretary
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London, EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Alternate Director to Jonathan Keighley, James McDonald and Robert Berry.

The directors of Barclays are set out under Board of Directors above.

No potential conflicts of interest exist between any duties owed to the LLP by the Directors of the Members, including SFM Directors Limited, SFM Directors (No. 2) Limited and Jonathan Keighley, the individual directors of SFM Directors Limited and SFM Directors (No. 2) Limited and the individual directors of Barclays as listed above, and their private interests or other duties.

The LLP has no loan capital, term loans, other borrowings or indebtedness or contingent liabilities or guarantees as at the Closing Date other than the Covered Bond Guarantee.

No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. The LLP's accounting reference date is 31 December with the first statutory accounts being drawn up to 31 December 2010.

The information provided in this section has been obtained from the Liquidation Member.

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Trust Deed

The Trust Deed, to be entered into between the Issuer, the LLP, the Bond Trustee and the Security Trustee on the Closing Date, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

- the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under "*Terms and Conditions of the Covered Bonds*");
- the covenants of the Issuer and the LLP;
- the terms of the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

### The Covered Bond Guarantee

Pursuant to the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds, if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and a Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the holders of the Covered Bonds), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of the date such amounts would have been paid by the Issuer if no Notice to Pay or LLP Acceleration Notice had been served. Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Service of a Notice to Pay on the LLP will follow the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of (a) the day which is two Business Days following service of a Notice to Pay on the LLP or (b) the day on which the Guaranteed Amounts are otherwise Due for Payment.

All payments of Guaranteed Amounts by or on behalf of the LLP will be made without withholding deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of the United Kingdom or any political subdivision thereof or any authority therein or thereof having the power to tax. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any additional amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the holders of the Covered Bonds in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Subject to the grace periods specified in Condition 10.2 (*Events of Default - LLP Events of Default*) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

The Trust Deed provides that the Excess Proceeds shall be paid by the Bond Trustee on behalf of the holders of the Covered Bonds to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations. By subscribing for Covered Bond(s), each holder of the Covered Bonds shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

The Trust Deed is governed by English law.

### **Intercompany Loan Agreement**

On the Closing Date, the Issuer will use the proceeds of the Covered Bonds to lend on that date an amount equal to the Principal Amount Outstanding on the Closing Date to the LLP pursuant to the Intercompany Loan Agreement (the "**Intercompany Loan**"). The Intercompany Loan will be used by the LLP to pay the Initial Trust Consideration payable by the LLP for the Investor Interest to be acquired on the Closing Date and thereafter to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

The Issuer will not be relying on repayment of the Intercompany Loan in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of the Intercompany Loan in accordance with the relevant Priorities of Payments. Prior to the service of a Notice to Pay on the LLP, amounts due in respect of the Intercompany Loan will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Intercompany Loan to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Intercompany Loan will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds.

The amount owed by the LLP to the Issuer under the Intercompany Loan will be reduced by (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Intercompany Loan) and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Intercompany Loan) purchased by the LLP and cancelled in accordance with Condition 6(g) (*Cancellation*).

The Intercompany Loan Agreement is governed by English law.

### **Originator Trust Deed and Beneficiaries Deed**

Pursuant to the Originator Trust Deed to be entered into between, *inter alios*, the Originator and the LLP on the Closing Date, the Originator will declare a trust over the Portfolio constituting the Originator Trust and will act as the Originator Trustee in respect of the Originator Trust.

The beneficial interest of the LLP under the Originator Trust is referred to as the "**Investor Interest**" and is a fixed undivided interest in the Originator Trust Property. The beneficial interest of Barclays under the Originator Trust is referred to herein as the "**Originator Interest**" and is a fixed undivided interest in the Originator Trust Property.

The Investor Interest in the Originator Trust will result in an amount equal to 99 per cent. of the amounts received by the Originator Trustee in respect of the Originator Trust Property being paid to the LLP. The Originator Interest in the Originator Trust will result in an amount equal to 1 per cent. of the amounts received by the Originator Trustee in respect of Originator Trust Property being paid to the Originator Beneficiary.



In consideration for the Investor Interest, the LLP will (i) pay to the Originator on the Closing Date an amount equal to 99 per cent. of the aggregate of the outstanding Current Balance of each Loan in the Portfolio (the "**Initial Trust Consideration**"); and (ii) agree to pay to the Originator on certain Interest Payment Dates following the Closing Date the Deferred Consideration.

The Beneficiaries of the Originator Trust will enter into a deed (the "**Beneficiaries Deed**") on or around the Closing Date that sets out the contractual arrangements amongst them in respect of certain commercial decisions made from time to time.

Barclays, as Originator, will collect all (i) Loan Revenue Receipts and (ii) Loan Principal Receipts, which are (in each case) referable to the Originator Trust. Upon receipt into the Collection Account of such amounts, the Originator Trustee shall provide the LLP and the Cash Manager with a statement identifying and calculating all amounts representing Principal Receipts, Revenue Receipts, Originator Beneficiary Surrender Payments and LLP Surrender Payments. Following such identification and calculation, such amounts allocable to the Investor Interest will then be transferred by Barclays, on behalf of the Originator Trustee, on a monthly basis to the GIC Account. Barclays is required (in its capacity as Originator Trustee) to advise the LLP and the Cash Manager of amounts allocated to the Investor Interest which represent (i) Principal Receipts, Revenue Receipts and LLP Surrender Payments (and the amounts of such LLP Surrender Payment that should be treated as Principal Receipts and as Revenue Receipts) and (ii) Portfolio Losses, in each case on or before the Calculation Date for the relevant Calculation Period.

Barclays performs the administration and reporting obligations arising from the Loans and Barclays will also perform its own administration and reporting obligations. This will include identifying amounts received in respect of the Loans originated by Barclays and allocating such amounts between the Originator Interest and the Investor Interest.

In addition to providing for the declaration of trust over the Portfolio, the Originator Trust Deed also sets out the following:

- (a) the representations and warranties to be given by the Originator in relation to the Loans; and
- (b) the consent of the Beneficiaries to the surrender of their beneficial interest in Loans and the reacquisition of such beneficial interest by the Originator where there has been a breach of any of its representations or warranties which could have a material adverse effect on the relevant Loans or where there is a Pool Adjustment which results in a breach of the relevant Pool Adjustment Criteria (subject to noting that the provisions for effecting reacquisitions of the Loans by the Originator are partly contained in the other Transaction Documents).

#### ***Originator Trust Property***

Under the Originator Trust, Barclays (in its capacity as Originator Trustee) will hold on trust for itself as Originator Beneficiary and the LLP (both of whom shall be absolutely entitled as against the Originator Trustee) the following property (the "**Originator Trust Property**"):

- (a) all of the Originator's Benefit in, to and under all Loan Instruments;
- (b) all of the Originator's Benefit in, to and under all monies due or to become due in payment of such Loans, comprising accrued and unpaid Loan Revenue Receipts, Loan Principal Receipts and Reacquisition Amounts (not including Unpaid Interest, commitment fees or other fees payable as at the date of inclusion in the Originator Trust of such Loan or early prepayment charges);
- (c) all of the Originator's Benefit in, to and under all monies relating to such Loan Revenue Receipts, Loan Principal Receipts and Reacquisition Amounts (whether on deposit in the Collection Account or otherwise) and income, if any, earned on such monies (not including commitment fees or other fees payable) as at the date of inclusion in the Originator Trust of such Loan or early prepayment charges;
- (d) all of the Originator's Benefit in, to and under the Loan Facilities to the extent related to the Loans and capable of being the subject of the Originator Trust; and
- (e) any early repayment charges in respect of the Loans.

### ***Representations and Warranties***

The Originator Trust Deed contains representations and warranties to be given by the Originator to the Beneficiaries in relation to each Loan on the Closing Date. A number of the warranties which have particular relevance to Loan Terms Amendments will also be deemed to be given at the date on which such Loan Terms Amendment occurs. None of the LLP, the Bond Trustee or the Security Trustee has carried out or will carry out any searches, inquiries or independent investigations of the type which a prudent purchaser or mortgagee would normally be expected to carry out. Each is relying entirely on the Originator's representations and warranties under the Originator Trust Deed. Subject to agreed exceptions and materiality qualifications, the Originator's material representations and warranties under the Originator Trust Deed include warranties as to the following:

- (a) the Originator has good title to, and absolute unencumbered legal and beneficial ownership of all interests, rights and benefits agreed to be subject to the declaration of trust by the Originator pursuant to the terms of the Originator Trust Deed in relation to each Loan;
- (b) each Loan was originated in accordance with the Originator's Lending Criteria subject to such variations acceptable to a Reasonably Prudent Lender;
- (c) the Originator has in all material respects performed all its obligations which have fallen due under or in connection with the relevant Loan Instruments;
- (d) no proceedings have been taken by the Originator against any Borrower and no judgment debt has been obtained in respect of any Borrower in respect of any Loan Instrument;
- (e) each Borrower is established in England and Wales or Scotland, and no Borrower is an "individual" as defined in section 189(1) of the Consumer Credit Act 1974 or for the purposes of the definition of "personal data" pursuant to section 1 of the Data Protection Act 1998;
- (f) no Borrower is entitled to exercise any right of set-off or counterclaim against the Originator in respect of any amounts payable under the relevant Loan Facility;
- (g) the Loans comply with the definition of "Eligible Property" as set out in Regulation 2 (*Eligible Property*) of the RCB Regulations;
- (h) there are no provisions in the Loan Instruments that prohibit the Originator declaring a trust over its interest in the relevant Loans; and
- (i) each Loan was made, or a commitment to make such Loan was made, by the Originator prior to 1 January 2008.

### ***Reacquisition of beneficial interest in Loans by the Originator***

The Beneficiaries Deed provides that the Beneficiaries will agree to surrender their beneficial interest in any Loan and thereby cause the whole of the beneficial interest in the relevant Loan to be removed from the Originator Trust Property and to vest once again exclusively in the Originator (including any Unpaid Interest as at the date of completion of such reacquisition) (notwithstanding that the Loan has been subject to a Loan Terms Amendment) if:

- (a) a Loan does not comply on the Closing Date with the representations and warranties given by the Originator under the Originator Trust Deed and such breach could, in the opinion of the LLP, have a material adverse effect on the relevant Loan, and the Originator does not remedy such breach to the LLP's satisfaction within 30 days of becoming aware of such breach or being provided with written notice of such breach by the LLP, the Bond Trustee and the Security Trustee **provided that** such reacquisition shall occur within 30 days of the determination that such warranty was materially breached or materially untrue; or
- (b) a Loan Terms Amendment when made, causes a breach of the Pool Adjustment Criteria **provided that** such reacquisition shall take place within 30 days of the determination by the Originator (or notification to it) that there has been a breach of the Pool Adjustment Criteria, save that the Beneficiaries shall not be obliged to surrender their beneficial interest in the relevant Loan if (i) S&P has confirmed in writing to the Issuer, the LLP and the Bond Trustee that

retaining such Loan in the Portfolio will not result in the then current ratings of the Covered Bond being negatively impacted and (ii) Moody's and Fitch have been notified in writing that the Loan Terms Amendment breaches the Pool Adjustment Criteria and the Originator will not reacquire the beneficial interest in the relevant Loan.

The Originator will have no other liability for breach of representation or warranty other than the obligation to reacquire the relevant beneficial interest.

The Originator must notify the LLP, the Originator Beneficiary, the Bond Trustee and the Security Trustee of (i) any breach of a representation or warranty and (ii) any breach of the Pool Adjustment Criteria, as soon as it becomes aware of such breach. The Originator will be obliged to reacquire the beneficial interest in the Loan within 30 days of the Originator becoming aware of such breach of representation or warranty or breach of the Pool Adjustment Criteria.

The Beneficiaries have directed the Originator Trustee to accept a surrender of their respective beneficial entitlements to any Loan whenever required in order to effect a reacquisition. The price payable to reacquire the LLP's and the Originator Beneficiary's respective undivided shares of the beneficial interest in any Loan is an amount (not less than zero) equal to the aggregate of the Current Balance of such Loan at the close of business on the Business Day preceding the date of completion of such reacquisition plus Unpaid Interest plus expenses payable thereon to the date of reacquisition (the "**Reacquisition Amount**"). An amount equal to 99 per cent. of any Reacquisition Amount received by the Originator Trustee shall be paid to the LLP by the Originator Trustee in consideration of the surrender by the LLP (as referred to above) of its beneficial interest in the relevant Loan (the amount in question being the "**LLP Surrender Payment**" with respect to that Loan). An amount equal to 1 per cent. of any Reacquisition Amount received by the Originator Trustee shall be paid to the Originator Beneficiary by the Originator Trustee in consideration of the surrender by the Originator Beneficiary (as referred to above) of its beneficial interest in the relevant Loan (the amount in question being the "**Originator Beneficiary Surrender Payment**" with respect to that Loan). The principal component of any LLP Surrender Payment Amount shall be treated as Principal Receipts and the balance shall be treated as Revenue Receipts.

Following payment by the Originator to the Originator Trustee of the Reacquisition Amount and payment of the LLP Surrender Payment to the LLP and the Originator Beneficiary Surrender Payment to the Originator Beneficiary the whole of the beneficial interest in the relevant Loan will be surrendered to the Originator and such Loan will thereupon be released from all of the terms of the Originator Trust. The relevant Loan will then once again be solely legally and beneficially owned by the Originator, will no longer be held on trust as Originator Trust Property and will be electronically identified by the Originator as no longer comprising Originator Trust Property.

The provisions described above relating to the reacquisition of the whole of the beneficial interest in Loans (where applicable) represents the combined effect of various provisions contained in the Originator Trust Deed, the Beneficiaries Deed and the Deed of Charge. The Beneficiaries Deed specifies that it is not to be construed as prejudicing the joint absolute entitlement of the Beneficiaries to the Originator Trust Property under the terms of the Originator Trust.

#### ***Originator Power of Attorney***

Barclays will, in connection with the creation of the Originator Trust, grant to the LLP a power of attorney (the "**Originator Power of Attorney**") to permit the LLP, upon the occurrence of certain Power of Attorney Events described below, to take certain actions in the name of the Originator Trustee to ensure the performance by the Originator Trustee of its obligations under the Originator Trust Deed, including its covenants to enforce rights under Loan Instruments in relation to Loans and to collect repayments in respect of Loans in the ordinary course of its business and to remit the proceeds relating to the Investor Interest to the Issuer.

A "**Power of Attorney Event**" means:

- (a) (i) unless Barclays has (A) received written confirmation from S&P that such action will not result in the then current rating of any debt securities (including the Covered Bonds) secured, directly or indirectly on the Investor Interest being negatively impacted and (B) notified Moody's and Fitch in writing of such action, Barclays consents or takes any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator,

liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets; or (ii) an order of the court is made or an effective resolution is passed for the sequestration, winding up, dissolution, administration or insolvent re-organisation of Barclays; or (iii) a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of Barclays, relating to all or substantially all of its revenues and assets is appointed;

- (b) a member of the board of directors of Barclays shall admit in writing that Barclays is unable to pay its debts as they fall due or Barclays makes a general assignment, assignation or trust for the benefit of a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness;
- (c) Barclays defaults in the payment of any amount due in excess of £10,000 (or the equivalent thereof in another currency) under or in respect of its servicing obligations pursuant to the Originator Trust Deed and, if such breach is capable of remedy, fails to remedy such default within 7 days after the earlier of becoming aware of the default and receiving written notice from the Issuer, the Bond Trustee or the Security Trustee requiring the same to be remedied;
- (d) Barclays is in breach of its obligations to enforce the terms of any Loan pursuant to the Originator Trust Deed, provided that (a) if such breach is capable of remedy, such breach has continued unremedied for 30 days after the earlier of becoming aware of the breach and the date on which written notice from the LLP, the Bond Trustee or the Security Trustee of such breach, requiring the same to be remedied, shall have been given to the Originator Trustee and (b) the Bond Trustee certifies to the Originator Trustee that it is satisfied that such breach continues to be materially prejudicial to the Covered Bondholders;
- (e) Barclays is in breach of any other servicing obligation (other than as set out in (c) or (d) above) (such obligations being required to be performed in accordance with its servicing standard) and, if such breach is capable of remedy, fails to remedy such breach within 60 days after the earlier of becoming aware of the breach and receiving written notice from the LLP, the Bond Trustee or the Security Trustee requiring the same to be remedied, but only if in the opinion of the Bond Trustee, the breach is materially prejudicial to any class of Covered Bondholders; or
- (f) Barclays is no longer able to perform any of its material servicing obligations pursuant to the Originator Trust Deed, except where no other person could lawfully perform such obligations.

There will be three areas of action covered by the Originator Power of Attorney:

- (1) Actions enforcing a change of the general collection account arrangements in relation to Borrowers following a Power of Attorney Event. The LLP or, following the delivery of an LLP Acceleration Notice, the Bond Trustee, will be required to conduct such actions and shall not be required to seek any consent or authorisation from Barclays (in any capacity) and may appoint a third party servicer to carry out these actions on its behalf.
- (2) Taking actions against Borrowers in the name of the Originator Trustee following a Power of Attorney Event. The LLP and/or the Bond Trustee will be entitled to take action against the relevant Borrower under the Originator Power of Attorney to collect the relevant Loan whether by enforcement of the terms of the Loan Instrument or otherwise and may appoint a third party servicer to carry out these actions on its behalf. The LLP or, following the delivery of an LLP Acceleration Notice, the Bond Trustee, if it considers to be within the interests of the Covered Bondholders to do so and without any further consent or authorisation from any Beneficiary or Barclays (in any capacity), take such course of action as the LLP or, following the delivery of an LLP Acceleration Notice, the Bond Trustee, considers to be desirable in relation to the collection, sale or analogous action in relation to such Loan, Loan Instrument or Borrower (including, without limitation, notification of any relevant insurer).
- (3) Taking action which involves matters fundamental to the constitution of the Originator Trust (including, without limitation, (i) a change to the representations and warranties of the Originator thereunder or (ii) calculation and allocation of Originator Trust Property), where the LLP may take such actions as required, provided that any such actions are not materially prejudicial to the

interests of the Beneficiaries. The LLP or, following the delivery of an LLP Acceleration Notice, the Bond Trustee, shall be entitled to take into account, without enquiry among any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation of a Rating Agency (if available, and there shall be no obligation on Moody's to provide any confirmation) that the then current ratings of the Covered Bonds will not be downgraded, withdrawn or qualified as a result of the matter. For the avoidance of doubt, such rating confirmation or non-receipt of such rating confirmation shall not be construed to mean that any such matter is not materially prejudicial to the interests of the Beneficiaries nor that any proposed action in relation to any such matter is in the best interests of the Beneficiaries.

The Originator Power of Attorney expressly provides that, notwithstanding any of its other provisions, none of its terms are intended to affect the beneficial entitlements of the Investor Beneficiary and the Originator Beneficiary, respectively, under the terms of the Originator Trust as such entitlements would exist had there been no Originator Power of Attorney.

#### ***Pool Adjustments and the Pool Adjustment Criteria***

The making of Loan Terms Amendments will constitute a "**Pool Adjustment**".

Loan Terms Amendments may be made at the Originator's discretion but, if the Pool Adjustment Criteria is breached as a result of such Pool Adjustment, the Originator will (subject to certain conditions) have an obligation to reacquire the beneficial interest in the Loan to which such Pool Adjustment relates within 30 days of the Originator becoming aware of such breach.

#### ***Pool Adjustment Criteria***

The making of Loan Terms Amendments will be subject to certain criteria (the "**Pool Adjustment Criteria**") on the dates on which they are respectively due to occur (the "**Pool Adjustment Date**").

The Pool Adjustment Criteria consists of the following:

- (i) S&P has confirmed in writing to the Issuer, the LLP and the Bond Trustee that the then current ratings of the Covered Bonds will not be negatively impacted as a result of such Pool Adjustment and Moody's and Fitch have been notified in writing of such Pool Adjustment
- (ii) no proposed Loan Terms Amendment will constitute a Prohibited Amendment; and
- (iii) no proposed Loan Terms Amendment will result in a breach of the representations and warranties being given in respect of such Loan Terms Amendment.

