

Bavarian Sky S.A., acting in respect of its Compartment 2
(a public company incorporated with limited liability as a "société anonyme" under the laws of Luxembourg with registered number B 127 982)

€742,000,000 Class A Compartment 2 Floating Rate Notes due 2018, issue price: 100%
€58,000,000 Class B Compartment 2 Floating Rate Notes due 2018, issue price: 100%

Bavarian Sky S.A., acting in respect of its Compartment 2 (the "**Issuer**") is registered with the Luxembourg Register of Trade and Companies (*Registre de Commerce et des Sociétés Luxembourg*) under registered number B 127 982. Bavarian Sky S.A. has elected in its Articles of Incorporation (*Statuts*) to be governed by the Luxembourg law of 22 March 2004 on securitisation ("**Luxembourg Securitisation Law**"). The exclusive purpose of Bavarian Sky S.A. is to enter into one or more securitisation transactions, each via a separate compartment ("**Compartment**") within the meaning of the Luxembourg Securitisation Law (see "THE ISSUER"). The Compartment 2 Notes (as defined below) will be funding the third securitisation transaction ("**Transaction 2**") carried out by the Issuer through its third Compartment ("**Compartment 2**") as described further herein. All documents relating to Transaction 2, as more specifically described herein, are referred to as the "**Transaction 2 Documents**".

The Class A Compartment 2 Notes and the Class B Compartment 2 Notes (each such class, a "**Class**", and both Classes collectively, the "**Compartment 2 Notes**" or "**Notes**") of the Issuer are backed by a portfolio of auto lease receivables (the "**Purchased Lease Receivables**") secured by certain leased vehicles (the "**Leased Vehicles**") and certain other collateral more specifically described herein (the Leased Vehicles, the other collateral and the proceeds therefrom, the "**Lease Collateral**"). The obligations of the Issuer under the Compartment 2 Notes will be secured by first-ranking security interests granted to BNP Paribas Trust Corporation UK Limited (the "**Trustee**") acting in a fiduciary capacity for, *inter alia*, the Compartment 2 Noteholders pursuant to a trust agreement (the "**Trust Agreement**") entered into between, *inter alios*, the Trustee and the Issuer. Although all Classes will share in the same security, upon enforcement the Class A Compartment 2 Notes will rank senior to the Class B Compartment 2 Notes, see "POST-ENFORCEMENT PRIORITY OF PAYMENTS". The Issuer will apply the net proceeds from the issue of the Compartment 2 Notes to purchase on the Initial Purchase Date (being identical with the Issue Date, as defined below) the Initial Purchased Lease Receivables secured by the Lease Collateral. Certain characteristics of the Initial Purchased Lease Receivables and the Lease Collateral are described in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL" and in "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA".

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") of Luxembourg in its capacity as competent authority (the "**Competent Authority**") under the Luxembourg act relating to prospectuses for securities dated 10 July 2005 (*loi relative aux Prospectus pour valeurs mobilières*) for the approval of the Offering Circular. Application will also be made to the Luxembourg Stock Exchange for the Compartment 2 Notes to be listed on the official list of the Luxembourg Stock Exchange on 10 February 2010 (the "**Issue Date**") and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purpose of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC. This Offering Circular constitutes a prospectus for the purpose of article 5.3 of Directive 2003/71/EC.

Société Générale, London Branch and WestLB AG (the "**Joint Lead Managers**") will subscribe and Commerzbank Aktiengesellschaft and Skandinaviska Enskilda Banken AB (publ) (the "**Managers**") will procure the subscription of the Compartment 2 Notes on the Issue Date and will offer the Compartment 2 Notes, from time to time, in negotiated transactions or otherwise, at varying prices to be determined at the time of sale.

In connection with the issue and distribution of the Compartment 2 Notes, WestLB AG (in such capacity, the "**Stabilising Manager**") (or any Person acting for the Stabilising Manager) may over-allot the Compartment 2 Notes or effect transactions with a view to supporting the market price of the Compartment 2 Notes at a higher level than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager to do this. Such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Compartment 2 Notes is made and if begins may be ended at any time but it must end no later than the earlier of thirty (30) calendar days after the Issuer has received the proceeds of the Compartment 2 Notes and sixty (60) calendar days after the date of allotment of the Compartment 2 Notes. Such stabilising shall be in compliance with all relevant laws and regulations.

For a discussion of certain significant factors affecting investments in the Compartment 2 Notes, see "RISK FACTORS".

For reference to the definitions of capitalised terms appearing in this Offering Circular, see "MASTER DEFINITIONS SCHEDULE".

Societe Generale Corporate & Investment Banking	Joint Bookrunners	WestLB AG
	Arranger WestLB AG	
Societe Generale Corporate & Investment Banking	Joint Lead Managers	WestLB AG
Commerzbank Corporates & Markets	Managers	SEB

The date of this Offering Circular is 5 February 2010

The Compartment 2 Notes will be governed by the laws of Germany.

Both the Class A Compartment 2 Notes and the Class B Compartment 2 Notes will be initially represented by a temporary global note in bearer form (each, a "**Temporary Global Note**") and in new global note ("NGN") form without coupons or talons attached. Each Temporary Global Note will be exchangeable, as described herein (see "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 2(c) (*Form and Denomination*)") for a permanent global note in bearer form (each a "**Permanent Global Note**", and together with the Temporary Global Notes, the "**Global Notes**" and each, a "**Global Note**") without coupons or talons attached. Each Global Note is recorded in the records of Clearstream Luxembourg and Euroclear. Each Temporary Global Note will be exchangeable not earlier than forty (40) calendar days and not later than one hundred and eighty (180) calendar days after the Issue Date, upon certification of non-U.S. beneficial ownership, for interest in a Permanent Global Note. The Global Notes will be deposited with a Common Safekeeper appointed by the operator of Clearstream Luxembourg and Euroclear on or before the Issue Date. The Common Safekeeper will hold the Global Notes in custody for Clearstream Luxembourg and Euroclear. The Compartment 2 Notes represented by Global Notes may be transferred in book-entry form only. The Compartment 2 Notes will be issued in denomination of EUR 50,000. The Global Notes will not be exchangeable for definitive notes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 2(c) (*Form and Denomination*)".

The Class A Compartment 2 Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Compartment 2 Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Class A Compartment 2 Notes 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.

THE COMPARTMENT 2 NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF THE JOINT LEAD MANAGERS, THE ARRANGER, THE MANAGERS, THE SELLER, THE SERVICER (IF NOT THE SELLER), THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ISSUER ACCOUNT BANK, THE INTEREST DETERMINATION AGENT, THE PAYING AGENT, THE CALCULATION AGENT, THE CORPORATE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION 2 DOCUMENTS. IT SHOULD BE NOTED FURTHER THAT THE COMPARTMENT 2 NOTES WILL ONLY BE CAPABLE OF BEING SATISFIED AND DISCHARGED FROM THE ASSETS OF COMPARTMENT 2 OF THE ISSUER AND NOT FROM ANY OTHER COMPARTMENT OF THE ISSUER OR FROM ANY OTHER ASSETS OF THE ISSUER. NEITHER THE COMPARTMENT 2 NOTES NOR THE UNDERLYING PURCHASED LEASE RECEIVABLES WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AUTHORITY OR BY THE JOINT LEAD MANAGERS, THE ARRANGER, THE MANAGERS, THE SELLER, THE SERVICER (IF NOT THE SELLER), THE CALCULATION AGENT, THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ISSUER ACCOUNT BANK, THE INTEREST DETERMINATION AGENT, THE PAYING AGENT, THE CORPORATE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION 2 DOCUMENTS OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

Class	Principal amount	Interest Rate	Issue Price	Expected Ratings (Fitch/S&P)	Legal Final Maturity Date	ISIN Code	Common Code
A	742,000,000	1-Month-EURIBOR + 0.85%	100%	AAA/AAA	the Payment Date falling in January 2018	XS0479275017	047927501
B	58,000,000	1-Month-EURIBOR + 1.05%	100%	A/A	the Payment Date falling in January 2018	XS0479319591	047931959

Interest on the Compartment 2 Notes will accrue on the Outstanding Notes Balance of each Compartment 2 Note at a per annum rate equal to the sum of the European Interbank Offered Rate (EURIBOR) for one month and a margin of 0.85% in the case of the Class A Compartment 2 Notes, and 1.05% in the case of the Class B Compartment 2 Notes. Interest will be payable in euros by reference to successive interest accrual periods (each, an "**Interest Period**") monthly in arrear on the 15th day of each calendar month, unless such date is not a Business Day, in which case the payment date shall be the next succeeding Business Day (each, a "**Payment Date**"). The first payment date will be 15 March 2010. "**Business Day**" means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Düsseldorf, Munich,

Frankfurt am Main and Luxembourg and which is a TARGET Settlement Day in relation to the payment of a sum denominated in euros. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 7 (*Payment of Interest and Principal*)".

If any withholding or deduction for or on account of taxes should at any time be required by law or its interpretation in respect of payment of interest or principal in respect of the Compartment 2 Notes, payments under the Compartment 2 Notes will be made subject to such withholding or deduction. The Compartment 2 Notes will not provide for any gross-up or other payments in the event that payments under the Compartment 2 Notes become subject to any such withholding or deduction on account of taxes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 12 (*Taxation*)".

Amortisation of the Compartment 2 Notes will commence on the first Payment Date falling after the expiration of the Revolving Period which period starts on the Issue Date and ends on, but excluding, the earlier of (i) the Payment Date falling in March 2011 and (ii) the Payment Date before which an Early Amortisation Event has occurred. During the Revolving Period, the Seller may, at its option, offer to sell to the Issuer, on any Payment Date, from time to time, the Additional Purchased Lease Receivables. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES— Condition 8 (*Replenishment and Redemption*)".

The Compartment 2 Notes will mature on the Payment Date falling in January 2018 (the "**Legal Final Maturity Date**"), unless previously redeemed in full. The Compartment 2 Notes will be subject to partial redemption, early redemption and/or optional redemption before the Legal Final Maturity Date in specific circumstances and subject to certain conditions. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8 (*Replenishment and Redemption*)".

The Class A Compartment 2 Notes and the Class B Compartment 2 Notes are expected, on the Issue Date, to be rated by Fitch Ratings Limited ("**Fitch**") and Standard and Poor's, a division of the McGraw-Hill Companies, Inc. ("**S&P**" and together with "**Fitch**", the "**Rating Agencies**"). It is a condition to the issue of the Compartment 2 Notes that the Compartment 2 Notes are assigned the ratings indicated in the above table.

The Rating Agencies' rating of any Class of the Compartment 2 Notes addresses the likelihood that the holders of the Compartment 2 Notes (each, a "**Compartment 2 Noteholder**" or "**Noteholder**") of such Class will receive all payments to which they are entitled, as described herein. The rating of "AAA" is the highest rating that Fitch assigns to long-term debt. Each rating takes into consideration the characteristics of the Purchased Lease Receivables, the Lease Collateral and the structural, legal, tax and Issuer-related aspects associated with the Compartment 2 Notes.

However, the ratings assigned to the Compartment 2 Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the Compartment 2 Noteholders might suffer a lower than expected yield due to prepayments or early amortisation or may fail to recoup their initial investments. Prepayments may for example occur in the event of a clean-up call (see "TRANSACTION OVERVIEW" — "TRANSACTION 2" — "Early Redemption" — "Clean-Up Call Option" and "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.4 (*Clean Up Call*)"), or in the event that the Seller breached the Eligibility Criteria and/or the Seller Warranties (see "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.2 (*Amortisation — Pre-Enforcement*)").

The ratings assigned to the Compartment 2 Notes should be evaluated independently against similar ratings of other types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of the Compartment 2 Notes by any rating agency other than the Rating Agencies. There can be no assurance as to whether any other rating agency will rate the Compartment 2 Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Compartment 2 Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

This Offering Circular constitutes a prospectus for the purposes of article 5.3 of the Prospectus Directive (Directive 2003/71/EC on the Prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC).

The Issuer accepts responsibility for the information contained in this Offering Circular except for the information provided by the other Transaction 2 Parties as stated below:

- (i) each of the Seller and the Servicer is only responsible for the information in this Offering Circular relating to the Purchased Lease Receivables, the Lease Collateral, the disclosure of servicing related risk factors, risk factors relating to the Purchased Lease Receivables, the information contained in "EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS" on page 90 *et seq*, "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" on page 95 *et seq*, "CREDIT AND COLLECTION POLICY" on page 107 *et seq* and "THE SELLER AND SERVICER" on page 145 *et seq*;
- (ii) the Swap Counterparty is only responsible for the information in this Offering Circular contained in "THE SWAP COUNTERPARTY" on page 147;
- (iii) the Trustee is only responsible for the information in this Offering Circular contained in "THE TRUSTEE" on page 148;
- (iv) each of the Issuer Account Bank, the Interest Determination Agent and the Paying Agent is only responsible for the information in this Offering Circular contained in "THE INTEREST DETERMINATION AGENT, THE PAYING AGENT AND THE ISSUER ACCOUNT BANK" on page 151 *et seq*;
- (v) the Calculation Agent is only responsible for the information in this Offering Circular contained in "THE CALCULATION AGENT" on page 150 *et seq*; and
- (vi) the Corporate Administrator is only responsible for the information in this Offering Circular contained in "THE CORPORATE ADMINISTRATOR" on page 152.

The Issuer hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Issuer is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Seller and the Servicer hereby declare that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Seller and the Servicer are responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Swap Counterparty hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Swap Counterparty is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Trustee hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Trustee is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Each of the Issuer Account Bank, the Interest Determination Agent and the Paying Agent hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Issuer Account Bank, the Interest Determination Agent or the Paying Agent is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Calculation Agent hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Calculation Agent is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Corporate Administrator hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Corporate Administrator is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the issue and sale of the Compartment 2 Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Seller, the Servicer (if different), the Data Trustee and the Trustee (all as defined below) or by the financial institutions shown on the cover page (the "Arranger", the "Joint Lead Managers" and the "Managers") or by any other party mentioned herein.

The Compartment 2 Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Compartment 2 Notes are being offered outside the United States by the Joint Lead Managers and the Managers in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Compartment 2 Notes will be issued in bearer form and are subject to certain United States tax law requirements.

Neither the delivery of this Offering Circular nor any offering, sale or delivery of any Compartment 2 Notes shall, under any circumstances, create any implication (i) that the information in this Offering Circular is correct as of any time subsequent to the date hereof, or (ii) that there has been no adverse change in the financial situation of the Issuer or with respect to the Seller since the date of this Offering Circular or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Circular or (iii) that any other information supplied in connection with the issue of the Compartment 2 Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer, the Joint Lead Managers or the Managers other than as set out in this Offering Circular that would permit a public offering of the Compartment 2 Notes, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Compartment 2 Notes may be offered or sold, directly or indirectly, and neither this Offering Circular (nor any part hereof) nor any information memorandum, offering circular, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and the Issuer, the Joint Lead Managers and the Managers have represented that all offers and sales by them have been made on such terms.

This Offering Circular may only be used for the purposes for which it has been published. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of any offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. The distribution of this Offering Circular (or of any part thereof) and the offering and sale of the Compartment 2 Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part thereof) may come, are required by the Issuer, the Joint Lead Managers and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of the Compartment 2 Notes and distribution of this Offering Circular (or of any part thereof), see "SUBSCRIPTION AND SALE".

An investment in these Compartment 2 Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any Losses which may result from such investment.

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

This Offering Circular may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, the prospective investors agree to these restrictions.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Compartment 2 Notes. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part.

*Prospective investors of the Compartment 2 Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of an investment in the Compartment 2 Notes. **If you are in doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, legal adviser, accountant or other financial adviser.** None of the Joint Lead Managers, the Managers or the Arranger makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied by the Issuer in connection with the Compartment 2 Notes and accept any responsibility or liability therefor. None of the Joint Lead Managers, the Managers or the Arranger undertakes to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Compartment 2 Notes of any information coming to the attention of any of the Joint Lead Managers, the Managers or the Arranger.*

In connection with the issue and distribution of the Compartment 2 Notes, WestLB AG (in such capacity, the "Stabilising Manager") (or any Person acting for the Stabilising Manager) may over-allot the Compartment 2 Notes or effect transactions with a view to supporting the market price of the Compartment 2 Notes at a higher level than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager to do this. Such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Compartment 2 Notes is made and if begins may be ended at any time but it must end no later than the earlier of thirty (30) calendar days after the Issuer has received the proceeds of the Compartment 2 Notes and sixty (60) calendar days after the date of allotment of the Compartment 2 Notes. Such stabilising shall be in compliance with all relevant laws and regulations.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "€" and "euros" are to the lawful currency of the Member States of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

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TRANSACTION OVERVIEW

This section "Transaction Overview" must be read as an introduction to this Offering Circular and any decision to invest in any Compartment 2 Notes should be based on a consideration of this Offering Circular as a whole.

The following "Transaction Overview" is qualified in its entirety by the remainder of this Offering Circular.

INTRODUCTION INTO STRUCTURE AND PRINCIPAL PARTIES

On the Initial Purchase Date, the Seller will sell to the Issuer, against payment of the Initial Purchase Price (EUR 799,999,374.30), all of its rights, titles and claims, to receive lease instalments (the "**Lease Instalments**") (excluding any portion relating to VAT, relating to residual values or relating to the provision of services) in respect of an initial portfolio of auto lease receivables (the "**Initial Purchased Lease Receivables**") against customers in Germany. On each Additional Purchase Date, the Seller will sell to the Issuer, against payment of the Additional Purchase Price, all of its rights, titles and claims, to receive Lease Instalments (excluding any portion relating to VAT, relating to residual values or relating to the provision of services) in respect of an additional portfolio of auto lease receivables (the "**Additional Purchased Lease Receivables**") against customers in Germany. The Initial Purchased Lease Receivables and the Additional Purchased Lease Receivables are together referred to as "Purchased Lease Receivables". The Seller will transfer to the Issuer its title to the Leased Vehicles as part of the Lease Collateral (as defined below) for the Purchased Lease Receivables which will be selected according to the eligibility criteria (the "**Eligibility Criteria**") set out in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL".

The Lease Collateral granted to the Issuer consists of (i) title to the Leased Vehicles, (ii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with its Credit and Collection Policy, (iii) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (iv) any other security interests related to the Purchased Lease Receivables under the relevant lease agreements entered into between the relevant Lessee and the Seller (the "**Lease Agreements**"). The title to the Leased Vehicles has been transferred as security to the Issuer. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Lease Agreement. The Issuer shall be entitled to receive the Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable. The Issuer will create security over substantially all of its assets, rights, claims and interests in respect of Compartment 2 (together the "**Compartment 2 Security**", as more specifically defined in "MASTER DEFINITIONS SCHEDULE"), comprising primarily the Purchased Lease Receivables, the Lease Collateral and other claims of the Issuer under the Transaction 2 Documents for the benefit of the Trustee who in turn will hold the Compartment 2 Security for the benefit of the Compartment 2 Noteholders and the other Secured Parties. For the avoidance of doubt, irrespective of any contradicting clause contained in any other Transaction 2 Document, the residual value of the Leased Vehicles shall not serve as security for any other claims against the Seller resulting, in particular but not limited to, from commingling or tax risks.

Bavarian Sky S.A. is a company registered in Luxembourg as a *société anonyme* (S.A.) and is wholly owned by a Dutch Stichting (the "**Foundation**"). Bavarian Sky S.A. is a securitisation company within the meaning of and governed by the Luxembourg Securitisation Law. Under the Luxembourg Securitisation Law, the assets, liabilities and obligations of Bavarian Sky S.A. are segregated into separate Compartments. The assets of each Compartment are by operation of the Luxembourg Securitisation Law only available to satisfy the liabilities and obligations of Bavarian Sky S.A. which are incurred in relation to that Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 2 Notes and the Transaction 2 Documents and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 2. At the Issue Date, Compartment 2 (save for any amounts credited to the Issuer Share Capital Account) will comprise all of the assets of Bavarian Sky S.A. The assets of Compartment 2 will be exclusively available to satisfy the rights of the Compartment 2 Noteholders, other Secured Parties and the other creditors of the Issuer in respect of Transaction 2 and all matters connected therewith and no other creditors (unless related to Transaction 2) of Bavarian Sky S.A. will have recourse against the assets of Compartment 2 of Bavarian Sky S.A. For so long as the Compartment 2 Notes remain outstanding, Bavarian Sky S.A. will not be permitted to issue further securities in respect of any other Compartment of Bavarian Sky S.A., or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to Bavarian Sky S.A., confirmed to Bavarian Sky S.A. that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, Bavarian Sky S.A. shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, (b) based on such legal

opinion and upon the written notification to the Rating Agencies, S&P confirms to Bavarian Sky S.A. that the issuance of the securities or entrance into any other transaction documents related therewith will not cause the then current ratings of the Compartment 2 Notes to be downgraded, and (c) based, *inter alia*, on such legal opinion and confirmation from S&P, the board of directors (the "**Board of Directors**") of Bavarian Sky S.A. shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions shall not be cross-collateralised or cross-defaulted.

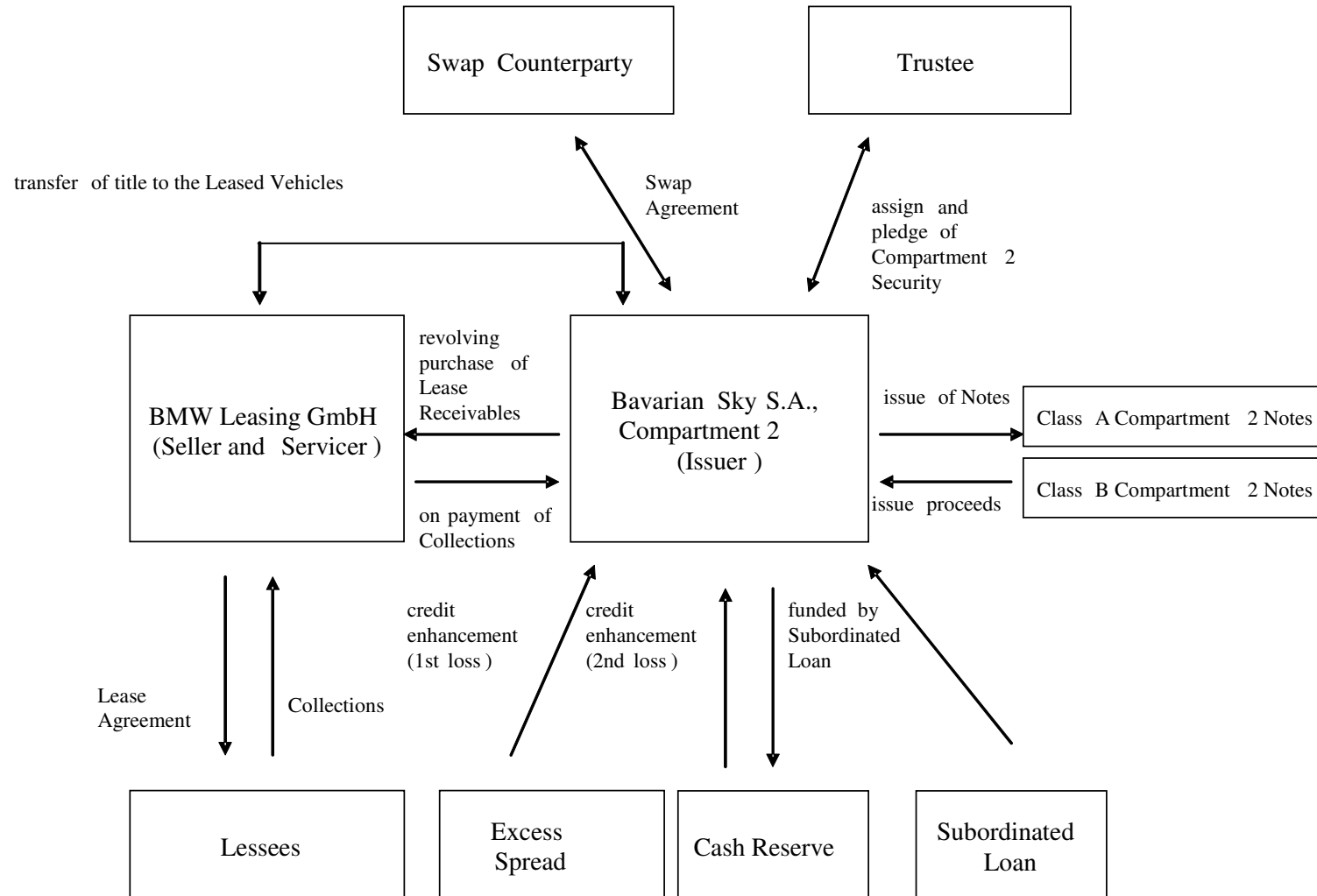
The Class A Compartment 2 Notes are expected, on the Issue Date, to be rated AAA by Fitch and AAA by S&P; the Class B Compartment 2 Notes are expected, on the Issue Date to be rated A by Fitch and A by S&P.

The Issuer will enter into an Interest Rate Swap with the Swap Counterparty which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Seller in its capacity as Servicer will service, collect and administer the Purchased Lease Receivables and the Lease Collateral on behalf of the Issuer pursuant to a servicing agreement (the "**Servicing Agreement**"). It will do so using the same degree of care and diligence as it would have used if the Purchased Lease Receivables and the Lease Collateral were its property.

STRUCTURE DIAGRAM

This structure diagram of Transaction 2 is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Offering Circular.



PARTIES TO TRANSACTION 2

Issuer

Bavarian Sky S.A. is a securitisation company within the meaning of the Luxembourg Securitisation Law. Bavarian Sky S.A. has been established to operate as a multi-issuance, multi-seller securitisation conduit for the purposes of, on an on-going basis, purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the structured finance markets (see "THE ISSUER" – Corporate purpose of the Issuer). Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and shall be separate from all other securitisations entered into by Bavarian Sky S.A. To that end, Bavarian Sky S.A. shall ensure that each such securitisation shall be entered into in respect of a separate Compartment (see below).

Under the Luxembourg Securitisation Law, Bavarian Sky S.A. can segregate the assets, liabilities and obligations into separate compartments (each a "**Compartment**"). The assets of each Compartment are by operation of the Luxembourg Securitisation Law only available to satisfy the liabilities and obligations of Bavarian Sky S.A. which are incurred in relation to that Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 2 Notes and the other Transaction 2 Documents, and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 2. The assets of Compartment 2 will be exclusively available to satisfy the rights of the Compartment 2 Noteholders, other Secured Parties and the other creditors of the Issuer in respect of the other Transaction 2 Documents and all matters connected therewith, and no other creditors (unless related to Transaction 2) of Bavarian Sky S.A. will have any recourse against the assets of Compartment 2 of the Issuer. For so long as the Compartment 2 Notes remain outstanding, Bavarian Sky S.A. will not be permitted to issue further securities in respect of any other Compartment of Bavarian Sky S.A., or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to Bavarian Sky S.A., confirmed to Bavarian Sky S.A. that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, Bavarian Sky S.A. shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, (b) based on such legal opinion and upon the written notification to the Rating Agencies, S&P confirms to Bavarian Sky S.A. that the issuance of the securities or entrance into any other transaction documents related therewith will not cause the then current ratings of the Compartment 2 Notes to be downgraded, and (c) based, *inter alia*, on such legal opinion and confirmation from S&P, the Board of Directors of Bavarian Sky S.A. shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions shall not be cross-collateralised or cross-defaulted. See "THE ISSUER".

Foundation

Stichting Andesien, a Dutch foundation (*stichting*) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Amsteldijk 166, 1079LH Amsterdam, The Netherlands (the "**Foundation**"). The Foundation owns all of the issued shares of Bavarian Sky S.A. The Foundation does not have shareholders.

Compartment 2	The third Compartment of Bavarian Sky S.A. relating to the Compartment 2 Notes issued on 10 February 2010.
Seller	BMW Leasing GmbH is a wholly-owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG"), acting through its office at Heidemannstrasse 164, 80939 Munich, Germany. See "THE SELLER AND SERVICER".
Lessee	In respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased Leased Vehicles, which are owned by the Seller on the terms of the relevant Lease Agreement.
Servicer	The Seller, in its capacity as Servicer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Servicing Agreement". See also "THE SELLER AND SERVICER".
Swap Counterparty	Commerzbank Aktiengesellschaft acting through its office at, Kaiserplatz 1, 60311 Frankfurt am Main, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Swap Agreement". See also "THE SWAP COUNTERPARTY".
Trustee	BNP Paribas Trust Corporation UK Limited, acting through its principal office at 55 Moorgate, London EC2R 6PA, United Kingdom. See "MATERIAL TERMS OF THE TRUST AGREEMENT". See also "THE TRUSTEE".
Secured Parties	The Compartment 2 Noteholders, the Trustee, the Seller, the Servicer (if not the Seller), the Subordinated Lender, the Joint Lead Managers, the Arranger, the Managers, the Swap Counterparty, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Issuer Account Bank, the Data Trustee and the Corporate Administrator.
Joint Lead Managers	Société Générale, London Branch, acting through its office at SG House, 41 Tower Hill, London EC3N 4SG, United Kingdom; and WestLB AG, acting through its office at Herzogstrasse 15, 40217 Düsseldorf, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subscription Agreement".
Managers	Commerzbank Aktiengesellschaft acting through its office at, Kaiserplatz 1, 60311 Frankfurt am Main, Germany; and Skandinaviska Enskilda Banken AB (publ), acting through its office at Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subscription Agreement".
Subordinated Lender	BMW Finance N.V., acting through its office at Einsteinlaan 5, 2289 CC Rijswijk, The Netherlands. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subordinated Loan Agreement".
Issuer Account Bank	BNP Paribas Securities Services, Luxembourg branch, acting through its office at 33, Rue de Gasperich, L-5826 Hesperange, Luxembourg. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Bank Account Agreement". See also "THE INTEREST DETERMINATION AGENT, THE PAYING AGENT AND THE ISSUER ACCOUNT BANK".
Data Trustee	BMW Bank GmbH, acting through its office at Heidemannstrasse 164, 80939 Munich, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Data Trust Agreement".