#### ***Loan Terms Amendments***

The Originator will have the right, at the request of a Borrower, to vary certain of the financial terms and conditions of any of the Loans (including, *inter alia*, margin, length of term and repayment frequency) (any such variation being a "**Loan Terms Amendment**"), **provided that**, the Originator may, in certain circumstances, be obliged to reacquire the beneficial interest in the Loan in relation to which a Loan Terms Amendment was made (see "*Pool Adjustments and the Pool Adjustment Criteria*" above).

No Loan Terms Amendment may be made in any circumstances:

- (i) to the term of the Loan, if such Loan Terms Amendment would result in the term of the Loan being less than five years prior to the Final Maturity Date of the Covered Bonds;
- (ii) if, in the reasonable opinion of the Originator, such amendment would impact the credit risk and recovery prospects of the Loan;
- (iii) if, in the reasonable opinion of the Originator, such amendment would impact the ability of the LLP to pay amounts due under the Intercompany Loan and/or the Covered Bond Guarantee;
- (iv) to introduce a forgiveness of debt provision in respect of all or part of the principal amount ultimately due in respect of each Loan;
- (v) such that the payment of principal pursuant to each Loan Instrument is not in cash; or

- (vi) which permits the Originator to allow interest payments which are non-deferrable to be deferrable,

(together the "**Prohibited Amendments**").

Loan Terms Amendments other than Prohibited Amendments may be made if Barclays, as Originator Trustee of the Originator Trust Property, determines that such Loan Terms Amendment (A) is an amendment which a prudent commercial lender lending to LAs would make, and (B) is in accordance with the usual business practices of the Originator.

### ***Governing Law***

The Originator Trust Deed will be governed by English law.

### **Cash Management Agreement**

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement to be entered into on the Closing Date between the LLP, Barclays in its capacity as the Cash Manager and the Security Trustee.

The Cash Manager's services include but are not limited to:

- (a) maintaining the Ledgers on behalf of the LLP;
- (b) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*", below;
- (c) determining whether the Asset Coverage Test is satisfied on each Calculation Date prior to the service of a Notice to Pay on the LLP in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*" below;
- (d) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*", below;
- (e) maintaining records of all Authorised Investments;
- (f) providing the FSA with information on the Authorised Investments comprised in the assets of the LLP and/ or any other information as the FSA may require in accordance with the RCB Regulations;
- (g) preparation of Investor Reports for the holders of the Covered Bonds, the Rating Agencies and the Bond Trustee; and
- (h) preparation of the Compliance Certificates and the LLP Cashflow Report.

In certain circumstances the LLP and the Security Trustee each have the right to terminate the appointment of the Cash Manager, in which event the LLP will appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

On the earliest to occur of (i) the Collection Account Bank ceasing to have a short-term rating of at least P-1 by Moody's (or such lower rating trigger that is notified by the Cash Manager to the Beneficiaries following the giving of written confirmation by Moody's that the substitution of such lower rating trigger will not adversely affect Moody's then current rating of the Covered Bonds), F-1 by Fitch or A-2 by S&P and a long-term rating of at least A by Fitch, or (ii) an Insolvency Event occurring in respect of the Collection Account Bank and in any event within 30 days of the occurrence of either (i) or (ii) above, the Cash Manager shall establish a segregated replacement collection account with a replacement collection account bank with a short-term rating of at least P-1 by Moody's, F-1 by Fitch and A-2 by S&P and a long-term rating of at least A by Fitch on substantially the same terms as the existing collection account.

On the earliest to occur of (i) Barclays Bank PLC in its capacity as Collection Account Bank ceasing to have a short term rating of at least P 1 by Moody's (or such lower rating trigger that is notified by the Cash Manager to the Beneficiaries following the giving of written confirmation by Moody's that the substitution of such lower rating trigger will not affect Moody's then current rating of the Covered Bond) F2 by Fitch and A 2 by S&P and a long term rating of at least BBB+ by Fitch, or (ii) an Insolvency Event occurring in respect of the Collection Account Bank, the Cash Manager shall issue the Collection Account Transfer Instruction as soon as possible.

### ***Governing Law***

The Cash Management Agreement will be governed by English law.

### **Asset Monitor Agreement**

Under the terms of the Asset Monitor Agreement entered into on the Closing Date between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the Closing Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If the long-term ratings of the Cash Manager or the Issuer fall below BBB- by S&P, Baa3 by Moody's or BBB- by Fitch, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding one per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable, (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer and the Security Trustee.

The LLP will pay to the Asset Monitor a fee of up to £8,000 per report (exclusive of VAT) for the reports to be performed by the Asset Monitor.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the LLP and the Security Trustee.

Upon giving notice of resignation, the LLP shall immediately use its best endeavours to appoint a replacement (such replacement to be approved by the Security Trustee who shall give such approval if the replacement is an accountancy firm of national standing who agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement). If a replacement is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint an accountancy firm of national standing to carry out the relevant tests on a one-off basis, **provided that** such appointment is approved by the Security Trustee.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement is governed by English law.

## **LLP Deed**

The Members of the LLP agree to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Closing Date, as amended and/or supplemented and/or restated from time to time, between the LLP, Barclays (in its capacity as a Member), the Liquidation Member, the Bond Trustee and the Security Trustee (the "**LLP Deed**").

### ***Members***

As at the Closing Date, each of Barclays and the Liquidation Member became a member (each a "**Member**", and together with any other members from time to time, the "**Members**") of the LLP. Barclays and the Liquidation Member are designated members (each a "**Designated Member**", and together with any other designated members from time to time, the "**Designated Members**") of the LLP. The Designated Members have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to Barclays, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the receipt by the Issuer or the Security Trustee of a Rating Agency Confirmation.

### ***Capital Contributions***

From time to time Barclays (in its capacity as a Member) will make Capital Contributions in cash to the LLP. The Capital Contribution Balance of Barclays shall be calculated in Sterling on each Calculation Date as the difference between (a) the Investor Interest Amount plus Principal Receipts standing to the credit of the GIC Account (but excluding any amounts to be applied in accordance with the Transaction Documents, including any Capital Distributions to be made on the immediately following Interest Payment Date) plus the principal amount of Authorised Investments as at the last day of the preceding Calculation Period and (b) the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall only be paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

### ***Asset Coverage Test***

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Loan Amount is in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on or before the immediately following Calculation Date. If the breach of the Asset Coverage Test is not cured on or before the immediately following Calculation Date and if the Asset Coverage Test is breached again on such immediately following Calculation Date, then an Issuer Event of Default shall occur.

For the purposes hereof:

"**Adjusted Aggregate Loan Amount**" means the amount calculated on each Calculation Date as follows:

$$A + B + C - Z$$



where,

A = equals the Asset Percentage (as defined below) multiplied by the sum of the Adjusted Loan Balance of the relevant Loans as at the Determination Date preceding the relevant Calculation Date;

The Adjusted Loan Balance equals the Current Balance times L, where L equals:

- (a) for all Loans in the Portfolio that are not then Defaulted Loans,  $L = 1$ ; and
- (b) for all Loans in the Portfolio that are then Defaulted Loans,  $L = 0.4$ ,

save that, when calculating the Current Balance, the Current Balance will be deemed to be reduced by the following amounts in the following circumstances:

- (1) where a Loan was, in the immediately preceding Calculation Period, in breach of (i) the Representations and Warranties contained in the Loan Instrument, or, (ii) subject to any other obligation of the Originator to repurchase the relevant Loan, and in each case the Originator has not repurchased the Loan or Loans of the relevant Borrower to the extent required by the terms of the Originator Trust Deed; then the outstanding aggregate Current Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by the outstanding Current Balance amount (as calculated on the relevant Calculation Date) for each Loan Account to which this paragraph applies; and/or
- (2) where the Originator, in any preceding Calculation Period, was in breach of any other material warranty under the Originator Trust Deed, and in this event, the outstanding aggregate Current Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Originator to indemnify the LLP for such financial loss);

B = the aggregate amount of any Capital Contributions made by the Members (as recorded in the Capital Account Ledger of the LLP in relation to each Member) or proceeds of the Intercompany Loan which have not been applied as at the relevant Calculation Date;

C = the amount of any Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date but excluding any amounts due to be applied on the next following Interest Payment Date in accordance with the terms of the Transaction Documents (including any Capital Distributions to be made on the immediately following Interest Payment Date) as well as the amount of any Authorised Investments permitted to have been made by the LLP.

Z = the number of days to the next Interest Payment Date multiplied by the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by Negative Carry Factor where the Negative Carry Factor is:

- (i) zero, for so long as the Swap Agreement is in place and the Issuer has a long-term rating by Moody's of at least A3; or
- (ii) if the Swap Agreement is not in place or if the Issuer ceases to have a long-term rating of A3 by Moody's either: (a) 0.50 per cent. if the then weighted average margin of the interest rate then payable on the Covered Bonds is less than or equal to 0.10 per cent. per annum; or (b) 0.50 per cent. plus that margin minus 0.10 per cent., if that margin is greater than 0.10 per cent. per annum.

"Asset Percentage" means, save where a different percentage figure would not adversely affect the then current ratings of all outstanding Covered Bonds as confirmed in writing by the Rating Agencies, the lowest of:

- (a) 88 per cent.;

- (b) the percentage figure as selected by the LLP (or the Cash Manager acting on its behalf) which, if an increase to the then current Asset Percentage, ensures that all outstanding Covered Bonds maintain the then current ratings assigned to them by Fitch and S&P; or
- (c) the percentage figure selected by the LLP (or the Cash Manager on its behalf) and notified to Moody's and the Security Trustee,

in each case, save where a different percentage figure would not adversely affect the then current ratings of all outstanding Covered Bonds as confirmed in writing by the Rating Agencies.

***Amortisation Test***

The LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date following a Notice to Pay as follows:

$$A + B - Z$$

where,

A = the aggregate "**Amortisation Test Outstanding Principal Balance**" of each Loan, which shall be the product of:

- (x)
  - (1) the relevant outstanding Current Balance as calculated on the Determination Date immediately preceding the relevant Calculation Date;

and

- (y) L, where:
  - (1) for all the Loans that are not Defaulted Loans  
L = 1.0; or
  - (2) for all the Loans that are Defaulted Loans,  
L = 0.7;

B = the sum of the amount of any cash standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period and any amounts due to be applied in accordance with the terms of the Transaction Documents);

Z = the number of days to the next Interest Payment Date multiplied by the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by Negative Carry Factor where the Negative Carry Factor is:

- (i) zero, for so long as the Swap Agreement is in place and the Issuer has a long-term rating by Moody's of at least A3; or

- (ii) if the Swap Agreement is not in place or if the Issuer ceases to have a long-term rating of A3 by Moody's either: (a) 0.50 per cent. if the then weighted average margin of the interest rate then payable on the Covered Bonds is less than or equal to 0.10 per cent. per annum; or (b) 0.50 per cent. plus that margin minus 0.10 per cent., if that margin is greater than 0.10 per cent. per annum.

#### ***Covenants of the LLP and the Members***

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Transaction Documents:

- (a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future;
- (b) dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
- (c) have an interest in a bank account other than as set out in the Transaction Documents;
- (d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with or transfer any of its property or assets to another person;
- (f) have any employees, premises or subsidiaries;
- (g) acquire assets other than pursuant to the Originator Trust Deed, the Cash Management Agreement and the LLP Deed;
- (h) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;
- (i) enter into any contracts, agreements or other undertakings;
- (j) compromise, compound or release any debt due to it;
- (k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or
- (l) be a member of any VAT group.

The LLP and each of the Members (other than the Liquidation Member) further covenant that they will:

- (i) ensure that the Asset Pool is composed of assets which comply with Regulation 3(1) (Asset Pool) of the RCB Regulations;
- (ii) keep a record of those assets that form part of the Asset Pool, which, for the avoidance of doubt, shall not include any Swap Collateral; and
- (iii) comply with its obligations under the RCB Regulations and the RCB Sourcebook at all times, including to provide the FSA with all information that is required on the composition of the Asset Pool and any other notifications and confirmations required under the RCB Regulations and the RCB Sourcebook.

### ***Other Provisions***

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

The LLP Management Committee, comprised as at the Closing Date of directors, officers and/ or employees of Barclays and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

### ***Governing Law***

The LLP Deed is governed by English law.

### ***Deed of Charge***

Pursuant to the terms of the Deed of Charge entered into on the Closing Date by the LLP, the Security Trustee and the other Secured Creditors, the secured obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party will be secured, *inter alia*, by the following security (the "**Security**") over the following property, assets and rights (the "**Charged Property**"):

- (a) an assignment by way of first fixed security of the LLP's right, title, interest and benefit in, to and under the Investor Interest;
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the LLP's right, title, interest and benefit in and to the Transaction Documents (other than the Trust Deed and the Deed of Charge);
- (c) a charge by way of first fixed charge (which may take effect as a floating charge) over the LLP's interest in the LLP Accounts (including any Excess Proceeds) maintained with the Account Bank and any sums standing to the credit thereof;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the LLP; and
- (e) a floating charge over all assets of the LLP.

Upon proof being given to the satisfaction of the Security Trustee as to the irrevocable and unconditional payment in full or discharge all moneys and liabilities which are due and payable by the LLP to the Secured Creditors under the Covered Bonds or the Transaction Documents, the Security Trustee will, at the request and cost of the LLP, release, discharge or reassign the Security to the LLP or to any other person entitled to the Charged Property of whom the Security Trustee has notice.

### ***Enforcement***

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge, and/or take such steps as it shall deem necessary to recover the Charged Property, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

### ***Governing Law***

The Deed of Charge will be governed by English law.

### ***Account Bank Agreement***

The LLP will enter into the Account Bank Agreement with the Account Bank on or about the Closing Date in respect of the GIC Account and any additional accounts to be established pursuant to the Account Bank Agreement (collectively, the "**LLP Accounts**") in the name of the LLP. Moneys will be applied from the GIC Account in accordance with the relevant Priority of Payments.

If at any time the short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to have a rating of at least F1 by Fitch, P-1 by Moody's and A-1 by S&P (or such other short term or long term rating which is otherwise acceptable to the Rating Agencies), the LLP will be required to arrange for the transfer of the LLP Accounts to a bank or financial institution rated at least F1 by Fitch, P-1 by Moody's and A-1 by S&P (or such other short term or long term rating which is otherwise acceptable to the Rating Agencies) within (a) 10 Business Days in the event of the Fitch rating; (b) 10 Business Days in the event of the Moody's rating, or (c) 30 days in the event of the S&P rating, on identical or substantially similar terms to those set out in the Account Bank Agreement in order to maintain the ratings of the Covered Bonds at their then current ratings.

### ***The Swap Transaction***

The Swap Agreement will govern the terms of the total return swap transaction (the "**Swap Transaction**") documented under a swap confirmation (the "**Swap Confirmation**"), in respect of the Loans.

Under the Swap Transaction, on each Interest Payment Date:

- (a) the Swap Provider shall have an obligation to pay the LLP an amount determined by applying the relevant rate for Sterling LIBOR (*plus* a spread) to the relevant Swap Notional Amount (the "**Swap Provider Amount**"); and
- (b) the LLP shall have an obligation to pay the Swap Provider relevant total return payer amounts as determined pursuant to the Swap Transaction (the "**LLP Swap Amount**").

The Swap Provider Amount will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the Pre-Acceleration Revenue Priority of Payments or the Guarantee Priority of Payments or the Post-Acceleration Priority of Payments (as applicable).

### ***Termination of Swap Transaction***

The Swap Transaction may be terminated by the Swap Provider in certain circumstances including, but not limited to, the following:

- (a) if there is a failure by the LLP to pay amounts due under the Swap Transaction and any applicable grace period has expired;

- (b) if certain insolvency events occur with respect to the LLP;
- (c) if a change in law or interpretation thereof results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Swap Agreement;
- (d) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed either (i) on the Swap Provider Amount which results in the Swap Provider being obliged to gross up its payments under the terms of the Swap Transaction or (ii) on the LLP Swap Amount; and
- (e) if any provisions of the Transaction Documents are amended without the prior written consent of the Swap Provider, where the Swap Provider is of the reasonable opinion that it is materially adversely affected as a result of such amendment.

The Swap Transaction may be terminated by the Issuer in certain circumstances, including but not limited to, the following:

- (a) if there is a failure by the Swap Provider to pay amounts due under the Swap Transaction and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to the Swap Provider;
- (c) if a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Swap Agreement; and
- (e) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement.

Upon an early termination of the Swap Transaction, either the LLP or the Swap Provider may be liable to make a swap termination payment to the other. Such swap termination payment will be calculated and paid in Sterling. The amount of any such swap termination payment will be based on the market value of the Swap Transaction which is being terminated as determined on the basis of quotations sought from leading dealers as to the payment required to be made in order to enter into a transaction that would have the effect of preserving the economic equivalent of the respective payment obligations of the parties (or based upon a good faith determination of one of the party's total losses and costs (or gains) if an insufficient number of quotations can be obtained or if one quotation is provided on the last day set for delivery of quotations and the LLP does not accept such quotation) and will include any unpaid amounts that became due and payable prior to the date of termination. If the LLP is required to make such payment to the Swap Provider then the LLP may not have sufficient funds to make payments due in respect of the Covered Bonds and to the extent that one or more comparable replacement swap transactions cannot be entered into, the LLP will be exposed on a continuing basis to the possible variance between the variable rates payable on the Loans in the Portfolio and three-month Sterling LIBOR and the LLP may have insufficient funds to make payments due on the Covered Bonds on an ongoing basis.

#### ***Transfer of Swap Transaction***

The Swap Provider may, subject to certain conditions specified in the Swap Agreement, transfer its obligations under the Swap Agreement to another entity provided that such entity has the Required Swap Rating.

#### ***Withholding Tax***

The Swap Provider will be obliged to gross up payments made by it to the LLP under the Swap Transaction if withholding taxes are imposed on such payments, although in such circumstances the Swap Provider may terminate the Swap Transaction early. The LLP will not be obliged to gross up payments made by it to the Swap Provider under the Swap Transaction if withholding taxes are imposed on such payments, however the Swap Provider may have the right to terminate such Swap Transaction in such circumstances. If either the Swap Provider or the LLP terminates any Swap Transaction then the LLP

may be required to pay (or entitled to receive) a swap termination payment. In such case, payment by the LLP of such swap termination payment may affect amounts available to the LLP to pay interest and principal on the Covered Bonds.

#### ***Rating Downgrade or Withdrawal of the Swap Counterparty***

Under the terms of the Swap Agreement, in the event that the relevant ratings of the long-term or short-term debt (and in the case of S&P only, the short-term debt) of the Swap Provider are downgraded by a Rating Agency below the Required Swap Rating, the Swap Provider will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Swap Agreement and at its own cost which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Required Swap Rating, procuring another entity with the Required Swap Rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or, where the relevant Rating Agency is S&P, taking such other action that would result in the relevant Rating Agency continuing the then current rating of the Covered Bonds.

For the purposes of the above provisions, "**Required Swap Rating**" means that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than:

- (a) A2 by Moody's (long-term) and P-1 by Moody's (short-term) (or if the relevant entity has no short-term Moody's rating, A1 by Moody's (long-term)); and
- (b) A-1 by S&P (short-term); and
- (c) F1 by Fitch (short-term) (or if such relevant entity has no short-term Fitch rating, A by Fitch (long-term)).