Calculation Agent	WestLB AG, acting through its office at Herzogstrasse 15, 40217 Düsseldorf, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Calculation Agency Agreement". See also "THE CALCULATION AGENT".
Paying Agent	BNP Paribas Securities Services, Luxembourg branch, acting through its office at 33, Rue de Gasperich, L-5826 Hesperange, Luxembourg. "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement". See also "THE INTEREST DETERMINATION AGENT, THE PAYING AGENT AND THE ISSUER ACCOUNT BANK".
Interest Determination Agent	BNP Paribas Securities Services, Luxembourg branch, acting through its office at 33, Rue de Gasperich, L-5826 Hesperange, Luxembourg. "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement". See also "THE INTEREST DETERMINATION AGENT, THE PAYING AGENT AND THE ISSUER ACCOUNT BANK".
Luxembourg Listing Agent	BNP Paribas Securities Services, Luxembourg branch, acting through its office at 33, Rue de Gasperich, L-5826 Hesperange, Luxembourg.
Corporate Administrator	Structured Finance Management (Luxembourg) S.A., acting through its office at 7 Val Sainte-Croix, L-1371 Luxembourg. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Corporate Administration Agreement". See also "THE CORPORATE ADMINISTRATOR".
Rating Agencies	Fitch and S&P.

SUMMARY TRANSACTION 2

Overview

On the Initial Purchase Date, the Seller will sell and assign to the Issuer, against payment of the Initial Purchase Price (EUR 799,999,374.30), all of its rights, titles and claims, to receive Collections in respect of the Initial Purchased Lease Receivables. On each Additional Purchase Date, the Seller will sell and assign to the Issuer, against payment of the Additional Purchase Price, all its rights, titles and claims, to receive Collections in respect of the Additional Purchased Lease Receivables. The Seller will transfer to the Issuer the title to the Leased Vehicles as collateral for the Purchased Lease Receivables which will be selected according to the Eligibility Criteria. See "Eligibility Criteria". The Eligibility Criteria are to be fulfilled as of the relevant Cut-Off Date, and certain representations and warranties of the Seller in respect of the Purchased Lease Receivables (the "**Seller Warranties**") are to be fulfilled as of the relevant Purchase Date.

Bavarian Sky S.A. is a company registered in Luxembourg as a *société anonyme* (S.A.) and which is wholly owned by the Foundation. Bavarian Sky S.A. will enter into all Transaction 2 Documents by acting in respect of its Compartment 2.

The related Lease Collateral will consist, *inter alia*, of (i) title to the Leased Vehicles, (ii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with its Credit and Collection Policy, (iii) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (iv) any other security interests related to the Purchased Lease Receivables under the relevant Lease Agreements. The title to the Leased Vehicles has been transferred as security to the Issuer. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Lease Agreement. The Issuer shall be entitled to receive a Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable. The Issuer will create the Compartment 2 Security for the benefit of the Trustee who in turn will hold the Compartment 2 Security for the benefit of the Compartment 2 Noteholders and the other Secured Parties under the Trust Agreement and the Deed of Charge and Assignment securing their respective payment claims backed by the assets of Compartment 2. For the avoidance of doubt, irrespective of any contradicting clause contained in any other Transaction 2 Document, the residual value of the Leased Vehicles shall not serve as security for any other claims against the Seller resulting, in particular but not limited to, from commingling or tax risks.

On the Issue Date, each Class backed by the Purchased Lease Receivables will be issued to investors, be listed and carry three ratings from the Rating Agencies. The most senior Class should be rated AAA by Fitch and AAA by S&P.

The Issuer will enter into an interest rate swap with the Swap Counterparty (the "**Interest Rate Swap**") which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Compartment 2 Notes have the benefit of credit enhancement through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 2 Notes to the Class A Compartment 2 Notes. The Cash Reserve will be funded, as of the Issue Date, with EUR 34,000,000 being the nominal amount the

Issuer will raise through the Subordinated Loan. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".

Under the Servicing Agreement, the Servicer will, on behalf of the Issuer, conduct the servicing of the Purchased Lease Receivables and the Lease Collateral on the basis of its Credit and Collection Policy and will apply the same degree of care and diligence as it would have used if the Purchased Lease Receivables and the Lease Collateral were its property.

Initial Purchase Price	The Aggregate Discounted Lease Balance of the Initial Purchased Lease Receivables as of the Initial Cut-Off Date (EUR 799,999,374.30).
Additional Purchase Price	The Aggregate Discounted Lease Balance of the relevant Additional Purchased Lease Receivables as of the relevant Additional Cut-Off Date.
Initial Cut-Off Date	31 January 2010.
Additional Cut-Off Date	Any Cut-Off Date falling in the Revolving Period shall be an Additional Cut-Off Date.
Issue Date/Initial Purchase Date	10 February 2010.
Compartment 2 Notes	The Class A Compartment 2 Notes and the Class B Compartment 2 Notes will be backed by the Purchased Lease Receivables and the Lease Collateral. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES".
Class A Compartment 2 Notes	The EUR 742,000,000 class A Compartment 2 floating rate notes due 2018, consisting of 14,840 notes, each in the nominal amount of EUR 50,000 (the " Class A Compartment 2 Notes "). The Class A Compartment 2 Notes rank senior to the Class B Compartment 2 Notes and to the Subordinated Loan.
Class B Compartment 2 Notes	The EUR 58,000,000, class B Compartment 2 floating rate notes due 2018, consisting of 1,160 notes, each in the nominal amount of EUR 50,000 (the " Class B Compartment 2 Notes "). The Class B Compartment 2 Notes rank senior to the Subordinated Loan.
Use of Proceeds	The aggregate net proceeds from the issue of the Compartment 2 Notes amounting to approximately EUR 800,000,000 will be used by the Issuer to purchase, on the Initial Purchase Date, Eligible Lease Receivables secured by Lease Collateral, and residual amounts, if any, will be deposited to the Issuer Account-C2 with the Issuer Account Bank and will be earning interest.
Trust Agreement	The Issuer has entered into a trust agreement (the " Trust Agreement ") with, <i>inter alios</i> , the Trustee under which the Issuer has appointed the Trustee to act as trustee for the Compartment 2 Noteholders and the other Secured Parties and the Issuer has separately undertaken to the Trustee to duly make all payments owed to the Compartment 2 Noteholders and the other Secured Parties (the " Trustee Claim ").
Form and Denomination	Each Class of Compartment 2 Notes will initially be represented by a Temporary Global Note of the relevant Class in bearer New Global Note form, without coupons or talons attached. Interests in a Temporary Global Note will be exchangeable for interests in a Permanent Global Note. Each Permanent Global Note will be in bearer form without coupons or talons attached, will be issued not earlier than

forty (40) days after the later of the commencement of the offering and the Issue Date provided certification of non-US beneficial ownership by the Compartment 2 Noteholders has been received. The Global Notes will be deposited with the Common Safekeeper for Clearstream Luxembourg and Euroclear. The Compartment 2 Notes (while represented by Global Notes) will be transferred in book-entry form only. The Compartment 2 Notes will be issued in denominations of EUR 50,000. The Global Notes representing the Compartment 2 Notes will not be exchangeable for definitive notes. The Class A Compartment 2 Notes are intended to be held in a manner which will allow Eurosystem eligibility. See "TERM AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 2 (*Form and Denomination*)".

**Status of the
Compartment 2 Notes**

The Compartment 2 Notes are issued (*begeben*) pursuant to the terms of a subscription agreement (the "**Subscription Agreement**") dated on or before the Closing Date between the Issuer, the Seller, the Joint Lead Managers, the Managers and the Trustee. The Compartment 2 Notes are secured by the Compartment 2 Security pursuant to the Trust Agreement. In point of security and as to the payment of both interest and principal, the Class A Compartment 2 Notes rank in priority to the Class B Compartment 2 Notes. Prior to the occurrence of an Enforcement Event and after the termination of the Revolving Period, principal on the Class A Compartment 2 Notes and the Class B Compartment 2 Notes shall be redeemed, on each Payment Date, on a *sequential* basis across the two Classes of Compartment 2 Notes. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential amortisation". The Trustee shall have regard to the interests of the Secured Parties in the respective order pursuant to the Post-Enforcement Priority of Payments as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property under the Trust Agreement or under any other documents the rights or benefits in which are comprised in the Trust Property (except where expressly provided otherwise).

The Compartment 2 Notes are direct, secured and unconditional obligations of the Issuer in relation to its Compartment 2 only. See "RISK FACTORS — Liability under the Compartment 2 Notes".

Payment Date

In respect of the first Payment Date, 15 March 2010 and thereafter the 15th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period shall be a reference to the Payment Date falling within the calendar month following such Monthly Period.

Legal Final Maturity Date

The Payment Date falling in January 2018.

Presentation Period

The presentation period for the Global Notes shall end five (5) years after the Legal Final Maturity Date.

**Interest on the
Compartment 2 Notes**

The interest rate applicable to the Compartment 2 Notes for each Interest Period shall be:

- (a) in the case of the Class A Compartment 2 Notes, EURIBOR plus 0.85% per annum; and
- (b) in the case of the Class B Compartment 2 Notes, EURIBOR plus 1.05% per annum;

EURIBOR shall be determined by the Interest Determination Agent by using

the reference rate for 1-Month-EURIBOR. Interest is payable in euros on each Payment Date for each Interest Period in arrear on the respective Outstanding Note Balance. Each Interest Period begins on (and includes) a Payment Date (or, in the case of the first Interest Period, the Issue Date) and ends on (but excludes) the next Payment Date.

Interest payments will be made subject to withholding or deduction tax (if any) required by law or its interpretation as applicable to the Compartment 2 Notes without the Issuer or the Paying Agent being obliged to pay additional amounts as a consequence of any such withholding or deduction.

Collections

"**Collections**" means any amounts, proceeds or financial benefits, received on or in connection with the Purchased Lease Receivables and Lease Collateral, in fulfilment of the financial obligations of a Lessee. The Collections shall include, *inter alia*:

- (a) all collections of the Lease Instalments under the Outstanding Lease Receivables that have been paid by the Lessees during the relevant Monthly Period;
- (b) the Deemed Collections, if any, paid in the relevant Monthly Period; and
- (c) any recovery proceeds received by means of realisation of the Leased Vehicles or other related security in accordance with the Credit and Collection Policy during the relevant Monthly Period.

Monthly Period

With respect to the first Monthly Period, the period commencing on (but excluding) the Initial Cut-Off Date and ending on (and including) the last day of February 2010 and with respect to each following Monthly Period each calendar month thereafter.

Revolving Period

The Revolving Period commences on the Issue Date and ends on but excluding the earlier of (i) the Payment Date falling in March 2011 and (ii) the Payment Date before which an Early Amortisation Event has occurred.

Deemed Collections

Pursuant to the provisions of the Lease Receivables Purchase Agreement, the Seller will be obligated to pay Deemed Collections if one of the following events occurs:

- (a) any Lease Receivables Representation and Warranty of the Seller proves to be incorrect in respect of such Purchased Lease Receivable as of the Closing Date or the relevant Additional Purchase Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (b) a Purchased Lease Receivable proves to be in breach of the Eligibility Criteria as of the relevant Cut-Off Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (c) a Purchased Lease Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (d) the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date; or

- (e) a Purchased Lease Receivable is reduced or affected due to any modification or amendment to the relevant Lease Agreement,

provided that, for the avoidance of doubt, no Deemed Collection shall be payable in respect of Eligible Lease Receivables if the Lessee fails to make due payments solely as a result of its insolvency (*Delkredererisiko*).

The sum to be paid by the Seller to the Issuer (the "**Deemed Collections**") shall equal to the then outstanding Discounted Lease Balance of the affected Purchased Lease Receivable or, in the case of a clean-up call, the then Aggregate Discounted Lease Balance. (The Deemed Collections will be collected by the Servicer from the Seller, if the Servicer and the Seller are not the same Person.)

Clean-Up Call Option

As of any Payment Date on which the Aggregate Discounted Lease Balance is less than 10% of the Aggregate Discounted Lease Balance at the last Purchase Date, the Seller will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement (the "**Clean-Up Call Option**") to Acquire all outstanding Purchased Lease Receivables (together with any related Lease Collateral) against payment of Deemed Collections (being the then Aggregate Discounted Lease Balance of the remaining Purchased Lease Receivables) on the Clean-Up Call Settlement Date if the Clean-Up Call Conditions are satisfied.

"**Clean-Up Call Conditions**" means (i) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of all Compartment 2 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 2 ranking prior to the claims of the Compartment 2 Noteholders according to the Applicable Priority of Payments; (ii) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date (the "**Clean-Up Call Settlement Date**"); and (iii) the Deemed Collections payable by the Seller shall be equal to the current value (*aktueller Wert*) of all Purchased Lease Receivables affected by the clean up call.

Available Distribution Amount

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Issuer Account Bank, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;

- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C2 during such Monthly Period;
- (g) the Pro Rata Share of any proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such proceeds;
- (h) the Indemnity Reserve upon the occurrence and the continuation (as set out in Clause 13.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover (i) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the Lease Receivables Purchase Agreement; or (ii) any unpaid Deemed Collections which are due and payable; and
- (i) the Commingling Reserve upon the occurrence and the continuation (as set out in Clause 14.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date and until a substitute Servicer is appointed, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer.

Priority of Payments

The Issuer and, after enforcement, the Trustee will make payments to the Compartment 2 Noteholders and other third parties on the basis of two different priorities of payments: (i) prior to the occurrence of an Enforcement Event, the Issuer will pay, *inter alia*, taxation and administration expenses, Swap Net Cashflow payable to the Swap Counterparty and interest and principal on the Compartment 2 Notes in accordance with the Pre-Enforcement Priority of Payments (see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS") and (ii) subsequent to the occurrence of an Enforcement Event, the Trustee will, on behalf of the Issuer, make all distributions of Available Post-Enforcement Funds (or procure that all such distributions be made) in accordance with the Post-Enforcement Priority of Payments (see "POST-ENFORCEMENT PRIORITY OF PAYMENTS").

Pre-Enforcement Priority of Payments

On each Payment Date, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by Bavarian Sky S.A. in respect of taxes under any applicable law (if any);
- (b) *second*, all fees, including legal fees, costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Interest Determination Agent and the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and

- (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 2 Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 2 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;
- (i) *ninth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full;
- (j) *tenth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full;
- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and
- (n) *fourteenth*, to pay all remaining excess to the Seller.

Amortisation Methods

The amortisation of the Compartment 2 Notes starts as soon as the Revolving Period ends. Unless on the relevant Payment Date an Enforcement Event has occurred, the Available Distribution Amount for that Payment Date shall be applied to redeem the Class A Compartment 2 Notes and the Class B Compartment 2 Notes on a *sequential* basis so that the Available Distribution Amount applied to redeem principal first in respect of the Class A Compartment 2 Notes, then in respect of the Class B Compartment 2 Notes as described further herein.

See "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential amortisation" and "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.2 (*Amortisation — Pre-Enforcement*)".

If at any time an Enforcement Event has occurred, Available Post-

Enforcement Funds shall be applied for the redemption of the Compartment 2 Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. See "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Early Amortisation Event

The occurrence of any of the following event during the Revolving Period shall constitute an Early Amortisation Event:

- (a) as of any Cut-Off Date, the Cumulative Net Loss Ratio exceeds (i) 0.40% for any Payment Date falling in before or during August 2010; and (ii) 0.80% for any Payment Date falling between September 2010 and February 2011;
- (b) the occurrence of an Enforcement Event;
- (c) on two consecutive Cut-Off Dates, the amount deposited in the Replenishment Fund exceeds 10% of the Aggregate Discounted Lease Balance;
- (d) if after application of the Available Distribution Amount in accordance with the Pre-Enforcement Priority of Payments on the Reporting Date of the immediately following Payment Date, the Replenishment Fund under item *eighth* of the Pre-Enforcement Priority of Payments would be lower than the Replenishment Available Amount;
- (e) the Swap Agreement has been terminated;
- (f) the occurrence of a Servicer Termination Event; or
- (g) an Insolvency Event has occurred to the Seller or the Servicer;

Early Redemption

The actual amortisation of the Compartment 2 Notes may differ from the expected amortisation of the Compartment 2 Notes, especially a faster amortisation may occur (but not limited to) if one of the following events occurs:

- (a) during the Revolving Period, an Early Amortisation Event occurs;
- (b) following the Revolving Period, in the event of a breach of the Eligibility Criteria or the Seller Warranties, the Seller is required to pay the Issuer certain Deemed Collections (at the then current Discounted Lease Balance of the affected Purchased Lease Receivables) which, when received by the Issuer, the Issuer has to use to redeem the Compartment 2 Notes prematurely in accordance with and subject to the applicable amortisation method (see above "Amortisation Methods"); and
- (c) if the Seller, provided that no Enforcement Event has occurred, rightfully exercised the Clean-Up Call Option. (See "Deemed Collections" and "Clean-Up Call Option" above and "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.4 (*Clean Up Call*)" and "SUMMARY OF THE OTHER TRANSACTION 2 DOCUMENTS — Lease Receivables Purchase Agreement").

Furthermore, the Issuer shall in the circumstances described in Condition 8.5 (*Optional Tax Redemption*) be entitled to redeem the Compartment 2 Notes early for tax reasons. For the purposes of the Swap Agreement, any early redemption described in this paragraph "Early Redemption" shall constitute a (partial) no cost termination event with no termination payments being payable by either party.

Final Redemption	On the Legal Final Maturity Date, the Issuer shall, subject to the Applicable Priority of Payments, redeem the then Aggregate Outstanding Notes Balance of the Compartment 2 Notes and pay interest accrued thereon.
Limited Recourse	The Compartment 2 Notes will be limited recourse obligations of the Issuer. If in accordance with the Applicable Priority of Payments available funds are not sufficient, after payment of all other claims ranking in priority to the relevant Compartment 2 Notes, to cover all payments due in respect of such Compartment 2 Notes, the available funds shall be applied in accordance with the Applicable Priority of Payments and no other assets of the Issuer will be available for payment of any shortfall. After the enforcement of all the Compartment 2 Security and the distribution of all Available Post-Enforcement Funds, claims in respect of any remaining shortfall will be extinguished.
Subordinated Loan	The Subordinated Lender will grant the Subordinated Loan in a total amount of EUR 34,000,000 to the Issuer under the Subordinated Loan Agreement entered into by, <i>inter alios</i> , the Issuer (acting through its Compartment 2), the Subordinated Lender and the Trustee. The Issuer will use the Subordinated Loan to fund the Cash Reserve of EUR 34,000,000 as of the Issue Date.
Credit Enhancement	The Compartment 2 Notes have the benefit of credit enhancement provided through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 2 Notes to the Class A Compartment 2 Notes. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".
Issuer Account-C2	For the purpose of Transaction 2, the Issuer will be opening and maintaining the Issuer Account-C2. WestLB AG as Joint Lead Manager will pay on the Issue Date the proceeds of the issue to the Issuer Account-C2, and from which the Issuer will pay the Initial Purchase Price (EUR 799,999,374.30) on the Initial Purchase Date to the Seller (see "The Transaction 2 Account"). The Issuer shall, during the life of Transaction 2, maintain the Issuer Account-C2 with a bank or financial institution that is an Eligible Bank.
Ledgers	The Issuer will be keeping four (4) ledgers relating to the Issuer Account-C2, one in respect of the Cash Reserve, one in respect of the Commingling Reserve, one in respect of the Indemnity Reserve and one in respect of the Replenishment Fund.
Swap Collateral	In the event that the Swap Counterparty should post any collateral to the Issuer in connection with the Swap Agreement, the Issuer shall hold such collateral in a separate swap collateral account which shall bear interest and shall be segregated from the Issuer Account-C2 and from the general cash flow of the Issuer. Collateral deposited in such swap collateral account shall not constitute Collections and shall be monitored on a separate ledger. They shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer.
Purchased Lease Receivables and Lease Collateral	The Purchased Lease Receivables and the related Lease Collateral (as described below) will support the payments in respect of the Class A Compartment 2 Notes and the Class B Compartment 2 Notes and the Subordinated Loan.
Purchased Lease Receivables	Under the Lease Receivables Purchase Agreement, the Issuer will, on the Initial Purchase Date purchase from the Seller certain auto lease receivables (without the relevant portion relating to VAT, relating to residual values or

relating to the provision of services) originated by the Seller as Lessor, each pursuant to the terms of the relevant Lease Agreement (the "**Initial Purchased Lease Receivables**"). Under the Lease Receivables Purchase Agreement, the Issuer will on the relevant Additional Purchase Date purchase from the Seller additional auto lease receivables (without the relevant portion relating to VAT, relating to residual values or relating to the provision of services) originated by the Seller as Lessor, each pursuant to the terms of the relevant Lease Agreement (the "**Additional Purchased Lease Receivables**"). The Initial Purchased Lease Receivables and the Additional Purchased Receivables are together referred to as the "Purchased Lease Receivables". The Purchased Lease Receivables are owed by the respective Lessee (together, the "**Lessees**"). The Purchased Lease Receivables are euro denominated as set forth in the relevant Lease Agreements. Collections under each Purchased Lease Receivable will be payable on a monthly instalment basis. If a Purchased Lease Receivable should partially or totally fail to conform as of the relevant Cut-Off Date with any Eligibility Criterion and/or as of the relevant Purchase Date with any Seller Warranty, the Seller shall be obliged to pay Deemed Collections in respect thereof. (See "Deemed Collections" above.)

Pursuant to the Servicing Agreement, the Servicer shall be authorised to modify only in accordance with the Credit and Collection Policy (applicable as of the date of such modification) the terms of a Purchased Lease Receivable.

Lease Collateral

The Lease Collateral includes the following items: (i) title to the Leased Vehicles, (ii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with its Credit and Collection Policy, (iii) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (iv) any other security interests related to the Purchased Lease Receivables under the relevant Lease Agreements. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Lease Agreement. The Issuer shall be entitled to receive a Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable. For the avoidance of doubt, irrespective of any contradicting clause contained in any other Transaction 2 Document, the residual value of the Leased Vehicles shall not serve as security for any other claims against the Seller resulting, in particular but not limited to, from commingling or tax risks.

Subject to the condition precedent of fulfillment of the Secured Obligations as of each relevant Payment Date, the Issuer has re-transferred such Lease Collateral to the Seller in respect of the Leased Vehicles upon the earlier of (i) the full and final fulfillment of the obligations secured pursuant to Clause 2.10 of the Lease Receivables Purchase Agreement; (ii) the full and final payment of the relevant Purchased Lease Receivables and (iii) the termination of the relevant Lease Agreement (the "**Release Condition**").

Servicing Agreement

Under the Servicing Agreement, the Servicer has agreed (i) to administer the Purchased Lease Receivables and the Lease Collateral and in particular to collect the Purchased Lease Receivables in accordance with its Credit and Collection Policy, (ii) to enforce the Lease Collateral upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy, (iii) to release, on behalf of the Issuer, Lease Collateral in accordance with its Credit and Collection Policy (as further discussed in "Lease Collateral" above), and (iv) to perform other tasks incidental to the above.

Pursuant to the provisions of the Servicing Agreement, if a Lessee Notification Event occurs, the Servicer shall promptly deliver a Lessee Notification Event Notice and, if the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer shall have the right to deliver or to instruct a successor Servicer or an agent (such agent being a bank or credit institution with a banking license in Germany) that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee shall at the request of the Issuer, Servicer or Trustee have to despatch the Portfolio Information to the Trustee or any successor Servicer (succeeding in the event of termination of the appointment of the existing Servicer). The Data Trustee shall fully co-operate with the Issuer and the Trustee and any of the Issuer's and the Trustee's agents and shall in particular use its best endeavours to ensure that the Portfolio Information is duly and swiftly delivered to the successor Servicer or the agent as set out in the Servicing Agreement. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS" – "Servicing Agreement" and "Data Trust Agreement".

Data Trust Agreement

Pursuant to the terms of the Data Trust Agreement, the Seller will deliver to the Data Trustee the Portfolio Information relating to the Anonymised Portfolio Information received by the Issuer from the Seller under the Lease Receivable Purchase Agreements. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Information in safe custody and will protect it against unauthorised access by third parties.

If a Servicer Termination Event has occurred, pursuant to the Data Trust Agreement, the Data Trustee will fully co-operate with the retiring Servicer, the Issuer, any successor Servicer appointed by the Issuer and with agents (such agent being a bank or credit institution with a banking license in Germany) of the Issuer that are compatible with the Secrecy Rules and use its best endeavours to ensure that all information necessary to permit timely Collections from the Lessees, in particular the Portfolio Information, is at the request of the Issuer duly and swiftly transferred to either the Trustee or the successor Servicer.

Taxation

All payments of principal and interest on the Compartment 2 Notes will be made free and clear of, and without any withholding or deduction for, or on account of, tax (if any) applicable to the Compartment 2 Notes under any applicable jurisdiction, unless such withholding or deduction is required by law or its interpretation. If any such withholding or deduction is imposed, the Issuer will not be obligated to pay any additional or further amounts as a result thereof. See "TAXATION".

Compartment 2 Security

The Compartment 2 Security shall comprise, *inter alia*, the Purchased Lease Receivables, the related Lease Collateral, the Issuer's claims against the Swap Counterparty under the Swap Agreement, any claims the Issuer might have against the Seller under the Lease Receivables Purchase Agreement and the Issuer's interests in the Issuer Account-C2. The Compartment 2 Security has been charged to the Trustee under the Trust Agreement (save for the Issuer's claims against the Swap Counterparty under the Swap Agreement which have been charged to the Trustee under the Deed of Charge and Assignment). The Trustee will hold the Compartment 2 Security for itself and for the Compartment 2 Noteholders and the other Secured Parties as beneficiaries.

Funding of the Issuer

The Issuer will fund the purchase of the Initial Purchased Lease Receivables from the Seller by utilising the net proceeds of the issue of the Compartment

2 Notes for the payment of the Initial Purchase Price (EUR 799,999,374.30). To raise the Cash Reserve, the Issuer will obtain funding under the Subordinated Loan from the Subordinated Lender.

Cash Reserve

On the Issue Date, the Issuer will credit an amount of EUR 34,000,000 into the Cash Reserve which will be held and maintained in a separate ledger to the Issuer Account-C2 by the Issuer Account Bank. The Cash Reserve, as part of the Available Distribution Amount or the Available Post-Enforcement Funds (as the case may be), will provide limited protection against shortfalls in the amounts required to pay the Interest Amount, the Principal Amount and other payment obligations of the Issuer on the Compartment 2 Notes in accordance with the Applicable Priority of Payments. See "CREDIT STRUCTURE AND FLOW OF FUNDS – Cash Reserve", "PRE-ENFORCEMENT PRIORITY OF PAYMENTS" and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Prior to the occurrence of an Enforcement Event, on each Payment Date, the Cash Reserve will be replenished up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. "CREDIT STRUCTURE AND FLOW OF FUNDS – Pre-Enforcement Priority of Payments".

Required Cash Reserve

The Required Cash Reserve shall be (i) the lower of (x) 4.25% of the sum of (a) the Class A Initial Notes Balance and (b) the Class B Initial Notes Balance, and (y) the Aggregate Outstanding Notes Balance or (ii) zero after the Aggregate Discounted Lease Balance has been reduced to zero.

Replenishment Fund

On each Payment Date during the Revolving Period, the Replenishment Available Amount will be credited to the Replenishment Fund in accordance with item *eighth* of the Pre-Enforcement Priority of Payments. The amount standing to the credit of the Replenishment Fund is available to purchase the Additional Lease Receivables. To the extent the Replenishment Available Amount exceeds the Additional Purchase Price for the Additional Lease Receivables at the relevant Payment Date, it will be deposited until the following Payment Date and form part of the Available Distribution Amount on such Payment Date.

Swap Agreement

As the Purchased Lease Receivables have been purchased at their net present value using a fixed interest rate (the "**Discount Rate**"), but the Class A Compartment 2 Notes and the Class B Compartment 2 Notes will bear interest at a floating rate calculated by reference to EURIBOR, it will be necessary for the Issuer to effect on each Payment Date an exchange of the swap fixed interest rate for EURIBOR on the Swap Notional Amount. To that end, the Issuer has entered into a Swap Agreement with the Swap Counterparty (the "**Swap Agreement**"). The Swap Agreement shall terminate on the Swap Termination Date (unless terminated previously by reason of the occurrence of an event of default or termination event). If the Swap Counterparty ceases to be an Eligible Swap Counterparty, the Swap Counterparty shall use its reasonable endeavours, *inter alia*, to (A) post eligible collateral in accordance with the terms of the Swap Agreement, or (B) transfer as soon as practicable following such down-grade, at its own costs, all the Swap Counterparty's rights and obligations under the Swap Agreement to another Eligible Swap Counterparty in accordance with the terms of the Swap Agreement or (C) take other remedial action in accordance with the terms of the Swap Agreement, provided that if the Swap Counterparty fails to do so, the Issuer shall be entitled to terminate the Swap Agreement. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS —Swap Agreement".