#### ***Credit Support Document***

On or around the Closing Date, the Swap Provider, the LLP and the Security Trustee will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) (the "**Swap Agreement Credit Support Document**") in support of the obligations of the Swap Provider under the Swap Agreement. Pursuant to the terms of such Swap Agreement Credit Support Document, if at any time the Swap Provider is required to provide collateral in respect of any of its obligations under the Swap Agreement, the Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Document and the Swap Agreement, the Swap Provider will make transfers of collateral to the LLP in support of its obligations under the Swap Agreement and the LLP will be obliged to return amounts equivalent to such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

The LLP will keep any collateral received from the Swap Provider pursuant to the Swap Agreement Credit Support Document in separate cash and/or securities accounts (the "**Swap Collateral Accounts**"). The LLP may only make payments or transfers utilising any monies and securities held in the Swap Collateral Accounts if such payments and transfers are made in accordance with the terms of the Swap Agreement Credit Support Document. Amounts standing to the credit of the Swap Collateral Accounts will not, upon enforcement of the Security, be available to the Secured Creditors generally and may only be applied in satisfaction of amounts owing by the Swap Provider, or to be repaid to the Swap Provider, in accordance with the terms of the Swap Transaction. There may be circumstances where the LLP has no exposure to the Swap Provider or, if the LLP is exposed to the Swap Provider, the Swap Provider has the Required Swap Rating or the Swap Provider has effected one of the cures, other than posting collateral, as set out in the Swap Agreement. In such circumstances collateral equivalent to any collateral posted to the LLP must be returned to the Swap Provider in accordance with the terms of the Swap Agreement Credit Support Document.

#### ***Governing Law***

The Swap Agreement is governed by English Law.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee on the LLP of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Intercompany Loan or receipt of Revenue Receipts or Principal Receipts from the Investor Interest in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Issuance which enhance the likelihood of timely and, as applicable, ultimate payments to holders of the Covered Bonds, as follows:

- (a) the Covered Bond Guarantee provides credit support to the Issuer;
- (b) the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;
- (c) the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP;
- (d) a Reserve Fund (unless Barclays' short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody's) will be established in the GIC Account to trap Available Revenue Receipts; and
- (e) under the terms of the Account Bank Agreement, the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account at a rate of 0.20 per cent. per annum below LIBOR for one-month Sterling deposits or such greater amount as the LLP and the GIC Provider may agree from time to time.

Certain of these factors are considered more fully in the remainder of this section.

### 1. Covered Bond Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of the Covered Bonds. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9 (*Events of Default and Enforcement*) following the occurrence of an Issuer Event of Default. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment.

See further "*Summary of the Key Transaction Documents - Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows - Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to holders of the Covered Bonds and other Secured Creditors following the occurrence of an Issuer Event of Default

### 2. Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and can pay any senior expenses. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date prior to the service of a Notice to Pay on the LLP, the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, then an Issuer Event of Default will occur. See further "*Summary of the Key Transactions Documents - LLP Deed - Asset Coverage Test*", above.



3. **Amortisation Test**

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee and senior expenses fall to a level where holders of the Covered Bonds may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test involves in its calculations a formula which involves adjustments to take account of Loans in arrears. See further "*Summary of the Key Transaction Documents – LLP Deed – Amortisation Test*", above.

4. **Reserve Fund**

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations of Barclays cease to be rated at least P-1 by Moody's, F1+ by Fitch or A-1+ by S&P or such other short-term ratings that the Rating Agencies may subsequently agree to in order to maintain the current ratings of the Covered Bonds (a "**Barclays Rating Downgrade**"), the LLP will be required to establish a Reserve Fund in the GIC Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Fund in the Pre-Acceleration Revenue Priority of Payments or the Guarantee Priority of Payments, as the case may be, on each Interest Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund.

5. **Authorised Investments**

Pursuant to the Cash Management Agreement the Cash Manager may invest amounts standing to the credit of the GIC Account in Authorised Investments.

6. **Total Return Swap**

The interest rates on some of the Loans in the Portfolio are payable by reference to bases other than three-month Sterling LIBOR (or following an Issuer Event of Default and service of a Notice to Pay on the LLP, one-month Sterling LIBOR) and determined on different dates. However, the interest rates payable by the LLP with respect to amounts due under the Intercompany Loan Agreement in relation to interest and the Guaranteed Amounts are calculated by reference to three-month Sterling LIBOR and, following an Issuer Event of Default and service of a Notice to Pay on the LLP, one-month Sterling LIBOR, in each case set on an Interest Determination Date.

To hedge against the possible variance between:

- (a) the rates of interest payable on the Loans in the Portfolio and the dates on which those rates are set; and
- (b) three- month Sterling LIBOR or one-month Sterling LIBOR, as applicable, set on the relevant Interest Determination Date,

the LLP, on or about the Closing Date, will enter into the Swap Transaction with the Swap Provider.

## CASHFLOWS

As described above under the section entitled "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

- (a) prior to service of a Notice to Pay or service of an LLP Acceleration Notice;
- (b) following service of a Notice to Pay on the LLP but prior to service of an LLP Acceleration Notice; and
- (c) following service of an LLP Acceleration Notice,

all in accordance with the Deed of Charge, as applicable.

If the Swap Collateral Account is closed in accordance with the terms of the Account Bank Agreement, any payment to be made to or from the Swap Collateral Account shall be made to or from the GIC Account, or no payment shall be made at all if such payment is expressed to be from the GIC Account to the Swap Collateral Account, as applicable.

On the Calculation Date immediately preceding each Interest Payment Date, the LLP or the Cash Manager on its behalf shall calculate (a) the amount of Available Revenue Receipts and Available Principal Receipts available for distribution on the immediately following Interest Payment Date and (b) the Reserve Fund Required Amount (if applicable).

### **Pre-Acceleration Revenue Priority of Payments**

Prior to service of a Notice to Pay or service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, Available Revenue Receipts will be applied by the LLP or by the Cash Manager on behalf of the LLP on each Interest Payment Date (except for amounts due to third parties by the LLP under paragraph (ii) below which shall be paid when due and except for Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the Swap Agreement which shall be paid directly to the Swap Provider) in making the following payments and provisions (the "**Pre-Acceleration Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding Interest Payment Period;
- (ii) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (a) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (b) amounts (if any) due and payable to the Account Bank and/or the GIC Provider (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (c) amounts due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon as provided therein;
  - (d) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (vii) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein; and
  - (e) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations (other than the initial registration fees, plus any applicable VAT or similar taxes thereon);
- (iii) *third*, in or towards payment of any amounts due or to become due and payable to the Swap Provider *pro rata* and *pari passu* in respect of the Swap Agreement (including any swap termination payment due and payable by the LLP under the Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Provider) pursuant to the terms of the Swap Agreement;
  - (iv) *fourth*, towards a credit to the Reserve Ledger of the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
  - (v) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof on each Interest Payment Date only, any amounts due and payable (excluding principal amounts due and payable), on each Interest Payment Date falling prior to the next following Interest Payment Date to the Issuer pursuant to the terms of the Intercompany Loan Agreement;
  - (vi) *sixth*, payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Swap Agreement;
  - (vii) *seventh*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;
  - (viii) *eighth*, to pay and discharge any liability of the LLP for taxes;
  - (ix) *ninth*, in or towards payment *pro rata* and *pari passu* to Barclays and the Liquidation Member of the sums of £650 and £100 respectively as profit for their respective interests as Members in the LLP; and
  - (x) *tenth*, in or towards payment of any Deferred Consideration due to the Originator for purchase of the Investor Interest under the Originator Trust Deed.

#### **Pre-Acceleration Principal Priority of Payments**

Prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, all Available Principal Receipts (other than Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the Swap Agreement which shall be paid directly to the Swap Provider) will be applied by the LLP or by the Cash Manager on behalf of the LLP on each Interest Payment Date in making the following payments and provisions (the "**Pre-Acceleration Principal Priority of Payments**"):

- (i) *first*, to deposit the remaining Principal Receipts in the GIC Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the LLP and the payments to be made in respect of the Covered Bonds on the relevant Interest Payment Date, the LLP is in compliance with the Asset Coverage Test;
- (ii) *second*, in or towards repayment of principal to the Issuer in respect of the Intercompany Loan Agreement in the immediately succeeding Interest Period; and

- (iii) *third*, subject to complying with the Asset Coverage Test, to make a Capital Distribution to Barclays (in its capacity as a Member) in accordance with the LLP Deed.

**Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay**

At any time after service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, all Available Revenue Receipts and Available Principal Receipts (other than Swap Collateral Excluded Amounts) will be applied as described below under "*Guarantee Priority of Payments*".

**Guarantee Priority of Payments**

On each Interest Payment Date after the service of a Notice to Pay on the LLP (but prior to the service of an LLP Acceleration Notice), the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts (excluding Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the Swap Agreement which shall be paid directly to the Swap Provider) to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (a) all amounts due and payable or to become due and payable to the Bond Trustee and any Appointee of the Bond Trustee in the immediately succeeding Interest Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
  - (b) all amounts due and payable or to become due and payable to the Security Trustee and any Appointee of the Security Trustee in the immediately succeeding Interest Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
- (ii) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (a) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon as provided therein; and
  - (b) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding Interest Period;
- (iii) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (a) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (b) amounts (if any) due and payable to the Account Bank and/or the GIC Provider (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (c) amounts due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon as provided therein;
  - (d) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (ix) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein; and
  - (e) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations (other than the initial registration fees, plus any applicable VAT or similar taxes thereon);
- (iv) *fourth*, to pay the amounts due and payable to the Swap Provider *pro rata* and *pari passu* (including any swap termination payment due and payable by the LLP under the Swap Agreement but excluding any Excluded Swap Termination Amount) in accordance with the terms of the Swap Agreement; and
  - (v) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, any amounts of interest due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds under the Covered Bond Guarantee in the immediately succeeding Interest Period;
  - (vi) *sixth*, towards a credit to the Reserve Ledger of the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
  - (vii) *seventh*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, to the extent of Available Principal Receipts, the principal amounts outstanding on the Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds under the Covered Bond Guarantee until they have been redeemed in full;
  - (viii) *eighth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to the Swap Provider under the Swap Agreement;
  - (ix) *ninth*, after the Covered Bonds have been fully repaid or provided for (such that an amount equal to the then Principal Amount Outstanding of the Covered Bonds has been accumulated), any remaining moneys will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement (for the avoidance of doubt, the amounts owed by the LLP to the Issuer under the Intercompany Loan will be reduced *pro tanto* by any amounts paid or provided for by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds);
  - (x) *tenth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement;
  - (xi) *eleventh*, to pay and discharge any liability of the LLP for taxes; and
  - (xii) *twelfth*, thereafter any remaining moneys will be applied in accordance with the LLP Deed.

**Application of moneys received by the Security Trustee following the enforcement of the Security**

Under the terms of the Deed of Charge, all moneys received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding Swap Collateral Excluded Amounts due to the Swap Providers by the LLP under the Swap Agreement which shall be paid directly to the Swap Provider) following the enforcement of the Security will be applied in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction of any expenses then due and payable and which are permitted by Regulations 27, 28 and/or 29 of the RCB Regulations to be paid in priority to the amounts identified as payable under item (ii) below and, in respect of such expenses, such expenses to be paid between themselves in the priority and to the extent permitted by Regulations 27, 28 and/or 29 of the RCB Regulations, as applicable and, in addition, in or towards satisfaction, on a similar basis, of any expenses arising under any or in respect of any Covered Bonds not regulated by the RCB Regulations at such time, but only to the extent that such expenses would be permitted to be paid in such priority under Regulations 27, 28 and/or 29 of the RCB Regulations if such Covered Bonds had been so regulated by the RCB Regulations, and only to the extent then also permitted by relevant law;
- (ii) *second*, to the extent not already paid under item (i) above, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:
  - (a) all amounts due and payable or to become due and payable to:
    - (A) the Bond Trustee and any Appointee of the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and
    - (B) the Security Trustee and any Appointee of the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (b) any remuneration then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (c) any amounts then due and payable by the LLP (or the Security Trustee or Receiver on its behalf) to any third party servicer that may be appointed by the LLP or the Security Trustee to exercise rights granted to the LLP or the Security Trustee pursuant to the Originator Power of Attorney (including any reasonable and properly incurred fees, costs, charges, liabilities and expenses then due or to become due and payable to such third party servicer) and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere);
  - (d) amounts in respect of:
    - (A) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
    - (B) amounts due to the Account Bank and/or the GIC Provider (including costs) pursuant to the terms of the Account Bank Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
    - (C) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (e) amounts due and payable to the Swap Provider *pro rata* and *pari passu* in respect of the Covered Bonds (including any swap termination payment due and payable by the LLP under the Swap Agreement but excluding any Excluded Swap Termination Amount) in accordance with the terms of the Swap Agreement; and

- (f) all amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds *pro rata* and *pari passu* under the Covered Bond Guarantee;
- (iii) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the Swap Agreement;
- (iv) *fourth*, after the Covered Bonds have been fully repaid, any remaining moneys shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;
- (v) *fifth*, towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and
- (vi) *sixth*, thereafter any remaining moneys shall be applied in or towards payment to the Members pursuant to the LLP Deed.

## ADMINISTRATION OF THE PORTFOLIO

### Servicing Standard

Pursuant to the Originator Trust Deed, the Originator:

- (a) shall, in the ordinary course of its business, acting as a Reasonably Prudent Lender, collect payments from Borrowers under the Loans and continue to administer such Loans in the same manner and with the standard of skill, care and diligence the Originator applies to all other local authority loans originated, beneficially owned and administered by the Originator, with a view to the timely collection of all sums due under each Loan;
- (b) shall,
  - (i) comply with all applicable laws, rules, regulations and orders with respect to servicing and collection of the Loans;
  - (ii) exercise or enforce or refrain from exercising or enforcing its rights arising in respect of Loans;
  - (iii) agree to or refuse any amendment or waiver of the terms applicable to any Loan; and
  - (iv) at all times act,  
  
in compliance with the terms of the Loan Instruments (and any intercreditor agreements) and the provisions of the Originator Trust Deed and the other Transaction Documents;
- (c) will not, acting as a Reasonably Prudent Lender, take any action likely to impair the interests of the LLP in any of the Originator Trust Property or the value of any Loan; and
- (d) on the occurrence of an event of default under a Loan, shall, in the ordinary course of its business, acting as a Reasonably Prudent Lender, ensure the maximisation of recovery of funds taking into account:
  - (i) the likelihood of recovery of amounts due in respect of that Loan;
  - (ii) the timing of recovery; and
  - (iii) the costs of recovery,

((a) to (d) together, the "**Servicing Standard**").

### Payments from Borrowers

The Originator will be responsible for the monitoring of payments falling due in respect of any Loan.

Borrowers will make payments in respect of their Loans by various methods (i.e. Direct Debit, Standing Order or by BACS) to the Collection Account. The Originator will not permit payments to be made in respect of Loans other than to the Collection Account to which payments in respect of Loans are paid by Borrowers (in accordance with the Loan Instruments).

Pursuant to the Originator Trust Deed, the Originator Trustee will allocate all Loan Revenue Receipts and Loan Principal Receipts between the Originator Interest and the Investor Interest. Amounts standing to the credit of the Collection Account and allocable to the Loans shall form part of the Originator Trust Property. All amounts allocable to the Investor Interest will be transferred by the Originator Trustee to the GIC Account on the specified monthly date as receipt of amounts due to the Investor Interest into the Collection Account. The Cash Manager may invest amounts standing to the credit of an Issuer Account in Authorised Investments by the close of business on the same Business Day.

Early repayment charges in respect of any Loan will not be held on trust by the Originator pursuant to the Originator Trust Deed. The Originator will be entitled to receive such early repayment charges as and when they are received and identified by the Cash Manager and such amounts will not form part of Available Revenue Receipts or Available Principal Receipts.



## **Application of Payments**

If the Originator receives a payment from a Borrower in respect of a Loan and the amount of such payment is insufficient to meet both the principal and interest payment obligations of the Borrower on such date, the Originator shall attribute the amount of the payment to principal and interest in accordance with the provisions of the relevant Loan Instrument.

## **Repayment of Loans**

Under the Originator Trust Deed, the Originator will be responsible for handling the procedures connected with the repayment of Loans.

## **Provisioning**

The Originator, as a prudent lender acting reasonably, will determine the amount of provision for losses to be made against each of the outstanding Loans from time to time.

## **Loan Interest Rate**

The Originator will calculate the applicable rate of interest payable in relation to all Loans whose interest rate is fixed ("**Fixed Rate Loans**").

## **Litigation**

The Originator will promptly notify the LLP and the Security Trustee if it receives notice of any material litigation in relation to a Loan.

## **Insurance**

The Originator will monitor the arrangements for insurance required in connection with the Loans from time to time in accordance with its procedures.

## **Legal Documentation**

The Originator will not part with possession, custody or control of any material documentation relating to a Loan other than (i) with the prior written consent of the LLP; (ii) pursuant to any court order or requirement of law; (iii) otherwise as is necessary to enforce a claim against a Borrower; or (iv) to its professional advisers or otherwise permitted by the Originator Trust Deed.

The Originator will maintain, in accordance with its ordinary business practices, adequate back-up facilities in relation to Loans and their related Loan Instruments and other records.

## **Compliance Certificates, LLP Cashflow Report and other reports**

In relation to each Interest Period, Barclays (on behalf of itself as Originator) will produce two compliance certificates (the "**Compliance Certificates**") which will include statements on the following (i) the aggregate outstanding balance of Loans in the Portfolio, as the case may be, as at the Calculation Date at the end of the relevant Calculation Period; and (ii) whether any principal or interest payments due from any Borrowers pursuant to the relevant Loan Instrument have not been paid (taking into account any applicable grace period during the relevant Calculation Period).

In relation to each Interest Period, the Cash Manager will produce a report (the "**LLP Cashflow Report**") which will include details of certain payments received and certain payments made by the LLP and the information in the Compliance Certificates.

The Compliance Certificates and the LLP Cashflow Report shall be delivered by Barclays and the Cash Manager, respectively, to the LLP and the Bond Trustee within 5 Business Days of the Interest Payment Date to which the information in the Compliance Certificates and the LLP Cashflow Report relates.

## **LOAN ADMINISTRATION POLICIES OF BARCLAYS BANK PLC**

### **General**

The following is a description of the loan servicing procedures in the Corporate Bank ("BC") division of Barclays Bank PLC. It relates to the UK corporate loan business as at the date of this Base Prospectus, with additional notes specific to the local authority sector and Barclays Local Authority Unit ("LAU").

BC's relationship directors and their support teams are responsible for handling and resolving all queries received from borrowers in connection with their loans, in liaison with the administrator of the loans i.e. Loan Operations ("LO"). However, because all treasury loans to the local authority sector are centrally originated and monitored by the LAU the responsibility for handling and resolving all queries received from borrowers in connection with their loans, in liaison with LO falls to the Head of the LAU and his support team.

### **Monitoring and Control**

Typically, all loans are reviewed at least once each year by the relationship manager and the credit risk department. In addition, ongoing loan monitoring and control is undertaken through a risk management framework to ensure adherence to loan terms and conditions and covenants. Once a Credit Limit has been approved for a particular loan, the credit risk exposure that arises is monitored and managed until it is repaid or cancelled.

Credit Limits and associated utilisation are subject to:

- (a) daily monitoring to ensure adherence to the approved Credit Limit amount;
- (b) regular monitoring of the customer's overall performance, including the timeliness of payments and any compliance with covenants or other facility terms and conditions. The frequency of monitoring is determined by the credit quality of the customer and the specific risks associated with the credit risk exposure; higher risk exposures will typically be subject to more frequent monitoring;
- (c) regular calculation of credit risk measures appropriate to the customer such as Internal Credit Grades, Probability of Default and Loss Given Default, however with respect to local authority assets BC has presently assigned the lowest grade of default (Internal Credit grade), lowest Probability of Default and lowest Loss Given Default across the local authority sector; and
- (d) at least an annual, written review by the appropriate credit risk authority to assess whether the customer's credit risk quality and account performance remain satisfactory. The review must also consider whether there have been any material changes which may impact the adequacy of security, enforceability of all documentation and the validity and adequacy of insurance.

In addition, the LAU does maintain a separate watch list that is designed to identify local authorities with higher risk profiles.

### **Loan Deterioration Management**

As part of its loan servicing process, BC seeks to prevent and manage loan deterioration. BC's view is that its interests, and those of its customers, are best served when it can assist a borrower experiencing financial difficulties to find ways to return to healthy operations and thereafter to maintain a profitable banking relationship with it. In the alternative, BC strives to work with the borrower to exit the relationship, managing the difficult circumstances to optimise the outcome for all parties involved. The primary goal underlying BC's policies in this area is to rehabilitate a borrower experiencing difficulties. Such activity in relation to local authorities is supported by the existence of the Public Works Loan Board ("PWLB") as the lender of last resort to statutory bodies including local authorities. As a last resort, after other efforts to work out a particular situation have failed, BC may call a default on the borrower.

## **Debt Collection and Recoveries**

Drawing from the information obtained through the monitoring and control procedures described above, the credit department may identify a particular customer as a heightened risk. Once the customer is identified as being in this category, BC's Business Support team ("CBBS") will be alerted. In the event that there is a further deterioration in credit quality, such that the loan should be downgraded below certain Internal Credit Grade levels, CBBS may assume the relationship management of the customer and seek to identify and address key problem areas. CBBS would then work directly with the customer to agree an appropriate strategy. In most cases, the aim of CBBS is to improve the overall credit quality of the borrower, and return the business to the relevant BC relationship director's sole control. If, however, the turnaround attempts have failed or the business is not considered to be viable, CBBS may consider how best to realise and maximise the value of any security held for the loan and/or the value of the business in order to minimise any loss of principal or interest on a loan. This may necessitate the commencement of formal insolvency processes.

In the majority of cases where a customer is identified as a heightened risk, BC does not suffer any loss. CBBS is staffed by experienced restructuring bankers. Accountants are also employed within the CBBS team. Recovery strategies will be managed within CBBS if the complexity of the particular situation requires the team's expertise, for example, in cases involving syndication. Where debt products provided to customers are not repaid in accordance with agreed terms and conditions, BC has established specific policies and procedures to recover the outstanding debt.

In each case, CBBS undertakes a preliminary case assessment, which includes meetings with key professionals or industry experts. It then formulates a recovery strategy and undertakes a detailed review of the business and of any security to determine the best route to maximise recovery. The particular strategies adopted will depend on the nature of the collateral held and the kinds of problems faced by the customer – three main routes are generally employed: insolvency, property realisation and pursuit of guarantors and third party covenants.

In the case of insolvency, through monitoring and management, the underlying aim is to maximise recovery and minimise costs.

Execution of the strategy might include appropriate enforcement action or inception of litigation proceedings, all to target maximum repayment. As part of this process, professional spend is monitored and controlled regularly, and reviews are made of progress against plan. Throughout the process, professional advisers such as solicitors or tracing agents are employed, and budgets are regularly monitored and controlled.

Please note though that due to the centralised control exerted over the sector the likelihood of a local authority default is very low in that the State has taken an approach towards the financing and regulation of the sector so as to recognise them as an integral part of the administration of the State (and its finances) and thus also a homogeneous group of bodies. The existence of the PWLB as the lender of last resort and a lack of defaults in the entire sector between 199 and 2008 further support the BC risk assessment.

## DESCRIPTION OF THE REGULATED COVERED BONDS REGULATIONS 2008

The Regulated Covered Bonds Regulations 2008 and the corresponding implementation provisions, set out in the RCB Sourcebook, came into force in the United Kingdom on 6 March 2008. The RCB Regulations together with the RCB Sourcebook provide a detailed legislative framework for issuing regulated covered bonds, being a covered bond or programme for the issuance of covered bonds, which has been admitted to the register of regulated covered bonds maintained by the FSA under the RCB Regulations.

The RCB Regulations implement Article 22(4) of the UCITS Directive and paragraph 68 of Annex VI of the Banking Consolidation Directive, which may allow covered bonds that comply with the RCB Regulations to be eligible to benefit from higher prudential investment limits under the UCITS Directive, and preferential risk weighting under the Banking Consolidation Directive.

The RCB Regulations and the RCB Sourcebook include various requirements related to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to, amongst other things, enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met and notify the FSA of various matters (including any regulated covered bonds it issues, the composition of the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to, amongst other things, notify the FSA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The FSA will perform certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FSA has certain powers under the RCB Regulations. In particular, in certain circumstances the FSA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner. Furthermore, the FSA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

Following the Closing Date the Issuer will apply to the FSA for admission to the register of issuers and for the Issuance to be admitted to the register of regulated covered bonds under RCB Regulations. As at the date of this Base Prospectus, neither the Issuer nor the Issuance will be so registered or regulated. Pursuant to the RCB Regulations, the timetable for assessment by the FSA of an application should not be more than six months. However, if the FSA requires additional information from the Issuer within such time period, the six months will commence from the date of receipt of such additional information. Covered Bondholders will be notified promptly by the Issuer upon receipt from the FSA of its final decision on the application.

See also "Risk Factors – *The Regulated Covered Bonds Regulations 2008*" and "Risk Factors - *Expenses of insolvency officeholders*".

## DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland (but not Northern Ireland) under the Limited Liability Partnership Act 2000 (the "**LLPA 2000**"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

### *Corporate characteristics*

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital because it is a separate legal entity and when the members decide to enter into a contract, they bind the limited liability partnership in the same way that directors bind a company. Members may be liable for their own negligence and other torts or delicts, like company directors, if they have assumed a personal duty of care and have acted in breach of that duty. Third parties can assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 1985 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships Regulations 2001 (as amended by the Limited Liability Partnerships (Amendment) Regulation 2005) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

### *Partnership characteristics*

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

### *Taxation*

A limited liability partnership which carries on a trade, profession or other business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are subject to corporation tax in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are subject to corporation tax in relation to the business of that partnership.

## FORM OF THE COVERED BONDS

### General

As at the Closing Date, the Covered Bonds of each Series will be represented by a Global Covered Bond and will be deposited on or about the Closing Date with a common depository for both Euroclear and Clearstream, Luxembourg (the "**Common Depository**").

Each Global Covered Bond will be registered in the name of a nominee (the "**Nominee**") for the Common Depository. The Registrar will maintain a register in which each Nominee is registered as the owner of the relevant Global Covered Bond.

Payments of principal, interest or any other amount in respect of the Covered Bonds will, in the absence of any provision to the contrary, be made to the person shown on the Register (as defined in Condition 5(a)) (*Methods of payment*) as the registered holder of the relevant Global Covered Bond. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Payment of principal, interest or any other amount in respect of the Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(a)) (*Methods of payment*) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in each Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of any Exchange Event. "**Exchange Event**" means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by Global Covered Bonds in definitive form. The Issuer will promptly give notice to holders of the Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any Registrar requesting exchange and, in the event of the occurrence of an Exchange Event, as described in (ii) above), the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur no later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### General

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may be approved by the Issuer, the Principal Payment Agent and the Bond Trustee.

No holder the Covered Bonds shall be entitled to proceed directly against the Issuer or the LLP unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails to do so within a reasonable period and the failure shall be continuing

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into the Global Covered Bond and each Definitive Covered Bond (each as defined below). The Final Terms will be endorsed upon, or attached to, the Global Covered Bond and each Definitive Covered Bond.*

This Covered Bond is one of a Series (as defined below) issued by Barclays Bank PLC (the "**Issuer**") and constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated on or about 11 November 2009 (the "**Closing Date**") made between the Issuer, Barclays Covered Bond Funding LLP as guarantor (the "**LLP**") and BNY Corporate Trustee Services Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the "**Security Trustee**", which expression shall include any successor as Security Trustee).

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution*) references herein to the "**Covered Bonds**" shall mean:

- (i) the Global Covered Bond of this Series;
- (ii) any Definitive Covered Bonds issued in exchange (or part exchange) for a Global Covered Bond in registered form. (the "**Definitive Covered Bonds**").

The Covered Bonds have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Closing Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and The Bank of New York Mellon, London Branch, as issuing and principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar). As used herein, "**Agents**" shall mean the Paying Agents and the Registrar.

The Final Terms are attached to or endorsed on this Covered Bond and supplement these Terms and Conditions (the "**Conditions**").

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**" or "**holders of the Covered Bonds**").

The LLP has, in the Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds as and when the same shall become due for payment on certain dates in accordance with the Trust Deed ("**Due for Payment**"), but only after service of a Notice to Pay on the LLP following an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer or service of an LLP Acceleration Notice on the LLP.

The security for the obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party has been created in and pursuant to, and on the terms set out in, a deed of charge (such deed of charge as amended and/or supplemented and/or restated from time to time, the "**Deed of Charge**") dated the Closing Date and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors.

These Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Deed of Charge and the Agency Agreement.

Copies of the Final Terms, the Trust Deed, the Deed of Charge, the Master Definitions Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the Closing Date at One Canada Square, London E14 5AL and at the specified office of each of the Paying Agents and any holder of the Covered Bonds must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered

Bonds and identity. The holders of the Covered Bonds are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions Agreement, the Agency Agreement, each of the other Transaction Documents and the Final Terms.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Final Terms and/or the master definitions agreement made between the parties to the Transaction Documents on or about the Closing Date (the "**Master Definitions Agreement**"), a copy of each of which may be obtained as described above.

#### 1. **Form, Denomination and Title**

The Covered Bonds are in registered form as specified in the Final Terms.

The Covered Bonds will be issued in Specified Denominations and in integral multiples in excess thereof as specified in the Final Terms.

Subject as set out below, title to the Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee will (except as otherwise required by law) deem and treat the registered holder of any Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of the Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, voting, giving consents and making requests, for which purpose the registered holder of the relevant Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the Global Covered Bond and the expressions. "**Covered Bondholder**" and "**holder of Covered Bonds**" and related expressions shall be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being Euroclear or Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

So long as the Covered Bonds are represented by a Global Covered Bond and the relevant clearing system(s) so permit, the Covered Bonds shall be tradeable only in the nominal amount of at least £50,000 and integral multiples of £1,000.



2. **Transfers of Covered Bonds**

(a) ***Transfers of interests in Global Covered Bond***

Transfers of beneficial interests in the Global Covered Bond (the "**Global Covered Bond**") will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in the Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Covered Bonds in definitive form or for a beneficial interest in another Global Covered Bond only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

(b) ***Transfers of Covered Bonds in definitive form***

Subject as provided in Condition 2(e) (*Exchanges and transfers of Covered Bonds generally*) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Covered Bond in definitive form may be transferred in whole or in part (in the Specified Denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Covered Bond for registration of the transfer of the Covered Bond (or the relevant part of the Covered Bond) at the specified office of the Registrar, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar and (ii) the Registrar must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Subject as provided above, the Registrar will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Covered Bond in definitive form of a like aggregate nominal amount to the Covered Bond (or the relevant part of the Covered Bond) transferred. In the case of the transfer of part only of a Covered Bond in definitive form, a new Covered Bond in definitive form in respect of the balance of the Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

(c) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Covered Bonds under Condition 6 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Covered Bond, or part of a Covered Bond, called for partial redemption.

(d) ***Costs of registration***

Holders of the Covered Bonds will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) ***Exchanges and transfers of Covered Bonds generally***

Holders of Covered Bonds in definitive form may exchange such Covered Bonds for interests in the Global Covered Bond at any time.

3. **Status of the Covered Bonds and the Covered Bond Guarantee**

(a) ***Status of the Covered Bonds***

The Covered Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to any applicable statutory provisions) *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the LLP (the "**Covered Bond Guarantee**") in the Trust Deed. However, the LLP shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of (i) an Issuer Event of Default following which, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and following which service by the Bond Trustee on the LLP of a Notice to Pay or (ii) if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are direct, unconditional (in the circumstances outlined above) and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

Any payment made by the LLP under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9 (*Events of Default and Enforcement*)) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the holders of the Covered Bonds.

As security for the LLP's obligations under the Covered Bond Guarantee and the other Transaction Documents (as defined in the Master Definitions Agreement) to which it is a party, the LLP has granted fixed and floating security over all of its assets under the Deed of Charge in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors).

4. **Interest**

(a) ***Interest Payment Dates***

Each Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Closing Date and such interest will be payable in arrears on each Interest Payment Date as specified in the Final Terms (each, an "**Interest Payment Date**").

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Closing Date) to (but excluding) the next Interest Payment Date (or, in the case of the first Interest Period, the First Interest Payment Date).

In these Conditions, "**Business Day**" means a day which is a day on which banks are generally open for business in London.

(b) ***Rate of Interest***

The rate of interest for each Interest Period (the "**Rate of Interest**") will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time) on the Interest

Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this Condition 4(b) in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

There is no minimum or maximum Rate of Interest.

The Reference Rate and the Relevant Screen Page are set out in the Final Terms.

(c) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest payable on the Covered Bonds (an "**Interest Amount**") for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365), and rounding the resultant figure downwards to the nearest penny.

(d) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the LLP, the Bond Trustee, the Registrar and to any stock exchange or other relevant competent authority or quotation system on which the relevant Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 12 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(a) (*Interest Payment Dates*)) thereafter by the Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Covered Bonds are for the time being listed or by which they have been admitted to listing and to holders of the Covered Bonds in accordance with Condition 12 (*Notices*).

(e) ***Determination or Calculation by Bond Trustee***

If for any reason at any relevant time after the Closing Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 4(b) (*Rate of Interest*) above and in accordance with Condition 4(c) (*Determination of Rate of Interest and calculation of Interest Amounts*) above, the Bond Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(f) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 (*Interest*), whether by the Principal Paying Agent or the Calculation Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Bond Trustee and all holders of the Covered Bonds and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the holders of the Covered Bonds shall attach to the Principal Paying Agent or the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(g) ***Accrual of interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

5. **Payments**

(a) ***Method of payment***

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Covered Bond appearing in the register of holders of the Covered Bonds maintained by the Registrar at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if a holder does not have a Designated Account payment will instead be made by Sterling cheque drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with the Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in London.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Covered Bond (whether or not in global form) will be made by a Sterling cheque drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Covered Bond appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the "**Record Date**") at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Covered Bond.

Holders of Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Covered Bonds.

(b) ***Laws and Regulations***

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto but without prejudice to the provisions of Condition 7 (*Taxation*)

(c) ***General provisions applicable to payments***

The holder of the Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by the Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of the Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of the Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on the Global Covered Bond.

(d) ***No Payment on non-Business Day***

If the date for payment of any amount in respect of any Covered Bond is not a Business Day, the holder thereof shall not be entitled to payment of the relevant amount due until the next following Business Day and shall not be entitled to any interest or other sum in respect of any such delay.

(e) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Principal Amount Outstanding of the Covered Bonds;
- (iii) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds;
- (iv) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(f) ***Partial payment***

Following the service of a Notice to Pay on the LLP but prior to an LLP Event of Default, if on the date falling two Business Days following service of a Notice to Pay (subject to any applicable grace period) the LLP has insufficient moneys (after paying higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments) to pay the Guaranteed Amount corresponding to the Principal Amount Outstanding on the Covered Bonds, then the LLP shall apply the available moneys (after paying higher ranking amounts in accordance with the Guarantee Priority of Payments) to redeem the Covered Bonds *pro rata* in part at par together with accrued interest.

(g) **Calculation Agent**

The appointment of the Calculation Agent may be terminated (i) at any time that any Covered Bonds are outstanding by the Issuer and the LLP, with the prior written approval of the Bond Trustee, with 45 days' prior written notice to the Calculation Agent (such notice may not expire less than 30 days before any date on which calculation is due to be made in respect of the Covered Bonds) and 30 day's prior notice to the Covered Bondholders or (ii) immediately by the Issuer, with the prior written approval of the Bond Trustee, if the Calculation Agent, among other things, becomes incapable of acting, is adjudged bankrupt or insolvent or fails duly to perform any function or duty imposed on it under the Conditions. The Calculation Agent may resign its appointment under this Agreement at any time by giving to the Issuer, the LLP and the Bond Trustee at least 60 days prior written notice to that effect. Notwithstanding the foregoing, so long as any of the Covered Bonds is outstanding, the termination of the appointment of the Calculation Agent (whether by the Issuer, the LLP or by the resignation of the Calculation Agent) shall not be effective unless upon the expiry of the relevant notice a successor Calculation Agent approved in writing by the Bond Trustee has been appointed.

6. **Redemption and Purchase**

(a) **Final redemption**

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Principal Amount Outstanding on the Final Maturity Date as specified in the Final Terms.

(b) **Mandatory Redemption**

Subject to Conditions 6(c) (*Redemption for taxation reasons*), 6(d) (*Redemption at the option of the Issuer (Issuer Call)*) and 6(e) (*Redemption due to illegality*), the Covered Bonds shall be repaid *pro rata* and *pari passu* on each Interest Payment Date as follows:

- (i) prior to service of a Notice to Pay or service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding up proceedings against the LLP, to the extent of amounts of principal received by the Issuer under the Intercompany Loan Agreement; and
- (ii) at any time after service of a Notice to Pay on the LLP but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding up proceedings against the LLP, to the extent of the amounts of principal received by the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds under the Covered Bond Guarantee.

(c) **Redemption for taxation reasons**

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 12 (*Notices*), the holders of the Covered Bonds (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next Interest Payment Date, the Issuer is or will be required to pay additional amounts as provided in Condition 7 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 6(c) will be redeemed at their Principal Amount Outstanding together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(d) **Redemption at the option of the Issuer (Issuer Call)**

The Issuer may, having (unless otherwise specified, in the Final Terms) given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 12 (*Notices*), the holders of the Covered Bonds (which notice shall be irrevocable) redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in the Final Terms

together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) subject to, in the case of a partial redemption pursuant to this Condition 6(d), to receipt of a Rating Agency Confirmation and **provided that** prior to giving any such notice, the Issuer shall have provided to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions Agreement) of the Issuer to the effect that it will have the funds on the relevant Optional Redemption Date(s), not subject to the interest of any other person, required to redeem the Covered Bonds pursuant to this Condition 6(d) and meet its payment obligations of a higher priority under the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments. Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot (in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds) and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) (in the case of Redeemed Covered Bonds represented by a Global Covered Bond), in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 12 (*Notices*) not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest penny, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(d) and notice to that effect shall be given by the Issuer to the holders of the Covered Bonds in accordance with Condition 12 (*Notices*) at least 30 days prior to the Selection Date.

(e) ***Redemption due to illegality***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 12 (*Notices*), all holders of the Covered Bonds (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond, become unlawful for the Issuer to make, fund or allow to remain outstanding the Intercompany Loan made by it to the LLP from the Covered Bonds pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(e) will be redeemed at their Principal Amount Outstanding together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) ***Purchases***

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds at any price and in any manner. If purchases are made by tender, tenders must be available to all holders of the Covered Bonds alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

(g) ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(f) (*Purchases*) above and cancelled shall be forwarded to the Principal Paying Agent and the Registrar and cannot be held, reissued or resold.

(h) ***Certification on redemption under Condition 6(c) and 6(e)***

Prior to the publication of any notice of redemption pursuant to Conditions 6(c) (*Redemption for taxation reasons*) and 6(e) (*Redemption due to illegality*), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions Agreement) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds.

7. **Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds by or on behalf of the Issuer or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond presented for payment:

- (a) in the United Kingdom; or
- (b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds; or
- (c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or
- (e) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Paying Agent in a Member State of the European Union.



As used herein:

"**Relevant Date**" means the date on which such payment in respect of the Covered Bond first becomes due and payable, except that, if the full amount of the moneys payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such moneys have been so received, notice to that effect having been given to the holders of the Covered Bonds in accordance with Condition 12 (*Notices*).

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of the United Kingdom or any political sub-division thereof or by any authority having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

#### 8. **Prescription**

The Covered Bonds will become void unless presented for payment within 10 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor, subject in each case to the provisions of Condition 5 (*Payments*).