Corporate Administration Agreement

Pursuant to the Corporate Administration Agreement, the Corporate

Administrator shall perform (in respect of Compartment 2) certain corporate and administrative services to Bavarian Sky S.A. and Luxembourg International Consulting S.A. shall be instructed by the Corporate Administrator to provide certain Luxembourg domiciliation functions to Bavarian Sky S.A.

Transaction 2 Documents

The Conditions, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement, the Issuer-ICSDs Agreement and the Subordinated Loan Agreement will be governed by and construed in accordance with the laws of Germany. The Swap Agreement and the Deed of Charge and Assignment (charging the Issuer's claims under the Swap Agreement for the benefit of the Trustee) will be governed by and construed in accordance with English law. The Corporate Administration Agreement will be governed by and construed in accordance with the laws of Luxembourg. All Transaction 2 Documents (save for the Corporate Administration Agreement) relate to Compartment 2 only.

Applicable Law

The Compartment 2 Notes are governed by and are to be construed in accordance with the laws of Germany.

Tax Status of the Compartment 2 Notes

See "TAXATION".

Selling Restrictions

See "SUBSCRIPTION AND SALE".

Listing and Admission to Trading

Application will be made to list the Compartment 2 Notes on the official list of the Luxembourg Stock Exchange and to admit them to trading on the Luxembourg Stock Exchange.

ICSDs

Clearstream Luxembourg and Euroclear (see "GENERAL INFORMATION" — ICSDs).

Ratings

Class A: AAA/AAA by Fitch/S&P.

Class B: A/A by Fitch/S&P.

Risk factors

Prospective investors in the Compartment 2 Notes should consider, among other things, certain risk factors in connection with the purchase of the Compartment 2 Notes. Such risk factors as described below may influence the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Compartment 2 Notes. The risks in connection with the investment in the Compartment 2 Notes include, *inter alia*, risks relating to the assets and the Transaction 2 Documents, risks relating to the Compartment 2 Notes and risks relating to the Issuer. These risk factors represent the principal risks inherent in investing in the Compartment 2 Notes only and shall not be deemed as exhaustive.

RISK FACTORS

THE PURCHASE OF CERTAIN COMPARTMENT 2 NOTES MAY INVOLVE SUBSTANTIAL RISKS AND BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE COMPARTMENT 2 NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES ALL THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW. PROSPECTIVE INVESTORS SHOULD MAKE SUCH INQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER OR THE ARRANGER OR ANY JOINT LEAD MANAGERS OR ANY MANAGERS OR ANY OTHER PARTY REFERRED TO HEREIN.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Compartment 2 Notes. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Compartment 2 Notes will be solely contractual obligations of the Issuer. The Compartment 2 Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), any substitute Servicer, the Trustee, the Swap Counterparty, the Data Trustee, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Manager, the Joint Lead Managers, the Arranger, the Issuer Account Bank, the Common Safekeeper, or any of their respective Affiliates or any Affiliate of the Issuer or any other party (other than the Issuer) to the Transaction 2 Documents or any other third Person or entity other than the Issuer. Furthermore, no Person other than the Issuer will accept any liability whatsoever to Compartment 2 Noteholders in respect of any failure by the Issuer to pay any amount due under the Compartment 2 Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Compartment 2 Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Compartment 2 Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Compartment 2 Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Compartment 2 Notes are exhaustive. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently believes to be immaterial could also have a material impact on the Issuer's financial strength in relation to Compartment 2.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COMPARTMENT 2 NOTES

Various factors that may affect the Issuer's ability to fulfil its obligations under the Compartment 2 Notes are categorised below as either (i) risks related to the Purchased Lease Receivables, (ii) risks relating to the parties to Transaction 2, (iii) legal risks, (iv) tax risks and (v) structural and other credit risks. Several risks may fall into more than one of these five categories and investors should therefore not conclude from the fact that a risk factor is discussed under a specific category that such risk factor could not also be discussed under one or more other categories.

Risks related to the Purchased Lease Receivables

Non-existence of Purchased Lease Receivables

The Issuer is entitled to demand payment of Deemed Collections from the Seller, but from no other Person, if Purchased Lease Receivables do not exist or cease to exist (*Bestands- und Veritätshaftung*) in accordance with the Lease Receivables Purchase Agreement. If a Lease Agreement relating to a Purchased Lease Receivable proves not to have been legally valid as of the relevant Cut-Off Date, the Seller will, pursuant to the Lease Receivables Purchase Agreement, pay to the Issuer Deemed Collections in an amount equal to the then Discounted Lease Balance of such Purchased Lease Receivable (or the affected portion thereof).

Risk of Losses on the Purchased Lease Receivables

Losses on the Purchased Lease Receivables may result in Losses for the Compartment 2 Noteholders.

The risk to the Class A Compartment 2 Noteholders that they will not receive the amount due to them under the Class A Compartment 2 Notes is mitigated (i) by the Excess Spread, (ii) by the amount of funds in the Cash Reserve which is funded by the Subordinated Loan granted by the Subordinated Lender at the Issue Date, and (iii) by the subordination of the principal payments of the holders of the Class B Compartment 2 Notes and the Subordinated Lender to the holders of the Class A Compartment 2 Notes.

There is no assurance that the Class A Compartment 2 Noteholders will receive for each Class A Compartment 2 Note the total principal amount of EUR 50,000 plus interest of EURIBOR plus 0.85%.

The risk to the Class B Compartment 2 Noteholders that they will not receive the amount due to them under the Class B Compartment 2 Notes as stated on the cover page of this Offering Circular is mitigated (i) by the Excess Spread, (ii) by the amount of funds in the Cash Reserve which is funded by the Subordinated Loan granted by the Subordinated Lender, and (iii) by the subordination of the payments of the Subordinated Lender to the holders of the Class B Compartment 2 Notes.

There is no assurance that the Class B Compartment 2 Noteholders will receive for each Class B Compartment 2 Note the total principal amount of EUR 50,000 plus interest of EURIBOR plus 1.05%.

Risk of "re-characterisation" of a sale as loan secured by lease receivables

The transaction is structured to qualify under German law as an effective (true) sale of the Lease Receivables under the Lease Receivables Purchase Agreement from the Seller to the Issuer and not as a secured loan. In particular, the Subordinated Loan is not provided by the Seller but from a different BMW Group entity. However, there are no statutory or case law based tests as to when a securitisation transaction qualifies as an effective sale or as a secured loan. Therefore, there is a theoretical risk that a court might "re-characterise" the sale of Lease Receivables under the Lease Receivables Purchase Agreement into a secured loan. In such case, sections 166 and 51 no. 1 of the German Insolvency Code (*Insolvenzordnung*) would apply, in the context of which the assignment of the Lease Receivables would be considered as having been made for security purposes only. In this case, the Issuer would have no right to segregation (*Aussonderung*) in respect of the Purchased Lease Receivables but would be entitled to separate satisfaction (*Absonderung*) only with the following consequences:

In the event of a "re-characterisation" of the sale into a secured loan, the Issuer would be barred from collecting the Purchased Lease Receivables and from enforcing the Lease Collateral. In other words, an insolvency administrator of the Seller as transferor of the Purchased Lease Receivables which have been or are deemed to be assigned for security purposes only is authorised by German law to enforce the assigned Purchased Lease Receivables on behalf of the assignor (i.e. the insolvent Seller) and the Issuer is barred from enforcing the Purchased Lease Receivables itself or through an agent. The insolvency administrator is obligated to transfer the proceeds from such realisation of the financed object to the Issuer. The insolvency administrator may, however, deduct from the enforcement proceeds fees which may amount to up to 4% plus up to 5% (in certain cases more than 5%) of the enforcement proceeds and value added tax, if applicable.

Accordingly, the Issuer may have to share in the costs of any Insolvency Proceedings of the Seller in Germany, reducing the amount of money available upon collection of the Purchased Lease Receivables and enforcement of the Lease Collateral to repay the Compartment 2 Notes, if the sale and assignment of the Purchased Lease Receivables by the Seller to the Issuer were regarded as a secured loan rather than a sale of lease receivables.

The Issuer has been advised, however, that the transfer of the Purchased Lease Receivables would in all likelihood be construed such that the risk of the insolvency of the Lessees lies with the Issuer (i.e. as a "true sale") and that, therefore, the Issuer would have the right to segregation (*Aussonderungsrecht*) of the Purchased Lease Receivables from the estate of the Seller in the event of the Seller's insolvency and that, consequently, the cost sharing provisions described above would generally not apply with respect thereto.

Historical and other information

The historical information set out in particular in "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" is based on the historical experience and present procedures of the Seller. None of the Issuer, the Issuer Account Bank, the Subordinated Lender, the Corporate Administrator, the Swap Counterparty, the Arranger, the Joint Lead Managers, the Managers, the Trustee, the Interest Determination Agent, the Paying Agent, nor the Calculation Agent has undertaken or will undertake any

investigation or review of, or search to verify, the historical information. There can be no assurances as to the future performance of the Purchased Lease Receivables.

Reliance on Seller Warranties and Eligibility Criteria

If the Seller Warranties given by the Seller in the Lease Receivables Purchase Agreement in respect of each Purchased Lease Receivable are, in whole or in part, incorrect or if the Seller has breached the Eligibility Criteria, this shall constitute a breach of contract under the Lease Receivables Purchase Agreement and the Issuer will have contractual remedies against the Seller. In the case of any related misrepresentation or breach of any Eligibility Criterion, the Seller will be required to pay Deemed Collections to the Issuer (see the definition of Deemed Collections in "MASTER DEFINITIONS SCHEDULE — Deemed Collections"). Consequently, in the event that any such representation or warranty is breached, the Issuer is exposed to the credit risk of the Seller. Should the Seller's credit quality deteriorate, this could, in conjunction with afore-said breach of contract, undermine the Issuer's ability to make payments on the Compartment 2 Notes.

Reliance on Credit and Collection Policy

The Servicer will carry out the administration, collection and enforcement of the Purchased Lease Receivables in accordance with the Servicer's Credit and Collection Policy. Accordingly, the Compartment 2 Noteholders are relying on the business judgment and practices of the Servicer as to the liquidation of the Purchased Lease Receivables against the Lessees and with respect to enforcement of the related Lease Collateral. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement" and "CREDIT AND COLLECTION POLICY".

No independent investigation and limited information

None of the Joint Lead Managers, the Arranger, the Managers, the Trustee, the Issuer or any other Person referred to herein (other than the Seller, but only as explicitly described herein) has undertaken or will undertake any investigations, searches or other actions to verify any details in respect of the Purchased Lease Receivables or the Lease Agreements or to establish the creditworthiness of any Lessee. Each of the afore-mentioned Persons will rely solely on the accuracy of the representations and warranties and the financial information given by the Seller to the Issuer in the Lease Receivables Purchase Agreement in respect of, *inter alia*, the Purchased Lease Receivables, the Lessees, the Lease Agreements underlying the Purchased Lease Receivables and the Leased Vehicles. The benefit of the representations and warranties given to the Issuer will be transferred by the Issuer to the Trustee for the benefit of the Secured Parties under the Trust Agreement.

The Seller is under no obligation and will not provide the Joint Lead Managers, the Managers, the Arranger, the Trustee or the Issuer with the names or the identities of the Lessees and copies of the relevant Lease Agreements and legal documents in respect of the relevant Lease Agreement. The Joint Lead Managers, the Managers and the Issuer will only be supplied with financial information in relation to the Purchased Lease Receivables and the underlying Lease Agreements. Furthermore, none of the Joint Lead Managers, the Arranger, the Managers, the Trustee or the Issuer will have any right to inspect the Records of the Seller, however, pursuant to the terms of the Data Trust Agreement, the Issuer and the Trustee may at any time, if any of them has reasonable grounds, demand from the Data Trustee the Records of the Seller provided that the Data Trustee may not disclose to the Issuer or the Trustee the names or the identities of the Lessees and copies of the relevant Lease Agreements and legal documents in respect of the relevant Lease Agreement.

The primary remedy of the Trustee and the Issuer for breaches of any Eligibility Criteria as of the relevant Cut-Off Date or Seller Warranties as of the relevant Purchase Date (as applicable) will be to require the Seller to pay Deemed Collections in an amount equal to the Discounted Lease Balance of such Purchased Lease Receivables (or the affected portion thereof) on the date of payment of the Deemed Collections.

Notice of Assignment; Defences of the Lessees

The assignment of the Purchased Lease Receivables and the assignment and transfer of the Lease Collateral is in principle "silent" (i.e. without notification to the Lessees) and may only be disclosed to the relevant Lessees in accordance with the Servicing Agreement or where the Seller agrees to such disclosure otherwise. Until the relevant Lessees have been notified of the assignment of the relevant Purchased Lease Receivables, they may pay with discharging effect to the Seller or enter into any other transaction with regard to such Purchased Lease Receivables with the Seller which will have binding effect on the Issuer and the Trustee. Each Lessee may

further raise defences against the Issuer and the Trustee arising from its relationship with the Seller which are existing or contingent (*begründet*) at the time of the assignment of the Purchased Lease Receivables.

With respect to a Purchased Lease Receivable assigned by the Seller to the Issuer in fulfilment of the Lease Receivables Purchase Agreement, the Issuer's claim to payment may, in addition to possible defences and objections resulting from consumer credit legislation (as described in detail later under the section "German consumer credit legislation") be subject to defences and set-off rights of the Lessees of such Purchased Lease Receivable; provided such rights (i) were in existence and due at the time of the assignment of such Purchased Lease Receivable (section 404 of the German Civil Code) or (ii) were acquired by the Lessee after such assignment without such Lessee having knowledge of the assignment at the time of acquiring the right or at the time when the right falls due (in cases where the right's maturity falls beyond the maturity of the respective right under the Purchased Lease Receivable) (section 406 of the German Civil Code).

Furthermore, each Lessee is entitled to set-off against the Issuer and the Trustee the claims the Lessee has, if any, against the Seller, unless such Lessee has knowledge of the assignment upon acquiring such claims or such claims become due only after the Lessee acquires such knowledge and after the relevant Purchased Lease Receivables themselves become due. Afore-described risks are mitigated because, as of the relevant Cut-Off Date, the Seller represents and warrants to the Issuer that it is not aware that any Lessee has asserted any lien, right of rescission, counterclaim, set-off, right to contest or defence against the Seller in relation to any Lease Agreement.

In the case of any misrepresentation of the Seller, Compartment 2 Noteholders may become exposed to the credit quality of the Seller. See "Reliance on Seller Warranties and the Eligibility Criteria" below.

Risks related to the parties to Transaction 2

Replacement of the Servicer

If the appointment of the Servicer is terminated, the Issuer has the right to appoint a successor Servicer pursuant to the Servicing Agreement. There is no assurance that an appropriate successor Servicer can be found and hired in the required time span as set forth in the Servicing Agreement and that this does not have a negative impact on the amount and the timing of the Collections made.

Creditworthiness of Parties to the Transaction 2 Documents, in particular, the Servicer

The ability of the Issuer to meet its obligations under the Compartment 2 Notes will be dependent, in whole or in part, on the performance of the duties by each party to the Transaction 2 Documents.

No assurance can be given that the creditworthiness of the parties to the Transaction 2 Documents, in particular, the Servicer, the Swap Counterparty and the Issuer Account Bank will not deteriorate in the future. This may affect the performance of their respective obligations under the respective Transaction 2 Documents. In particular, it may affect the administration, collection and enforcement of the Purchased Lease Receivables by the Servicer in accordance with the Servicing Agreement.

However, the credit risk mentioned before is mitigated by certain credit sensitive triggers. For example, it shall constitute a Servicer Termination Event if, *inter alia*, with respect to the Servicer or the Seller, an Insolvency Event occurs or the Servicer fails to perform a material obligation which is not remedied within twenty (20) Business Days of notice from the Issuer or the Trustee. The Swap Counterparty has to be an Eligible Swap Counterparty. The Issuer Account Bank has to be an Eligible Bank.

Commingling risk and risk of Servicer Shortfalls

During the life of Transaction 2, the Seller in its capacity as the Servicer is entitled to commingle any Collections from the Purchased Lease Receivables, including proceeds from the disposition of any Leased Vehicle with its own funds during each Monthly Period and will be required to make a single deposit to the Issuer Account-C2 on each Payment Date. Commingled funds may be used or invested by the Seller at its own risk and for its own benefit until the relevant Payment Date.

Upon the occurrence of an Insolvency Event to the Seller or the Servicer or a Servicer Termination Event, commingling risks and risks of Servicer Shortfalls may occur. For covering the outlined potential commingling risks and risks of Servicer Shortfalls, the Seller in its capacity as the Servicer has undertaken to indemnify the

Issuer against any liabilities, costs, claims and expenses resulting from its failure to pay the Issuer any Collections in accordance with the Servicing Agreement, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and to provide the Commingling Reserve upon the occurrence of a Commingling Reserve Trigger Event.

Conflicts of Interest

In connection with Transaction 2, the Seller will also act as Servicer and the Issuer Account Bank will also act as the Interest Determination Agent and the Paying Agent. To the best knowledge and believe of the Issuer, these are the sole conflicts of interest. These parties will have only those duties and responsibilities assumed under the Transaction 2 Documents, and will not, by virtue of their or any of their Affiliates acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than those under each Transaction 2 Document to which they are a party. All Transaction 2 Parties (other than the Issuer) may enter into other business dealings with each other or Bavarian Sky S.A. (in respect of Compartments other than Compartment 2) from which they may derive revenues and profits without any duty to account therefore in connection with Transaction 2.

The Servicer may hold or service claims (for third parties) against the Lessees other than the Purchased Lease Receivables.

The wider interests or obligations of the afore-mentioned parties may therefore conflict with the interests of the Compartment 2 Noteholders.

The afore-mentioned parties may engage in commercial relations, in particular, be lender, provide general banking, investment and other financial services to the Lessees, the Seller, the Servicer, Bavarian Sky S.A. (in respect of Compartments other than Compartment 2) and other parties to Transaction 2. The Corporate Administrator may provide corporate, administrative or other services to other entities.

In such relations, the afore-mentioned parties are not obliged to take into account the interests of the Compartment 2 Noteholders. Accordingly, because of these other relations, potential conflicts of interest may arise in respect of Transaction 2.

Legal risks

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

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

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

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

If BMW Leasing GmbH's insolvency administrator chooses not to continue any Lease Agreement with the relevant Lessees, then the Purchased Lease Receivables arising from such Lease Agreements will be extinguished. If the insolvency administrator chooses to continue a Lease Agreement, the payment obligation of the Lessee will be continued and such obligation will remain, however, the payment obligation of the Lessee will be reinstated, and such reinstated payment obligation would not be subject to any assignment under the Lease

Receivables Purchase Agreement which came into effect prior to the commencement of insolvency proceedings against BMW Leasing GmbH. However, the Issuer's shortfall would be covered by the Issuer's security title (*Sicherungseigentum*) in the Leased Vehicle which would entitle the Issuer to the realisation of the Leased Vehicle. In this case, BMW Leasing GmbH's insolvency administrator may, however, deduct his fees from such proceeds; such fees may amount up to 9 per cent. of the enforcement proceeds plus applicable VAT (section 166 para 2 of the German Insolvency Code (*Insolvenzordnung*)).

Federal Data Protection Act (Bundesdatenschutzgesetz)

According to the German Federal Data Protection Act, a transfer of a customer's personal data is permitted if (a) the relevant customer has consented to such transfer or (b) such transfer is permitted by law, or (c) such transfer is (i) necessary in order to maintain the legitimate interests of the person storing the data and (ii) there is no reason to believe that the legitimate interests of the customer to prevent the processing and use of data should prevail over such other storer's interests. The Issuer is of the view that the transfer of the Lessees' personal data in connection with the assignment of the rights under the Purchased Lease Receivables relating to the Lease Collateral is in compliance with (c) above and is necessary to maintain the legitimate interests of the Seller, the Issuer and the Trustee. In addition, the Issuer is of the view that the protection mechanisms provided for in the Data Trust Agreement and the Lease Receivables Purchase Agreement take into account the legitimate interests of the Lessees to prevent the processing and use of data by any of the Seller, the Issuer and the Trustee.

German consumer credit legislation

The Lease Agreements are structured to qualify as operating lease agreements and not as financial leases so that section 500 of the German Civil Code containing special provisions for consumer financing should not apply. However, in case a court would re-characterise the Lease Agreements (e.g. in case the relevant consumer assumes an open residual value risk in respect of the relevant Lease Vehicle) as financial leases, such re-characterisation would have, among others, the following consequences in case the lessor is a consumer within the meaning of the German Civil Code:

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

However, it is an Eligibility Criterion for all Purchased Lease Receivables that they are valid and enforceable and not subject to any right of revocation, set-off or counter-claim, warranty claims of the Lessees or any other right of objection, in addition the portions relating to the VAT, the residual value and the provision of services are not sold to the Issuer under the Lease Receivables Purchase Agreement, see "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Eligibility Criteria". In the event that a Purchased Lease Receivable does not meet the Eligibility Criteria, the Seller will be required to pay to the Issuer Deemed Collections in the amount of the Discounted Lease Balance of such Purchased Lease Receivable (or the affected portion thereof). See "MASTER DEFINITIONS SCHEDULE — Deemed Collections".

Non-petition and limited recourse clauses

Non-petition, exclusion of liability and limited recourse clauses may in certain circumstances be held invalid under German law. Liability arising out of wilful misconduct and/or, under certain circumstances, gross negligence or, insofar as material obligations and duties are concerned, other negligent breaches of duty cannot validly be excluded or limited in advance. In addition, where the relevant limited recourse, exclusion of liability and non-petition clause is directly contrary to the purpose of the contract, the relevant clauses could, in such circumstances, be declared void. Furthermore, in relation to the procedural rights of the parties, a general prohibition for one of the parties to sue the other party might be held to contravene *bonos mores* (*sittenwidrig*)

and might therefore be declared void. In principle, non-petition, exclusion of liability and limited recourse clauses must not be the result of disparity of bargaining power or economic resources of the parties.

The Issuer has been advised by a reputable law firm that a disparity of bargaining power does not apply in securitisation transactions in which all parties involved are corporate entities with sufficient economic and intellectual resources and that the non-petition clauses reinforce the intended transactional mechanics of Transaction 2 and the intended allocation of risk. The relevant limited recourse, exclusion of liability and non-petition clauses are in the interest of all parties to the agreements containing limited recourse, exclusion of liability and non-petition clauses and do not lead to an imbalance of benefits as between the parties which would be required for holding such clauses null and void. Furthermore, the Luxembourg Securitisation Law explicitly states, for the purposes of Luxembourg law, that non-petition clauses shall be legal, valid, binding and enforceable to the extent the relevant company has elected to be governed by the Luxembourg Securitisation Law, while the limited recourse clauses will be effective by operation of the Luxembourg Securitisation Law.

Change of law

The underlying Lease Agreements, the Trust Agreement, the Lease Receivables Purchase Agreement and the other Transaction 2 Documents and the issue of the Compartment 2 Notes, as well as the ratings which are to be assigned to the Compartment 2 Notes are based on the law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change of law or its interpretation or administrative practice after the date of this Offering Circular.

Assignability of Purchased Lease Receivables

As a general rule under German law, receivables are assignable unless their assignment is excluded either by agreement or by the nature of the receivables to be assigned. Under section 354a of the German Commercial Code (*Handelsgesetzbuch*), however, the assignment of claims for the payment of money arising under leases that constitute business transactions (*Handelsgeschäft*) for both parties (including the lessee) within the meaning of the German Commercial Code will be valid notwithstanding an agreement prohibiting such assignment. There is no published court precedent of the German Federal Court of Justice (*Bundesgerichtshof*) or any German Court of Appeals (*Oberlandesgericht*) confirming that receivables arising out of lease agreements or other rental agreements would not be assignable either generally or in a refinancing transaction or an asset-backed securitisation.

Pursuant to the Lease Receivables Purchase Agreement, the Seller will warrant to the Issuer that the Lease Agreements under which the Purchased Lease Receivables have been originated are based on certain standard forms. These standard forms do not specifically prevent the Seller from transferring its rights under the relevant Lease Agreement to a third party for refinancing purposes. Pursuant to the Lease Receivables Purchase Agreement, the Seller will represent and warrant to the Issuer that the provisions of the Lease Agreements are valid. The Seller will also warrant to the Issuer in the Lease Receivables Purchase Agreement that the assignment of the Purchased Lease Receivables to the Issuer is not prohibited and is valid.

Termination for good cause

As a general principal of German law, a contract may always be terminated for good cause (*aus wichtigem Grund*) and such right may not be totally excluded nor may it be made subject to unreasonable restrictions or the consent from a third party. This may also have an impact on several limitations of the right of the parties to the Transaction 2 Documents to terminate for good cause.

Risks in connection with the application of the German Act on Debt Securities from Entire Issues (Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz - SchVG))

A holder of Compartment 2 Notes of a certain Class is subject to the risk to be outvoted and to lose rights towards the Issuer against his will in the case that the holders of the Compartment 2 Notes of such Class agree pursuant to the Conditions to amendments of the Conditions by majority vote according to the German Act on Debt Securities from Entire Issues (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz - SchVG)*). In the case of an appointment of a holder's representative for all holders of Compartment 2 Notes of a certain Class a particular holder of a Compartment 2 Note of such Class may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other holders of Compartment 2 Notes of such Class.

Limitation of Time

Claims arising from a bearer note (*Inhaberschuldverschreibung*) i. e. claims to interest and principal cease to exist with the expiration of five years after the Legal Final Maturity Date, unless the bearer note is submitted to the Issuer for redemption prior to the expiration of five years after the Legal Final Maturity Date. In case of a submission, the claims will be time-barred in two years beginning with the end of the period for presentation (ending five years after the Legal Final Maturity Date in accordance with the Conditions). The judicial assertion of the claim arising from a bearer note has the same effect as a presentation of such bearer note

Tax risks

German taxation

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

Income tax

Investors should be aware that with respect to the Issuer's liability for income tax, there is no assurance that the German tax authorities will treat the Issuer as having its place of effective management and control ("*Geschäftsleitung*") outside Germany. In contrast, German tax authorities may treat the Issuer as having its place of management and control ("*Geschäftsleitung*") in Germany. As a consequence, the Issuer would be subject to German resident taxation with its worldwide income, unless certain branch income is tax-exempt according to the provision of any applicable tax treaty. A foreign corporation has its effective place of management and control in Germany if the substantial decisions of the day-to-day business are made in Germany. Such decisions are related to all functions performed by the Issuer in Germany in contrast to the decisions related to functions performed outside of Germany. The functions performed by the Servicer in Germany involve decisions to be made in relation to the management of the Purchased Lease Receivables and in particular in relation to the collection of such receivables. Consequently, the functions performed by the Servicer in Germany on behalf of the Issuer must not be of relative economic significance in comparison to functions performed in Luxembourg and elsewhere, either by the Issuer itself or Persons acting on its behalf as the Corporate Administrator. Such assessment cannot be made with scientific accuracy and involves a judgment with which reasonable people may disagree. There are good and valid reasons to treat the Issuer as not being managed and controlled in Germany, but if the Issuer were treated as so managed and controlled, against its expectation, the Issuer's corporate income tax base would have to be determined on an accrual basis. As a result, business expenditure incurred by the Issuer would be deductible when it arises such that the Issuer's taxable income would be expected to be close to zero or relatively low. This means that, in the worst case, losses for the Compartment 2 Noteholders due to "tax leakage" would be relatively low. Additionally, the limitations on interest deductibility as described below (*Zinsschranke und gewerbsteuerliche Hinzurechnung von Zinsen*) would be applicable to the Issuer.

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

As outlined below, there are good and valid reasons that the Issuer should neither be subject to resident nor to source taxation in Germany and, therefore, the new earnings-stripping rules (*Zinsschranke*) and the amended rules regarding the add-back of interest for trade tax purposes (*gewerbsteuerliche Hinzurechnung von Zinsen*) should very unlikely affect the tax position of the Issuer. According to the official explanatory statement published, securitisation vehicles shall not be subject to these limitations. If this is the case, such earnings-stripping rules shall not be applicable to the Issuer. The Federal Ministry of Finance states in the earnings-stripping rules Decree (Federal Gazette I 2008, page 718, margin no. 67) that the earnings-stripping rules is only

applicable to securitisation vehicles which can be consolidated into the group financial statements of the Seller by using the control principle of IAS 27. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities (IAS 27 para 4). The Seller does not control the Issuer and therefore the earnings-stripping rule is not applicable. A possible consolidation by using SIC 12 does not lead to the application of the interest barrier.

Assuming that the Issuer is resident in Germany, the Issuer will only become subject to these earning-stripping rules if it is considered to be an affiliated company (*Konzern*). The Issuer is an affiliated company if it is or might be part of a consolidated group of companies under the applicable regime of accounting standards.

Even if the Issuer forms part of a consolidated group of companies, pursuant to the published legislative motives which bind the administration and the courts in interpreting a statute, a securitisation vehicle shall not be regarded as affiliated with the result that the new earnings stripping rules will not be applicable to the Issuer, even if it should have a taxable presence in Germany. Language of the earnings stripping statute does not so provide expressly, but the legislative motives are sufficiently clear in directing the interpretation of statute.

In case the Issuer would still, against all expectations, be regarded as subject to the earnings-stripping rules, interest payable by the Issuer would only be deductible as follows:

- (1) Interest payable is fully deductible up to the amount of interest income (*Zinserträge*) received in the respective fiscal year of the Issuer; and
- (2) Interest payable exceeding the amount of interest income would only be deductible up to 30 per cent of the annual EBITDA as determined pursuant to German tax rules.