#### 9. **Events of Default and Enforcement**

##### (a) ***Issuer Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding (which for this purpose or the purpose of any Extraordinary Resolution (as defined in the Trust Deed) referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed then outstanding as if they were a single Series) or if so directed by an Extraordinary Resolution of the holders of the Covered Bonds shall, (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (vii) below, only if the Bond Trustee shall have certified in writing that such event is, in its sole opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series and **provided that** a breach by the Issuer of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall not in itself be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its respective Principal Amount Outstanding together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds of any Series within seven days of the due date; or
- (ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Subscription Agreement) and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the Issuer requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the Issuer by the Bond Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the bankruptcy or liquidation or winding up of the Issuer (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or

- (iv) if the Issuer ceases to carry on its business or substantially the whole of its business (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
- (v) proceedings shall be initiated against the Issuer under any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or a receiver, administrator, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part (having an aggregate book value of in excess of £50,000,000) of its assets or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of its assets (having an aggregate book value of in excess of £50,000,000) and, in any of the foregoing cases, it shall not be discharged within 30 days; or if the Issuer shall initiate or consent to any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except in connection with a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or shall make a conveyance, assignment for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vi) the Issuer shall be unable to pay its debts (other than any debts disputed in good faith) as they fall due (within the meaning of section 123(1)(b) to (e) and section 123(2) of the Insolvency Act 1986 as that section may be amended) or shall admit inability to pay its debts as they fall due or shall stop payment in respect of any debts that are due (save, in the case of stopping payments, in each case in respect of any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) or shall be adjudged or found bankrupt or insolvent); or
- (vii) a failure to satisfy the Asset Coverage Test (as set out in the LLP Deed) on any Calculation Date prior to the service of a Notice to Pay on the LLP which has not been cured by the LLP by the next following Calculation Date.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer subject to and in accordance with the first paragraph of Condition 9(c) (*Enforcement*).

The Trust Deed provides that all moneys received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the holders of the Covered Bonds of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the

receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each holder of the Covered Bonds shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

(b) ***LLP Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed then outstanding as if they were a single Series) or if so directed by an Extraordinary Resolution of the holders of the Covered Bonds shall (subject in each case to being indemnified and/or secured to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) to (vii) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such event is, in its sole opinion, materially prejudicial to the interests of the holders of the Covered Bonds and **provided that** a breach by the LLP of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall in itself not be considered materially prejudicial to the interests of the Covered Bondholders of any Series by the Bond Trustee, give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and to the LLP, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its respective Principal Amount Outstanding together with accrued interest and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Principal Amount Outstanding for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and after such delivery of an LLP Acceleration Notice the Security shall become enforceable if any of the following events (each an "**LLP Event of Default**") shall occur and be continuing:

- (i) default is made by the LLP for a period of seven days or more in the payment of any Guaranteed Amounts of any Series when Due for Payment in respect of the Covered Bonds except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) (*Final Redemption*) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the LLP requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the LLP by the Bond Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the liquidation or winding up of the LLP; or
- (iv) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (v) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (vi) proceedings are initiated against the LLP under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but

not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or

- (vii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps subject to and in accordance with the first and third paragraphs, respectively, of Condition 9(c) (*Enforcement*) and the holders of the Covered Bonds shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to its respective Principal Amount Outstanding together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)) as provided in the Trust Deed in respect of each Covered Bond.

(c) ***Enforcement***

The Bond Trustee may at any time take such proceedings against the Issuer and/or the LLP, as the case may be, and/ or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds or any other Transaction Document but it shall not be bound to take any such proceedings in relation to the Trust Deed, the Covered Bonds or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the holders of the Covered Bonds of all Series and shall not have regard to the interests of any other Secured Creditors.

The Security Trustee may at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such enforcement proceedings or steps unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding; and (ii) it shall have been indemnified and/or secured to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee for as long as the Covered Bonds are outstanding shall only have regard to the interests of the holders of the Covered Bonds of all Series and shall not have regard to the interests of any other Secured Creditors.

No holder of the Covered Bonds shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Covered Bonds or the Security

unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

#### 10. **Replacement of Covered Bonds**

Should any Covered Bond be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 12 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds must be surrendered before replacements will be issued.

#### 11. **Principal Paying Agent, Paying Agents and Registrar**

The names of the initial Principal Paying Agent, the other initial Paying Agents and the initial Registrar, and their initial specified offices are set out above.

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any holders of the Covered Bonds. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

#### 12. **Notices**

All notices regarding the Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

So long as the Covered Bonds are represented in their entirety by the Global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Covered Bonds and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

A copy of each notice given in accordance with this Condition shall be provided to the Irish Stock Exchange for so long as the Covered Bonds are listed on the Irish Stock Exchange.

### 13. Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the holders of the Covered Bonds to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed or any other Transaction Document. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution shall be one or more persons present being registered holders of Definitive Covered Bonds or holding voting certificates or being proxies or representatives and holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of such Series of Covered Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Covered Bonds whatever the Principal Amount Outstanding of such Series of Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of any Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of such Series of Covered Bonds then outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of such Series of Covered Bonds then outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Covered Bonds of any Series shall, subject as provided below, be binding on all the holders of the Covered Bonds of such Series, whether or not they are present at the meeting. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the interests of the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a "**Transaction Resolution**") shall only be capable of being passed at a single meeting of the holders of the Covered Bonds of all Series then outstanding. Any such meeting to consider a Transaction Resolution may be convened by the Issuer, the LLP or the Bond Trustee or by holders of the Covered Bonds of any Series. The quorum at any such meeting for passing a Transaction Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the Principal Amount Outstanding of the Covered Bonds of any Series so held or represented. A Transaction Resolution passed at any meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Series of Covered Bonds.

The Bond Trustee, the Security Trustee, the LLP and the Issuer may also agree, without the consent of the holders of the Covered Bonds of any Series and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification relates to a Reserved Matter), to:

- (a) any modification of the Covered Bonds of any one or more Series or any Transaction Document **provided that** (i) in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series, and (ii) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series; and
- (b) any modification of the Covered Bonds of any one or more Series or any Transaction Document which is of a formal, minor or technical nature or is in the opinion of the Bond Trustee and Security Trustee made to correct a manifest error or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee or to comply with mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series and/or the Transaction Documents or determine, without any such consent as

aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, **provided that**, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series. The Security Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, **provided that**, in any such case, it is not, in the opinion of the Security Trustee, materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series.

The Bond Trustee may only agree to a substitution of the existing Issuer with another entity if the transfer of the Issuer's benefits and obligations in relation to the Covered Bonds complies with Regulation 19 of the RCB Regulations.

Prior to the Bond Trustee agreeing to any modification, waiver, authorisation or determination pursuant to this Condition 13, the Issuer must send written confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations and that either:

- (a) such modification, waiver, authorisation or determination would not require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations; or
- (b) if such modification, waiver, authorisation or determination would require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FSA and the FSA has consented to such proposed modification, waiver, authorisation or determination.

Any such modification, waiver, authorisation or determination shall be binding on all holders of the Covered Bonds of all Series then outstanding and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the holders of the Covered Bonds of all Series then outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee shall have regard to the general interests of the holders of the Covered Bonds of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual holders of the Covered Bonds whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual holders of the Covered Bonds resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any holder of the Covered Bonds be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual holders of the Covered Bonds, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### ***Substitution***

- (a) Subject as provided in the Trust Deed, the Bond Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the holders of the Covered Bonds of any Series, may agree, without the consent of the holders of the Covered Bonds of such Series, to the substitution of any successor in business of the Issuer or of a Subsidiary of the Issuer or any such successor in business, in place of the Issuer as principal debtor under the Covered Bonds of such Series and the Trust Deed, provided (in case of the substitution of any company which is a Subsidiary of the Issuer or such successor in business) that the obligations of such Subsidiary in respect of the Covered Bonds and the Trust Deed in respect thereof shall be guaranteed by the Issuer or such successor in business in such form as the Bond Trustee may require.
- (b) Any substitution pursuant to this Condition 13 shall be binding on the holders of the Covered Bonds of such Series and, unless the Bond Trustee agrees otherwise, shall be notified to the

holders of the Covered Bonds of such Series as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

For the purposes of this Condition 13:

**"Potential Issuer Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

**"Potential LLP Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

**"Reserved Matter"** in relation to Covered Bonds means; (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution or the quorum required at a meeting at which an Extraordinary Resolution is to be passed; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the holders of the Covered Bonds); (v) the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/ or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of the Covered Bonds to execute an instrument of transfer of the Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed or this definition.

14. **Indemnification of the Bond Trustee and/or Security Trustee and Bond Trustee and/or Security Trustee Contracting with the Issuer and/or the LLP**

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee or the Security Trustee is of the opinion that the interests of the holders of the Covered Bonds may be materially prejudiced thereby, the Bond Trustee or the Security Trustee shall not exercise such power, trust, authority or discretion without the approval of the holders of the Covered Bonds by Extraordinary Resolution or by a direction in writing of the holders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds then outstanding.

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the holders of the Covered Bonds or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Loans, or any deeds or documents of title thereto, being



uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; or (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test. Neither the Bond Trustee nor the Security Trustee will be liable to any holder of the Covered Bonds or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. **Governing Law**

The Trust Deed, the Agency Agreement, the corporate services agreement entered into by the LLP, with, *inter alios*, Structured Finance Management Limited and the LLP on the Closing Date (the "**Corporate Services Agreement**"), the Covered Bonds and the other Transaction Documents including certain documents to be granted pursuant to the Deed of Charge and the Corporate Services Agreement) will be governed by, and construed in accordance with, English law unless specifically stated to the contrary.

## THE LOANS

### Introduction

The Loans were selected from a portfolio of corporate loans made to LAs originated by the Originator.

The following tables summarise the characteristics of the Loan Facilities by the criteria identified in each such table as at 31 August 2009.

### Selection of the Portfolio

The Originator selected loans that, as of the Cut-Off Date (as defined in "*Characteristics of the Portfolio*"), had been provisionally identified to comprise the Portfolio (the "**Actual Provisional Portfolio**"). The Originator sets exclusion criteria corresponding to informational requirements and relevant representations and warranties that the Originator will be required to make in the Originator Trust Deed in relation to the Loans comprising the Portfolio.

### Characteristics of the Portfolio

The statistical and other information contained in this section has been compiled by reference to the Actual Provisional Portfolio which includes £3,475,107,848.75 of commitments under the Loans and £3,475,107,848.75 of drawn amounts as at 31 August 2009 (the "**Cut-off Date**") and was determined on or prior to such date by the Originator in accordance with the procedures as described in "*The Loans – Selection of the Portfolio*" above.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

As of the Cut-off Date, the Actual Provisional Portfolio had the following characteristics:

#### Summary Statistics

Total Balance .....	3,475,107,848.75
Average Balance per Loan.....	9,291,732
Maximum Principal Balance per Loan .....	50,000,000
Average Balance per Borrower .....	23,640,189
Maximum Principal Balance per Borrower.....	281,800,000 (8.11%)
10 Biggest Borrowers Aggregated Balance.....	1,175,216,000
10 Biggest Borrowers Portfolio Proportion.....	33.82%
Number of Loans .....	374
Number of Borrowers .....	147
Weighted Average Original Maturity (Years).....	59.45
Weighted Average Remaining Maturity (Years) .....	55.61
Weighted Average Time to Next Option (Years).....	2.99
Weighted Average Seasoning (Years).....	3.43
Barclays Internal Rating (DG).....	1

\* All calculations assume all undrawn amounts are fully drawn.

#### Regional Concentration

Geographic Region	Number of Loans	%	Current Balance GBP	%
North East England .....	33	8.82%	220,650,000	6.35%
North West England.....	45	12.03%	425,500,000	12.24%
Yorkshire & the Humber .....	42	11.23%	460,900,000	13.26%
East Midlands.....	28	7.49%	164,740,000	4.74%
West Midlands .....	26	6.95%	179,500,000	5.17%
London .....	20	5.35%	217,362,039	6.25%
East of England .....	34	9.09%	343,900,000	9.90%
South East England.....	41	10.96%	407,989,810	11.74%
South West England.....	34	9.09%	309,700,000	8.91%
Scotland.....	56	14.97%	581,616,000	16.74%

Wales.....	15	4.01%	163,250,000	4.70%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### Facility Outstanding Balance

Current Balance Breakdown	Number of Borrowers	%	Current Balance GBP	%
0 - 500,000 .....	-	0.00%	-	0.00%
500,000 - 1,000,000 .....	-	0.00%	-	0.00%
1,000,000 - 2,000,000 .....	3	2.04%	4,600,000	0.13%
2,000,000 - 2,500,000 .....	-	0.00%	-	0.00%
2,500,000 - 5,000,000 .....	31	21.09%	138,340,000	3.98%
5,000,000 - 10,000,000 .....	42	28.57%	368,450,000	10.60%
10,000,000 - 25,000,000 .....	32	21.77%	566,489,810	16.30%
25,000,000 - 50,000,000 .....	22	14.97%	830,312,039	23.89%
50,000,000 - 75,000,000 .....	10	6.80%	578,700,000	16.65%
75,000,000 - 100,000,000 .....	2	1.36%	155,316,000	4.47%
100,000,000 - 150,000,000 .....	3	2.04%	356,100,000	10.25%
150,000,000 + .....	2	1.36%	476,800,000	13.72%
<b>Total.....</b>	<b>147</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### Facility Seasoning

Seasoning (Years)	Number of Loans	%	Current Balance GBP	%
0 - 1 .....	3	0.80%	100,000,000	2.88%
1 - 2 .....	26	6.95%	279,500,000	8.04%
2 - 3 .....	98	26.20%	1,071,162,039	30.82%
3 - 4 .....	110	29.41%	953,816,000	27.45%
4 - 5 .....	90	24.06%	669,429,810	19.26%
5 - 10 .....	47	12.57%	401,200,000	11.54%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### Facility Origination

Year of Origination	Number of Loans	%	Current Balance GBP	%
2000 .....	-	0.00%	-	0.00%
2001 .....	-	0.00%	-	0.00%
2002 .....	6	1.60%	33,000,000	0.95%
2003 .....	15	4.01%	104,500,000	3.01%
2004 .....	43	11.50%	398,800,000	11.48%
2005 .....	113	30.21%	925,929,810	26.64%
2006 .....	109	29.14%	941,766,000	27.10%
2007 .....	84	22.46%	961,112,039	27.66%
2008 .....	4	1.07%	110,000,000	3.17%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### Facility Remaining Terms

Remaining Term (Years)	Number of Loans	%	Current Balance GBP	%
0 - 10 .....	3	0.80%	25,000,000	0.72%
10 - 20 .....	2	0.53%	7,000,000	0.20%
20 - 30 .....	6	1.60%	35,500,000	1.02%
30 - 40 .....	25	6.68%	184,000,000	5.29%
40 - 50 .....	81	21.66%	730,740,000	21.03%
50 - 60 .....	149	39.84%	1,319,655,810	37.97%
60 - 65 .....	4	1.07%	40,366,570	1.16%

65 – 70.....	104	27.81%	1,132,845,469	32.60%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### *Facility Original Terms*

<b>Original Term (Years)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Current Balance GBP</b>	<b>%</b>
0 – 10.....	1	0.27%	5,000,000	0.14%
10 – 20.....	2	0.53%	7,000,000	0.20%
20 – 30.....	6	1.60%	35,500,000	1.02%
30 – 40.....	21	5.61%	160,000,000	4.60%
40 – 50.....	84	22.46%	749,740,000	21.57%
50 – 60.....	150	40.11%	1,331,655,810	38.32%
60 – 65.....	4	1.07%	39,000,000	1.12%
65 – 70.....	106	28.34%	1,147,212,039	33.01%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### *Contact Type*

<b>Contact Type</b>	<b>Number of Loans</b>	<b>%</b>	<b>Current Balance GBP</b>	<b>%</b>
LOBO.....	367	98.13%	3,331,507,849	95.87%
Range/LOBO.....	7	1.87%	143,600,000	4.13%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### *Lender Option Frequency*

<b>Lender Option Frequency</b>	<b>Number of Loans</b>	<b>%</b>	<b>Current Balance GBP</b>	<b>%</b>
6 monthly.....	181	48.40%	1,732,729,810	49.86%
1 yearly.....	19	5.08%	175,500,000	5.05%
18 monthly.....	1	0.27%	30,000,000	0.86%
2 yearly.....	22	5.88%	234,562,039	6.75%
3 yearly.....	26	6.95%	227,000,000	6.53%
4 yearly.....	9	2.41%	71,216,000	2.05%
5 yearly.....	109	29.14%	939,100,000	27.02%
6 yearly.....	3	0.80%	40,000,000	1.15%
7 yearly.....	-	0.00%	-	0.00%
10 yearly.....	4	1.07%	25,000,000	0.72%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

#### *Time to Next Option*

<b>Time to Next Option Date (Years)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Current Balance GBP</b>	<b>%</b>
0 – 0.5.....	126	33.69%	984,679,810	28.34%
0.5 – 1.....	41	10.96%	364,066,000	10.48%
1 – 2.....	54	14.44%	638,362,039	18.37%
2 – 3.....	39	10.43%	335,800,000	9.66%
3 – 4.....	20	5.35%	245,900,000	7.08%
4 – 5.....	30	8.02%	238,600,000	6.87%
5 – 10.....	43	11.50%	424,900,000	12.23%
10 – 15.....	14	3.74%	179,100,000	5.15%

15 – 20.....	7	1.87%	63,700,000	1.83%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

*Interest Periods*

<b>Interest Periods</b>	<b>Number of Loans</b>	<b>%</b>	<b>Current Balance GBP</b>	<b>%</b>
6 Months .....	374	100.00%	3,475,107,849	100.00%
Other.....	-	0.00%	-	0.00%
<b>Total.....</b>	<b>374</b>	<b>100.00%</b>	<b>3,475,107,849</b>	<b>100.00%</b>

## DESCRIPTION OF THE LOCAL AUTHORITY SECTOR

### Local Authorities in England and Wales

#### *Legal Status*

Under English law, a local authority is a statutory body responsible for fulfilling the functions entrusted to it in its local area. The five principal types of local authority established under the Local Government Act 1972 ("**LGA 1972**") are county councils, district councils, metropolitan district councils, borough councils and parish or community councils. In addition, there are a substantial number of other bodies classed as local authorities for the purposes of relevant legislation. This includes police authorities established under the Police Act 1996 as well as waste disposal authorities and transport, fire and rescue authorities established as "joint authorities" under the Local Government Act 1985.

Under English law, a local authority is a body corporate created by statute and, consequently, it is a separate legal entity which has perpetual succession, has rights and duties and is capable of suing and being sued, of entering into contracts and of holding property, and whose powers are confined to those which are expressly or by implication conferred upon them by statute. Local authorities are subject to the courts in much the same way as any other corporate body and, consequently, a court judgement may be obtained against a local authority to compel it to perform its statutory and contractual obligations.

A local authority may also be subject to judicial review if it is challenged as having acted outside the scope of its statutory powers or made a decision which was an unreasonable one or after using an unfair procedure. The statutory powers conferred upon local authorities to be exercised for public purposes can only be used validly if they are used as Parliament, when conferring the powers, is presumed to have intended. To use statutory powers in a way which is contrary to the inferred Parliamentary purpose is to abuse them. The consequence of an abuse of statutory power is to render actions taken *ultra vires*. In particular, if, in making decisions on the carrying out of its statutory powers and functions, a local authority takes into account irrelevant considerations, or fails to take into account relevant considerations, its decision may be so tainted as to be one which no reasonable local authority could have taken, had it considered all relevant factors and excluded from consideration irrelevant ones. The decision (often referred to as "Wednesbury unreasonable") will then be *ultra vires* on grounds of irrationality.

A local authority cannot be wound up or dissolved, other than in certain circumstances by order of the Secretary of State following a recommendation from the Boundary Committee pursuant to the Local Government and Public Involvement in Health Act 2007 in relation to England, or, in relation to Wales, by order of the Welsh Ministers following a recommendation from the Local Government Boundary Commission for Wales pursuant to the LGA 1972. Previous local authorities have only been wound up or dissolved when several local authorities have merged for strategic, economic or political reasons, and the responsibilities and liabilities of the relevant local authority are transferred to the new entity.

#### *Statutory Regime*

Local authorities located in England and Wales and included in the Portfolio are subject to the Local Government Act 2003 (the "**LGA 2003**") and the local government capital finance regime, which was introduced by the LGA 2003. Prior to the LGA 2003, local government capital finance was governed by the Local Government and Housing Act 1989. The impact of the LGA 2003 has been to remove credit approvals for credit obligations and direct borrowing by local authorities and to introduce a new regime whereby local authorities primarily determine for themselves how much money they can afford to borrow, subject to any limits imposed by the Secretary of State or the National Assembly. Under section 1 of the LGA 2003, a local authority is permitted to borrow money for any purpose relevant to its statutory functions or for the prudent management of its financial affairs. A local authority may not, without the consent of the Treasury, borrow otherwise than in sterling.

#### *Protection for Lenders*

In accordance with section 13 of the LGA 2003, all money borrowed by a local authority, together with any interest on it, is charged indifferently on all the revenues of the local authority, and such charges shall rank *pari passu*. If an amount due remains unpaid for a period of two months after demand in writing, the High Court may appoint a receiver, on application from a person entitled to principal or interest in respect of any borrowing by a local authority, on such terms and with such powers as the High Court thinks fit.

Section 6 of the LGA 2003 further provides that a person lending to a local authority shall not be bound to enquire whether the local authority has power to borrow the money and shall not be prejudiced by the absence of any such power. There is, as yet, no judicial authority on the extent of this provision. However, Lord Templeman in *Hazell v. Hammersmith and Fulham L.B.C.* [1991] 1 All ER 20 stated that Paragraph 20 of Schedule 13 of the LGA 1972 (the precursor to Section 6 of the LGA 2003) "*is a complete protection for any person who lends money to a local authority*". Although Lord Templeman's remarks refer to the "safe harbour" provision in the LGA 1972 which is worded slightly differently from that contained in the equivalent provisions of the LGA 2003, the judgment does give some comfort as to the courts' likely interpretation of the scope of the "safe harbour" provision as it now exists. It appears clear that a lender need not concern itself as to the purpose of the borrowing or the prudence thereof, and that a particular lender will not be prejudiced even if a decision by a local authority borrower to take a loan is not within its powers.

However, the precise scope of protection afforded by this provision is unclear. Where a lender makes a loan to a local authority knowing that the local authority was exceeding its powers or its credit limits, it is unclear whether the "safe harbour" provision could be relied upon.

It is unclear whether the "complete protection" deemed to be provided by this provision would cover broken funding costs and associated swap breakage costs that are incurred by a lender in the event that entry by a local authority into a loan is found to be *ultra vires*. However, a lender should be able to recover all losses incurred (including losses incurred in connection with related hedging arrangements) under Section 6 of the LGA 2003, otherwise that lender would be prejudiced by a local authority's lack of capacity and Section 6 would therefore not amount to a "complete protection".

## **Local Authorities in Scotland**

### ***Legal Status***

Under Scots law, a local authority is a statutory body responsible for discharging, within its defined local government area, statutory functions. Scotland now has a single tier system of Local Government with 32 local authorities, each operating within its own area. The legislation which governs the discharge of local authority functions in Scotland is quite different from the English legislation with the key statutes being:-

- the Local Government (Scotland) Act 1973;
- the Local Government (Scotland) Act 1975 (the "**1975 Act**");
- the Local Government etc. (Scotland) Act 1994 (the "**1994 Act**"); and
- the Local Government in Scotland Act 2003.

Although they are not local authorities, certain other bodies are treated as local authorities for some purposes under relevant legislation. These bodies include Police Boards and Fire Boards, whether these relate solely to one local authority area or are "joint boards" which cover a number of areas.

Under Scots law a local authority is a body corporate with its own legal personality which is capable of suing and being sued and has full power to enter into contracts and to acquire and dispose of property, and whose powers are confined to those which are expressly or by implication conferred on them by statute. As in England and Wales, local authorities are subject to the jurisdiction of the courts and court judgments and decrees may be obtained and enforced against local authorities in Scotland to compel them to perform statutory and contractual obligations.

### ***Statutory Regime***

The principal statute governing the exercise of borrowing powers by Scottish local authorities is the 1975 Act. Under Section 16 and Schedule 3 of the 1975 Act a local authority may borrow such sums as may be required for any of the purposes listed in paragraph 1 of Schedule 3 to the 1975 Act. Those purposes are listed but include the power to borrow for "any other purpose for which the authority are authorised under any enactment to borrow".

Where a local authority is authorised under a statutory borrowing power to borrow money, it may raise the money by any of the methods listed in paragraph 2 of Schedule 3 to the 1975 Act, namely by the issue of a local authority mortgage, by overdraft, by the issue of stock, bonds or bills or by any other means approved with the consent of the Treasury. Local authorities may also borrow from the Public Works Loans Board. The power of a local authority to borrow money by any means includes power to raise money by those means "outside the United Kingdom or in foreign currency", but only with the consent of, and in accordance with any conditions specified by, the Treasury.

### ***Protection of Lenders***

Paragraph 26 of Schedule 3 to the 1975 Act provides that a person lending to a local authority shall not be bound to enquire whether the borrowing of the money is legal or irregular or whether the money raised was properly applied and shall not be prejudiced by any illegality or irregularity, or by the mis-application or non-application of any of that money. As in England and Wales, there is no direct Scottish authority on the extent of this provision.

Paragraph 8 of Schedule 3 to the 1975 Act states that all money borrowed under any statutory borrowing power by a local authority shall be secured upon the whole funds, rates and revenues of the authority and not otherwise. All money borrowed by a local authority by whatever method shall be deemed to have the same charge and security and shall rank *pari passu*.



## UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. The following comments relate only to withholding and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax).

Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers.

### *Payment of Interest by the Issuer on the Covered Bonds*

Interest on the Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom tax where the Covered Bonds are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. HM Revenue & Customs' website indicates that the Irish Stock Exchange has been designated as a recognised stock exchange. The Covered Bonds will be treated as "listed" on a recognised stock exchange if they are included in the Official List and are admitted to trading on the regulated market of the Irish Stock Exchange.

In all cases falling outside the exemption described above, interest on the Covered Bonds may be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption that may apply.

### *Payments by the LLP*

If the LLP makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds, other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a "recognised stock exchange" within the meaning of section 1005 of Income Tax Act 2007. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

### *Provision of Information*

Holders of Covered Bonds should note that where any interest on Covered Bonds is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant holder of Covered Bonds (other than where collection is purely passive, for example, solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the relevant holder of Covered Bonds (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 of Covered Bonds is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HM Revenue & Customs may be passed by HM Revenue & Customs to the tax authorities of certain other jurisdictions.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Covered Bonds.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Covered Bonds which constitute "deeply discounted securities" for the purposes of section 18 of the Taxes Management Act 1970 (although in this regard HMRC published guidance for the year 2009/2010 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

### ***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 or certain limited types of entity established 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%. 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. By Royal Decree dated 27 September 2009 and published in the Belgian Official Gazette on 1 October 2009, the Belgian State elected to abandon the transitional withholding system and provide information in accordance with the Directive as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted 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 or certain limited types of entity established in a Member State. In addition, the Member States have entered into 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 or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

### ***References to "interest"***

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 Covered Bonds or any related documentation.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Barclays, in its capacity as Subscriber, has, in a subscription agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Subscription Agreement**") dated on or about the Closing Date agreed with the Issuer and the LLP a basis upon which the Subscriber may purchase Covered Bonds. Such agreement for the purchase by the Subscriber will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. The Subscriber is entitled to be released and discharged from its obligations to purchase Covered Bonds under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

### *Transfer Restrictions*

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Covered Bonds.

The Covered Bonds have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

### *Legend*

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Covered Bonds are outstanding, a Global Covered Bond will bear a legend substantially as set forth below:

NEITHER THIS COVERED BOND NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "**INVESTMENT COMPANY**" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS GLOBAL COVERED BOND, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF ITS BENEFICIAL INTERESTS REPRESENTED BY THIS GLOBAL COVERED BOND, SUCH INTERESTS MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE OF THE UNITED STATES. ACCORDINGLY, ANY TRANSFER OF THE COVERED BONDS PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.

### **Selling Restrictions**

#### *United States of America*

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and may only be offered, sold, resold, delivered or transferred outside the United States to non-U.S. persons in offshore transactions in reliance on Rule 903 or 904 of Regulation S.

The Subscriber has agreed under the Subscription Agreement that it will not offer, sell or deliver the Covered Bonds to, or for the account or benefit of, U.S. persons (i) as part of the Barclay's distribution at any time or (ii) otherwise prior to the date that is 40 days after the later of the commencement of the offering and the Closing Date (the "**Distribution Compliance Period**"), except in accordance with Rule 903 or 904 of Regulation S and, accordingly, that neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to such Covered Bonds and it and its affiliates and any person acting on its or their behalf

has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.

The Subscriber has also undertaken that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Covered Bonds from it during the restricted period a confirmation or notice in substantially the following form:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, the Subscriber has represented and agreed with the Issuer and the LLP that:

- (a) except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (i) it has not offered or sold, and during the restricted period that it will not offer or sell, any Covered Bonds to a person who is within the United States or its possessions or to a U.S. person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Covered Bonds that are sold during the restricted period;
- (b) it has, and throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Covered Bonds are aware that the Covered Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules; and
- (c) with respect to each affiliate which acquires Covered Bonds from it for the purpose of offering or selling such Covered Bonds during the restricted period, it has either (i) repeated and confirmed the representations and agreements contained in paragraphs (a) and (b) on its own behalf or (ii) agreed that it will obtain from such affiliate for the benefit of the Issuer and the LLP the representations and agreements contained in paragraphs (a) and (b).

Terms used in this section have the meanings given to them by Regulation S under the Securities Act and by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the D Rules.

#### ***Public Offer Selling Restrictions under the Prospectus Directive***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Subscriber has represented to and agreed with the Issuer that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Covered Bonds, which are the subject of the offering contemplated by this Base Prospectus and the Final Terms, to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; or
- (d) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Subscriber,

provided that no such offer of Covered Bonds referred to in (a) to (d) above shall require the Issuer or the Subscriber to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### ***Selling Restrictions Addressing Additional United Kingdom Securities Laws***

The Subscriber has represented to and agreed with the Issuer and the LLP that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not, or in the case of the Issuer, would not, if it was not an authorised person, apply to the Issuer or the LLP; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

#### ***Selling Restrictions Addressing Irish Additional Securities Laws***

The Subscriber has represented to and agreed with the Issuer and the LLP that:

- (a) it will not underwrite the issue of, or place, the Covered Bonds otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (the "**MiFID Regulations**") including, without limitation, Parts 6, 7 and 12 thereof.
- (b) (it will not underwrite the issue of, or place, the Covered Bonds, otherwise than in conformity with the provisions of the Irish Central Banks Acts 1942 to 2004 (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 Covered Bonds otherwise than in conformity with the provisions of the 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 Financial Regulator; and
- (d) it will not underwrite the issue of, place, or otherwise act in Ireland in respect of the Covered Bonds, otherwise than in conformity with the provisions of the 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 Irish Financial Regulator.

#### ***General***

Application has been made to the Irish Stock Exchange Limited for the Covered Bonds to be admitted to the Official List of the Irish Stock Exchange. Under the Subscription Agreement, the Subscriber has acknowledged that, save for making such applications and for having procured the delivery of a copy of the Base Prospectus for registration to the Financial Regulator, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Covered Bonds, or possession or distribution of the Base Prospectus (in proof or final form) or any amendment or supplement thereto or any other offering material relating to the Covered Bonds in any country or jurisdiction where action for that purpose is required. Under the Subscription Agreement, the Subscriber has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Covered Bonds or have in its possession or distribute the Base Prospectus (in proof or in final form) or any amendment or supplement thereto or any other offering material.

Attention is drawn to the information set out on the inside front cover of this Base Prospectus.

## GENERAL INFORMATION

1. The issue of Covered Bonds has been duly authorised by resolutions passed by the Fund Raising Committee of the Board of Directors of the Issuer dated on or about 18 September 2009 and the giving of the Covered Bond Guarantee has been duly authorised by a meeting of the LLP Management Committee held on 29 October 2009.
2. The approval of the Base Prospectus in respect of Covered Bonds has been granted on or about 10 November 2009.
3. Following the Closing Date, the Issuer will apply to the FSA for the Issuer and the Issuance and the Covered Bonds to be admitted to the register of issuers and the register of regulated covered bonds, as appropriate, under the Regulated Covered Bonds Regulations 2008.
4. The Barclays Group has for some time been party to proceedings, including a putative class action, in the United States against a number of defendants following the collapse of Enron; the putative class action claim is commonly known as the Newby litigation. On 19 March 2007 the United States Court of Appeals for the Fifth Circuit issued a decision that the case could not proceed against the Barclays Group as a class action because the plaintiffs had not alleged a proper claim against the Barclays Group. On 22 January 2008, the United States Supreme Court denied the plaintiffs' request for review of the Fifth Circuit's 19 March 2007 decision. On 5 March 2009, the District Court granted summary judgment in the Barclays Group's favour in relation to the plaintiffs' claims against the Barclays Group. The District Court also denied the plaintiffs' request to amend the complaint to assert revised claims against the Barclays Group on behalf of the class. The plaintiffs' time in which to file an appeal regarding the District Court's 5 March 2009 decision has not yet expired. The Barclays Group considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate the Barclays Group's possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Like other UK financial services institutions, the Barclays Group faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") or are unenforceable penalties or both. In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including the Issuer, to resolve the matter by way of a "test case" process. Preliminary issues hearings took place in January, July and December 2008 with judgments handed down in April and October 2008 and January 2009 (a further judgment not concerning the Issuer's terms). As to current terms, in April 2008 the Court held in favour of the banks on the issue of the penalty doctrine. The OFT did not appeal that decision. In the same judgment the Court held in favour of the OFT on the issue of the applicability of the UTCCR. The banks appealed that decision. As to past terms, in a judgment on 8 October 2008, the Court held that the Issuer's historic terms, including those of Woolwich, were not capable of being penalties. The OFT indicated at the January 2009 hearing that it was not seeking permission to appeal the Court's findings in relation to the applicability of the penalty doctrine to historic terms. Accordingly, it is now clear that no declarations have or will be made against the Issuer that any of its unauthorised overdraft terms assessed in the test case constitute unenforceable penalties and that the OFT will not pursue this aspect of the test case further. The proceedings will now concentrate exclusively on UTCCR issues. The banks' appeal against the decision in relation to the applicability of the UTCCR (to current and historic terms) took place at a hearing in late October 2008. On 26 February 2009, the Court of Appeal dismissed the banks' appeal, holding, in a judgment of broad application, that the relevant charges were not exempt from the UTCCR. The banks petitioned the House of Lords for leave to appeal the decision. The appeal was heard before the House of Lords on 23-25 June 2009 with judgment reserved. Judgment is likely to be handed down in late July or September 2009. If the banks' appeal is upheld the test case will be at an end. If it is dismissed then it is likely that the proceedings will still take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process (which is reviewable in July 2009 and discussions between the banks and the FSA over an extension to the waiver to accommodate the judgment and/or continuation of the test case are ongoing) and a standstill of Financial Ombudsman Service decisions. The Barclays Group is defending the test case vigorously. It is not practicable

to estimate the Barclays Group's possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period. Barclays PLC will comply with its obligations as a listed company admitted to the Official List in connection with further disclosures in relation to this litigation, including its potential impact on the Barclays Group.

Barclays PLC and the Barclays Group is engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business. The Issuer does not expect the ultimate resolution of any of the proceedings to which the Barclays Group is party to have a significant adverse effect on the financial position of the Barclays Group and the Issuer has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

Save as disclosed in paragraphs 1, 2 and 3 of this section 3, no member of the Barclays Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and/or the Barclays Group.

5. The LLP is not involved in, nor has been involved in, any legal, governmental or arbitration proceedings which may have or have had, since 29 September 2009 (being the date of incorporation of the LLP), a significant effect on its financial position, nor is the LLP aware that any such proceedings are pending or threatened.
6. Since the date of its incorporation the LLP has not commenced operations and no financial statements have been produced as of the date of this Base Prospectus.
7. There has been no significant change in the financial or trading position of the LLP since 29 September 2009 and there has been no material adverse change in the prospects of the LLP since 29 September 2009. There has been no material adverse change in the prospectus of the Issuer or the Barclays Group since 31 December 2008.
8. The annual consolidated accounts of the Issuer and its subsidiaries for the two years ended 31 December 2008 and 31 December 2007 have been audited without qualification by PricewaterhouseCoopers LLP, chartered accountants and registered auditors (a member of the Institute of Chartered Accountants in England and Wales).
9. The Trust Deed provides that the Bond Trustee may rely on any certificate or report by the auditors of the Issuer or any other expert called for by or provided to the Bond Trustee (whether or not addressed to the Bond Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Bond Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other expert in respect thereof.
10. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Covered Bonds and is not itself seeking admission of the Covered Bonds to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.
11. For so long as the Covered Bonds are admitted to the Official List of the Irish Stock Exchange, and trading on its regulated market, copies of the following documents will, when published, be available (in physical format) to holders of the Covered Bonds during usual business hours on any weekday (Saturdays and public holidays excepted) from Barclays Treasury, 1 Churchill Place, London E14 5HP:
  - (i) the Memorandum and Articles of Association of the Issuer and the constitutive documents of the LLP;

- (ii) the Joint Annual Report, the 2007 Issuer Annual Report, the 2008 Issuer Annual Report, the Interim Results Announcement, the BGI Announcement and the Interim Management Statement;
- (iii) the forms of the Global Covered Bond and the Definitive Covered Bonds;
- (iv) a copy of this Base Prospectus;
- (v) the Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) each Transaction Document.

12. The Covered Bonds may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems (which are entities in charge of keeping the records). The common code the Covered Bonds allocated by Clearstream, Luxembourg and Euroclear will be contained in the Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.



## FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be the Covered Bonds issued under the Issuance. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]  
(to the Base Prospectus dated [•])

Barclays Bank PLC  
Issue of [•] Covered Bonds  
irrevocably and unconditionally guaranteed as to payment of principal and interest by  
Barclays Covered Bond Funding LLP  
under the  
£[•] Local Authority Covered Bond Issuance

Following the Closing Date, application will be made for the Issuance to be registered, and notice of the issue of these Covered Bonds will be made, under the Regulated Covered Bonds Regulations 2008. In this respect, see also the paragraph "*The Regulated Covered Bonds Regulations 2008*" in the section "*Risk Factors*" of the Base Prospectus.

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] 2009 which constitute(s) a Base Prospectus (the "**Base Prospectus**") for the purposes of the Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. The Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing during normal business hours at Barclays Treasury, 1 Churchill Place, London, E14 5HP, United Kingdom and at the offices of the Irish Stock Exchange, 28 Anglesea Street, Dublin 2, Ireland.

1. (i) Issuer: Barclays Bank PLC
- (ii) Guarantor: Barclays Covered Bond Funding LLP
2. (i) Issue Price: £[•]
- (ii) [Net proceeds [•]]
3. Specified Denominations: Minimum denomination of £50,000 and any amount in excess thereof in integral multiples of £1,000
4. Closing Date: [•] 2009
5. Final Maturity Date: Interest Payment Date falling in or nearest to [specify month]
6. Interest Basis: LIBOR +/- [•] per cent. Floating Rate
7. Redemption/Payment Basis: [•]
8. Call Options: Issuer Call
9. (i) Status of the Covered Bonds: Senior
- (ii) Status of the Guarantee: Senior
- (iii) [Date [Board/Committee] approval for issuance of Covered Bonds obtained: [•] and [•]
10. Listing: Ireland
11. Method of distribution: Non-syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE<sup>3</sup>**

12. Specified Period(s)/Specified Interest Payment Date(s): [•]
13. Manner in which the Rate of Interest and Interest Amount is to be determined: Screen Rate Determination
14. Party responsible for calculating the Rate of Interest and Interest Amount: Principal Paying Agent
15. Screen Rate Determination:
  - (i) Reference Rate: LIBOR

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<sup>3</sup> This section relates to interest payable under the Covered Bonds and corresponding amounts of interest payable under the Covered Bond Guarantee.