Under current German tax law, there will be no withholding taxes or deductions on account of German tax on the payment:

- from the debtors on the Lease Receivables; or
- between the parties to the Transaction 2 Documents under the Transaction 2 Documents.

Trade tax

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

As outlined above, there are good and valid reasons to treat the Issuer as not being managed and controlled in Germany. However, it cannot be excluded that the German tax authorities treat the Issuer as being effectively managed and controlled from within Germany. In this case, trade tax will, in principle, be levied on business profits derived by the Issuer. In that case, pursuant to section 8 no. 1 of the German Trade Tax Act (*GewStG — Gewerbesteuergesetz*) an add-back will occur in the amount of 25% of the interest payments. This applies not only to long-term indebtedness (*Dauerschulden*) but also covers all kinds of interest payments. Additionally, the new rules on the add-back of interest payments for tax purposes will also treat certain discounts agreed on upon the sale of receivables resulting from pending business transactions (*schwebende Geschäfte*) as interest payment which are to be added-back at a rate of 25%. Since there still are many uncertainties as to the application of these new rules, the impact on the potential trade tax burden of the Issuer cannot be quantified specifically. As outlined for corporate tax purposes, in case the Issuer does not have its effective place of management and control in Germany, it is also unlikely that the Issuer has a permanent establishment for trade tax purposes in Germany as the Issuer neither maintains any business premises or office facility in Germany nor does it have the right to dispose of the business premises of the Servicer. In addition, the add-back of interest is only applicable for interest which is deductible for income tax purposes. If the interest is treated as non-deductible due to the earnings-stripping rules, an add-back for trade tax purposes is excluded.

It follows from the above that it cannot be excluded that the Issuer might be subject to German trade tax (*Gewerbesteuer*) calculated on the basis of 25% from 1 January 2008 of the interest the Issuer pays to the Noteholders and the Subordinated Lender. In order to cover such potential German trade tax risk, BMW Leasing GmbH has undertaken to (i) indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such trade tax claims, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and (ii) upon occurrence of an Indemnity Reserve Trigger Event to provide collateral to the Issuer for such indemnification claims by immediately transferring and depositing the Required Indemnity

Reserve into the Indemnity Reserve which shall serve as security to the Issuer if, *inter alia*, BMW Leasing GmbH fails to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such trade tax claims.

German VAT

Pursuant to section 13c of the German VAT Act (*Umsatzsteuergesetz – UStG*), the Issuer may incur a secondary liability for German VAT payable by the Seller in relation to the Purchased Lease Receivables.

The Issuer believes that it will be able to pay such secondary liability because the Issuer will, after a Lessee Notification Event has occurred, collect the gross amount of all Purchased Lease Receivables, including the German VAT portion although the Seller has only sold, and the Notes have only financed, the net amount of the Purchased Lease Receivable, excluding such German VAT portion. It has been explicitly agreed between the Issuer and the Seller that the Issuer can use the collected German VAT portion to make payments with respect to a secondary liability.

However, it cannot be excluded that the Issuer may become liable pursuant to section 13c of the German VAT Act, regardless whether the VAT self assessment has been correctly issued or not. Any amounts paid by the Issuer to the German tax authorities with respect to such a liability of the Issuer for German value added tax will reduce the amounts available for payments under the Notes.

For covering the outlined potential German VAT risk, the Seller has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such VAT claims pursuant to section 13c of the German Value Added Tax Law (*Umsatzsteuergesetz*) or equivalent laws, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and to provide the Indemnity Reserve if the Seller fails to pay any VAT due and payable, and fails to indemnify the Issuer against any liabilities, costs, claims and expenses resulting therefrom.

Luxembourg Taxation

Payments under the Compartment 2 Notes will only be made after any mandatory requirements for withholding or deductions on account of tax have been met. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Compartment 2 Notes in whole but not in part at their then Outstanding Notes Balance. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.5 (*Optional Tax Redemption*)".

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

- (a) all payments of interest and principal by the Issuer under the Compartment 2 Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, provided that Interest paid to the Compartment 2 Noteholders who are individuals resident in an EU Member State may be subject to withholding as explained below in "EU Savings Directive";
- (b) a holder of a Compartment 2 Note who derives income from a Compartment 2 Note or who realises a gain on the disposal or redemption of a Compartment 2 Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, a resident of Luxembourg for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Compartment 2 Note unless:
 - (i) the holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or

- (ii) such Compartment 2 Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Compartment 2 Note by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Compartment 2 Notes or in respect of the payment of principal or interest under the Compartment 2 Notes or the transfer of the Compartment 2 Notes. If any documents in respect of the Compartment 2 Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;
- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Compartment 2 Notes or in respect of the payment of interest or principal under the Compartment 2 Notes or the transfer of a Compartment 2 Note; and
- (g) a holder of a Compartment 2 Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Compartment 2 Note or the execution, performance, delivery and/or enforcement of the Compartment 2 Note.

EU Savings Directive

On 3 June 2003, the Council of the European Union adopted Council Directive 2003/48/EC regarding the taxation of savings income (the "**Savings Directive**"). The directive is applied by Member States since 01 July 2005.

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

However, throughout a transitional period, certain Member States (Luxembourg and Austria), as well as certain non Member States, which have signed an agreement with Member States (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) to apply similar measures to those included in the Savings Directive, will withhold an amount on interest payments instead of using the Disclosure of Information Method, except if the beneficiaries of the interest payments opt for the Disclosure of Information Method. The withholding tax regime in Belgium has changed since 31 December 2009.

The rate of the withholding tax is equal to 20% as from 1 July 2008 and 35% as from 1 July 2011. Such transitional period will end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) and when the Council of the European Union agrees by unanimity that the United States is committed to use the Disclosures of Information Method.

The attention of prospective Compartment 2 Noteholders is drawn to Condition 12 of the Compartment 2 Notes (*Taxation*). According to Condition 11 (*Agents; Determinations Binding*) of the Compartment 2 Notes, the Issuer undertakes to maintain a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

No Gross-Up for Taxes

If required by law, any payments under the Notes will only be made after deduction of any applicable withholding taxes and other deductions.

Neither the Issuer nor the Paying Agent will be required to pay additional amounts in respect of any withholding or other deduction for or on account of any present or future taxes or other duties of whatever nature.

Structural and other credit risks

Liability under the Compartment 2 Notes

The Compartment 2 Notes will be contractual obligations of the Issuer solely in respect of Compartment 2 of the Issuer. The Compartment 2 Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), the Trustee, the Swap Counterparty, the Data Trustee, the Issuer Account Bank, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Joint Lead Managers, the Arranger, the Managers, the Common Safekeeper, or any of their respective Affiliates or any Affiliate of the Issuer or any other party to the Transaction 2 Documents (other than the Issuer solely in respect of its Compartment 2) or any other third person or entity other than the Issuer. Furthermore, no person other than the Issuer solely in respect of Compartment 2 of the Issuer will accept any liability whatsoever to the Compartment 2 Noteholders in respect of any failure by the Issuer to pay any amount due under the Compartment 2 Notes. The Issuer will not be liable whatsoever to the Compartment 2 Noteholders in respect of any of its Compartments (or assets relating to such Compartments) other than Compartment 2.

All payment obligations of the Issuer under the Compartment 2 Notes constitute exclusively obligations to pay out the Available Distribution Amount or the Available Post-Enforcement Funds in accordance with the Applicable Priority of Payments. If, following enforcement of the Compartment 2 Security, the Available Post-Enforcement Funds prove ultimately insufficient, after payment of all claims ranking in priority to amounts due under the Compartment 2 Notes, to pay in full all principal and interest and other amounts whatsoever due in respect of the Compartment 2 Notes, any shortfall arising will be extinguished and the Compartment 2 Noteholders will neither have any further claim against the Issuer in respect of any such amounts nor have recourse to any other person for the Loss sustained. The enforcement of the Compartment 2 Security by the Trustee is the only remedy available to the Compartment 2 Noteholders for the purpose of recovering amounts payable in respect of the Compartment 2 Notes. Such assets and the Available Post-Enforcement Funds will be deemed to be "ultimately insufficient" at such time as no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claim of the Compartment 2 Noteholders, and neither assets nor proceeds will be so available thereafter.

Limited resources of the Issuer

Bavarian Sky S.A. is a special purpose entity organised under and governed by the Luxembourg Securitisation Law and, in respect of Compartment 2, with no business operations other than the issue of the Compartment 2 Notes, the financing of the purchase of the Purchased Lease Receivables secured by related Lease Collateral and the entrance into related Transaction 2 Documents. Assets and proceeds of Bavarian Sky S.A. in respect of Compartments other than Compartment 2 will not be available for payments under the Compartment 2 Notes. Therefore, the ability of the Issuer to meet its obligations under the Compartment 2 Notes will depend, *inter alia*, upon receipt of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C2 during such Monthly Period;
- (g) the Pro Rata Share of any proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such proceeds;
- (h) the Indemnity Reserve upon the occurrence and the continuation (as set out in Clause 13.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover (i) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the

Lease Receivables Purchase Agreement; or (ii) any unpaid Deemed Collections which are due and payable; and

- (i) the Commingling Reserve upon the occurrence and the continuation (as set out in Clause 14.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date and until a substitute Servicer is appointed, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer.

Insolvency of the Issuer

Although the Issuer will contract on a "limited recourse" basis as noted above, it cannot be excluded as a risk that the assets of Bavarian Sky S.A. (that is, its aggregate assets allocated to its Compartments plus any other assets it may possess) will become subject to bankruptcy proceedings.

Bavarian Sky S.A. is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, has its registered office in Luxembourg and is managed by its board of directors, professionally residing in Luxembourg. Accordingly, bankruptcy proceedings with respect to Bavarian Sky S.A. would likely proceed under, and be governed by, the insolvency laws of Luxembourg.

Under Luxembourg law, a company is bankrupt ("*en faillite*") when it is unable to meet its current liabilities and when its creditworthiness is impaired. In particular, under Luxembourg bankruptcy law, certain acts deemed to be abnormal and carried out by the bankrupt party during the so-called "suspect period" may be unenforceable against the bankruptcy estate of such party. Whilst the unenforceability is compulsory in certain cases, it is optional in other cases. The "suspect period" is the period that lapses between the date of cessation of payments (*cessation de paiements*), as determined by the bankruptcy court, and the date of the court order declaring the bankruptcy. The "suspect period" cannot exceed six months.

Under Article 445 of the Luxembourg Code of Commerce: (a) a contract for the transfer of movable or immovable property entered into or carried out without consideration, or a contract or transaction entered into or carried out with considerably insufficient consideration for the insolvent party; (b) a payment, whether in cash or by transfer, assignment, sale, set-off or otherwise for debts not yet due, or a payment other than in cash or bills of exchange for debts due or (c) a contractual or judiciary mortgage, pledge, or charge on the debtor's assets for previously contracted debts, would each be unenforceable against the bankruptcy estate if carried out during the suspect period or ten days preceding the suspect period.

According to Article 61(4) second paragraph of the Luxembourg Securitisation Law and without prejudice to the provisions of the law of 5 August 2005 on financial collateral arrangements, the validity and perfection of each of the security interests mentioned under item (c) in the above paragraph cannot be challenged by a bankruptcy receiver with respect to Article 445 of the Luxembourg Code of Commerce and such security interests are hence enforceable even if they were granted by the company during the suspect period or ten days preceding the suspect period. However, Article 61(4) second paragraph of the Luxembourg Securitisation Law is only applicable if (i) the articles of incorporation of the company granting the security interests are governed by the Luxembourg Securitisation Law and (ii) the company granted the respective security interest no later than the issue date of the securities or at the conclusion of the agreements secured by such security interest.

Under Article 446 of the Luxembourg Code of Commerce, any payments made by the bankrupt debtor in the suspect period may be rescinded if the creditor was aware of the cessation of payment of the debtor.

Under Article 448 of the Luxembourg Code of Commerce, transactions entered into by the bankrupt debtor with the intent to deprive its creditors are null and void (Article 448 of the Code of Commerce), regardless of the date on which they were made.

Bavarian Sky S.A. can be declared bankrupt upon petition by a creditor of Bavarian Sky S.A. or at the initiative of the court or at the request of Bavarian Sky S.A. in accordance with the relevant provisions of Luxembourg insolvency laws. The conditions for opening bankruptcy proceedings are the stoppage of payments ("*cessation des paiements*") and the loss of commercial creditworthiness ("*ébranlement du crédit commercial*"). The failure of controlled management proceedings may also constitute grounds for opening bankruptcy proceedings. If the above mentioned conditions are satisfied, the Luxembourg court will appoint a bankruptcy trustee ("*curateur*") who shall be the sole legal representative of Bavarian Sky S.A. and obliged to take such action as it deems to be in the best interests of Bavarian Sky S.A. and of all creditors of Bavarian Sky S.A. Certain preferred creditors of Bavarian Sky S.A. (including the Luxembourg tax authorities) may have a privilege that ranks senior to the

rights of the Noteholders in such circumstances. Other bankruptcy proceedings under Luxembourg law include controlled management and moratorium of payments ("*gestion contrôlée et sursis de paiement*") of Bavarian Sky S.A., composition proceedings ("*concordat*") and judicial liquidation proceedings ("*liquidation judiciaire*").

Consequences of bankruptcy proceedings

If Bavarian Sky S.A. fails for any reason to meet its obligations or liabilities (that is, if Bavarian Sky S.A. is unable to pay its debts and may obtain no further credit), a creditor, who has not (and cannot be deemed to have) accepted non petition and limited recourse provisions in respect of Bavarian Sky S.A., will be entitled to make an application for the commencement of insolvency proceedings against Bavarian Sky S.A. In that case, such creditor would, however, not have recourse to the assets of any Compartment (in the case that Bavarian Sky S.A. has created one or more Compartments) but would have to exercise its rights on the general assets of Bavarian Sky S.A. unless its rights would arise in connection with the "creation, operation or liquidation" of a Compartment, in which case, the creditor would have recourse to the assets allocated to that Compartment but he would not have recourse to the assets of any other Compartment. Furthermore, the commencement of such proceedings may in certain conditions, entitle creditors (including the relevant counterparties) to terminate contracts with Bavarian Sky S.A. and claim damages for any loss created by such early termination. Bavarian Sky S.A. will seek to contract only with parties who agree not to make application for the commencement of winding-up, liquidation and bankruptcy or similar proceedings against Bavarian Sky S.A. Legal proceedings initiated against Bavarian Sky S.A. in breach of these provisions shall, in principle, be declared inadmissible by a Luxembourg court.

Subordination

Prior to the occurrence of an Enforcement Event, the Class B Compartment 2 Notes bear a greater risk than the Class A Compartment 2 Notes because payment of principal on the Class B Compartment 2 Notes is subordinated to the payment of principal on the Class A Compartment 2 Notes in accordance with the Pre-Enforcement Priority of Payments, as further described in this Offering Circular.

Upon the occurrence of an Enforcement Event, the Class B Compartment 2 Notes bear a greater risk than the Class A Compartment 2 Notes because payment of principal and interest on the Class B Compartment 2 Notes is subordinated to the payment of principal and interest on the Class A Compartment 2 Notes in accordance with the Post-Enforcement Priority of Payments, as further described in this Offering Circular.

See "CREDIT STRUCTURE AND FLOW OF FUNDS – Sequential amortisation", "PRE-ENFORCEMENT PRIORITY OF PAYMENTS"; and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Ratings of the Compartment 2 Notes

The ratings assigned to the Compartment 2 Notes by the Rating Agencies take into consideration the structural and legal aspects associated with the Compartment 2 Notes and the underlying Purchased Lease Receivables, the credit quality of the Purchased Lease Receivables and the related Lease Collateral, the extent to which the Lessees' payments under the Purchased Lease Receivables are adequate to make the payments required under the Compartment 2 Notes as well as other relevant features of the structure, including, *inter alia*, the credit quality of the Swap Counterparty, the Issuer Account Bank, the Seller and the Servicer (if different). Each Rating Agency's rating reflects only the view of that Rating Agency. Each rating assigned to the Compartment 2 Notes addresses the likelihood of full and timely payment to the Compartment 2 Noteholders of all payments of interest on the Compartment 2 Notes on each Payment Date and the ultimate payment of principal on the Legal Final Maturity Date of the Compartment 2 Notes. Rating organisations other than the Rating Agencies may seek to rate the Compartment 2 Notes and, if such "shadow ratings" or "unsolicited ratings" are lower than the comparable ratings assigned to the Compartment 2 Notes by the Rating Agencies, such shadow or unsolicited ratings could have an adverse effect on the value of the Compartment 2 Notes. Future events, including events affecting the Swap Counterparty, the Issuer Account Bank, the Seller and the Servicer (if different) could also have an adverse effect on the ratings of the Compartment 2 Notes. Such risk, however, is partly mitigated, as each of the Swap Counterparty and the Issuer Account Bank is obliged to transfer its obligations to another eligible third party with the required ratings if it ceases to be an Eligible Swap Counterparty or an Eligible Bank (as the case may be) which will have an adverse effect on the ratings of the Compartment 2 Notes.

A rating in respect of certain securities is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time by the relevant rating organisation. The ratings assigned to the Compartment 2 Notes should be evaluated independently from similar ratings on other types of securities. There

is no assurance that the ratings of the Compartment 2 Notes will continue for any period of time or that they will not be lowered, reviewed, suspended or withdrawn by the Rating Agencies. In the event that the ratings initially assigned to the Compartment 2 Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement to the Compartment 2 Notes.

Sharing of proceeds with other Secured Parties

The proceeds of collection and enforcement of the Compartment 2 Security created by the Issuer in favour of the Trustee will be distributed in accordance with the Applicable Priority of Payments to satisfy claims of all Secured Parties thereunder. If the proceeds are not sufficient to satisfy all obligations of the Issuer, certain parties that rank more junior in the Applicable Priority of Payments will suffer a Loss. See "PRE-ENFORCEMENT PRIORITY OF PAYMENTS" and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Basel Capital Accord

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision (the "**Committee**"). The 1988 Accord, now referred to as Basel I, helped to strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Committee published the text of the new capital accord under the title: "Basel II; International Convergence on Capital Measurement and Capital Standards: a revised framework" (the "**Framework**") in June 2004. In November 2005, the Committee issued an updated version of the Framework. On 4 July 2006, the Committee issued a comprehensive version of the Framework. This Framework places enhanced emphasis on market discipline, internal procedures and governance and sensitivity to risk and serves as a basis for national and supra-national rule-making and approval processes for banking organisations. The Framework was put into effect for credit institutions in Europe via the recasting of a number of prior directives. This consolidating directive is referred to as the EU Capital Requirements Directive ("**CRD**"). Member States were required to transpose, and the financial services industry had to apply, the CRD by 1 January 2007, subject to various transitional measures. The more sophisticated measurement approaches for operational risk are required to be implemented from January 2008. The Framework, as implemented, will affect risk weighting of the Notes for investors. Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework as implemented by their own regulator, to their holding of any Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the Framework.

The Basel Committee announced in April 2008 that it would take steps to strengthen certain aspects of the Framework and, to this end, it introduced a package of consultative documents, the Revisions to the Basel II market risk framework and Proposed enhancements to the Basel II framework in January 2009. The European Commission also published in April 2008 a consultation paper on certain changes proposed to the CRD and it has also sought technical advice on its proposed changes from the Committee of European Banking Supervisors. On 9 March 2009 the EU's Economic and Financial Affairs Council (ECOFIN) endorsed the European Commission's final proposal for amendments to the CRD published in December 2008. The European Commission's final proposal contains the controversial "skin in the game" proposals that (broadly) require originators/sponsors of securitisations to retain a 5% economic interest in those securitisations. The European Parliament has agreed to the amendments (including the controversial 5% "skin in the game" retention requirement) to the CRD on 6 May 2009. Further changes to the CRD are to be proposed in October 2009 relating to liquidity risk and excessive leverage, dynamic provisioning and removing the 100+ options and national discretions in the CRD. On 17 November 2009, the Directive 2009/111/EC amending the CRD was published in the Official Journal of the European Union. Member States are required to transpose the Directive 2009/111/EC into national law by 31 October 2010, and begin implementing the Directive from 31 December 2010.

There can be no guarantee that the regulatory capital treatment of the Compartment 2 Notes for investors will not be affected by any future implementation of and changes to the Directive 2009/111/EC.

Eurosystem Eligibility

The Class A Compartment 2 Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Compartment 2 Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Class A Compartment 2 Notes 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, *inter alia*, depend upon satisfaction of the Eurosystem eligibility criteria.

If the Class A Compartment 2 Notes do not satisfy the criteria specified by the European Central Bank, there is a risk that the Class A Compartment 2 Notes will not be eligible collateral for the Eurosystem. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Class A Compartment 2 Notes that the Class A Compartment 2 Notes will, either upon issue, or any or at all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investors in the Class A Compartment 2 Notes should draw their own conclusions and seek their own advice with respect to whether or not the Class A Notes constitute Eurosystem eligible collateral.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISK ASSOCIATED WITH THE COMPARTMENT 2 NOTES

Absence of secondary market liquidity and market value of Compartment 2 Notes

Although application will be made to list the Compartment 2 Notes on the Luxembourg Stock Exchange, there is currently no secondary market for the Compartment 2 Notes. There can be no assurance that there will be bids and offers and that a liquid secondary market for the Compartment 2 Notes will develop or that a market will develop for all Classes of Compartment 2 Notes or, if it develops, that it provides sufficient liquidity to absorb any bids, or that it will continue for the whole life of the Compartment 2 Notes. In addition, the market value of the Compartment 2 Notes may fluctuate with changes in market conditions. Consequently, any sale of Compartment 2 Notes by Compartment 2 Noteholders in any secondary market transaction may be at a discount to the original purchase price of such Compartment 2 Notes. Accordingly, investors should be prepared to remain invested in the Compartment 2 Notes until the Legal Final Maturity Date.

Interest rate risk

The calculation of the Purchase Prices for the Purchased Lease Receivables is made on the basis of a fixed interest rate to determine the net present value by discounting the Purchased Lease Receivables with the Discount Rate. However, payments of interest on the Compartment 2 Notes are calculated on the basis of EURIBOR. To ensure that the Issuer will not be exposed to interest rate risk, the Issuer and the Swap Counterparty will have entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount which is equal to the Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis.

A default by the Swap Counterparty on its obligations under the Swap may lead to the Issuer not having sufficient funds to meet its obligations to pay interest on the Compartment 2 Notes.

Interest Rate Hedging

If the Swap Counterparty defaults in respect of its obligations under the Swap Agreement which results in a termination of the relevant Swap Agreement, the Issuer will be obligated to enter into a replacement arrangement with another Eligible Swap Counterparty or to take other appropriate steps as defined in the Swap Agreement. Any failure to enter into such a replacement arrangement or to take other appropriate action may result in the Issuer becoming exposed to substantial interest rate risk and a downgrading of the rating of the Compartment 2 Notes. See "SUMMARY OF THE OTHER TRANSACTION DOCUMENTS — Swap Agreement".

During periods in which floating rates interests payable by the Swap Counterparty under the Swap Agreement are less than the fixed rates interests payable by the Issuer under such Swap Agreement, the Issuer will be obliged under such Swap Agreement to make a net payment to such Swap Counterparty. The Swap Counterparty's claims for payment (including certain termination payments required to be made by the Issuer upon a termination of a Swap Agreement) under the Swap Agreements will rank higher in priority than all payments on the Compartment 2 Notes. If a payment under a Swap Agreement is due to a Swap Counterparty on a Payment Date, the Available Distribution Amount may be insufficient to make the required payments to the Swap Counterparty and to the Compartment 2 Noteholders, so that the Compartment 2 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 2 Notes.

The Swap Counterparty may terminate the Swap Agreement if the Issuer becomes insolvent, if the Issuer fails to make a payment under the Swap Agreement when due and such failure is not remedied within three Business

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

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

In the event that a Swap Agreement is terminated by either party, then, depending on the market value of the swap, a termination payment may be due to the Issuer or to the Swap Counterparty. Any such termination payment could be substantial. Under certain circumstances, termination payments required to be made by the Issuer to a Swap Counterparty will rank higher in priority than all payments on the Compartment 2 Notes. In such an event, the Available Distribution Amount may be insufficient to make the required payments on the Compartment 2 Notes and the Compartment 2 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 2 Notes.

In the event that a Swap Agreement is terminated by either party or a Swap Counterparty becomes insolvent, the Issuer may not be able to enter into a Swap Agreement with a replacement Swap Counterparty immediately or at a later date. If a replacement Swap Counterparty cannot be contracted, the amount available to pay principal of and interest on the Compartment 2 Notes will be reduced if the floating rates on Compartment 2 Notes exceed the fixed rate the Issuer would have been required to pay the Swap Counterparty under the terminated Swap Agreement. Under these circumstances the Available Distribution Amount may be insufficient to make the required payments on the Compartment 2 Notes and the Compartment 2 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 2 Notes.

There is some uncertainty as to the enforceability under English law of a contractual provision which subordinates the claim of a swap counterparty (to the claims of other creditors of its counterparty) upon the occurrence of a liquidation of or other default by the swap counterparty. The provision has been challenged under English law upon the basis that its effect is to reduce the value of an asset of the estate of the swap counterparty at the moment of its liquidation to the detriment of its creditors. In a recent case before the English courts (*Perpetual Trustee Company Limited v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc.* [2009] EWHC 1912 (Ch.)), the subordination of swap termination payments owed to the swap counterparty on account of the insolvency of the swap counterparty was upheld at first instance. The matter is subject to appeal. In addition, a number of cases are pending in the US bankruptcy courts that assert the invalidity of such subordination based upon both principles of US bankruptcy law and the theory that the provision constitutes a forfeiture or penalty. Challenges to the enforceability of such subordination may be brought in other jurisdictions. If a Swap Counterparty becomes subject to insolvency proceedings and is owed a termination payment, there can be no assurance that any contractual subordination of that termination payment which took effect on the liquidation or other default of the Swap Counterparty would be upheld in the English or other courts.

THE ISSUER BELIEVES THAT THE RISKS DESCRIBED ABOVE ARE THE PRINCIPAL RISKS FOR THE COMPARTMENT 2 NOTEHOLDERS, BUT THE INABILITY OF THE ISSUER TO PAY INTEREST AND PRINCIPAL ON THE COMPARTMENT 2 NOTES MAY OCCUR FOR OTHER REASONS AND THE ISSUER DOES NOT REPRESENT THAT THE ABOVE STATEMENTS REGARDING THE RISK OF HOLDING THE COMPARTMENT 2 NOTES ARE EXHAUSTIVE. ALTHOUGH THE ISSUER BELIEVES THAT THE VARIOUS STRUCTURAL ELEMENTS DESCRIBED IN THIS OFFERING CIRCULAR MITIGATE SOME OF THESE RISKS FOR THE COMPARTMENT 2 NOTEHOLDERS, THERE CAN BE NO ASSURANCE THAT THESE MEASURES WILL BE SUFFICIENT TO ENSURE FULL PAYMENTS TO THE COMPARTMENT 2 NOTEHOLDERS OF INTEREST AND PRINCIPAL ON A TIMELY BASIS OR AT ALL.

CREDIT STRUCTURE AND FLOW OF FUNDS

Lease Instalments of the Purchased Lease Receivables

The Purchased Lease Receivables shall not include any amounts owed under or in connection with the Lease Agreements other than the Lease Instalments. The Purchased Lease Receivables shall not include the portions relating to the VAT, the residual value and the provision of services. The Lease Instalments in respect of each Purchased Lease Receivable will be payable on a monthly basis. See "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL".

Collection Arrangements

Payments by the Lessees of Lease Instalments under the Purchased Lease Receivables are scheduled to become due and payable on a monthly basis. Prior to a Servicer Termination Event, all Collections received from the Lessees in a Monthly Period will be on-paid by the Servicer to the Issuer Account-C2 maintained by the Issuer with the Issuer Account Bank no later than on the Payment Date relating to the relevant Monthly Period, provided, however, that the Servicer shall have the set-off right to deduct, during the Revolving Period, part or all of the Collections up to an amount equal to the Additional Purchase Price due to the replenishment of the Purchased Lease Receivables in accordance with the Pre-Enforcement Priority of Payment, see "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement", and "THE ISSUER ACCOUNT-C2".

The Servicer will identify all amounts paid into the Issuer Account-C2 by crediting such amounts to ledgers established for such purposes. Ledgers will be maintained to record amounts held in the Issuer Account-C2 in respect of (i) the balance of the Cash Reserve and (ii) the balance of the Replenishment Fund.

Available Distribution Amount

The Available Distribution Amount will be calculated as at each Cut-Off Date with respect to the Monthly Period ending on such Cut-Off Date for the purposes of determining the amounts payable in accordance with the Pre-Enforcement Priority of Payments. The Available Distribution Amount consist of, *inter alia*, (i) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date, (ii) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date, (iii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date, (iv) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date, (v) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, (vi) any interest earned (if any) on the Issuer Account-C2 during such Monthly Period, (vii) the Pro Rata Share of any proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such proceeds, (viii) the Indemnity Reserve upon the occurrence and the continuation (as set out in Clause 13.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover (a) any Servicing Fee due to the Servicer under item *third* of the Applicable Priority of Payments; (b) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the Lease Receivables Purchase Agreement; or (c) any unpaid Deemed Collections which are due and payable, and (ix) the Commingling Reserve upon the occurrence and the continuation (as set out in Clause 14.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date and until a substitute Servicer is appointed, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer. The Commingling Reserve and the Indemnity Reserve will constitute part of the Available Distribution Amount, if and only to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement). See "MASTER DEFINITIONS SCHEDULE — Available Distribution Amount".

The amounts to be applied under the Pre-Enforcement Priority of Payments will vary during the life of Transaction 2 as a result of possible variations in the amounts of the Collections and certain costs and expenses of the Issuer. The amount of the Collections received by the Issuer under the Lease Receivables Purchase Agreement will vary during the life of the Compartment 2 Notes as a result of the level of delinquencies, prepayments, defaults and terminations in respect of the Purchased Lease Receivables. The effect of such variations could lead to drawing from and replenishment of the Cash Reserve and influence the replenishment of

the Replenishment Fund. As a result of default, if amounts deposited into the Replenishment Fund are lower than the Replenishment Available Amount, an Early Amortisation Event will occur.

Bank account used for Transaction 2

No later than the Issue Date, the Issuer will have established the Issuer Account-C2 with the Issuer Account Bank which must be an Eligible Bank.

The Cash Reserve as of the Issue Date will be EUR 34,000,000 as such amount will be funded by the Subordinated Loan under the Subordinated Loan Agreement and credited to the Cash Reserve of the Issuer Account-C2 by the Issuer. Prior to the occurrence of an Enforcement Event, the Cash Reserve will be replenished up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. During the life of the Transaction 2, the Cash Reserve, as part of the Available Distribution Amount shall be used to cover any shortfalls in the amounts payable (i) under items *first* through *six* prior to the Aggregate Discounted Lease Balance has been reduced to zero, or (ii) under items *first* through *thirteenth* after the Aggregate Discounted Lease Balance has been reduced to zero in accordance with the Pre-Enforcement Priority of Payments. After the occurrence of an Enforcement Event, the Cash Reserve will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

No principal payment is payable under the Compartment 2 Notes during the Revolving Period. Instead, on each Payment Date during the Revolving Period, the amount of difference between the Aggregate Outstanding Notes Balance and the Aggregate Discounted Lease Balance as of the Cut-Off Date immediately preceding such Payment Date will be deposited to the Replenishment Fund held with the Issuer Account Bank as the Replenishment Available Amount. During the life of Transaction 2, the Replenishment Available Amount will serve for the Issuer to purchase the Additional Lease Receivables only.

If at any time the Issuer Account Bank ceases to be an Eligible Bank, the Issuer shall (i) procure the transfer of the Issuer Account-C2 to an Eligible Bank, or (ii) find an irrevocable and unconditional guarantor with an unsecured and unsubordinated short-term rating of at least (x) A-1 from S&P or, if such entity is not the subject of an S&P's short term rating, with long-term rating of at least A+ from S&P; and (y) a short-term rating of F1 and a long-term rating of A (or its equivalent) from Fitch, or (iii) take any other action in order to maintain the rating of the Compartment 2 Notes or to restore the rating of the Compartment 2 Notes. In each case of (i) or (ii) above, the Issuer Account Bank shall use its best endeavours to assist the Issuer and the relevant parties involved to effect an orderly transition of the Issuer's banking arrangements to another Eligible Bank or to find a replacement guarantor and shall continue to provide services under the Bank Account Agreement in any case until and unless an Eligible Bank as successor Issuer Account Bank is validly appointed.

Pre-Enforcement Priority of Payments

On each Payment Date, the Available Distribution Amount will be available for payments to the Compartment 2 Noteholders in accordance with, and subject to, the Pre-Enforcement Priority of Payments. See "PRE-ENFORCEMENT PRIORITY OF PAYMENTS". The cash flow pursuant to the Pre-Enforcement Priority of Payments will vary during the life of Transaction 2 as a result of, *inter alia*, the Revolving Period and possible variations in the amount of Collections received by the Issuer during the Monthly Period immediately preceding the relevant Payment Date, the Cash Reserve for that Monthly Period, the Swap Net Cashflow paid by/to the Swap Counterparty and certain costs and expenses of the Issuer relating to Compartment 2. The amount of Collections received by the Issuer under the Lease Receivables Purchase Agreement will vary during the life of the Compartment 2 Notes as a result of the amount of delinquencies, prepayments, defaults, and terminations in respect of the Purchased Lease Receivables. The effect of such variations could lead to drawing from and replenishment of the Cash Reserve and influence the replenishment of the Replenishment Fund. As a result, if amounts deposited into the Replenishment Fund are lower than the Replenishment Available Amount, an Early Amortisation Event will occur.

Interest rate hedging

The Purchased Lease Receivables are discounted to their net present value by using the Discount Rate. The interest rate payable by the Issuer with respect to the Compartment 2 Notes is calculated as the sum of EURIBOR and the margins as set out in Condition 7.3 (*Interest Rate*).

The calculation of the Purchase Prices for the Purchased Lease Receivables is made on the basis of a fixed interest rate to determine the net present value by discounting the Purchased Lease Receivables with the Discount Rate. However, payments of interest on the Compartment 2 Notes are calculated on the basis of EURIBOR. To ensure that the Issuer will not be exposed to interest rate risk, the Issuer and the Swap

Counterparty will have entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount.

The Issuer has hedged afore-described fixed-to-floating interest rate exposure by entering into an Interest Rate Swap with the Swap Counterparty. Under the Interest Rate Swap, on each Payment Date, the Issuer will pay the Swap Counterparty a fixed rate applied to the Swap Notional Amount and the Swap Counterparty will pay a floating rate equal to EURIBOR as determined by the ISDA Calculation Agent applied to the same Swap Notional Amount which is equal to the Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the interest rate swap will be made on a net basis. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

Pursuant to the Swap Agreement, if a Swap Counterparty ceases to be an Eligible Swap Counterparty, then the affected Swap Counterparty will be obliged to mitigate the resulting credit risk, unless this would not, according to explicit confirmation either by fax, email, or telephone from S&P, result in the then current rating of the Compartment 2 Notes being downgraded, for the Compartment 2 Noteholders by, *inter alia*, posting eligible collateral, transferring all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty or taking other agreed remedial action. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement" and "THE SWAP COUNTERPARTY".

Credit Enhancement

The Compartment 2 Notes have the benefit of credit enhancement provided through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 2 Notes to the Class A Compartment 2 Notes.

Excess Spread

The difference between the Discount Rate and the sum of the weighted average of the margins for the Compartment 2 Notes and the Subordinated Loan, the Servicing Fee, the Swap Fixed Interest Rate and senior expenses (the "**Excess Spread**") will provide the first loss protection to the Compartment 2 Notes.

Subordinated Loan and Cash Reserve

The Subordinated Lender will have made available to the Issuer, on or prior to the Issue Date, the Subordinated Loan in the principal amount of EUR 34,000,000 which will, no later than the Issue Date, be credited to the Cash Reserve by the Issuer. The payment obligations of the Issuer under the Subordinated Loan are subordinated to the payment obligations of the Issuer under the Compartment 2 Notes. The Subordinated Loan will amortise in accordance with the Applicable Priority of Payments.

The Cash Reserve, as part of the Available Distribution Amount, will be available to satisfy, on the relevant Cut-Off Date immediately preceding any Payment Date, all claims (i) under items *first* through *six* prior to the Aggregate Discounted Lease Balance has been reduced to zero, or (ii) under items *first* through *thirteenth* after the Aggregate Discounted Lease Balance has been reduced to zero in accordance with the Pre-Enforcement Priority of Payments, including payments to the Subordinated Lender in the order of priority, see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS".

Prior to the occurrence of an Enforcement Event, the Cash Reserve will be replenished on each Payment Date up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments, see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS".

Upon the occurrence of an Enforcement Event, the Cash Reserve will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

After all amounts due and payable in respect of the Compartment 2 Notes and the Subordinated Loan have been fully paid, all remaining amount standing to the credit of the Cash Reserve will be released to BMW Leasing GmbH.

Subordination

The Compartment 2 Class A Noteholders benefit from subordination, both as to the payment of interest and

principal, upon enforcement of the Compartment 2 Security, of the Class B Compartment 2 Notes (provided that, prior to the occurrence of an Enforcement Event, interest and principal payments to the holders of the Class A Compartment 2 Notes and the Class B Compartment 2 Notes are paid on a sequential basis).

Sequential amortisation

After the Revolving Period ends, unless on the relevant Payment Date an Enforcement Event has occurred, the Available Distribution Amount shall be applied to redeem the Class A Compartment 2 Notes and the Class B Compartment 2 Notes on a sequential basis. As a result, during the life of Transaction 2, the credit enhancement to the Compartment 2 Notes will increase steadily; additionally the Excess Spread is available to the Issuer to fulfill the Issuer's payment obligations under the Compartment 2 Notes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.2 (*Amortisation-Pre-Enforcement*)".

If at any time an Enforcement Event has occurred, the Available Post-Enforcement Funds shall be applied for the redemption of the Compartment 2 Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. See "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES

The terms and conditions of the Compartment 2 Notes (the "**Conditions**") are set out below. Appendix A to the Conditions sets out the "MASTER DEFINITIONS SCHEDULE" as set out in Schedule 1 of the Incorporated Terms Memorandum (see page 162 *et seq.*), Appendix B to the Conditions sets out the "MATERIAL TERMS OF THE TRUST AGREEMENT", including its Schedules I and II (see page 62 *et seq.*), Appendix C to the Conditions sets out the "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Eligibility Criteria and Seller Warranties" (see page 92 *et seq.*) and Appendix D to the Conditions sets out the "CREDIT AND COLLECTION POLICY" (see page 107 *et seq.*).

1. **Appendixes**

Appendix A, Appendix B, Appendix C and Appendix D to the Conditions are the integral parts of the Conditions and form integral parts thereof.

2. **Form and denomination**

(a) On the Issue Date, Bavarian Sky S.A. will issue (*begeben*), acting in respect of its Compartment 2 (the "**Issuer**"), the following classes of floating rate amortising Compartment 2 Notes in bearer form (*Inhaberschuldverschreibungen*) (each, a "**Class**" and collectively, the "**Compartment 2 Notes**") pursuant to these Conditions:

- (i) The class A Compartment 2 notes due 2018 (the "**Class A Compartment 2 Notes**") which are issued in an initial aggregate principal amount of EUR 742,000,000 and divided into 14,840 Compartment 2 Notes, each having a principal amount of EUR 50,000; and
- (ii) The class B Compartment 2 notes due 2018 (the "**Class B Compartment 2 Notes**") which are issued in the aggregate principal amount of EUR 58,000,000 and divided into 1,160 Compartment 2 Notes, each having a principal amount of EUR 50,000.

The holders of the Compartment 2 Notes are referred to as the "**Compartment 2 Noteholders**".

- (b) Each Class of Compartment 2 Notes shall be initially represented by a temporary global bearer note (each a "**Temporary Global Note**") without coupons or talons attached. The Temporary Global Notes shall be exchangeable, as provided in paragraph (c) below, for permanent global bearer notes which are recorded in the records of the ICSDs (the "**Permanent Global Notes**") without coupons or talons attached representing each such Class and each bearing the personal signature of two duly authorized directors of Bavarian Sky S.A. Each Permanent Global Note and each Temporary Global Note is also referred to herein as a "**Global Note**" and, together, as "**Global Notes**". Each Global Note will be deposited with an entity appointed as common safekeeper (the "**Common Safekeeper**") by the ICSDs for the operator of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream Luxembourg**"), Euroclear and Clearstream Luxembourg are together referred to as ICSDs.
- (c) The Temporary Global Notes shall be exchanged for the Permanent Global Notes on a date (the "**Exchange Date**") not earlier than forty (40) calendar days and not later than one hundred and eighty (180) calendar days after the later of the commencement of the offering and the Issue Date upon delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Paying Agent, of certificates in the form which forms part of the Temporary Global Notes and are available from the Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Compartment 2 Notes represented by the relevant Temporary Global Note is not a U.S. person or are not U.S. persons other than certain financial institutions or certain persons holding through such financial institutions. Each Permanent Global Note delivered in exchange for the relevant Temporary Global Note shall be delivered only outside of the United States. The Compartment 2 Notes represented by Global Notes may be transferred in book-entry form only. The Global Notes will not be exchangeable for definitive notes.

"**United States**" means, for the purposes of this Condition 2(c), the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands). Any exchange of a Temporary Global Note pursuant to this Condition 2(c) shall be made free of charge to the Compartment 2 Noteholders.

- (d) Payments of interest or principal on the Compartment 2 Notes represented by a Temporary Global Note shall be made only after delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Paying Agent of the certifications described in paragraph (c) above.
- (e) Each Global Note shall be manually signed by two duly authorized directors of Bavarian Sky S.A. or on behalf and shall be authenticated by the Paying Agent and effectuated by the Common Safekeeper.
- (f) The nominal amount of the Compartment 2 Notes represented by the Global Notes shall be the aggregate amount from time to time entered in the records of both ICSDs. Absent errors, the records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Compartment 2 Notes) shall be conclusive evidence of the nominal amount of Compartment 2 Notes represented by the Global Notes and, for these purposes, a statement issued by an ICSD stating the nominal amount of Compartment 2 Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Compartment 2 Notes represented by the Global Notes, the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Notes shall be entered *pro rata* in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Compartment 2 Notes recorded in the records of the ICSDs and represented by the Global Notes shall be reduced by the aggregate nominal amount of the Compartment 2 Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalments so paid.

- (g) Copies of the Global Notes are available free of charge at the main offices of the Issuer and, as long as the Compartment 2 Notes are listed on the Luxembourg Stock Exchange, from the Paying Agent in electronic format only (as defined in Condition 11(a) (*Agents; Determinations Binding*)).
- (h) Capitalised terms not defined but used herein shall have the same meanings herein as in Appendix A, Appendix B, Appendix C or Appendix D to these Conditions ("**Appendix A**", "**Appendix B**" and "**Appendix C**", and "**Appendix D**" respectively) each of which constitutes an integral part of these Conditions.
- (i) The Compartment 2 Notes are subject to the provisions of a trust agreement relating to Compartment 2 (the "**Trust Agreement**") between the Issuer, the Paying Agent, the Swap Counterparty, the Arranger, the Joint Lead Managers, the Managers, the Data Trustee, the Calculation Agent, the Issuer Account Bank, the Interest Determination Agent, the Corporate Administrator, the Seller, the Servicer, the Subordinated Lender and the Trustee dated on or before the Closing Date. The main provisions of the Trust Agreement (including its Schedules I and II) are set out in Appendix B to these Conditions. Capitalised terms defined in the Trust Agreement shall have the same meanings when used herein.

3. Status and priority

- (a) The Compartment 2 Notes constitute direct, secured and (subject to Condition 4.2 (*Limited recourse, non-petition*)) unconditional obligations of the Issuer in respect of its Compartment 2.
- (b) The obligations of the Issuer under the Class A Compartment 2 Notes rank *pari passu* amongst themselves without any preference among themselves in respect of priority of payments or point in security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class A Compartment 2 Notes rank in accordance with the Applicable Priority of Payments as set out in Conditions 7.5 (*Pre-Enforcement Priority of Payments*), Condition 8.2 (*Amortisation-Pre-Enforcement*) and Condition 9 (*Payment of Interest and Redemption after the occurrence of an Enforcement Event*). The obligations of the Issuer under the Class B Compartment 2 Notes rank *pari passu* amongst themselves without any preference amongst themselves in respect of priority of payments or point in security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class B Compartment 2 Notes rank in accordance with the Applicable Priority of Payments as set out in Conditions 7.5 (*Pre-Enforcement Priority of Payments*), Condition 8.2 (*Amortisation — Pre-Enforcement*) and Condition 9 (*Payment of interest and redemption after the occurrence of an Enforcement Event*).

4. Provision of Security; Limited Payment Obligation; Issuer Event of Default

4.1 Compartment 2 Security

Pursuant to the provisions of the Trust Agreement, the Issuer has charged to the Trustee all its rights, claims and interests in the Purchased Lease Receivables and the Lease Collateral (that was transferred by the Seller to it under the Lease Receivables Purchase Agreement), all of its rights, claims and interests arising under certain Transaction 2 Documents to which the Issuer is a party and certain other rights specified in the Trust Agreement (such collateral as created pursuant to Clause 8 (*Creation of Compartment 2 Security*) of the Trust Agreement, the "**Compartment 2 Security**") as security for the Issuer's obligations under the Compartment 2 Notes and the obligations owed by the Issuer to the other Secured Parties.

4.2 *Limited recourse, non-petition*

- (a) All payments of principal, interest or any other amount to be made by the Issuer in respect of each Class of Compartment 2 Notes will be payable only from, and to the extent of, the sums paid to, or recovered by or on behalf of, the Issuer or the Trustee in respect of the Compartment 2 Security. If the proceeds of the Compartment 2 Security are not sufficient to pay any amounts due in respect of the relevant Class, no other assets of the Issuer, in particular no assets relating to another Compartment will be available to meet such insufficiency. The Compartment 2 Noteholders of such Class will rely solely on such sums and the rights of the Issuer in respect of the Compartment 2 Security for payments to be made by the Issuer in respect of such Compartment 2 Notes. The obligations of the Issuer to make payments in respect of the Compartment 2 Notes will be limited to such sums (in the case of the holders) following realisation of the Compartment 2 Security and the Trustee and such Compartment 2 Noteholders will have no further recourse to the Issuer in respect thereof.

(b) *Extinguishment of Claims*

Having realised the Compartment 2 Security and distributed all Available Post-Enforcement Funds in accordance with the Post-Enforcement Priority of Payments, neither the Trustee nor the Compartment 2 Noteholders may take any further steps against the Issuer to recover any sum still unpaid and any remaining obligations to pay such amount shall be extinguished.

(c) *Non-petition*

Neither the Compartment 2 Noteholders nor the Trustee may, until the expiry of one year and one day after the payment of all sums outstanding and owing under the latest maturing relevant Compartment 2 Notes take any corporate action or other steps or legal proceedings for the winding-up, dissolution or reorganisation of, or the institution of Insolvency Proceedings against, the Issuer or (in the case of the Compartment 2 Noteholders only) for the appointment of a receiver, administrator, liquidator or similar officer of the Issuer in respect of any or all of its revenues and assets provided that the Trustee may prove or lodge a claim in the event of a liquidation of the Issuer initiated by another party.

4.3 *Enforcement of payment obligations*

The Trustee shall enforce the Compartment 2 Security upon the occurrence of an Enforcement Event on the conditions and in accordance with the terms of the Trust Agreement, in particular Clause 15.2 (*Procedure*) of the Trust Agreement.

4.4 *Enforcement Event and Issuer Event of Default*

"**Enforcement Event**" means the event that an Issuer Event of Default has occurred and the Trustee has served an Enforcement Notice upon the Issuer.

An "**Issuer Event of Default**" means in respect of the Compartment 2 Notes any of the following events:

- (a) subject to the availability of funds in accordance with the Applicable Priority of Payment, a default occurs in the payment of Interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of Principal on the Legal Final Maturity Date (and such default is not remedied within 2 Business Days of its occurrence) in respect of any of the Class A Compartment 2 Notes or the Class B Compartment 2 Notes (but not in respect of the Subordinated Loan Agreement);

- (b) the Issuer fails to perform or observe any of its other material obligations under the Conditions or the Transaction 2 Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Compartment 2 Notes, the Class B Compartment 2 Notes, or any Transaction 2 Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer.

5. General Covenants of the Issuer

5.1. Restrictions on activities

For so long as the Compartment 2 Notes remain outstanding, Bavarian Sky S.A. will not be permitted to issue further securities in respect of any Compartment, or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to Bavarian Sky S.A., confirmed to Bavarian Sky S.A. that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, Bavarian Sky S.A. shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, (b) based on such legal opinion and upon the written notification to the Rating Agencies, S&P confirms to Bavarian Sky S.A. that the issuance of the securities or entrance into any other transaction documents related therewith will not cause the then current ratings of the Compartment 2 Notes to be downgraded, and (c) based, *inter alia*, on such legal opinion and confirmation from S&P, the Board of Directors of Bavarian Sky S.A. shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions shall not be cross-collateralised or cross-defaulted.

5.2 Appointment of Trustee

As long as any Compartment 2 Notes are outstanding, the Issuer shall ensure that a trustee is appointed at all times who undertakes to perform substantially the same functions and obligations as the Trustee pursuant to the Trust Agreement.

6. Payments on the Compartment 2 Notes

6.1 Payment Dates

Payments of interest and, in accordance with the provisions herein, principal in respect of the Compartment 2 Notes to the Compartment 2 Noteholders shall become due and payable monthly on each 15th day of each calendar month provided that if such day is not a Business Day, the next following Business Day (each such day, a "**Payment Date**"). "**Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Luxembourg, Munich, Frankfurt am Main and Düsseldorf, and which is a TARGET Settlement Day in relation to the payment of a sum in euros or in cents.

6.2 Outstanding Notes Balance

Payments of principal and interest on each Compartment 2 Note as of any Payment Date shall be calculated on the basis of the Outstanding Notes Balance of such Compartment 2 Note. The "**Outstanding Notes Balance**" of any Compartment 2 Note as of any Payment Date shall equal the initial principal amount ("**Initial Note Principal Amount**") of EUR 50,000 as reduced by the aggregate amount of payments of principal made in accordance with the Applicable Priority of Payments prior to such Payment Date on such Compartment 2 Note. The Initial Note Principal Amount of all Class A Compartment 2 Notes is EUR 742,000,000, and of all the Class B Compartment 2 Notes EUR 58,000,000. "**Class A Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class A Compartment 2 Notes, and "**Class B Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class B

Compartment 2 Notes. The aggregation amount of the Class A Outstanding Notes Balance, and the Class B Outstanding Notes Balance is referred to herein as the "**Aggregate Outstanding Notes Balance**".

6.3 *Payments and discharge*

- (a) Payments of principal and interest in respect of the Compartment 2 Notes shall be made from the Available Distribution Amount by the Issuer, through the Paying Agent, on each Payment Date to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs for subsequent transfer to the Compartment 2 Noteholders.

The "**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (i) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
 - (ii) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
 - (iii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
 - (iv) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
 - (v) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
 - (vi) any interest earned (if any) on the Issuer Account-C2 during such Monthly Period;
 - (vii) the Pro Rata Share of any proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such proceeds;
 - (viii) the Indemnity Reserve upon the occurrence and the continuation (as set out in Clause 13.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover (i) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the Lease Receivables Purchase Agreement; or (ii) any unpaid Deemed Collections which are due and payable; and
 - (ix) the Commingling Reserve upon the occurrence and the continuation (as set out in Clause 14.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date and until a substitute Servicer is appointed, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer.
- (b) Payments in respect of interest on any Compartment 2 Note represented by a Temporary Global Note shall be made to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs for subsequent transfer to the relevant Compartment 2 Noteholders upon due certification as provided in Condition 2(c) (*Form and Denomination*).
- (c) All payments made by the Issuer to, or to the order of, the ICSDs, as relevant, shall discharge the liability of the Issuer under the relevant Compartment 2 Notes to the extent of the sums so paid. Any failure to make the entries in the records of the ICSDs referred to in Condition 6.2 (*Outstanding Notes Balance*) shall not affect the discharge referred to in the preceding sentence.

7. **Payment of interest and principal**

7.1 *Interest calculation*

- (a) Subject to the limitations set forth in Condition 4.2 (*limited recourse, non-petition*) and subject to Condition 7.5 (*Pre-Enforcement Priority of Payments*), each Compartment 2 Note shall bear interest on its Outstanding Notes Balance from the Issue Date until the close of the day preceding the day on which such Compartment 2 Note has been redeemed in full.
- (b) The amount of interest payable by the Issuer in respect of a Compartment 2 Note on a Payment Date (the "**Interest Amount**") shall be calculated by the Calculation Agent by applying the relevant Interest Rate (Condition 7.3 (*Interest Rate*)) for the relevant Interest Period (Condition 7.2 (*Interest Period*)), to the Outstanding Notes Balance during the relevant Interest Period prior to the relevant Interest Determination Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 360 and rounding the result to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).

7.2 *Interest Period*

"**Interest Period**" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and in respect of any subsequent Payment Date, the period commencing on (and including) the previous Payment Date and ending on (but excluding) the relevant Payment Date provided that the last Interest Period shall end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Compartment 2 Notes are redeemed in full.

7.3 *Interest Rate*

- (a) The applicable rate of interest payable on the Compartment 2 Notes for each Interest Period (each, an "**Interest Rate**") shall be:
 - (i) in the case of the Class A Compartment 2 Notes, EURIBOR plus 0.85% per annum,
 - (ii) in the case of the Class B Compartment 2 Notes, EURIBOR plus 1.05% per annum.
- (b) "**EURIBOR**" (Euro Interbank Offered Rate) means the rate determined by the Interest Determination Agent for deposits in euros for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. (CET) on the second Business Day immediately preceding the first day of such Interest Period (each, a "**Interest Determination Date**"). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall determine EURIBOR on the basis of such other screen rate the Interest Determination Agent shall determine in good faith. If no such screen rate is available, the Interest Determination Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Interest Determination Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euros at approximately 11:00 a.m. (CET) on the relevant Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Interest Determination Date less than two of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Interest Determination Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Interest Determination Agent by major banks in the Euro-zone, selected by the Interest Determination Agent, at approximately 11:00 a.m. (CET) on such Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time.

In the event that the Interest Determination Agent is on any Interest Determination Date required but unable to determine EURIBOR for the relevant Interest Period in accordance with the above, EURIBOR for such Interest Period shall be EURIBOR as determined on the previous Interest Determination Date.

7.4 *Notifications*

The Paying Agent shall, as soon as practicable on or after each Interest Determination Date, determine and notify the relevant Interest Periods, Applicable Interest Rate, Interest Amount, Principal Amount and Payment Date with respect to each Class of Compartment 2 Notes (i) to the Issuer, the Servicer, the Corporate Administrator, the Calculation Agent and the Trustee; and (ii) as long as any Compartment 2 Notes are listed on the Luxembourg Stock Exchange, to the Luxembourg Stock Exchange. In the event that such notification is required to be given to the Luxembourg Stock Exchange, this notification shall be given no later than the close of the first Business Day following the relevant Interest Determination Date.

7.5 *Pre-Enforcement Priority of Payments*

The payment of the relevant Interest Amounts and Principal Amounts on each Payment Date to the Class A Compartment 2 Noteholders and the Class B Compartment 2 Noteholders shall, prior to the occurrence of an Enforcement Event, be subject to the Pre-Enforcement Priority of Payments. (After the occurrence of an Enforcement Event, the payment of the relevant Interest Amounts and Principal Amounts will be subject to the Post-Enforcement Priority of Payments as set out in Condition 9 (*Payment of interest and redemption after the occurrence of an Enforcement Event*)). Pursuant to the Pre-Enforcement Priority of Payments, on each Payment Date, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by Bavarian Sky S.A. in respect of taxes under any applicable law (if any);
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a pari passu basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Interest Determination Agent and the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a pari passu basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 2 Noteholders;
- (f) *sixth*, on a pari passu basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 2 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;
- (i) *ninth*, on a pari passu basis, after the expiration of the Revolving Period, to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full;
- (j) *tenth*, on a pari passu basis, after the expiration of the Revolving Period, to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full;

- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and
- (n) *fourteenth*, to pay all remaining excess to the Seller.

8. Replenishment and Redemption

8.1 Replenishment

No payments of principal in respect of the Compartment 2 Notes shall become due and payable to the Compartment 2 Noteholders during the Revolving Period. On each Payment Date during the Revolving Period, the Seller may, at its own discretion, offer to sell and assign to the Issuer the Additional Lease Receivables in accordance with the provisions of the Lease Receivables Purchase Agreement for an Additional Purchase Price equal to the Aggregate Discounted Lease Balance as of the Additional Cut-Off Date provided that (i) in respect of each Additional Lease Receivable the Eligibility Criteria are satisfied, (ii) each Additional Lease Receivable and the related Lease Collateral are assigned and transferred in accordance with the Lease Receivables Purchase Agreement and Data Trust Agreement. The Issuer shall be obligated to purchase and Acquire the Additional Lease Receivables only to the extent that the obligation to pay the Additional Purchase Price for the Additional Lease Receivables offered to the Issuer by the Seller on any Additional Purchase Date can be satisfied by the Issuer by applying the Available Distribution Amount as of the Additional Cut-Off Date immediately preceding the relevant Additional Purchase Date in accordance with the Pre-Enforcement Priority of Payments.

8.2 Amortisation — Pre-Enforcement

After the expiration of the Revolving Period and prior to the occurrence of an Enforcement Event, subject to the limitations set forth in Condition 4.2 (*Limited recourse, non-petition*) and the Pre-Enforcement Priority of Payments set forth in Condition 7.5 (*Pre-Enforcement Priority of Payments*), on each Payment Date, the Available Distribution Amount for the relevant Payment Date shall be applied towards the redemption of the Compartment 2 Notes in the following manner and priority:

- (i) to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full; and
- (ii) to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full.

8.3 Final Redemption

On the Payment Date falling in January 2018 (the "**Legal Final Maturity Date**"), each Class A Compartment 2 Note shall, unless previously redeemed, be redeemed in full at the then Outstanding Notes Balance and, after all the Class A Compartment 2 Notes have been redeemed in full, each Class B Compartment 2 Note shall, unless previously redeemed, be redeemed in full at the then Outstanding Notes Balance.