(ii) Interest Determination Date(s): [•]

(iii) Relevant Screen Page: Reuters Page LIBOR01 ((or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Bond Trustee)

16. Margin(s): [+/-] [•] per cent. per annum.

17. Day Count Fraction: Actual/365/366

#### **PROVISIONS RELATING TO REDEMPTION BY THE ISSUER**

18. Issuer Call: Applicable

(i) Optional Redemption Date(s): Any Interest Payment Date subject to notice periods in Condition 6(d)

(ii) Optional Redemption Amount of each Covered Bond: Principal Amount Outstanding of such Covered Bond(s)

#### **GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

19. Form of Covered Bonds: Global Covered Bond registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (specify nominal amounts)

20. Additional Financial Centre(s) or other special provisions relating to Payment Dates: Not Applicable

#### **DISTRIBUTION**

21. Subscriber: Barclays Bank PLC

#### **LISTING APPLICATION**

These Final Terms comprise the final terms required to list on the Official List of the Irish Stock Exchange and have admitted to trading on its regulated market the issue of Covered Bonds described herein pursuant to the £[•] Local Authority Covered Bond Issuance of Barclays Bank PLC.

#### **RESPONSIBILITY**

Each of the Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. The Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Ireland
- (ii) Admission to trading: Application has been made to the Irish Stock Exchange for the Covered Bonds to be admitted to the official list and trading on its regulated market with effect from [•]

### 2. RATINGS

- Ratings: The Covered Bonds to be issued have been rated:
- [S & P: [•]]
  - [Moody's: [•]]
  - [Fitch: [•]]

### 3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer [•]  
(See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)]
- (ii) Estimated net proceeds: [•]  
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)
- (iii) Estimated total expenses [•]  
[Include breakdown of expenses]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in "*Subscription and Sale and Transfer and Selling Restrictions*", so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. [Amend as appropriate if there are other interests]]

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [•]
- (ii) Common Code: [•]
- (iv) Any clearing system(s) other than Euroclear or other than Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address, and number(s)]

- |       |   |   |
|-------|---|---|
| (v)   | [Delivery:]   | Delivery [against/free of] payment  |
| (vi)  | Names and addresses of additional Paying Agent(s) (if any):               | [•]   |
| (vii) | Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes]/[No]<br>[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] [Include this text if "yes" selected in which case the Covered Bonds must be issued in NGCB form] |

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: ..... By: .....  
 Duly authorised Duly authorised

If the Final Terms specifies any modification to the Terms and Conditions of the Covered Bonds as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7(b)), 12, 13, 14, 15 (insofar as such Covered Bonds are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Base Prospectus. If the Terms and Conditions of the Covered Bonds are to be modified in any other respect, a supplement to this Base Prospectus will be prepared, if appropriate.

## GLOSSARY

"£", "Sterling" and "Pounds Sterling"	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
"Account Bank"	Barclays in its capacity as Account Bank pursuant to the Account Bank Agreement;
"Account Bank Agreement"	The account bank agreement entered into on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the LLP, the Account Bank, the Cash Manager and the Security Trustee;
"Accrual Period"	The relevant period from (and including) the most recent Interest Payment Date (or, in relation to the first period, the Closing Date) to (but excluding) the relevant payment date;
"Actual/365/366"	As specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
"Actual Provisional Portfolio"	The loans selected by the Originator that, as of the Cut-off Date, were provisionally identified to comprise the Portfolio;
"Adjusted Aggregate Loan Amount"	The meaning given in " <i>Summary of the Key Transaction Documents</i> " on page 52;
"Agency Agreement"	The agency agreement dated on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent, the other Paying Agents and the Registrar;
"Agents"	The Paying Agents and the Registrar, and each an " <b>Agent</b> ";
"Amortisation Test"	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date following the service of a Notice to Pay on the LLP;
"Amortisation Test Aggregate Loan Amount"	The meaning given in " <i>Summary of the Key Transaction Documents</i> " on page 54;
"Amortisation Test Outstanding Principal Balance"	The meaning given in " <i>Summary of the Key Transaction Documents</i> " on page 54;
"Ancillary Right"	In relation to a Right, all ancillary rights, accretions and supplements to such Right, including, without limitation, any guarantees or indemnities in respect of such Right;
"Appointee"	Any attorney, manager, agent, delegate, nominee, Receiver, administrator, custodian or other person properly appointed by the Bond Trustee or the Security Trustee under the Trust Deed or the Deed of Charge (as applicable) to discharge any of its functions;
"Arranger"	Barclays;
"Asset Coverage Test"	The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation

	Date;
"Asset Monitor"	PricewaterhouseCoopers LLP whose registered office is at 1 Embankment Place, acting through its office at Hay's Galleria, 1 Hays Lane, London SE14 2RD;
"Asset Monitor Agreement"	The asset monitor agreement entered into on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
"Asset Monitor Report"	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
"Asset Percentage"	The meaning given in " <i>Summary of the Key Transaction Documents</i> " on page 53;
"Authorised Institution"	An institution authorised to take deposits under the Financial Services and Markets Act 2000;
"Asset Pool"	The pool of assets owned at any time by the LLP which back the payment of claims attached to the Covered Bonds and may comprise the following items: <ul style="list-style-type: none"> <li>(a) sums derived from the issue of Covered Bonds;</li> <li>(b) eligible property in accordance with Regulation 2(1) of the RCB Regulations which is acquired by the LLP or transferred by the Issuer or a connected person to the Issuer or the LLP in accordance with the RCB Regulations;</li> <li>(c) contracts relating to the asset pool or to any Covered Bonds;</li> <li>(d) sums derived from any of the assets referred in to (b) or (c) above and sums lent to the LLP by persons other than the Issuer, in accordance with the RCB Regulations;</li> </ul>
"Authorised Investments"	(a) Sterling gilt-edged securities and (b) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) (which may include deposits into any account which earns a rate of interest related to LIBOR) <b>provided that</b> in all cases such investments have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an Authorised Institution) are rated at least equal to "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch or which are otherwise acceptable to the Rating Agencies (if they are notified in advance) to maintain the then current rating of the Covered Bonds <b>provided that</b> any such authorised investment satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with paragraph 68 of Annex VI of the Banking Consolidation Directive;

**"Available Principal Receipts"**

For each Interest Payment Date, on a relevant Calculation Date an amount equal to the aggregate of (without double counting):

- (a) all Principal Receipts received by the LLP during the immediately preceding Calculation Period;
- (b) any excess of the amounts received under the Intercompany Loan Agreement over the Initial Trust Consideration (in respect of the First Interest Payment Date only) payable on or before such Interest Payment Date;
- (c) any Capital Contributions received from a Member;
- (d) all amounts in respect of principal (if any) received by the LLP under the Swap Agreement (excluding (prior to (i) an LLP Event of Default and service of an LLP Acceleration Notice and/or (ii) the commencement of winding up proceedings against the LLP and/or (iii) realisation of the Security) any such amounts in respect of either (x) any early termination payment received by the LLP from the Swap Counterparty under the Swap Agreement to the extent such amount is paid (in accordance with the terms of the LLP Deed) directly to a replacement swap counterparty for the purpose of acquiring a replacement swap transaction, and (y) any amount of Replacement Swap Premium is paid (in accordance with the terms of the LLP Deed) directly to the Swap Counterparty as a termination payment under the Swap Agreement); and
- (e) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds;

**"Available Revenue Receipts"**

For each Interest Payment Date, on a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Revenue Receipts received by the LLP during the previous Calculation Period and credited to the Revenue Ledger on the GIC Account;
- (b) other net income of the LLP including all amounts of interest received on the LLP Accounts and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under the Swap Agreement;
- (c) all amounts (other than in respect of principal) (if any) received by the LLP under the Swap Agreement (excluding (prior to (i) an LLP Event of Default and service of an LLP Acceleration Notice and/or (ii) the commencement of winding up proceedings against the LLP and/or (iii) realisation of the Security) any such amounts in respect of either (x) any early termination payment received by the LLP from the Swap Counterparty under the Swap Agreement to the extent such amount is paid (in accordance with the terms of the LLP Deed) directly to a replacement swap counterparty for the purpose of acquiring a



replacement swap transaction, and (y) any amount of Replacement Swap Premium to the extent such Replacement Swap Premium is paid (in accordance with the terms of the LLP Deed) directly to the Swap Counterparty as a termination payment under the Swap Agreement);

(d) prior to the service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount; and

(e) following the service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund.

**"Banking Consolidation Directive"** Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, as amended from time to time;

**"Barclays"** Barclays Bank PLC, a public limited company registered in England and Wales under company number 1026167 having its registered office at 1 Churchill Place, London E14 5HP;

**"Barclays Group"** The Issuer and its subsidiary undertakings;

**"Barclays PLC"** The ultimate holding company of the Issuer;

**"Barclays Rating Downgrade"** The short term, unsecured, unsubordinated and unguaranteed debt obligations of Barclays have ceased to be rated at least P-1 by Moody's, F1+ by Fitch or A-1+ by S&P or such other short-term ratings that the Rating Agencies may subsequently agree to in order to maintain the current ratings of the Covered Bonds;

**"Basel Committee"** Basel Committee on Banking Supervision;

**"Beneficiaries Deed"** The deed so named dated on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the Originator, the Originator Beneficiary and the Investor Beneficiary;

**"Benefit"** In respect of any asset, agreement, property or right (each a "**Right**" for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

(a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right;

(b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;

- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach;

<b>"Bond Trustee"</b>	BNY Corporate Trustee Services Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee appointed from time to time in accordance with the terms of the Trust Deed;
<b>"Borrower"</b>	Each borrower under a Loan Instrument, which term shall include the ultimate borrower in a lending structure under which the immediate borrower on lends the proceeds of the relevant facility to one or more other members of the same group of companies who are ultimately controlled by the same parent or holding company;
<b>"Business Day"</b>	A day which is a day on which banks are generally open for business in London;
<b>"Calculation Agent"</b>	The person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent;
<b>"Calculation Date"</b>	The day falling one Business Day prior to each Interest Payment Date (or, if that day is not a Business Day, then the immediately preceding Business Day);
<b>"Calculation Period"</b>	In respect of a Calculation Date, each period from (but excluding) the last day in the calendar month immediately preceding the previous Calculation Date (or, in the case of the first Calculation Period, from (and including) the Closing Date) to (and including) the last day in the calendar month immediately preceding such Calculation Date (or, in the case of the first Calculation Period, the last day in the calendar month immediately preceding the first Calculation Date);
<b>"Calculation Period End Date"</b>	The last day of the calendar month immediately preceding the immediately following Calculation Date;

<b>"Capital Account Ledger"</b>	The monthly ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions;
<b>"Capital Contribution"</b>	In relation to each Member, any amount of capital contributed by that Member to the LLP from time to time in cash;
<b>"Capital Contribution Balance"</b>	The balance of each Member's Capital Contributions as determined in accordance with the LLP Deed;
<b>"Capital Distribution"</b>	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);
<b>"Cash Management Agreement"</b>	The cash management agreement entered into on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the LLP, Barclays in its capacity as the Cash Manager and the Security Trustee;
<b>"Cash Manager"</b>	Barclays, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;
<b>"Charged Property"</b>	All property of the LLP which is subject to the Security;
<b>"Clearing Systems"</b>	Euroclear and/or Clearstream, Luxembourg;
<b>"Clearstream, Luxembourg"</b>	Clearstream Banking, société anonyme;
<b>"Closing Date"</b>	11 November 2009;
<b>"Collection Account"</b>	The account designated by the Collection Account Bank into which it receives all collections from the respective Borrowers (including, for the purposes of this definition, any replacement collection account that may be opened from time to time);
<b>"Collection Account Bank"</b>	Barclays in its capacity as collection account bank together with any successor collection account bank appointed from time to time;
<b>"Collection Account Transfer Instruction"</b>	An instruction prepared and delivered to each relevant Borrower in accordance with the terms of the Cash Management Agreement, which instructs each relevant Borrower to transfer payments due under the Loans to a replacement collection account;
<b>"Common Depository "</b>	The common depository for Euroclear and Clearstream, Luxembourg;
<b>"Conditions"</b>	Terms and conditions of the Covered Bonds;
<b>"Corporate Services Agreement"</b>	The corporate services agreement entered into on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between, <i>inter alios</i> , the Liquidation Member, the Corporate Services Provider and the LLP;
<b>"Corporate Services Provider"</b>	Structured Finance Management Limited, a company incorporated in England and Wales in its capacity as corporate services provider to the Liquidation Member under a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;

"Covered Bond Guarantee"	An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
"Covered Bonds"	Covered bonds issued pursuant to the Subscription Agreement and which are or are to be constituted under the Trust Deed and includes any replacements or a Covered Bond issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds</i> ) and each a " <b>Covered Bond</b> ";
"CRD"	The consolidating directive, comprising Directive 2006/48/EC and Directive 2006/49/EC, referred to as the EU Capital Requirements Directive;
"Current Balance"	In relation to any Loan as at any given date, the aggregate of: <ul style="list-style-type: none"> <li>(a) the original principal amount advanced to the relevant Borrower on or before the given date; and</li> <li>(b) any other amount not included in (a) above (other than Unpaid Interest) which is due or has accrued (whether or not due) and which has not been paid by the relevant Borrower,</li> </ul> as at the end of the Business Day immediately preceding that given date, less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date;
"Custodian"	Any custodian with whom the Global Covered Bond has been deposited;
"Cut-off Date"	31 August 2009;
"Deed of Charge"	The deed of charge dated on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;
"Defaulted Loan"	Any Loan in the Portfolio which is more than 90 days in arrears and/or any Loan that has a rating of below "CC" by S&P and where S&P has notified the same to Barclays;
"Deferred Consideration"	The consideration due and payable to the Originator pursuant to the Originator Trust Deed, which shall be an amount equal to the amount remaining after making payment of the items described in (i) to (ix) inclusive of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date;
"Definitive Covered Bonds"	The definitive covered bonds issued in exchange (or part exchange) for the Global Covered Bond;
"Designated Member"	Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the Closing Date, Barclays and the Liquidation Member (together, the " <b>Designated Members</b> ");
"Designated Members"	Barclays and the Liquidation Member;

<b>"Determination Date"</b>	The first day of each calendar month;
<b>"Directors"</b>	The board of directors for the time being of the Issuer;
<b>"Due for Payment"</b>	The requirements by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP: <ul style="list-style-type: none"> <li>(a) prior to the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice on the Issuer and the LLP, the date on which the Interest Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or if such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or</li> <li>(b) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;</li> </ul>
<b>"English LA"</b>	A local authority, council and/or urban district as defined in the Local Government Act 2003;
<b>"Enterprise Act"</b>	Enterprise Act 2002;
<b>"EU"</b>	European Union;
<b>"Euroclear"</b>	Euroclear Bank S.A/N.V. as operator of the Euroclear System;
<b>"Excess Proceeds"</b>	Moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
<b>"Extraordinary Resolution"</b>	A resolution of the holders of the Covered Bonds passed as such under the terms of the Trust Deed;
<b>"Final Maturity Date"</b>	The Interest Payment Date on which the Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
<b>"Final Terms"</b>	The final terms which will be delivered to the Irish Financial Services Regulatory Authority and the Irish Stock Exchange on or before the date of issue of the Covered Bonds;
<b>"First Interest Payment Date"</b>	The Interest Payment Date falling on 25 February 2010;
<b>"Fitch"</b>	Fitch Ratings Ltd.;
<b>"Floating Rate"</b>	The meaning given in the ISDA Definitions;
<b>"Framework"</b>	The text of the new capital accord published by the Basel Committee on Banking Supervision in June 2006, under the title " <i>Basel II: International Convergence on Capital</i>

"FSA"	Financial Services Authority;
"FSMA"	Financial Services and Markets Act 2000, as amended;
"GIC Account"	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge or such additional or replacement account as may be for the time being in place with the prior consent of the Security Trustee;
"GIC Provider"	Barclays, in its capacity as GIC provider under the Account Bank Agreement together with any successor GIC provider appointed from time to time;
"Global Covered Bond"	The Global Covered Bond issued in registered form which will initially represent the Covered Bonds;
"Guarantee Priority of Payments"	The meaning given in " <i>Cashflows</i> " on page 65;
"Guaranteed Amounts"	Prior to the service of an LLP Acceleration Notice, the amount in respect of interest due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 ( <i>Interest</i> ) by the Issuer following an Issuer Event of Default as if the Covered Bonds had not become due and repayable as against the Issuer prior to their Final Maturity Date, less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 ( <i>Taxation</i> ) or (b) after service of an LLP Acceleration Notice, an amount equal to the Principal Amount Outstanding as specified in the Conditions plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all amounts payable by the LLP under the Trust Deed;
"Holders of the Covered Bonds"	The holders for the time being of the Covered Bonds;
"Initial Trust Consideration"	The amount equal to 99 per cent. of the aggregate of the outstanding Current Balance of each Loan in the Portfolio paid by the LLP to the Originator on the Closing Date as consideration for the Investor Interest;
"Insolvency Act"	The Insolvency Act 2000 which amends the Insolvency Act 1986 (as amended from time to time);
"Intercompany Loan"	The loan granted by the Issuer to the LLP pursuant to the terms and conditions of the Intercompany Loan Agreement;
"Intercompany Loan Agreement"	The term loan agreement dated on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the Issuer, the LLP and the Security Trustee;
"Intercompany Loan Ledger"	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record amounts repaid in respect of the Intercompany Loan pursuant to the Intercompany Loan Agreement;
"Interest Amount"	The amount of interest payable on the Covered Bonds for the

	relevant Interest Period;
<b>"Interest Payment Date"</b>	<ul style="list-style-type: none"> <li>(i) prior to an Issuer Event of Default and the service of a Notice to Pay on the LLP, the 25<sup>th</sup> day of February, May, August and November in each year or, if such day is not a Business Day, on the immediately succeeding Business Day; and</li> <li>(ii) following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the 25<sup>th</sup> day of each month, or, if such day is not a Business Day, on the immediately succeeding Business Day;</li> </ul>
<b>"Interest Period"</b>	The period from (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Closing Date) to (but excluding) the next Interest Payment Date (or, in the case of the first Interest Period, the First Interest Payment Date);
<b>"Investor Beneficiary"</b>	The LLP in its capacity as the Investor Beneficiary under the Originator Trust Deed;
<b>"Investor Interest"</b>	The 99 per cent. absolute undivided beneficial interest of the LLP in the Originator Trust Property pursuant to the terms of the Originator Trust Deed;
<b>"Investor Interest Amount"</b>	Any Loan Revenue Receipt and/or Loan Principal Receipt and/or Loan Loss allocated to the LLP in respect of the Investor Interest as to 99 per cent.;
<b>"Investor Report"</b>	The monthly report posted on the Barclay's website and made available to the holders of the Covered Bonds, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, inter alia, compliance with the Asset Coverage Test;
<b>"Irish Stock Exchange"</b>	Irish Stock Exchange Limited;
<b>"ISDA"</b>	International Swaps and Derivatives Association, Inc.;
<b>"ISDA 1995 Credit Support Annex"</b>	The ISDA 1995 Credit Support Annex as published by ISDA;
<b>"ISDA Definitions"</b>	The 2000 ISDA Definitions, as published by ISDA;
<b>"ISDA Master Agreement"</b>	The 1992 ISDA Master Agreement (Multicurrency-Cross Border), as published by ISDA;
<b>"Issuance"</b>	The £3,054,000,000 covered bonds issuance by the Issuer;
<b>"Issuer"</b>	Barclays;
<b>"Issuer Acceleration Notice"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 86;
<b>"Issuer Event of Default"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 86;
<b>"LAs"</b>	The English LAs and the Scottish LAs;
<b>"Ledger"</b>	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Capital Account Ledger, the Intercompany Loan Ledger the Portfolio Losses Ledger and the Swap Collateral