8.4 Clean Up Call

- (a) As of any Payment Date on which the Aggregate Discounted Lease Balance is less than 10% of the Aggregate Discounted Lease Balance at the last Purchase Date, the Seller will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement (the "**Clean-Up Call Option**") to Acquire all outstanding Purchased Lease Receivables (together with any related Lease Collateral) against payment of Deemed Collections on the Clean-Up Call Settlement Date (see below), subject to the following requirements (the "**Clean-Up Call Conditions**"):

- (i) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of all Compartment 2 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 2 ranking prior to the claims of the Compartment 2 Noteholders according to the Applicable Priority of Payments;
 - (ii) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date (the "**Clean-Up Call Settlement Date**"); and
 - (iii) the Deemed Collections payable by the Seller shall be equal to the current value (*aktueller Wert*) of all Purchased Lease Receivables affected by the clean up call.
- (b) Upon payment in full of the amounts specified in Condition 8.4(a)(i) to, or for the order of, the Compartment 2 Noteholders, no Compartment 2 Noteholders shall be entitled to receive any further payments of interest or principal.

8.5 *Optional Tax Redemption*

If the Issuer is or becomes at any time required by law to deduct or withhold in respect of any payment under the Compartment 2 Notes current or future taxes, levies or governmental charges, regardless of their nature, which are imposed under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or Governmental Authorities therein authorised to levy taxes, the Issuer shall determine within twenty (20) calendar days of such change in law being enacted whether it would be practicable to arrange for the substitution of the Issuer in accordance with Condition 13 (*Substitution of the Issuer*) or to change its tax residence to another jurisdiction approved by the Trustee. The Trustee shall not give such approval unless the Rating Agencies have confirmed in writing that such substitution or change of the tax residence of the Issuer would not negatively affect or result in a downgrading or withdrawal of the current rating of any Compartment 2 Note. If the Issuer determines that any of such measures would be practicable, it shall effect such substitution in accordance with Condition 13 (*Substitution of the Issuer*) or (as relevant) such change of tax residence within sixty (60) calendar days from such determination. If, however, it determines within twenty (20) calendar days of such circumstance occurring that none of such measures would be practicable or if, having determined that any of such measures would be practicable, it is unable so to avoid such deduction or withholding within such further period of sixty (60) calendar days, then the Issuer shall be entitled at its option (but shall have no obligation) to redeem all (but not some only) of the Compartment 2 Notes, upon not more than sixty (60) calendar days' nor less than thirty (30) calendar days' notice of redemption given to the Trustee, to the Paying Agent and, in accordance with Condition 14 (*Form of Notices*), to the Compartment 2 Noteholders at their then Aggregate Outstanding Notes Balance, together with accrued interest (if any) to the date (which must be a Payment Date) fixed for redemption. Any such notice shall be irrevocable, must specify the Payment Date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem. For the avoidance of doubt, the Issuer shall be entitled to sell all remaining Purchased Lease Receivables in the open market, with a right of first refusal for the Seller, provided such sale generates enough cash proceeds required (i) to redeem all outstanding Compartment 2 Notes as set forth in the immediately preceding sentence and (ii) to pay all amounts to the Issuers creditors in respect of Compartment 2 ranking prior to the Compartment 2 Noteholders in the Applicable Priority of Payments.

9. **Payment of interest and redemption after the occurrence of an Enforcement Event**

After the occurrence of an Enforcement Event, the Trustee shall distribute Available Post-Enforcement Funds (and the Issuer will tolerate such distribution) in the following manner and priority:

- (a) *first*, amounts payable by Bavarian Sky S.A. in respect of taxes (if any);
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Trust Agreement (other than Trustee Claims);

(c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Interest Determination Agent and the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required for the filing of annual tax returns;

(d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);

(e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class A Compartment 2 Noteholders in respect of interest;

(f) *sixth*, on a *pari passu* basis, amounts payable by the Issuer to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full;

(g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class B Compartment 2 Noteholders in respect of interest;

(h) *eighth*, on a *pari passu* basis, amounts payable by the Issuer to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full;

(i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;

(j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;

(k) *eleventh*, as from the date on which all Compartment 2 Notes are redeemed in full, principal payable to the Subordinated Lender under the Subordinated Loan Agreement;

(l) *twelfth*, to pay all remaining excess to the Seller.

10. Notifications

With respect to each Payment Date, on the Interest Determination Date preceding such Payment Date, the Paying Agent (as specified below) shall notify the Issuer, the Corporate Administrator, the Calculation Agent, the Swap Counterparty, the Trustee and, on behalf of the Issuer, by means of notification in accordance with Condition 14 (*Form of Notices*), the Compartment 2 Noteholders, and for so long as any of the Compartment 2 Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange, as follows:

(i) in respect of the Interest Rate for the Interest Period commencing on that Payment Date pursuant to Condition 7.3 (*Interest Rate*);

(ii) in respect of the amount of principal payable in respect of each Class A Compartment 2 Note and each Class B Compartment 2 Note pursuant to Condition 8 (*Replenishment and Redemption*) and the Interest Amount pursuant to Condition 7.1 (*Interest Calculation*) to be paid on such Payment Date;

(iii) in respect of the Outstanding Notes Balance of each Class A Compartment 2 Note and each Class B Compartment 2 Note and the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as from such Payment Date and the amount of the Servicer Shortfalls for such Payment Date, if any;

- (iv) in the event of the final payment in respect of the Compartment 2 Notes pursuant to Condition 8.3 (*Final Redemption*), about the fact that such is the final payment; and
- (v) in the event of the payment of interest and redemption after the occurrence of an Enforcement Event, in respect of the amounts of interest and principal paid in accordance with Condition 9 (*Payment of Interest and Redemption after the occurrence of an Enforcement Event*).

11. Agents; Determinations Binding

- (a) The Issuer has appointed BNP Paribas Securities Services, Luxembourg Branch as paying agent (the "**Paying Agent**") and WestLB AG as calculation agent (the "**Calculation Agent**").
- (b) The Issuer shall procure that for so long as any Compartment 2 Notes are outstanding there shall always be a paying agent to perform the functions assigned to the Paying Agent in the Agency Agreement. The Issuer may at any time, by giving not less than thirty (30) calendar days' notice by publication in accordance with Condition 14 (*Form of Notices*), replace the Paying Agent by one or more other banks or other financial institutions that are Eligible Counterparties and which assume such functions. The Paying Agent shall act solely as agents for the Issuer and shall not have any agency, fiduciary or trustee relationship with the Compartment 2 Noteholders.
- (c) All calculations and determinations made by the Calculation Agent or the Paying Agent (as applicable) for the purposes of these Conditions shall, in the absence of manifest error, be final and binding.

12. Taxation

Payments shall only be made by the Issuer after the deduction and withholding of current or future taxes, levies or governmental charges, regardless of their nature, which are imposed, levied or collected (collectively, "**taxes**") under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law or its interpretation. The Issuer shall account for the deducted or withheld taxes with the competent government agencies and shall, upon request of a Compartment 2 Noteholder, provide proof thereof. The Issuer is not obliged to pay any additional amounts as compensation for taxes deducted or withheld in accordance with this Condition 12 (*Taxation*).

13. Substitution of the Issuer

- (a) If, in the determination of the Issuer with the consent of the Trustee (who may rely on one or more legal opinions from reputable law firms), as a result of any enactment of or supplement or amendment to, or change in, the laws of any relevant jurisdiction or as a result of an official communication of previously not existing or not publicly available official interpretation, or a change in the official interpretation, implementation or application of such laws that becomes effective on or after the Issue Date:
 - (i) any of the Issuer, the Seller, the Servicer, the Paying Agent, the Calculation Agent or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), be materially restricted from performing any of its obligations under the Compartment 2 Notes or the other Transaction 2 Documents to which it is a party; or
 - (ii) any of the Issuer, the Seller, the Servicer or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), (x) be required to make any tax withholding or deduction in respect of any payments on the Compartment 2 Notes and/or the other Transaction 2 Documents to which it is a party or (y) would not be entitled to relief for tax purposes for any amount which it is obliged to pay, or would be treated as receiving for tax purposes an amount which it is not entitled to receive, in each case under the Compartment 2 Notes or the other Transaction 2 Documents;

then the Issuer shall inform the Trustee accordingly and the Issuer shall, in order to avoid the relevant event described in paragraph (i) or (ii) above, use their reasonable endeavours to arrange the substitution of the Issuer (in respect of Compartment 2), as soon as practicable, with a company incorporated in another jurisdiction in accordance with Condition 13(b) or to effect any other measure suitable to avoid the relevant event described in paragraph (i) or (ii) above.

- (b) The Issuer (in respect of Compartment 2) is entitled to substitute in its place another company (the "**New Issuer**") as debtor for all obligations arising under and in connection with the Compartment 2 Notes only subject to the provisions of Condition 13(a) and the following conditions:
- (i) the New Issuer assumes all rights and duties of the Issuer (in respect of Compartment 2) under or pursuant to the Compartment 2 Notes and the Transaction 2 Documents by means of an agreement with the Issuer and/or the other parties to the Transaction 2 Documents, and that the Compartment 2 Security created in accordance with Condition 4.1 (*Compartment 2 Security*) is held by the Trustee for the purpose of securing the obligations of the New Issuer upon the Issuer's substitution;
 - (ii) no additional expenses or taxes or legal disadvantages of any kind arise for the Compartment 2 Noteholders from such assumption of debt and the Issuer has obtained a tax opinion to this effect from a reputable firm of lawyers or accountants in the relevant jurisdiction which can be examined at the offices of the Issuer;
 - (iii) the New Issuer provides proof satisfactory to the Trustee that it has obtained all of the necessary governmental and other necessary approvals in the jurisdiction in which it has its registered address and that it is permitted to fulfil all of the obligations arising under or in connection with the Compartment 2 Notes without discrimination against the Compartment 2 Noteholders in their entirety and the Trustee relying on legal advice has consented to the proposed substitution (provided that the Trustee may not unreasonably withhold or delay its consent);
 - (iv) the Issuer (in respect of Compartment 2) and the New Issuer enter into such agreements and execute such documents necessary for the effectiveness of the substitution; and
 - (v) each Rating Agency has been notified of such substitution and has confirmed in writing that such substitution will not negatively affect or result in a downgrading or withdrawal of the current rating of any Compartment 2 Note.

Upon fulfilment of the aforementioned conditions, the New Issuer shall in every respect substitute the Issuer (in respect of Compartment 2) and the Issuer (in respect of Compartment 2) shall, *vis-à-vis* the Compartment 2 Noteholders, be released from all obligations relating to the function of issuer under or in connection with the Compartment 2 Notes.

- (c) Notice of such substitution of the Issuer (in respect of Compartment 2) shall be given in accordance with Condition 14 (*Form of Notices*).
- (d) In the event of such substitution of the Issuer, each reference to the Issuer (in respect of Compartment 2) in these Conditions shall be deemed to be a reference to the New Issuer.

14. Form of Notices

All notices to the Compartment 2 Noteholders hereunder, and in particular the notifications mentioned in Condition 10 (*Notifications*) shall be (i) published in a newspaper having general circulation in Luxembourg which is expected to be the *Luxemburger Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) (or such other publication required by the rules of the Luxembourg Stock Exchange) if and to the extent a publication in such form is required by the rules of the Luxembourg Stock Exchange and (ii) delivered to the ICSDs for communication by them to the Compartment 2 Noteholders. Any notice referred to under (i) above shall be deemed to have been given to all Compartment 2 Noteholders on the date of such publication in a newspaper having general circulation in Luxembourg which is expected to be the *Luxemburger Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) (or such other publication required by the rules of the Luxembourg Stock Exchange). Any notice referred to under (ii) above shall be deemed to have been given to all Compartment 2 Noteholders on the seventh calendar day after the day on which such notice was delivered to the ICSDs.

15. Miscellaneous

15.1 Presentation Period

The presentation period for the Global Notes shall end five (5) years after the Legal Final Maturity Date in accordance with section 801 (1), first sentence of the Civil Code.

15.2 *Replacement of Global Notes*

If any of the Global Notes is lost, stolen, damaged or destroyed, it may be replaced by the Issuer upon payment by the claimant of the costs arising in connection therewith. As a condition of replacement, the Issuer may require the fulfilment of certain conditions, the provision of proof regarding the existence of indemnification and/or the provision of adequate collateral. In the event of any of the Global Notes being damaged, such Global Note shall be surrendered before a replacement is issued. If any Global Note is lost or destroyed, the foregoing shall not limit any right to file a petition for the annulment of such Global Note pursuant to the provisions of the laws of Germany.

15.3 *Amendments*

The Compartment 2 Noteholders of a particular Class may agree to amendments of the Conditions applicable to such Class by majority vote and may appoint a noteholder's representative for all holder of Compartment 2 Notes of such Class for the preservation of their rights (section 5, paragraph (1) sentence 1 of the German Act on Debt Securities from Entire Issues (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz - SchVG)*)).

15.4 *Governing Law*

The form and content of the Compartment 2 Notes and all of the rights and obligations of the Compartment 2 Noteholders and the Issuer under the Compartment 2 Notes shall be governed in all respects by the laws of Germany.

15.5 *Jurisdiction*

The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Compartment 2 Notes shall be the District Court (*Landgericht*) in Munich. The Issuer hereby submits to the jurisdiction of such court. The German courts shall have exclusive jurisdiction over the annulment of the Global Notes in the event of their Loss or destruction.

MATERIAL TERMS OF THE TRUST AGREEMENT

The following is the text of the material terms of the Trust Agreement, including its Schedules I and II. The text is attached as Appendix B to the Conditions and constitutes an integral part of the Conditions – in case of any overlap or inconsistency in the definitions of a term or expression in the Trust Agreement and elsewhere in the Offering Circular, the definitions and expressions in the Trust Agreement will prevail. For the purpose of this Offering Circular, Schedule III which contains a form of the Deed of Charge and Assignment and Schedule IV which contains a form of accession, have been omitted.

The descriptions in this section refer to certain material terms of the Trust Agreement. These descriptions do not purport to be complete and are subject to, and are qualified in their entirety by, the detailed provisions of the Trust Agreement.

The Trust Agreement is made on or before the Closing Date between the Issuer, BNP Paribas Trust Corporation UK Limited as the Trustee, BMW Leasing GmbH as the Seller and the Servicer, BMW Finance N.V. as the Subordinated Lender, WestLB AG as the Arranger, Société Générale, London Branch and WestLB AG as the Joint Lead Managers, Commerzbank Aktiengesellschaft and Skandinaviska Enskilda Banken AB (publ) as the Managers, Commerzbank Aktiengesellschaft as the Swap Counterparty, BNP Paribas Securities Services, Luxembourg Branch as the Interest Determination Agent, the Paying Agent and the Issuer Account Bank, WestLB AG as the Calculation Agent, BMW Bank GmbH as the Data Trustee and Structured Finance Management (Luxembourg) S.A. as the Corporate Administrator.

1. Definitions, Interpretations and Common Terms

1.1 Definitions

- (a) Unless otherwise defined herein or the context requires otherwise, capitalised terms used in this Agreement have the meanings ascribed to them in Clause 1 of the Master Definitions Schedule (the "**Master Definitions Schedule**") set out in Schedule 1 of the Incorporated Terms Memorandum (the "**Incorporated Terms Memorandum**") which is dated on or about the date of this Agreement and signed for the purpose of identification by each of the Transaction 2 Parties. The terms of the Master Definitions Schedule are hereby expressly incorporated into this Agreement by reference.
- (b) In the event of any conflict between the Master Definitions Schedule and this Agreement, this Agreement shall prevail.

1.2 Interpretations

Terms in this Agreement, except where otherwise stated or where the context otherwise requires, shall be interpreted in the same way as set forth in Clause 2 of the Master Definitions Schedule.

1.3 Common Terms

(a) Incorporation of Common Terms

Except as provided below, the Common Terms apply to this Agreement and shall be binding on the parties to this Agreement as if set out in full in this Agreement.

(b) Common Terms and Applicable Priority of Payments

If there is any conflict between the provisions of the Common Terms and the provisions of this Agreement, the provisions of this Agreement shall prevail, subject always to compliance with Paragraph 6 (*Non-Petition and Limited Recourse*) of the Common Terms. Nothing in the Agreement shall be construed as to prevail over or otherwise alter the Applicable Priority of Payments.

(c) Governing Law and Jurisdiction

This Agreement and all matters (including non-contractual duties and claims) arising from or connected with it shall be governed by German law in accordance with Paragraph 25 (*Governing Law*) of the Common Terms. Paragraph 26 (*Jurisdiction*) of the Common Terms applies to this Agreement as if set out in full in this Agreement.

2. Rights, Obligations and Powers of the Trustee, Binding Effect of Conditions

- 2.1 This Agreement sets out, *inter alia*, the rights and obligations of the Trustee to the Secured Parties and the legal relationship between the Issuer and the Trustee.
- 2.2 The Trustee shall exercise its rights and perform its obligations under this Agreement, the Conditions and the other Transaction 2 Documents to which it is a party as trustee for the benefit of the Secured Parties subject to Clauses 2.3 and 2.4.
- 2.3 Notwithstanding the fact that a Compartment 2 Noteholder may not be a party to this Agreement, the Trustee agrees (i) that each Compartment 2 Noteholder may demand performance by the Trustee of its obligations hereunder and (ii), to give effect to sub-clause (i), that this Agreement shall, in respect of each Compartment 2 Noteholder, be construed as an agreement for the unrestricted benefit of third parties (*echter Vertrag zugunsten Dritter*), provided that each Compartment 2 Noteholder may claim performance by the Trustee only if a period of 10 (ten) Business Days has elapsed after the occurrence of an Enforcement Event and the Trustee has not exercised its discretion where applicable and has not performed any of its obligations as set out herein.
- 2.4 All parties hereto agree to be bound by, and concur that their rights are subject to, the Conditions.
- 2.5 The Trustee shall have only those duties, obligations and responsibilities expressly specified in this Agreement and shall not have any implied duties, obligations and responsibilities.
- 2.6 If the Trustee is to grant its consent pursuant to the terms hereof or any of the Transaction 2 Documents, the Trustee may grant or withhold its consent or approval at its sole professional judgment taking into account what the Trustee believes to be the interests of the Secured Parties subject to Clause 17 (*Conflicts of interest*). The Trustee may decide to give its consent subject to the prior notification to the Rating Agencies of such action.
- 2.7 In respect of all the powers, authorities and discretions vested in the Trustee by or pursuant to any Transaction 2 Document (including this Agreement) to which the Trustee is a party or conferred upon it by operation of law, (i) the Trustee shall (save as otherwise expressly provided herein) have discretion as to the exercise or non-exercise thereof and shall have full power to determine all questions and doubts arising in relation thereto and (ii) every exercise or non-exercise or determination (whether made upon a question actually raised or implied in the acts or proceedings of the Trustee) relating thereto by the Trustee shall be conclusive and shall bind the Trustee and the Secured Parties and (iii) provided it shall not have acted in violation of its standard of care as set out in Paragraph 14 (*Standard of Care*) of the Common Terms, the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof or the determination in relation thereto.
- 2.8 No provision of this Agreement shall require the Trustee to do anything which may be illegal or contrary to applicable law or regulation.
- 2.9 Save for any breach of its own obligations under the Transaction 2 Documents, the Trustee needs not expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers or otherwise in connection with any Transaction 2 Document (including, without limitation, forming any opinion or employing any legal, financial or other adviser), if it determines in its reasonable discretion that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.
- 2.10 The Trustee shall not be responsible or liable to any person for (i) the nature, status, creditworthiness or solvency of the Issuer or any other person or entity who has at any time provided any security or support whether by way of guarantee, charge or otherwise in respect of any advance made to the Issuer; (ii) save as set forth in Clause 3.2 (*General covenants of the Trustee*), any action or failure to act, or the performance or observance of any provision of any Transaction 2 Document or any document entered into in connection therewith, by the Issuer or any other party to such documents; (iii) any statements, warranties or representations of any party (other than those relating to or provided by it) contained in any Transaction 2 Document or document entered into in connection therewith (and may, absent actual

knowledge to the contrary) rely on the accuracy and correctness thereof; (iv) the genuineness, validity, effectiveness, fairness or suitability of any Transaction 2 Document or any other documents entered into in connection therewith or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto; and (v) any invalidity of any provision of such documents or the unenforceability thereof; and (without prejudice to the generality of the foregoing) the Trustee shall not have any responsibility for or have any duty to make any investigation in respect of any of the foregoing.

- 2.11 Unless otherwise provided herein specifically, the Trustee shall be under no obligation to monitor or supervise the functions of any Person in respect of the Compartment 2 Notes, any of the Transaction 2 Documents or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such Person is properly performing and complying with its obligations.
- 2.12 The Trustee may delegate some but not substantially all of its rights, authorities, powers and performance of its obligations under this Agreement and/or any other Transaction 2 Document if (i) the Trustee in its professional judgment considers such delegation to be in the interests of the Secured Parties and (ii) such delegate is a reputable service provider in its respective field. The Trustee shall not thereby be released or discharged from and shall remain responsible for the performance of such obligations. The performance or non-performance and the manner of performance of any sub-contractor or delegate of any such delegated obligations shall not affect the Trustee's obligations. The Trustee shall remain liable for the due selection and, provided there are reasonable grounds, for the revisiting of the appointment of such delegate or sub-contractor.
- 2.13 No Trustee and no director or officer of any corporation which is a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer or any person or body corporate directly or indirectly associated with the Issuer, or from accepting the trusteeship of any other securities of the Issuer or any person or body corporate directly or indirectly associated with the Issuer, and neither the Trustee nor any such director or officer shall be accountable to the Issuer or any Secured Party for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or actions and the Trustee and any such director or officer shall be at liberty to retain the same for its or his own benefit.
- 2.14 The Trustee and any entity associated with the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 2.15 The Issuer, the Trustee and the Paying Agent may deem and treat any Compartment 2 Noteholder as the absolute owner of such Compartment 2 Note (whether or not such Compartment 2 Note is overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such Compartment 2 Note for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Trustee and the Paying Agent shall not be affected by any notice to the contrary). All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon such Compartment 2 Note.
- 2.16 The Trustee may call for and shall be at liberty to accept and place full reliance on (and shall not be liable to the Issuer or any Noteholder by reason only of having accepted as valid or not having rejected) an original certificate or letter of confirmation purporting to be signed on behalf of Clearstream Luxembourg or Euroclear to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular principal amount of Notes credited to his securities account. The Trustee shall rely on the records of Euroclear and Clearstream Luxembourg in relation to any determination of the Outstanding Notes Balance of each Global Note.
- 2.17 Whenever in this Agreement the Trustee is required in connection with any exercise of its powers, authorities or discretions to have regard to the interests of the Compartment 2 Noteholders, it shall have regard to the interests of the Compartment 2 Noteholders as a class and in particular, but without

prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Compartment 2 Noteholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Compartment 2 Noteholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment in respect of any consequence (including, without limitation, any tax consequence) of any such exercise upon individual Compartment 2 Noteholders, provided that the Trustee shall only have regard to the interests of the Class A Compartment 2 Noteholders and shall not have regard to the interests of the Class B Compartment 2 Noteholders, nor to the interests of the other Secured Parties, except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.

- 2.18 The Trustee shall not be responsible for the maintenance of the ratings of the Notes.
- 2.19 The Trustee may, without the consent of the Compartment 2 Noteholders and without prejudice to its rights in respect of any subsequent breach, from time to time (but only insofar as in its opinion (subject to Clause 2.6) the interests of the Noteholders will not be materially prejudiced) authorise or waive, on such terms (if any) as it considers expedient, any breach or proposed breach of this Agreement or the Compartment 2 Notes or determine that an Issuer Event of Default shall not be so treated for the purposes of this Agreement or the Compartment 2 Notes. Any such authorisation, waiver or determination shall be binding on the Noteholders and, unless the Trustee otherwise agrees, the Issuer shall cause such authorisation, waiver or determination to be notified to the Compartment 2 Noteholders as soon as practicable thereafter in accordance with the Conditions; provided that the Trustee shall not exercise any powers conferred upon it by this Clause 2.19 in contravention of any expressed direction by a resolution of the holders of the Class A Notes then outstanding in accordance with Condition 15.3.
- 2.20 Subject to the detailed provisions of this Trust Agreement, the Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Agreement in respect of the Compartment 2 Notes of each Class and under the other Transaction 2 Documents to which it is a party, provided always that it shall not be bound to do so unless it is indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing.

3. General Covenants of the Trustee

The Trustee undertakes to the Issuer for the benefit of the Compartment 2 Noteholders and the other Secured Parties that it shall exercise and perform all discretions, powers and authorities vested in it under or in connection with this Agreement giving sole regard to the best interest of the Compartment 2 Noteholders and the other Secured Parties and to direct any conflict between the interests of the various classes of Secured Parties in compliance with Clause 17 (*Conflicts of interest*) and the other provisions hereof.

4. Compartment 2 Security Held On Trust

The Trustee shall hold the Compartment 2 Security (Clause 8 (*Creation of Compartment 2 Security*)) as a security trustee (Clause 7 (*Appointment as Trustee*)) for security purposes (Clause 9 (*Security Purpose*)) and on trust for the Issuer as security for the payment of the Secured Obligations. The Trustee shall segregate the Compartment 2 Security from its other assets in the manner of a professional security trustee (*Sicherheitentreuhänder*) giving due regard to its duties owed to the Secured Parties under this Agreement.

5. Covenant To Pay

5.1 Payment to Noteholders and other Secured Parties

The Issuer covenants with the Trustee that, subject as provided in the relevant Transaction 2 Documents and this Agreement, it will:

- (a) as and when any sum becomes due and payable by the Issuer to the Compartment 2 Noteholders in respect of the Class A Compartment 2 Notes and/or the Class B Compartment 2 Notes, whether by way

of principal, interest or otherwise, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly made, unconditionally pay or procure to be paid to or to the order of the Compartment 2 Noteholders such sum on the dates and in the amounts specified in the Conditions; and

- (b) as and when any sum falls due and payable by the Issuer to any Secured Party (other than the Compartment 2 Noteholders) in respect of any relevant Transaction 2 Document owing by the Issuer pursuant to the terms of the relevant Transaction 2 Document and any other document, instrument or agreement relating thereto, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly paid unconditionally pay or procure to be paid to or to the order of the relevant Secured Party such sum in such currency and manner as is specified in the relevant Transaction 2 Document subject to the Applicable Priority of Payments.

5.2 Covenant to pay held on trust

The Trustee shall, subject to the other provisions hereof, hold the benefit of the covenant to pay pursuant to Clause 5.1 (a) and (b) on trust for itself, the Compartment 2 Noteholders and the other Secured Parties.

- 5.3 At any time after any Issuer Event of Default in relation to the Compartment 2 Notes has occurred which has not been waived by the Trustee in accordance with Clause 2.19 or remedied to its satisfaction, the Trustee may:

- (a) by notice in writing to the Issuer, the Paying Agent and the Calculation Agent and until notified by the Trustee to the contrary, require any of them in relation to the Compartment 2 Notes:
- (i) to act thereafter as agents of the Trustee under the provisions of this Agreement *mutatis mutandis* on the terms provided in the Agency Agreement and the Calculation Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agents and the Calculation Agent shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Compartment 2 Notes on the terms of this Agreement and available to the Trustee for such purpose) and thereafter to hold all Compartment 2 Notes and all sums, documents and records held by them in respect of the Compartment 2 Notes on behalf of the Trustee; and/or
- (ii) to deliver up all Compartment 2 Notes and all sums, documents and records held by them in respect of the Compartment 2 Notes to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the Paying Agent is obliged not to release by any law or regulation; and
- (b) by notice in writing to the Issuer require the Issuer to make all subsequent payments in respect of Compartment 2 Notes to or to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

6. Parallel Debt

6.1 Trustee joint and several creditor

In respect of the covenant to pay set forth in Clause 5.1 (a) and (b), the Trustee shall be a joint and several creditor (together with any other relevant Secured Party) in respect of the Secured Obligations. Accordingly, the Trustee will have an independent right ("**Trustee Claim**") to demand performance by the Issuer of the Secured Obligations. Any discharge of the Secured Obligations to the Trustee or any other relevant Secured Party shall, to the same extent, discharge the corresponding obligations owing to the other.

6.2 Separate enforcement

The Trustee Claim may be enforced separately from the Secured Party's claim in respect of the same payment obligation of the Issuer.

7. Appointment As Trustee

7.1 The Issuer hereby appoints the Trustee as security trustee (*Sicherheitentreuhänder*) of the Compartment 2 Security and of all of the covenants, (including the covenant to pay set forth in Clause 5.1 (*Payment to Noteholders and other Secured Parties*)) undertakings, mortgages, charges, assignments and other security interests made or given under, or in connection with, this Agreement by the Issuer or any guarantor of a Transaction 2 Party for the benefit of the Secured Parties in respect of the Secured Obligations owed to each of them respectively by the Issuer (the "**Trust Property**").

7.2 The Secured Parties (other than the Compartment 2 Noteholders) hereby acknowledge the Trustee as their security trustee (*Sicherheitentreuhänder*) and they instruct the Trustee to hold the Trust Property on trust for itself and the other Secured Parties (including the Compartment 2 Noteholders) on the terms and conditions of this Agreement.

8. Creation of Compartment 2 Security

The parties hereto agree that the Issuer shall create Adverse Claims in favour of the Trustee and for the benefit of the Trustee, the Compartment 2 Noteholders and the other Secured Parties as set out in the following Clauses 8.1 (*Transfer for security purposes of Assigned Assets*), Clause 8.2 (*Pledges*) and Clause 8.3 (*English law Deed of Charge and Assignment*).

8.1 Transfer for security purposes of Assigned Assets

(a) Assignment and transfer

The Issuer hereby assigns and transfers for security purposes (*Sicherungsabtretung und Sicherungsübereignung*) the following rights and claims (including any contingent rights (*Anwartschaftsrechte*) to such rights and claims) (together, the "**Assigned Assets**") to the Trustee, for the security purposes set out in Clause 9 (*Security Purpose*):

- (i) all Purchased Lease Receivables together with any related Lease Collateral as transferred by the Seller to the Issuer pursuant to Clause 2.6 of the Lease Receivables Purchase Agreement and all rights, claims and interests relating thereto;
- (ii) all title (*Sicherungseigentum*) to the Leased Vehicles relating to the Purchased Lease Receivables which are identified by the relevant vehicle identification numbers delivered by the Issuer for identification purposes to the Trustee on or about the date of this Agreement and on each Additional Purchase Date;
- (iii) all rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Seller or the Servicer and/or any other party pursuant to or in respect of the Lease Receivables Purchase Agreement or the Servicing Agreement, including all rights of the Issuer relating to any additional security;
- (iv) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Subordinated Lender and/or any other party pursuant to or in respect of the Subordinated Loan Agreement;
- (v) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to any of the Joint Lead Managers and/or any other party pursuant to or in respect of the Subscription Agreement;
- (vi) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Paying Agent, the Calculation Agent, and/or any other party pursuant to or in respect of the Agency Agreement;

- (vii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Issuer Account Bank and the Issuer Account C2 and/or any other party pursuant to or in respect of the Bank Account Agreement; and
- (viii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Data Trustee and/or any other party pursuant to or in respect of the Data Trust Agreement.

Each case (i) to (viii) above includes any and all related non-ancillary (*selbständige*) and ancillary (*unselbständige*) rights to determine unilaterally legal relationships (*Gestaltungsrechte*), including any termination rights (*Kündigungsrechte*).

The Issuer hereby covenants in favour of the Trustee that it will assign and/or transfer to the Trustee any future assets received by the Issuer as security for any of the foregoing or otherwise in connection with the Transaction 2 Documents, in particular such assets which the Issuer receives from any of its counterparties in relation to any of the Transaction 2 Documents as security for the obligations of such counterparty towards the Issuer. The Issuer will perform such covenant in accordance with the provisions of this Agreement.

The delivery of the Leased Vehicles (including any subsequently inserted parts and other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)) shall be replaced by the Issuer assigning (*abtreten*) his restitution claim (*Herausgabeanspruch*) against the Seller to the Trustee. The Trustee accepts such assignment.

Where third parties obtain, or have obtained, possession of the Leased Vehicles or of other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)), the Issuer hereby assigns as part of the Lease Collateral all related existing or future restitution claims (*Herausgabeansprüche*) to the Trustee.

- (b) The Trustee hereby accepts the assignment and the transfer of the Assigned Assets and any security related thereto and the covenants of the Issuer hereunder. The Trustee now retransfers, under the condition precedent of the full and final fulfillment of the Secured Obligations and full and final discharge of the Trustee Claims, title (*Sicherungseigentum*) to the relevant Leased Vehicles to the Issuer. The Issuer accepts such retransfer.
- (c) The existing Assigned Assets shall pass to the Trustee on the Issue Date, and any future Assigned Assets shall directly pass to the Trustee at the date on which such Assigned Assets arise, and in each case at the earliest at the time at which the Issuer has acquired the rights and claims of which the relevant Assigned Assets consists.

The Issuer undertakes to assign and transfer to the Trustee, on the terms and conditions and for the purposes set out herein, any rights and claims under any future Transaction 2 Document or further agreement relating to Transaction 2 upon execution of any such documents.

- (d) To the extent that title to the Assigned Assets cannot be transferred by sole agreement between the Issuer and the Trustee as contemplated by the foregoing sub-clauses (a) to (c), the Issuer and the Trustee agree that:
 - (i) with respect to the Leased Vehicles, the delivery (*Übergabe*) necessary to effect the transfer of title for security purposes with regard to the Leased Vehicles and any vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable) and any other moveable Lease Collateral with regard to any subsequently inserted parts thereof or with regard to any subsequently arising co-ownership interest, is hereby substituted by the agreement between the Issuer and the Trustee that the Issuer hereby assigns to the Trustee all claims, present and future, to request transfer of possession (*Abtretung aller Herausgabeansprüche* – section 931 of the Civil Code) against any third party (including the Seller, the Servicer and any Lessee) which is in the direct possession (*unmittelbarer Besitz*) or indirect possession (*mittelbarer Besitz*) of the Leased Vehicles (and any car or vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable) with respect thereto) or other moveable Lease Collateral. In addition to the foregoing, it is hereby agreed between the Issuer and the Trustee that in the

event that (but only in the event that) the related Leased Vehicle or other moveable Lease Collateral are in the Issuer's direct possession (*unmittelbarer Besitz*), the Issuer shall hold possession on behalf of the Trustee and shall grant the Trustee indirect possession (*mittelbarer Besitz*) of the related Leased Vehicle and other moveable Lease Collateral by keeping it with due care free of charge (*als unentgeltlicher Verwahrer*) for the Trustee until the related Leased Vehicle or other moveable Lease Collateral is released or replaced in accordance with the Transaction 2 Documents;

- (ii) any notice to be given in order to effect transfer of title in the Assigned Assets shall immediately be given by the Issuer in such form as the Trustee requires, and the Issuer hereby agrees that if it fails to give such immediate notice, the Trustee is hereby irrevocably authorised to give such notice on behalf of the Issuer;
- (iii) any other thing to be done, form to be filed or registration to be made to perfect a first priority security interest in the Assigned Assets for the benefit of the Trustee in favour of the Secured Parties shall be immediately done, filed or made by the Issuer at its own costs; and
- (iv) the Issuer shall procure that the Seller provides the Data Trustee with any and all necessary details in order to identify the Leased Vehicles (title to which has been transferred hereunder from the Issuer to the Trustee as contemplated herein) no later than the date on which these Assigned Assets become effective including the vehicle identification number (*Fahrgestellnummern*) of each Leased Vehicle title to which it has acquired under or pursuant to Clause 2 (*Offer for Lease Receivables*) of the Lease Receivables Purchase Agreement.

The Trustee hereby accepts each of the fore-going assignments and transfers.

(e) **Acknowledgement of assignment**

All parties to this Agreement hereby acknowledge that the rights and claims of the Issuer which constitute the Assigned Assets or the English Law Charged Assets and which have arisen under contracts and agreements between the Issuer and the parties hereto and which are owed by such parties, are assigned to the Trustee and that the Issuer is entitled to continue to exercise and collect such rights and claims only in accordance with Clause 12 (*Collection*) and the other provisions hereof or of the Deed of Charge and Assignment and subject to the restrictions contained in this Agreement. Upon notification to any party hereto by the Trustee in respect of the occurrence of an Enforcement Event, the Trustee shall be entitled to exercise the rights of the Issuer under the Transaction 2 Document referred to in this Clause 8.1 (*Transfer for security purposes of Assigned Assets*), including, without limitation, the right to give instructions to each such party pursuant to the relevant Transaction 2 Document and each party hereto agrees to be bound by such instructions of the Trustee given pursuant to the relevant Transaction 2 Document(s) to which such party is a party.

8.2 Pledges

- (a) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims against the Trustee arising under or in connection with this Agreement. The Issuer hereby gives notice to the Trustee of such pledge, and the Trustee hereby confirms receipt of such notice. The Trustee is under no obligation to enforce any claims of the Issuer against it pledged to the Trustee pursuant to this Clause 8.2 (*Pledges*), subject, for the avoidance of doubt, to Clause 15 (*When Compartment 2 Security Becomes Enforceable and the Respective Procedure*).
- (b) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims against the Issuer Account Bank under or in connection with the Bank Account Agreement, in particular claims in respect of the repayment of moneys standing to the credit of the Issuer Account-C2. The Issuer hereby gives notice to the Issuer Account Bank of such pledge and the Issuer Account Bank hereby confirms receipt of such notice.

8.3 English law Deed of Charge and Assignment

The Issuer and the Trustee agree that the Issuer shall (by way of the Deed of Charge and Assignment) under English law assign by way of security all of the Issuer's present and future rights, title and

interests under or in connection with the English law governed Swap Agreement and all proceeds thereof (the "**English Law Charged Assets**"). However, any cash or other collateral provided by the Swap Counterparty to the Issuer under the Swap Agreement shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer. The English Law Charged Assets shall secure the Secured Obligations for the benefit of the Secured Parties and shall be made pursuant to the English law governed Deed of Charge and Assignment being substantially in the form of the deed of charge and assignment set out in Schedule III hereto. The Trustee shall hold the English Law Charged Assets and all rights resulting from the Deed of Charge and Assignment in its own right for the purpose of securing the Trustee Claim and as German law security Trustee (*Sicherungstreuhand*) on behalf of the Secured Parties in respect of the Secured Obligations.

9. Security Purpose

The Adverse Claims created pursuant to Clause 8 (*Creation of Compartment 2 Security*), the other provisions hereof and the Deed of Charge and Assignment (the "**Compartment 2 Security**") shall serve as security for the Secured Obligations and the Trustee Claim. The Compartment 2 Security shall be enforced, collected and distributed pursuant to the provisions of this Agreement.

10. Representations and Warranties

10.1 Representations and warranties of the Issuer

The Issuer gives certain representations and warranties to the Trustee, also for the benefit of the other Secured Parties, on the terms set out in the Issuer's Representations and Warranties.

10.2 Representations and warranties of the Trustee

The Trustee hereby represents and warrants to the other parties as follows:

It is a company duly organised and registered under the laws of England and Wales and has full corporate power and authority to execute, deliver and perform this Agreement and the obligations expressly imposed upon it hereunder and has taken all necessary corporate action to authorise this Agreement on the terms and conditions hereof, the execution, delivery and performance of this Agreement on the terms and conditions hereof, and all obligations required hereunder. No consent of any other person including, without limitation, its shareholders or stockholders and creditors, and no licence, permit, approval or authorisation of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by it in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and the performance of the obligations expressly imposed upon it hereunder.

11. Administration of Security

11.1 With respect to the Compartment 2 Security, the Trustee shall, in relation to the Issuer and the Secured Parties, have the rights and obligations of a party taking security (*Sicherungsnehmer*). The Trustee is obligated to release the Compartment 2 Security after the Issuer has fully and finally discharged all of the Secured Obligations (Clause 19 (*Release of Compartment 2 Security*)).

11.2 The Trustee shall not release the Compartment 2 Security or dispose of the Assigned Assets except as expressly provided herein. The Trustee shall be entitled to assign and transfer the Compartment 2 Security in the event that the Trustee is replaced with a successor Trustee pursuant to Clause 21 (*Resignation and Substitution of the Trustee*).

11.3 Subject to Clause 12 (*Collections*) and in accordance with the Servicing Agreement and the Lease Receivables Purchase Agreement, the Servicer is entitled to realise the Leased Vehicles on behalf of the Trustee.

12. Collections

- 12.1 For so long as no Enforcement Event has occurred, the Issuer shall be authorised (*ermächtigt*) to collect or, have collected, in the ordinary course of business or otherwise exercise or deal with the Assigned Assets (including, for the avoidance of doubt, to enforce related Lease Collateral).
- 12.2 The Trustee hereby consents, for so long as no notice in respect of the occurrence of a Servicer Termination Event has been delivered to the Servicer by the Issuer and the Trustee has not been notified of the delivery of such notice, to the release or replacement by the Servicer of any related Lease Collateral pursuant to the terms of the Servicing Agreement.

13. Replenishment fund

- 13.1 No later than the Issue Date, the Issuer will establish the Issuer Account-C2 with the Issuer Account Bank. During the Revolving Period, the Replenishment Available Amount credited to the Replenishment Fund held as a separate ledger shall be used by the Issuer at the Seller's discretion for the purchase of the Additional Lease Receivables from the Seller in accordance with the terms and provisions of the Lease Receivables Purchase Agreement. Upon the occurrence of an Early Amortisation Event, the ledger of the Replenishment Fund shall be closed and any amounts standing to the credit of the Replenishment Fund shall be applied on the subsequent Payment Date in accordance with the Applicable Priority of Payments.

14. Further Assurance and Powers of Attorney

- 14.1 The Issuer shall from time to time execute and do all such things as the Trustee may require for perfecting or protecting the security created or intended to be created pursuant to the Security Documents, and at any time after the Compartment 2 Security becomes enforceable, the Issuer shall execute and do all such things as the Trustee may require in respect of the facilitation of the enforcement, in whole or in part, of the Compartment 2 Security and the exercise of all powers, authorities and discretionary rights vested in the Trustee, including, without limitation, to make available to the Trustee copies of all notices to be given in accordance with the Conditions, to notify the Trustee of all amendments to the Transaction 2 Documents and to make available to the Trustee, upon the reasonable request of the Trustee, such information required by the Trustee to perform its obligations under this Agreement (including access to the Issuer's books and records, if required).
- 14.2 The Issuer hereby irrevocably appoints the Trustee as its agent and empowers the Trustee to do all such acts and things, to make all necessary statements or declarations and execute all relevant documents, which the Issuer ought to do, make or execute under or in connection with this Agreement or generally to give full effect to this Agreement and the Transaction 2 Documents. The Issuer hereby ratifies and agrees to ratify and approve whatever the Trustee as its agent shall do or purport to do in the exercise or purported exercise of the powers created pursuant to this Clause 14 (*Further Assurance and Power of Attorney*).
- 14.3 All parties hereto undertake to provide all information to the Trustee that it shall require to exercise the powers contemplated by Clauses 14.1 and 14.2 (*Further Assurance and Power of Attorney*) or to carry out the Trustee's obligations under or in connection herewith. The Trustee (and its sub-agents) shall be exempted from the restrictions of section 181 of the Civil Code and any other restrictions under any other applicable law and shall be entitled to release any sub-agent from any such restriction.

15. When Compartment 2 Security Becomes Enforceable and the Respective Procedure

15.1 When Compartment 2 Security becomes enforceable

The Compartment 2 Security shall become enforceable, in whole or in part, upon the occurrence of an Enforcement Event.

The Trustee shall be entitled to assume in the absence of notice provided to it in writing by another party that no Issuer Event of Default has occurred.

15.2 Procedure

- (a) Upon the occurrence of an Issuer Event of Default, the Trustee shall as soon as reasonably practicable notify the Issuer, each of the other Secured Parties and the Rating Agencies ("**Enforcement Notice**"). The Trustee shall not be obliged to deliver an Enforcement Notice unless:
- (i) in the case of the occurrence of any of the events mentioned in item (b) of the definition of Issuer Event of Default, the Trustee is of the opinion that the happening of such event is materially prejudicial to the interests of the Noteholders; and
 - (ii) it shall have been indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing.
- (b) Subject to the Trustee being indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses (including reasonable legal costs and expenses) which it may incur by so doing, the Trustee shall, after the Compartment 2 Security has become enforceable and without further notice to any party hereto, enforce the Compartment 2 Security, or any part of it, and shall incur no liability to any party for so doing.
- (c) The Trustee shall at all times do all such things as are reasonably necessary in order that it can comply with all provisions of this Agreement or the Deed of Charge and Assignment and with all applicable laws relating to the discharge of its functions.
- (d) Each of the parties to this Agreement agrees and acknowledges and, by executing a Form of Accession, each New Secured Party agrees and acknowledges, that in the event of the enforcement of the Compartment 2 Security or the appointment of a Receiver, the Trustee shall not be obliged to indemnify out of its own money any such Receiver for any of its costs, charges, liabilities or expenses or to advance, in whatever form, any moneys to such Receiver or any other Person arising out of or in connection with such enforcement or to carry on or to require any Receiver to carry on any business carried on from time to time in connection with the Compartment 2 Security.
- (e) No person dealing with the Trustee or with any Receiver of the Compartment 2 Security or any part thereof appointed by the Trustee shall be concerned to enquire whether the Secured Obligations remain outstanding or any event has happened upon which any of the powers, authorities and discretion conferred by or pursuant to this Agreement or in connection therewith in relation to such property or any part thereof are or may be exercisable by the Trustee or by any such Receiver or otherwise as to the propriety, validity or regularity of acts purporting or intending to be in exercise of any such powers.
- (f) Neither the Trustee nor any Receiver shall be liable in respect of any Loss or damage which arises out of the exercise, or the failure to exercise any of their respective powers under any Transaction 2 Document, unless such Loss or damage is caused by its own gross negligence, bad faith or wilful misconduct.

16. Realisation of the Leased Vehicles

The Leased Vehicles the title of which has been transferred for security purposes (*Sicherungseigentum*) to the Trustee will be realised by the Trustee or by agents of the Trustee (including BMW Leasing GmbH) and the proceeds shall be allocated in accordance with Clause 17 of the Lease Receivables Purchase Agreement.

17. Conflicts of Interest

17.1 Interests of Secured Parties

Subject to the other provisions of this Clause 17 (*Conflicts of Interest*), the Trustee shall have regard to the interests of the Secured Parties in the respective order pursuant to the Post-Enforcement Priority of Payments as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property under this Agreement or under any other documents the rights or benefits in which are comprised in the Trust Property (except where expressly provided otherwise).

17.2 Exoneration of Trustee

Each of the Secured Parties hereby acknowledges and concurs with Clauses 0 (*Interests of Secured Parties*) and each of them agrees that it shall have no claim against the Trustee for acting in accordance with the provisions of such clauses.

17.3 Reliance by Trustee

- (a) Without prejudice to any other right conferred upon the Trustee, whenever the Trustee is required to or desires to determine the interests of any of the Secured Parties or in connection with the performance of its duties under this Agreement and/or the other Transaction 2 Documents to which it is a party, the Trustee may in its professional judgment seek the advice, and/or rely upon such advice and any written opinion, of a reputable and independent investment bank and/or legal advisers and/or other expert (such advice to be at the reasonably incurred cost of the Issuer). Any such opinion, advice, certificate or information may be sent or obtained by letter, telex or fax or email, and the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same may contain some error or may not be authentic. The Trustee shall not be liable for any wilful misconduct or negligence of such persons. If the Trustee is unable within a reasonable time to obtain such advice or opinions, the Trustee may employ such other method as it considers fit for so determining and shall not (save in the case of wilful default, bad faith or gross negligence) be liable to the Secured Parties, the Issuer or any of them for such determination or for the consequences thereof. The reference in this Clause 17.3 (*Reliance by Trustee*) to the opinion of an independent investment bank shall be construed as a reference to the opinion of such investment bank and/or the opinion of such other advisers as such investment bank shall recommend be consulted.
- (b) The Trustee may call for and shall be at liberty to accept a certificate duly signed by any two directors of the Issuer which are authorised to sign on behalf of the Issuer pursuant to a list of authorised signatories to be delivered to the Trustee from time to time as sufficient evidence of any fact or matter or the expediency of any transaction or thing, save for manifest errors, and to treat such a certificate to the effect that any particular dealing or transaction or step or thing is, in the opinion of the persons so certifying, expedient or proper as sufficient evidence that it is expedient or proper, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be caused by acting on any such certificate. Save for manifest errors, the Trustee may rely and shall not be liable or responsible for the existence, accuracy or sufficiency of any opinions (other than legal opinions on which accuracy or sufficiency the Trustee may rely without limitation), searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with the Transaction 2 Documents; in particular, the Trustee (save for manifest errors) may rely on calculations made and notices sent by the Calculation Agent.
- (c) The Trustee shall not be responsible for acting upon any resolution purporting to have been passed at any meeting of the Compartment 2 Noteholders in respect of which minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Compartment 2 Noteholders.
- (d) The Trustee shall be entitled to treat the holder of any Note as the absolute owner.
- (e) The Trustee may call for and shall be at liberty to accept and place full reliance on (and shall not be liable to the Issuer or any Compartment 2 Noteholder, by reason only of having accepted as valid or not having rejected) an original certificate or letter of confirmation purporting to be signed on behalf of Clearstream Luxembourg or Euroclear to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular principal amount of Notes credited to his securities account. The Trustee shall rely on the records of Euroclear and Clearstream Luxembourg in relation to any determination of the Principal Amount outstanding of each Global Note.
- (f) The Trustee shall have regard to interests of Noteholders as a Class and shall not have regard to circumstances of individual Noteholders based on jurisdiction. The Trustee shall have no liability for local taxes imposed on the Noteholders.

18. Application of Payments

18.1 Pre-Enforcement Priority of Payments

Each of the Secured Parties acknowledges and agrees that, prior to the service of an Enforcement Notice, all moneys of the Issuer shall be applied in accordance with the Pre-Enforcement Priority of Payments.

18.2 Post-Enforcement Priority of Payments

Each of the Secured Parties and the Issuer hereby agrees, that from the date upon which the Trustee serves an Enforcement Notice on the Issuer:

- (a) the Issuer may not make any withdrawal from the Issuer Account-C2;
- (b) unless with the express consent from the Trustee, the Issuer shall refrain from exercising any rights in relation to the Compartment 2 Security; and
- (c) the Trustee may withdraw moneys from the Issuer Account-C2 and apply such moneys in or towards payment of the Secured Obligations in accordance with the Post-Enforcement Priority of Payments.

19. Release of Compartment 2 Security

Upon the Trustee being satisfied that the Secured Obligations and the Trustee Claim have been fully and finally discharged (the Trustee being, for this purpose, entitled to rely, in its absolute discretion, on any statement of payment, discharge or satisfaction certified by one or more directors of the Issuer) the Trustee shall, at the request and the expense of the Issuer, do all such acts and things and execute all such documents as may be necessary to release the Compartment 2 Security and the Trustee shall to the extent applicable assign and re-transfer all Assigned Assets to the Issuer or to the order of the Issuer or to the Seller.

20. Covenants by the Issuer

The Issuer covenants with the Trustee on the terms of the Issuer Covenants.

21. Resignation and Substitution of the Trustee

21.1 Trustee terminating trusteeship and appointment of new Trustee

The Trustee may only resign from its office as Trustee hereunder (a) at any time for good cause (*wichtiger Grund*), or (b) by giving three (3) months' prior written notice, provided that, in each case (a) or (b) above, for so long as Secured Obligations remain outstanding, on or prior to the last Business Day of such notice period (i) a reputable accounting firm or financial institution which is experienced in the business of trusteeship relating to the securitisation of receivables originated in Germany has been duly appointed by the Issuer as successor Trustee, (ii) such successor Trustee mentioned in sub-clause (i) holds all required licenses and authorisations, (iii) upon the notification to the Rating Agencies, S&P has confirmed that the appointment of the new Trustee shall not cause their respective rating of the Compartment 2 Notes to be downgraded or withdrawn and (iv) such successor Trustee assumes the benefit of the Transaction 2 Documents and the rights, powers and obligations of the outgoing Trustee under the Transaction 2 Documents, as more specifically set out in Clause 8.1 (*Transfer of Compartment 2 Security, rights and interests*) and Clause 21.4 (*Assumption of obligation*). The Trustee shall promptly notify in advance and in writing the Issuer and the Rating Agencies of its intention of resignation. The Issuer shall, upon receipt of the written notice of resignation referred to in the first sentence of this Clause 21.1, promptly appoint an entity as successor Trustee. The Trustee shall have the right (but no obligation) to nominate a successor Trustee for appointment by the Issuer. The Issuer shall have the right to veto any nomination of a successor Trustee by the resigning Trustee if any other entity has been appointed by the Issuer to be the successor Trustee and has accepted such appointment. In the event of any urgency, the Trustee shall be entitled to appoint a successor Trustee acceptable to

the Rating Agencies under terms substantially similar to the terms of this Agreement if the Issuer fails to do so within 60 Business Days of the resignation notice of the Trustee.

21.2 Issuer terminating trusteeship and appointing new Trustee

The Issuer shall be authorised and obligated to terminate the appointment of the Trustee and appoint a successor Trustee in accordance with, *mutatis mutandis*, the provisions of Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) if with respect to the Trustee an Insolvency Event occurs.

21.3 Transfer of Compartment 2 Security, rights and interests

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 21.2 (*Issuer terminating trusteeship and appointing new Trustee*) the existing Trustee shall forthwith (by way of novation or otherwise) transfer the Compartment 2 Security together with any other rights it holds under any Transaction 2 Document including, for the avoidance of doubt, its Trustee Claim pursuant to Clause 6.1 (*Trustee joint and several Creditor*) or grant analogous security interests to the new Trustee. Without prejudice to the obligation of the Trustee set out in the immediately preceding sentence, the Trustee hereby irrevocably grants power of attorney to the Issuer to transfer all the rights, Compartment 2 security and interests mentioned in such preceding sentence on behalf of the Trustee to the new Trustee and for that purpose the Issuer (and its sub-agents) shall be exempted from the restrictions of section 181 of the Civil Code and any similar restrictions under any other applicable laws.

21.4 Assumption of obligations

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 21.2 (*Issuer terminating trusteeship and appointing new Trustee*), the existing Trustee shall (by way of novation or otherwise) procure that the new Trustee assumes all the obligations of the existing Trustee hereunder on terms substantially similar to the terms of this Agreement and under any other Transaction 2 Documents.

21.5 Costs

The costs incurred in connection with a substitution of the Trustee for good cause as contemplated by Clause 21 (*Resignation and substitution of the Trustee*) shall be borne by the Issuer provided however that nothing herein shall prejudice or limit the Issuer's claims against the Trustee arising by operation of general law of obligations (*Schuldrecht*) or tort (*unerlaubte Handlungen*). The resigning Trustee shall reimburse to the Issuer any fees paid by the Issuer for periods after the date on which the substitution of the Trustee is taking effect.

21.6 Accounting

The existing Trustee shall be obliged, on its departure, to account to the new Trustee for its activities in respect of this Agreement and all other Transaction 2 Documents.

22. Fees, Indemnities and Indirect Taxes

22.1 Trustee's Fee

The Issuer shall pay the Trustee a standard fee as separately agreed between them in a fee letter dated on or about the Issue Date. In the event of the Compartment 2 Security becoming enforceable or in the event of the Trustee finding it, in its professional judgment and after good faith consultation with the Seller, expedient or being required to undertake any duties which the Trustee determines to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Agreement, the Issuer shall pay such additional remuneration as shall be agreed between the Trustee and the Issuer and the Trustee shall be responsible to promptly inform the Rating Agencies of any change of the Trustee's fees. In the event of the Trustee and the Issuer failing to agree upon such increased or additional remuneration, such matters shall be determined by an independent investment bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or,

failing such approval, nominated by the Corporate Administrator, the expenses involved in such nomination and the fees of such investment bank being for the account of the Issuer, and the decision of any such investment bank shall be final and binding on the Issuer and the Trustee.

22.2 No entitlement to remuneration

The Trustee shall not be entitled to remuneration in respect of any period after the date on which all the Secured Obligations have been paid or discharged and the Assigned Assets shall have been released and re-assigned and retransferred to the Issuer or to the order of the Issuer or to the Seller.

22.3 Indemnity

- (a) The Issuer covenants with and undertakes fully to indemnify the Trustee in respect of all proceedings (including without limitation claims and liabilities in respect of taxes other than on its own overall net income), claims and demands and all Losses, interest, fees, actions, penalties, costs damages, charges, expenses (including reasonable legal costs and expenses) and liabilities which it (or any of its employees, directors or officers, attorneys, agents, delegates or other Persons appointed by it, including but not limited to any Receiver, to whom any trust power authority or discretion may be delegated by it in the execution or purported execution of the trusts, rights, remedies, powers, authorities or discretions vested in it by or pursuant to any of the Transaction 2 Documents to which the Trustee is a party or other documents which constitute part of the Charged Assets) may suffer or to which it may become liable or which may be suffered or incurred by it (or any such Person as aforesaid) in respect of any matter or thing done or omitted in any way relating to any of the Transaction 2 Documents to which the Trustee is a party or any documents which constitute part of the Assigned Assets or in consequence of any payment in respect of the Secured Obligations (whether made by the Issuer or another Person) being declared void for any reason whatsoever, save where such proceedings, claims demands, Losses, interest, fees, actions, penalties, costs, charges, expenses or liabilities arise as a result of the gross negligence, wilful default, or bad faith by the Person claiming to be entitled to be indemnified. To the extent this Clause 22.3 (*Indemnity*) confers rights on a third party, the Trustee shall hold the benefit of the clause for that third party (*Vertrag zugunsten Dritter*).
- (b) The Issuer covenants with and undertakes to each of the Trustee, the other Secured Parties and each Receiver to pay the amounts payable under this Clause 22 (*Fees, indemnities and indirect taxes*) and all other amounts from time to time payable to such parties pursuant to this Agreement on demand or, in the case of the remuneration or fees payable to the Trustee under this Agreement, on the next Payment Date.
- (c) The indemnities in this Agreement constitute separate and independent obligations from the other obligations in this Agreement, shall give rise to separate and independent causes of action, shall apply irrespective of any indulgence granted by the Trustee or any Compartment 2 Noteholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or in respect of the Compartment 2 Notes or any other judgment or order.

22.4 Indirect taxes

The Issuer shall in addition pay to the Trustee (if so required) an amount equal to the amount of any value added tax or similar indirect taxes charged in respect of payments due to it under this Clause 22 (*Fees, indemnities and indirect taxes*).