	Ledger;
<b>"Lending Criteria"</b>	The internal underwriting criteria of the Originator which may be amended from time to time and/or such other criteria as would be acceptable to a Reasonably Prudent Lender;
<b>"LIBOR"</b>	London inter-bank offered rate;
<b>"Liquidation Member"</b>	Canton III Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered number 06790352);
<b>"Listing Rules"</b>	The rules relating to the admission to the Official List;
<b>"LLP"</b>	Barclays Covered Bond Funding LLP, a limited liability partnership incorporated in England and Wales (registered number OC349085), whose first members are Barclays and the Liquidation Member;
<b>"LLPA 2000"</b>	Limited Liability Partnerships Act 2000;
<b>"LLP Acceleration Notice"</b>	The meaning given in Condition 9(b) ( <i>LLP Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 88;
<b>"LLP Accounts"</b>	The GIC Account and the Swap Collateral Account (to the extent maintained) and any additional or replacement accounts opened in the name of the LLP;
<b>"LLP Deed"</b>	The limited liability partnership deed entered into on the Closing Date (as amended and/or supplemented and/or restated from time to time) between the LLP, Barclays, the Liquidation Member, the Bond Trustee and the Security Trustee;
<b>"LLP Event of Default"</b>	The meaning given in Condition 9(b) ( <i>LLP Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 88;
<b>"LLP Management Committee"</b>	The management committee which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters;
<b>"LLP Surrender Payment"</b>	An amount equal to 99 per cent. of any Reacquisition Amount received by the Originator Trustee which shall be paid to the LLP by the Originator Trustee in consideration of the surrender by the LLP of its beneficial interest in the relevant Loan;
<b>"LLP Swap Amount"</b>	The meaning given in " <i>Summary of the Key Transaction Documents - The Swap Transaction</i> " on page 57;
<b>"Loan Facilities"</b>	Any agreement in relation to a Loan between the Originator (as lender) and a Borrower;
<b>"Loan Instrument"</b>	(a) In relation to English LAs, a loan instrument together with any other facility letter forming part of that loan instrument entered into between the relevant Borrower and the Originator; and  (b) in relation to Scottish LAs, a bond or mortgage issued by a Borrower in favour of the Originator together with any facility letter entered into between the relevant Borrower and the



	Originator in connection with that bond or mortgage, in each case, as amended and/or restated from time to time;
<b>"Loan Principal Receipts"</b>	Payments received by the Originator Trustee representing: <ul style="list-style-type: none"> <li>(a) principal repayments under the Loans (excluding arrears of interest and accrued interest);</li> <li>(b) recoveries of principal from defaulting Borrowers under Loans being enforced; and</li> <li>(c) recoveries of principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;</li> </ul>
<b>"Loan Revenue Receipts"</b>	Payments received by or on behalf of the Originator Trustee representing: <ul style="list-style-type: none"> <li>(a) payments of interest on the Loans (including arrears of interest and accrued interest) and other amounts received by or on behalf of the Originator Trustee in respect of the Loans other than the Loan Principal Receipts;</li> <li>(b) recoveries of interest from defaulting Borrowers under Loans being enforced; and</li> <li>(c) recoveries of interest from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;</li> </ul>
<b>"Loans"</b>	The loans made to an LA by the Originator pursuant to certain Loan Instruments as identified in a schedule to the Originator Trust Deed but excluding (for the avoidance of doubt) each Loan the whole of the beneficial interest in which has been reacquired by the Originator from the Originator Trust Property pursuant to the Transaction Documents;
<b>"Loan Terms Amendment"</b>	A variation by the Originator, at the request of a Borrower, of the financial terms and conditions of any Loan (including, <i>inter alia</i> , margin, length of term and repayment frequency);
<b>"Master Definitions Agreement"</b>	The master definitions agreement made between the parties to the Transaction Documents on or about the Closing Date;
<b>"Member"</b>	Each member of the LLP;
<b>"Members"</b>	As at the Closing Date, each of Barclays and the Liquidation Member and together with any other members from time to time;
<b>"Member States"</b>	The member states of the European Union;
<b>"Moody's"</b>	Moody's Investors Service Limited;
<b>"New Member"</b>	Any new member, who is a UK tax resident company, admitted to the LLP after the Closing Date;
<b>"Nominee"</b>	The nominee for the Common Depository in whose name the Global Covered Bond will be registered;

<b>"Notice to Pay"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 87;
<b>"NYSE"</b>	The New York Stock Exchange;
<b>"Official List"</b>	Official list of the Irish Stock Exchange;
<b>"OFT"</b>	Office of Fair Trading;
<b>"Ombudsman"</b>	Financial Ombudsman Service under the FSMA;
<b>"Order"</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI2001/544), as amended;
<b>"Originator"</b>	Barclays in its capacity as Originator under the Originator Trust Deed;
<b>"Originator Beneficiary"</b>	Barclays in its capacity as the Originator Beneficiary under the Originator Trust Deed;
<b>"Originator Beneficiary Surrender Payment"</b>	An amount equal to 1 per cent. of any Reacquisition Amount received by an Originator Trustee which shall be paid to the Originator Beneficiary by the Originator Trustee in consideration of the surrender by the Originator Beneficiary of its beneficial interest in the relevant Loan;
<b>"Originator Interest"</b>	The 1 per cent. absolute undivided beneficial interest of the Originator Beneficiary in the Originator Trust Property pursuant to the terms of the Originator Trust Deed;
<b>"Originator Interest Amount"</b>	Any Loan Revenue Receipt and/or Loan Principal Receipt and/or Loan Loss allocated to the Originator Beneficiary in respect of the Originator Interest as to 1 per cent.;
<b>"Originator Power of Attorney"</b>	The meaning given in " <i>Summary of Key Transaction Documents – Originator Power of Attorney</i> " on page 47;
<b>"Originator Trust"</b>	The trust constituted pursuant to Clause 2 ( <i>Originator Trust</i> ) of the Originator Trust Deed;
<b>"Originator Trust Deed"</b>	The originator trust deed entered in on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) pursuant to which the Originator will declare a trust over the Portfolio in favour of the Issuer and the Originator Beneficiary;
<b>"Originator Trustee"</b>	Barclays in its capacity as originator trustee under the Originator Trust Deed;
<b>"Originator Trust Property"</b>	The meaning given in " <i>Summary of Key Transaction Documents – Originator Trust Deed and Beneficiaries Deed – Originator Trust Property</i> " on page 45;
<b>"Paying Agents"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 76;
<b>"Pool Adjustment"</b>	The making of any Loan Terms Amendments;
<b>"Pool Adjustment Criteria"</b>	The meaning given in " <i>Summary of Key Transaction Documents – Originator Trust Deed and Beneficiaries Deed - Pool Adjustments and the Pool Adjustment Criteria</i> " on page 49;

<b>"Pool Adjustment Date"</b>	The date on which Loan Terms Amendments are made;
<b>"Portfolio"</b>	The Loans and all moneys derived therefrom from time to time;
<b>"Portfolio Losses"</b>	On any day, the aggregate amount of the entries recorded by the Cash Manager solely relating to realised losses on the Portfolio in relation to non-performing Loans in accordance with the terms of the Originator Trust Deed;
<b>"Portfolio Losses Ledger"</b>	The ledger maintained by the Cash Manager on behalf of the LLP to record the Portfolio Losses;
<b>"Post-Enforcement Priority of Payments"</b>	The meaning given in " <i>Cashflows</i> " on page 66;
<b>"Potential Issuer Event of Default"</b>	The meaning given in Condition 13 ( <i>Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 92;
<b>"Potential LLP Event of Default"</b>	The meaning given in Condition 13 ( <i>Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 92;
<b>"Power of Attorney Event"</b>	The meaning given in " <i>Summary of Key Transaction Documents – Originator Trust Deed and Beneficiaries Deed - Originator Power of Attorney</i> " on page 47;
<b>"Pre-Acceleration Principal Priority of Payments"</b>	The meaning given in " <i>Cashflows</i> " on page 64;
<b>"Pre-Acceleration Revenue Priority of Payments"</b>	The meaning given in " <i>Cashflows</i> " on page 63;
<b>"Principal Amount Outstanding"</b>	In respect of a Covered Bond the principal amount of that Covered Bond on the Closing Date less principal amounts received by the relevant holder of the Covered Bonds in respect thereof;
<b>"Principal Ledger"</b>	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;
<b>"Principal Paying Agent"</b>	The Bank of New York Mellon in its capacity as Principal Paying Agent in respect of the Covered Bonds in accordance with the Agency Agreement;
<b>"Principal Receipts"</b>	Payments received by the LLP directly or from the Originator Trustee in respect of the Investor Interest representing: <ul style="list-style-type: none"> <li>(a) Loan Principal Receipts; and</li> <li>(b) the LLP Surrender Payment (excluding amounts attributable to Revenue Receipts);</li> </ul>
<b>"Priorities of Payments"</b>	The Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments;

<b>"Prohibited Amendments"</b>	The meaning given in " <i>Summary of Key Transaction Documents – Originator Trust Deed and Beneficiaries Deed – Loan Terms Amendments</i> " on page 49;
<b>"Prospectus"</b>	This Base Prospectus;
<b>"Prospectus Directive"</b>	Prospectus Directive 2003/71/EC;
<b>"Rating Agencies"</b>	Moody's, S&P and Fitch, and each a " <b>Rating Agency</b> ";
<b>"Rating Agency Confirmation"</b>	A confirmation in writing by each of the Rating Agencies that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter;
<b>"RCB Regulations" or "Regulated Covered Bonds Regulations 2008"</b>	The meaning given on the cover page;
<b>"RCB Sourcebook"</b>	Means the FSA Regulated Covered Bonds Sourcebook;
<b>"Reacquisition Amount"</b>	The price payable to reacquire the LLP's and the Originator Beneficiary's respective undivided shares of the beneficial interest in any Loan is an amount (not less than zero) equal to the aggregate of the Current Balance of such Loan at the close of business on the Business Day preceding the date of completion of such reacquisition plus Unpaid Interest plus expenses payable thereon to the date of reacquisition;
<b>"Reasonably Prudent Lender"</b>	The Originator acting in accordance with the standards of a reasonably prudent lender to local authorities in England, Wales and Scotland;
<b>"Receiver"</b>	Any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to the Deed of Charge;
<b>"Record Date"</b>	The meaning given in Condition 5 ( <i>Payments</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 81;
<b>"Redeemed Covered Bonds"</b>	The meaning given in Condition 6 ( <i>Redemption and Purchase</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 84;
<b>"Register"</b>	The register of holders of the Registered Covered Bonds maintained by the Registrar;
<b>"Registrar"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 76;
<b>"Regulated Market of the Irish Stock Exchange"</b>	A regulated market for the purposes of the Markets in Financial Investments Directive 2004/39/EC of the Irish Stock Exchange;
<b>"Regulated Market"</b>	The Regulated Market of the Irish Stock Exchange;
<b>"Regulation S"</b>	Regulation S under the Securities Act;
<b>"Regulations"</b>	The Financial Services (Distance Marketing) Regulations 2004;
<b>"Relevant Date"</b>	The meaning given in Condition 7 ( <i>Taxation</i> ) in " <i>Terms and</i>

*Conditions of the Covered Bonds*" on page 86;

<b>"Relevant Member State"</b>	Each Member State of the European Economic Area which has implemented the Prospectus Directive;
<b>"Replacement Swap Premium"</b>	An amount received by the LLP from a replacement swap provider upon entry by the LLP into an agreement with such replacement swap provider to replace the Swap Provider;
<b>"Required Swap Rating"</b>	The meaning given in " <i>Summary of the Key Transaction Documents - The Swap Transaction</i> " on page 59;
<b>"Reserve Fund"</b>	The reserve fund that the LLP will be required to establish in the GIC Account which will be credited with part of the Intercompany Loan (in the LLP's discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount;
<b>"Reserve Fund Required Amount"</b>	If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody's] nil or such other amount as Barclays shall direct the LLP from time to time and otherwise, an amount equal to the amount of one month's interest due on the Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (i) and (ii) of the Pre-Acceleration Revenue Priority of Payments plus £600,000;
<b>"Reserve Ledger"</b>	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;
<b>"Reserved Matter"</b>	The meaning given in Condition 13 ( <i>Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 92;
<b>"Revenue Ledger"</b>	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;
<b>"Revenue Receipts"</b>	Payments received by the LLP directly or from the Originator Trustee in respect of the Investor Interest representing:  (a) Loan Revenue Receipts; and  (b) any LLP Surrender Payment to the extent that the related Reacquisition Amount is proportionately attributable to accrued interest, arrears of interest and other interest amounts in respect of the Loans as at the relevant repurchase date,  but not including any commitment fee, undrawn commitment fee, agency fee, early repayment charges or administration fee, <i>plus</i>  (c) interest payable to the LLP on the LLP Accounts and income from any Authorised Investments in each case received during the immediately preceding Calculation

	Period; and
	(d) other income of the LLP received during the immediately preceding Calculation Period, excluding any Principal Receipts;
"S&P"	Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.;
"Scottish LA"	A council constituted under section 2 of the Local Government etc. (Scotland) Act 1994;
"Secured Creditors"	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the holders of the Covered Bonds), the holders of the Covered Bonds, the Issuer, the Originator, the Originator Trustee, the Account Bank, the GIC Provider, the Cash Manager, the Swap Provider, the Corporate Services Provider, the Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
"Securities Act"	The U.S. Securities Act of 1933, as amended;
"Security"	The security created in favour of the Security Trustee pursuant to the Deed of Charge;
"Security Trustee"	BNY Corporate Trustee Services Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time;
"Series"	Each of Series 2009-1, Series 2009-2, Series 2009-3, Series 2009-4, Series 2009-5 and Series 2009-6 to be issued by the Issuer on the Closing Date;
"Share Trust"	The declaration of trust dated on or about the Closing Date under which the shares of Liquidation Member are held by the Share Trustee;
"Share Trustee"	SFM Corporate Services Limited having its registered office at 35 St. Helen's, London EC3A 6AP;
"Subscriber"	Barclays as subscriber of the Covered Bonds under the Subscription Agreement;
"Subscription Agreement"	The meaning given in " <i>Subscription and Sale, and Transfer and Selling Restrictions</i> " on page 103;
"Subsidiary"	In relation to any person (the " <b>First Person</b> ") at any particular time, any other person (the " <b>Second Person</b> "): <ul style="list-style-type: none"> <li>(a) whose affairs and policies the First Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the Second Person or otherwise; or</li> <li>(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;</li> </ul>

<b>"Swap Agreement"</b>	(i) The ISDA Master Agreement entered into between the LLP, the Swap Provider and the Security Trustee dated on or around the Closing Date, including the schedule thereto, the Swap Agreement Credit Support Document and the total return swap confirmation entered into between such parties on or around the Closing Date, or (ii) any replacement swap agreement that may be entered into with a successor or transferee of the Swap Provider;
<b>"Swap Agreement Credit Support Document"</b>	The credit support document entered into between the LLP, the Swap Provider and the Security Trustee in the form of the ISDA 1995 Credit Support Annex (Transfer-English law);
<b>"Swap Collateral"</b>	At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by the Swap Provider to the LLP as collateral to secure the performance by the Swap Provider of its obligations under the Swap Agreement together with an amount equivalent to any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;
<b>"Swap Collateral Accounts"</b>	The Swap Collateral Cash Account together with the Swap Collateral Custody Account;
<b>"Swap Collateral Cash Account"</b>	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Swap Agreement Credit Support Document into which cash is deposited by the Swap Provider as collateral to secure the performance by the Swap Provider of its obligations under the Swap Agreement;
<b>"Swap Collateral Custody Account"</b>	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Swap Agreement Credit Support Document into which securities are deposited by the Swap Provider as collateral to secure the performance by the Swap Provider of its obligations under the Swap Agreement;
<b>"Swap Collateral Excluded Amounts"</b>	An amount equal to the value of Swap Collateral (or the applicable part of any Swap Collateral), which is in excess of the termination amount which the Swap Provider would otherwise be required to pay the LLP upon termination of the Swap Transaction or such amount equal to the value of Swap Collateral which the Swap Provider is otherwise entitled to have returned to it under the terms of the Swap Agreement;
<b>"Swap Excluded Termination Amount"</b>	In relation to the Swap Agreement, the amount of any swap termination payment due and payable to the Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event;
<b>"Swap Notional Amount"</b>	In respect of an Interest Period, and the Calculation Period in which such Interest Period commences, an amount (in Sterling) equal to the product of: <ul style="list-style-type: none"> <li>(A) the sum of (i) the total outstanding balance of each of the Loans on the first Determination Date for such Calculation Period (solely for the purposes of this definition and in relation to a Loan, such balance being</li> </ul>

the "**Loan Balance**"), (ii) the weighted average balance of the amounts standing to the credit of the GIC Account for such Calculation Period (solely for the purposes of this definition, such balance being the "**Average GIC Balance**") and (iii) the amount of any Authorised Investments or any other assets (other than the Loans) held by the LLP on the first Determination Date for such Calculation Period (solely for the purposes of this definition, such amount being the "**Asset Amount**"); and

- (B) the combined weighted proportion (weighted by reference to the relevant Loan Balance, the Average GIC Balance and the Asset Amount (as applicable)) that (i) the interest actually received by the LLP on each Loan, the GIC Account or the Authorised Investments and other assets (other than the Loans) in the relevant Calculation Period bears to (ii) the total interest scheduled to be received by the LLP on each such Loan, the GIC Account or the Authorised Investments and other assets (other than the Loans) in such Calculation Period,

as determined by Barclays Bank PLC acting as the Calculation Agent under the Swap Agreement..

<b>"Swap Provider"</b>	Barclays, in its capacity as swap provider under the Swap Agreement and any successor or any transferee thereto;
<b>"Swap Provider Amount"</b>	An amount determined by applying the relevant rate for (prior to an Issuer Event of Default) three-month Sterling LIBOR or (following an Issuer Event of Default) one-month Sterling LIBOR (in each case plus a spread) to the Swap Notional Amount as determined in accordance with the Swap Agreement;
<b>"Swap Provider Default"</b>	The occurrence of an Event of Default or Termination Event (each as defined in the Swap Agreement) where the Swap Provider is the Defaulting Party (as defined in the Swap Agreement), as applicable, other than a Swap Provider Downgrade Event;
<b>"Swap Provider Downgrade Event"</b>	The occurrence of an Additional Termination Event or an Event of Default (each as defined in the Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement;
<b>"Swap Transaction"</b>	The total return swap transaction documented by the total return swap confirmation governed by the Swap Agreement;



<b>"Transaction Documents"</b>	<ul style="list-style-type: none"> <li>(a) Originator Trust Deed;</li> <li>(b) Beneficiaries Deed;</li> <li>(c) Originator Power of Attorney;</li> <li>(d) Asset Monitor Agreement;</li> <li>(e) Intercompany Loan Agreement;</li> <li>(f) LLP Deed;</li> <li>(g) Cash Management Agreement;</li> <li>(h) Swap Agreement;</li> <li>(i) Account Bank Agreement;</li> <li>(j) Corporate Services Agreement;</li> <li>(k) Deed of Charge (and any documents entered into pursuant to the Deed of Charge);</li> <li>(l) Trust Deed including the Conditions;</li> <li>(m) Agency Agreement;</li> <li>(n) Final Terms;</li> <li>(o) Subscription Agreement; and</li> <li>(p) Master Definitions Agreement;</li> </ul>
<b>"Trust Deed"</b>	The trust deed entered into on or about the Closing Date (as amended and/or supplemented and/or restated from time to time) between the Issuer and the Bond Trustee;
<b>"United Kingdom" and "UK"</b>	Abbreviated references to the United Kingdom of Great Britain and Northern Ireland;
<b>"United States", "U.S.", and "US"</b>	Abbreviated references to the United States of America;
<b>"Unpaid Interest"</b>	In relation to any Loan as at any given date, the amount of interest which is due or accrued (whether or not due) as at (and which has not been paid by the relevant Borrower on or before) the end of the Business Day immediately preceding such date;
<b>"UTCCR"</b>	Unfair Terms in Consumer Contracts Regulations 1999;

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