The Trustee shall not be bound to take any action under or in connection with this Agreement or any other Transaction 2 Document or any document executed pursuant to any of them including, without limitation, forming any opinion or employing any agent, unless in all cases, it is fully indemnified (including under the Applicable Priority of Payments), and is reasonably satisfied that the Issuer will be able to honour any indemnity in accordance with the Applicable Priority of Payments, against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be reasonably incurred by it in connection with them.

The Issuer shall bear all stamp duties, transfer taxes and other similar taxes, duties or charges which are imposed in connection with (i) the creation of, holding of, or enforcement of the Compartment 2 Security, and (ii) any action taken by the Trustee pursuant to the terms and conditions of the Notes or the other Transaction 2 Documents.

23. Miscellaneous

23.1 Ringfencing and further securities/transactions

All parties hereto agree that each Transaction 2 Document (other than the Corporate Administration Agreement) shall incur obligations and liabilities in respect of Compartment 2 of the Issuer only and that the Transaction 2 Documents shall not, at present or in the future, create any obligations or liabilities in respect of the Issuer generally or in respect of any Compartment of the Issuer other than Compartment 2. All parties hereto further agree that the immediately preceding sentence shall be an integral part of all Transaction 2 Documents and that, in the event of any conflict between any provision of any Transaction 2 Documents and the immediately preceding sentence, the immediately preceding sentence shall prevail.

23.2 New securitisations and further securities requiring consent

The Issuer shall not enter into any further securitisation transactions and shall not issue any further securities unless (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, (b) based on such legal opinion and upon the notification to the Rating Agencies, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion, the notification to Fitch and confirmation from S&P, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

23.3 Global condition precedent

All parties hereto agree that it shall constitute a global condition precedent in respect of each individual Transaction 2 Document that all Transaction 2 Documents have, no later than the Issue Date, been executed and delivered by each of the relevant parties thereto. Each party to Transaction 2 acknowledges that all other parties to Transaction 2 are entering into Transaction 2 in reliance upon all Transaction 2 Documents being validly entered into by all relevant parties to such documents.

23.4 Duty to appoint process agent

All Relevant German Transaction 2 Parties that are not resident in Germany have the duty to appoint a German process agent upon request within five (5) Business Days and all parties to the English Transaction 2 Documents that are not resident in England shall appoint an English process agent upon request within five (5) Business Days.

Schedule I: Pre-Enforcement Priority of Payments

On each Payment Date the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by Bavarian Sky S.A. in respect of taxes under any applicable law (if any);
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Interest Determination Agent and the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 2 Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 2 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;
- (i) *ninth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full;
- (j) *tenth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full;
- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and
- (n) *fourteenth*, to pay all remaining excess to the Seller.

Schedule II: Post-Enforcement Priority of Payments

After the occurrence of an Enforcement Event, the Trustee shall distribute Available Post-Enforcement Funds (and the Issuer will tolerate such distribution) in the following manner and priority:

- (a) *first*, amounts payable by Bavarian Sky S.A. in respect of taxes (if any);
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Trust Agreement (other than Trustee Claims);
- (c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Interest Determination Agent and the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class A Compartment 2 Noteholders in respect of interest;
- (f) *sixth*, on a *pari passu* basis, amounts payable by the Issuer to the Class A Compartment 2 Noteholders in respect of principal until the Class A Compartment 2 Notes are redeemed in full;
- (g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class B Compartment 2 Noteholders in respect of interest;
- (h) *eighth*, on a *pari passu* basis, amounts payable by the Issuer to the Class B Compartment 2 Noteholders in respect of principal until the Class B Compartment 2 Notes are redeemed in full;
- (i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (k) *eleventh*, as from the date on which all Compartment 2 Notes are redeemed in full, principal payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, to pay all remaining excess to the Seller.

SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS

1. Lease Receivables Purchase Agreement

Pursuant to the Lease Receivables Purchase Agreement, the Issuer will purchase the Purchased Lease Receivables from the Seller on or prior to the Purchase Date. The purchase of the Purchased Lease Receivables will be carried out in accordance with the Eligibility Criteria.

Pursuant to the Lease Receivables Purchase Agreement, the Seller represents to the Issuer that each Purchased Lease Receivable and the related Lease Collateral complies, as of the relevant Cut-Off Date preceding the respective Purchase Date, with the Eligibility Criteria and, as of the relevant Purchase Date, with the Seller Warranties set out in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL" herein.

The Offer by the Seller for the purchase of Lease Receivables under the Lease Receivables Purchase Agreement contains certain relevant information for the purpose of identification of the Purchased Lease Receivables. In the Offer, the Seller represents that certain representations and warranties with respect to the relevant Lease Receivable are true and correct as of the relevant Purchase Date (Seller Warranties). See "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Seller Warranties".

Upon acceptance, the Issuer Acquires in respect of the relevant Lease Receivables unrestricted title as from the relevant Cut-Off Date immediately preceding the date of such Offer, other than any Lease Receivables which have become due prior to or on such Cut-Off Date together with all of the Seller's rights, title and interest in the related Lease Collateral in accordance with the Lease Receivables Purchase Agreement. As a result, the Issuer obtains the full economic ownership in the Purchased Lease Receivables (excluding any portion relating to VAT, residual values and the provision of services) and is free to transfer or otherwise dispose over (*verfügen*) the Purchased Lease Receivables, subject only to the contractual restrictions provided in the relevant Lease Agreement.

If for any reason title to any Purchased Lease Receivable is not transferred to the Issuer, the Seller, upon receipt of the relevant Purchase Price and without undue delay, is obliged to take all action necessary to perfect the transfer of title. All Losses, costs and expenses which the Issuer incurred or will incur by taking additional measures due to the Purchased Lease Receivables or the related Lease Collateral not being sold or transferred will be borne by the Seller.

Each sale and assignment of the Purchased Lease Receivables pursuant to the Lease Receivables Purchase Agreement constitutes a sale without recourse (*regressloser Verkauf wegen Bonitätsrisiken*). This means that the Seller will not bear the risk of the inability of any Lessee to pay the relevant Purchased Lease Receivables. However, in the event of any breach of the Eligibility Criteria as of the relevant Cut-Off Date preceding the respective Purchase Date and/or Seller Warranties as of the relevant Purchase Date, the Seller owes the payment of Deemed Collections regardless of the respective Lessee's credit strength.

Pursuant to the Lease Receivables Purchase Agreement, the delivery of the Leased Vehicles (including any subsequently inserted parts and other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)) shall be replaced by the Seller assigning (*abtreten*) its restitution claims (*Herausgabeansprüche*) against the Lessees to the Issuer.

Where third parties obtain, or have obtained, possession of the Leased Vehicles or of other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)), the Seller assigns as part of the Lease Collateral all related existing or future restitution claims (*Herausgabeansprüche*) to the Issuer.

The sale and assignment of the Purchased Lease Receivables pursuant to the Lease Receivables Purchase Agreement constitutes a sale without recourse (*regressloser Verkauf wegen Bonitätsrisiken*). This means that the Seller will no longer have the risk of the inability of any Lessee to pay the relevant Purchased Lease Receivable.

Replenishment

Within the Revolving Period, the Seller, at its own discretion, may offer to the Issuer to purchase the Additional Lease Receivables (excluding the portion relating to the VAT, residual values and the provision of services) at the Additional Purchase Price, provided that (i) in respect of each Additional Lease Receivable the Eligibility Criteria are satisfied; (ii) each Additional Lease Receivable and the related Lease Collateral are assigned and

transferred in accordance with the relevant Additional Lease Receivables Purchase Agreement and Data Trust Agreement. The Issuer shall be obligated to purchase and Acquire the Additional Lease Receivables only to the extent that the obligation to pay the Additional Purchase Price for the Additional Lease Receivables offered to the Issuer by the Seller on any Additional Purchase Date can be satisfied by the Issuer by applying the Available Distribution Amount as of the Additional Cut-Off Date immediately preceding the relevant Additional Purchase Date in accordance with the Pre-Enforcement Priority of Payments.

Deemed Collections

If certain events (see the definition of Deemed Collections in "MASTER DEFINITIONS SCHEDULE — Deemed Collections") occur with respect to a Purchased Lease Receivable, the Seller will be deemed to have received a Deemed Collection. To this end, the Seller has undertaken to pay Deemed Collections in the amount of the Aggregate Discounted Lease Balance of the affected Purchased Lease Receivable to the Issuer. Upon receipt thereof, such Purchased Lease Receivable and the relevant Lease Collateral (unless it is extinguished) will be automatically re-assigned to the Seller, by the Issuer on the next succeeding Payment Date on a non-recourse or guarantee basis on the part of the Issuer. The costs of such assignment will be borne solely by the Seller.

All Deemed Collections will be held by the Seller on trust in the name and for the account of the Issuer until payment is made to the Issuer Account-C2 on the next following Payment Date.

Use of Lease Collateral

The Issuer has agreed to make use of any Lease Collateral only in accordance with the provisions governing such Lease Collateral and the related Lease Agreements. For the avoidance of doubt, irrespective of any contradicting clause contained in any other Transaction 2 Document, the residual value of the Leased Vehicles shall not serve as security for any other claims against the Seller resulting, in particular but not limited to, from commingling or tax risks.

The Seller will, at its own cost, keep the Lease Collateral free of, or release such from any interference or security rights of third parties and undertake all steps necessary to protect the interest of the Issuer in the Leased Vehicles.

Taxes and Increased Costs

All payments to be made by the Seller to the Issuer pursuant to the Lease Receivables Purchase Agreement will be made free and clear of and without deduction for or on account of any tax. The Seller will reimburse the Issuer for any deductions or retentions which may be made on account of any tax. The Seller will have the opportunity and authorisation to raise defences against the relevant payment at the Seller's own costs.

Where the Issuer has received a credit against a relief or remission for, or repayment of, any tax, then if and to the extent that the Issuer determines that such credit, relief, remission or repayment is in respect of the deduction or withholding giving rise to such additional payment or with reference to the liability, expense or Loss which caused such additional payments, the Issuer will, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Seller such amount as the Issuer will have concluded to be attributable to such deduction or withholding or, as the case may be, such liability, expense or Loss, provided that the Issuer will not be obliged to make any such payment until it is, in its sole opinion, satisfied that its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled.

Insurance and Leased Vehicles

If the Seller or the Servicer receives any proceeds from property insurances (*Kaskoversicherungen*) or claims from third parties which have damaged any Leased Vehicles, as well as claims against the insurer of such third parties which form part of the Lease Collateral, such proceeds will be used to repair such damaged Leased Vehicles. If the relevant damaged Leased Vehicle cannot be repaired, a Pro Rata Share of such proceeds will be applied (in respect of the calculated residual value of the relevant Leased Vehicle) for repayment of the relevant Purchased Lease Receivables.

Notification of Assignment

The Lessees and other relevant debtors will only be notified by the Servicer in respect of the assignment of the Purchased Lease Receivables and related Lease Collateral upon request by the Issuer following the occurrence of a Lessee Notification Event. Should the Servicer fail to notify the Lessees within five (5) Business Days of such request, the Issuer may notify the Lessees of the assignment of the Purchased Lease Receivables and the related Lease Collateral itself. Without prejudice to the foregoing, under the Servicing Agreement, the Issuer is entitled to notify by itself, through the successor Servicer or any other agent, or require the Servicer to notify the Lessees, of the assignment if a Lessee Notification Event has occurred.

In addition, at any time after a Lessee Notification Event has occurred or whenever it is necessary to protect the justified interests of the Issuer, the Seller, upon request of the Issuer, will inform any relevant insurance company of the assignment of any insurance claims and procure the issuance of a security certificate (*Sicherungsschein*) in the Issuer's name. The Issuer is authorised to notify the relevant insurance company of the assignment on behalf of the Seller. Prior to notification, the Lessees will continue to make all payments to the account of the Seller as provided in the relevant Lease Agreement between each Lessee and the Seller and each Lessee will obtain a valid discharge of its payment obligation.

Instalment of new parts or replacement parts in Leased Vehicles

If, after transfer of title to any Leased Vehicle to the Issuer, any new parts or any new replacement parts are installed into such Leased Vehicle and the Seller acquires title to or a co-ownership interest in such parts, the Seller will transfer such title or co-ownership interest by way of security to the Issuer and the Issuer will not be obliged to make any further payments in respect of such parts.

Clean Up Call Option

In the circumstances described in Condition 8.4, the Seller may exercise the Clean-Up Call Option.

2. Servicing Agreement

Pursuant to the Servicing Agreement between the Servicer, the Trustee and the Issuer, the Servicer has the right and obligation to administer the Purchased Lease Receivables and the related Lease Collateral, collect and, if necessary, enforce the Purchased Lease Receivables and enforce the related Lease Collateral and pay all proceeds to the Issuer.

Obligation of the Servicer

The Servicer shall act as agent (*Beaufragter*) of the Issuer under the Servicing Agreement. The duties of the Servicer include the assumption of servicing, collection, administrative and enforcement tasks and specific duties set out in the Servicing Agreement (the "**Services**").

Under the Servicing Agreement, the Servicer will, *inter alia*:

- (a) collect any and all amounts payable, from time to time, by the Lessees under or in relation to the Lease Agreements as and when they fall due;
- (b) identify the Collections and identify the amount of such Collections;
- (c) give, on the relevant Payment Date, directions to its relevant bank from time to time as the case may be with respect to the on-payment of Collections (including Deemed Collections);
- (d) endeavour to seek Recoveries due from Lessees in accordance with the Credit and Collection Policy and in particular (but without prejudice to the generality of the foregoing) exercise all enforcement measures concerning amounts due from the Lessees in accordance with the Lease Receivables Purchase Agreement. This might include, for the avoidance of doubt, the right to sell Defaulted Lease Receivables in accordance with the Credit and Collection Policy. The Issuer shall reimburse BMW Leasing GmbH the Pro Rata Share of any costs resulting from such endeavour or exercise in respect of the enforcement. In addition, the Servicer is hereby authorised to sue any Lessee in any competent court of Germany or of any other competent jurisdiction in the Servicer's own name and for the benefit of the Issuer (*gewillkürte Prozeßstandschaft*), the Issuer being obliged where necessary (i) to assist the Servicer in exercising all rights and remedies under and in connection with the relevant Purchased Lease Receivables, (ii) to furnish the Servicer with all necessary authorisations, consents or

confirmations in such form and to an extent as required. For the purposes of (i) and (ii), the Issuer shall release the Servicer from the restrictions set forth in section 181 of the Civil Code;

- (e) keep Records in relation to the Purchased Lease Receivables which can be segregated from all other Records of the Servicer relating to other receivables made or serviced by such Servicer otherwise;
- (f) keep Records for all taxation purposes;
- (g) hold, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, all Records relating to the Purchased Lease Receivables in its possession in trust (*treuhänderisch*) for, and to the order of, the Issuer and co-operate with the Data Trustee, the Trustee or any other party to Transaction 2 to the extent required under or in connection with the collection or servicing of the Purchased Lease Receivables;
- (h) release on behalf of the Issuer any Lease Collateral in accordance with its Credit and Collection Policy;
- (i) enforce the Lease Collateral upon a Purchased Lease Receivables becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and apply the enforcement proceeds to the relevant secured obligations, and insofar as such enforcement proceeds are applied to Purchased Lease Receivables and constitute Collections, pay such Collections to the Issuer into the Issuer Account-C2 on the same date as the on-payment of the Collections. For the purposes of the foregoing, the Issuer is entitled to receive the Pro Rata Share of such enforcement proceeds as described in "Realisation of Leased Vehicles" below;
- (j) realise the insurance proceeds, in accordance with the respective insurance policies relating to the Leased Vehicle pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with the Credit and Collection Policy, from the respective insurance companies. For the avoidance of doubt, the Servicer is not required to monitor the compliance by a Lessee with the insurance provisions and is not liable for any failure by a Lessee to comply with such provisions;
- (k) make available Monthly Reports on each Reporting Date to the Issuer with a copy to the Corporate Administrator, the Calculation Agent, the Paying Agent, the Subordinated Lender and the Trustee and, if required, rectify such Monthly Reports, provided that in any event the Secrecy Rules and the provisions of the Data Trust Agreement shall be observed;
- (l) assist the auditors of Bavarian Sky S.A. and provide, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, information to them upon request;
- (m) promptly notify all Lessees following the occurrence of an Lessee Notification Event ("**Lessee Notification Event Notice**"), or, if the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer and the Trustee shall have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice; and
- (n) on or about each Payment Date update the Portfolio Information as described in the Lease Receivables Purchase Agreement and send the updated Portfolio Information to the Data Trustee,

whereas for the purposes of above-mentioned Services, "**Pro Rata Share**" shall be a rate calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate divided by (ii) the sum of the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate plus the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate.

The Servicer will administer the Purchased Lease Receivables in accordance with its respective standard procedures, set out in its Credit and Collection Policy for the administration and enforcement of its own consumer loans and related collateral, subject to the provisions of the Servicing Agreement and the Lease Receivable Purchase Agreement. In the administration and servicing of the Purchased Lease Receivables, the Servicer will exercise the due care and diligence of a prudent business person (*Sorgfalt eines ordentlichen Kaufmannes*) as if it was administering receivables on its own behalf. The Servicer will ensure that it has all required licences, approvals, authorisations and consents which are necessary or desirable for the performance of its duties under the Servicing Agreement.

Pursuant to the Servicing Agreement, the Servicer shall be authorised to modify the terms of a Purchased Lease Receivable, provided that the Servicer may not extend the maturity date of a Purchased Lease Receivable beyond the latest maturity date permitted in the Credit and Collection Policy, and provided further that the Servicer shall pay the Deemed Collections in respect of such Purchased Lease Receivable.

Use of Third Parties

The Servicer may delegate and sub-contract its duties in connection with the servicing or enforcement of the Purchased Lease Receivables and/or foreclosure on the related Lease Collateral, provided that such third party has all licences required for the performance of the servicing delegated to it, in particular any licences required under the Act on Rendering Legal Advice (*Rechtsberatungsgesetz*) or the Act on Rendering Legal Services (*Rechtsdienstleistungsgesetz*) contemplated to replace the Act on Rendering Legal Advice. The Servicer is, however, not entitled to delegate or sub-contract any duties other than in connection with the servicing or enforcement of the Purchased Lease Receivables under the Servicing Agreement, unless it has first obtained written confirmation from both the Issuer and the Trustee. The Trustee may decide to give its consent subject to a prior written notification to the Rating Agencies of such action. Prior written consent from the Issuer and the Trustee is not required in cases of urgency where otherwise Collections would be at risk and where such requirement would negatively impact the Secured Parties.

Servicing Fee and Reimbursement of Enforcement Expenses

As consideration for the performance of the Services pursuant to the Servicing Agreement, the Servicer is entitled to a fee as agreed between the Issuer and the Servicer in a separate side letter to the extent that BMW Leasing GmbH ceases to be the Servicer for Transaction 2. The fee will be paid by the Issuer in monthly instalments on each Payment Date with respect to the immediately preceding Monthly Period in arrears.

The fee will cover any tax including value added tax (if applicable) and all costs, expenses and other disbursements reasonably incurred in connection with the enforcement and servicing of the Outstanding Lease Receivables and related Lease Collateral as well as the rights and remedies of the Issuer (excluding, for the avoidance of doubt, Defaulted Lease Receivables) and the other Services.

Cash Collection Arrangements

Under the terms of the Servicing Agreement, the Collections received by the Servicer in respect of a Monthly Period will be transferred on the Payment Date related to such Monthly Period into the Issuer Account-C2 or as otherwise directed by the Issuer or the Trustee. Until such transfer, the Servicer will hold the Collections and any other amount received on trust (*treuhänderisch*) for the Issuer. All payments will be made free of all bank charges and costs as well as any tax for the recipient thereof.

Information and Regular Reporting

The Servicer will use all reasonable endeavours to safely maintain records in relation to each Purchased Lease Receivable in computer readable form. The Servicer will notify the Issuer, the Calculation Agent, the Paying Agent, the Trustee and the Rating Agencies of its intention to adversely change its administrative or operating procedures relating to the keeping and maintaining of records. Any such adverse change requires, prior to its implementation, the prior written consent of the Issuer and the prior written notification to the Rating Agencies of such change. For this purpose, "adverse change" means a material change to the respective administrative or operative procedures that has, or could have, a negative impact on the collectability or enforceability of the Purchased Lease Receivables.

The Servicing Agreement requires the Servicer to furnish on each Reporting Date the Monthly Reports to the Issuer, with a copy to the Corporate Administrator, the Calculation Agent, the Paying Agent, the Subordinated Lender and the Trustee, provided that in any event the Secrecy Rules shall be observed.

Indemnity Reserve

Upon the occurrence of an Indemnity Reserve Trigger Event and for so long as such event remains, the Seller shall, within thirty (30) calendar days (the "Performance Period"), immediately transfer and deposit the Required Indemnity Reserve into the Indemnity Reserve. If the Seller fails to advance such Required Indemnity Reserve within five (5) Business Days from the last day of the Performance Period, a Lessee Notification Event will occur.

Upon the occurrence of an Indemnity Reserve Trigger Event, the Indemnity Reserve shall be used to cover the potential risks in relation to tax and/or other obligations of the Seller under the Transaction 2 Documents, after which any excess amount standing to the credit of the Required Indemnity Reserve shall be released to the Seller on the next Payment Date or on the Legal Final Maturity Date at the latest.

If subsequent to the Issue Date (x) the total amount of potential set-off risk resulting from Lessee deposits with BMW Bank GmbH is greater than 1 per cent. of the Aggregate Discounted Lease Balance and (y) (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are deemed to have a rating of less than F2 from Fitch; or (ii) (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than A-2 by S&P or if BMW AG is not the subject of a S&P's short-term rating, the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than BBB+ by S&P or are no longer rated by S&P or any such rating has been withdrawn, or (b) S&P notifies the respective parties that BMW Leasing GmbH is not deemed eligible any longer under the applicable rating criteria by S&P; or (iv) BMW AG ceases to own, directly or indirectly, at least 100% of the share capital of the Seller, or a termination of the profit and loss transfer agreement between BMW AG and the Servicer occurs, for as long as identical with the Seller, the Servicer is obliged to post collateral amounting to the potential set-off risk which will be adjusted on a monthly basis (the "Set-Off Risk Reserve"). The Set-Off Risk Reserve shall be deposited to the Indemnity Reserve and is exclusively reserved to cover set-off risks.

Upon the occurrence of an Enforcement Event, the amounts standing to the credit of the Indemnity Reserve will be, after all Issuer's obligations under the Post-Enforcement Priority of Payments being satisfied, released to the Seller.

Commingling Reserve

For so long as BMW Leasing GmbH remains Servicer, before the occurrence of a Servicer Termination Event and until termination pursuant to Clause 12 (*Termination*) of the Servicing Agreement, the Servicer is entitled to commingle any Collections with its own funds unless a Commingling Reserve Trigger Event occurs.

Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event remains, the Servicer shall, within thirty (30) calendar days (the "**Performance Period**"), (i) transfer and deposit the Required Commingling Reserve 1 to the Commingling Reserve or (ii) transfer and deposit the Required Commingling Reserve 2 to the Commingling Reserve and transfer the received Collections to the Issuer Account-C2 on a daily basis.

If the Servicer fails to advance such Required Commingling Reserve or transfer the received Collections to the Issuer Account-C2 as required above within five (5) Business Days from the last date of the Performance Period, a Lessee Notification Event will occur. For the avoidance of doubt, following the Performance Period and for so long as such Commingling Reserve Trigger Event remains, the Servicer shall have the option to switch between (i) depositing the Required Commingling Reserve 1 and (ii) deposit the Required Commingling Reserve 2 and transferring the received Collections to the Issuer Account-C2 on a daily basis.

Termination of Lease Agreements and Enforcement

If a Lessee defaults on a Purchased Lease Receivable, the Servicer will proceed in accordance with the Credit and Collection Policy. The Servicer will abide by the enforcement and realisation procedures as set out in the Lease Receivables Purchase Agreement and the Servicing Agreement in conjunction with the Credit and Collection Policy. If the related Lease Collateral is to be enforced, the Servicer will take such measures as (within the limits of the Credit and Collection Policy) it deems necessary in its professional discretion to realise the related Lease Collateral.

The Servicer will pay the portion of the enforcement proceeds to the Issuer which have been or are to be applied to the Purchased Lease Receivables or to which the Issuer is otherwise entitled in accordance with the Servicing Agreement.

Termination of appointment of the Servicer

Under the Servicing Agreement, the Issuer shall at any time after the occurrence of a Servicer Termination Event terminate the appointment of the Servicer and appoint a successor Servicer.

According to the Servicing Agreement, the appointment of the Servicer is, *inter alia*, automatically terminated in the event that in respect of the Servicer an Insolvency Event has occurred and an Insolvency Event in respect of the Servicer shall constitute a Lessee Notification Event.

Pursuant to the provisions of the Servicing Agreement, if a Lessee Notification Event occurs, the Servicer shall promptly deliver a Lessee Notification Event Notice. If the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer shall have the right to deliver or to instruct a successor Servicer or an agent (such agent being a bank or credit institution with a banking license in Germany) that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice, provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee shall have to, *inter alia*, at the request of the Issuer despatch the Portfolio Information to the Trustee or any successor Servicer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS" – "Data Trust Agreement".

The Servicer is only entitled to resign as Servicer under the Servicing Agreement for good cause (*aus wichtigem Grund*).

The outgoing Servicer and the Issuer will execute such documents and take such actions as the Issuer may require for the purpose of transferring to the successor or replacement Servicer the rights and obligations of the outgoing Servicer, assumption by any successor or replacement Servicer of the specific obligations of successor or replacement Servicers under the Servicing Agreement and releasing the outgoing Servicer from its future obligations under the Servicing Agreement. Upon termination of the Servicing Agreement with respect to the Servicer and the appointment of a successor or a replacement Servicer, the Servicer will transfer to the successor Servicer or any other successor or replacement Servicer all Records and any and all related material, documentation and information.

Any termination of the appointment of the Servicer or of a successor or replacement Servicer will be notified by the Issuer (acting through the Corporate Administrator) to the Rating Agencies, the Trustee, the Joint Lead Managers, the Managers, the Paying Agent, the Data Trustee, the Issuer Account Bank and the Calculation Agent.

Realisation of Lease Vehicles

Notwithstanding the transfer/assignment of Lease Collateral pursuant to Clause 2 (Offer for Lease Receivables) of the Lease Receivables Purchase Agreement, the Servicer, subject to revocation by the Trustee, is entitled and obligated to realise the Lease Collateral for and on behalf of the Trustee in accordance with the terms and conditions of the Lease Receivables Purchase Agreement, the Trust Agreement and the Servicing Agreement.

Proceeds which BMW Leasing GmbH or the Trustee has received from the realisation of Leased Vehicles, including proceeds relating to the residual value portion of the Lease Vehicles, shall be allocated as follows:

- a) The proceeds shall be divided proportionally between the Issuer and the respective financier of the residual value portion relating to the respective Leased Vehicles (as notified by the Seller to the Issuer) at such time. The Issuer is entitled to receive a Pro Rata Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the relevant Purchased Lease Receivable. The respective financier of the residual value portion at any time is entitled to receive a Pro Rata Residual Value Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the agreed residual value of the relevant Leased Vehicle.
- b) The Pro Rata Share shall be a rate calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate divided by (ii) the sum of the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate plus the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate. The Pro Rata Residual Value Share shall be a rate calculated as (i) the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate divided by (ii) the sum of the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate plus the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate.

For the avoidance of doubt, BMW Leasing GmbH is entitled to receive all payments on the Purchased Lease Receivables it collects after the day on which the Servicer has finally written off the relevant Lease Agreements pertaining to such Purchase Lease Receivables in accordance with its customary practice as applicable from time to time.

3. Subordinated Loan Agreement

Pursuant to the Subordinated Loan Agreement, a committed subordinated term loan will be made available to the Issuer by the Subordinated Lender. Pursuant to the terms of the Subordinated Loan Agreement, the Issuer will have to draw an amount of EUR 34,000,000 on or before the Issue Date, of which the Issuer will credit an amount of EUR 34,000,000 to the Cash Reserve.

The Subordinated Loan may only be repaid in accordance with the Applicable Priority of Payments.

All payments of principal and interest payable by the Issuer to the Subordinated Lender will be made free and clear of, and without any withholding or deduction for or, on account of, tax (if any) applicable to the Subordinated Loan under any applicable jurisdiction, unless such withholding or deduction is required by law. If any such withholding or deduction is imposed, the Issuer will not be obliged to pay any additional or further amounts as a result thereof.

The Subordinated Loan will constitute limited recourse obligations of the Issuer in respect of its Compartment 2. The Subordinated Lender will also agree under the Subordinated Loan Agreement not to take any corporate action or any legal proceedings regarding some or all of the Issuer's revenues or assets, and not to have any right to take any steps for the purpose of obtaining payment of any amounts payable to it under the Subordinated Loan Agreement by the Issuer. All of the Issuer's obligations to the Subordinated Lender will be subordinated to the Issuer's obligations in respect of the Compartment 2 Notes. The claims of the Subordinated Lender will be secured by the Compartment 2 Security, subject to the Applicable Priority of Payments. If the net proceeds, resulting from the Compartment 2 Security becoming enforceable in accordance with the Trust Agreement, are not sufficient to pay all Secured Parties, payments of all other claims ranking in priority to the Subordinated Loan will be made first in accordance with the Post-Enforcement Priority of Payments specified in Schedule II to the Trust Agreement and no other assets of the Issuer will be available for payment of any shortfall to the Subordinated Lender. Claims in respect of any such remaining shortfall will be extinguished.

4. Data Trust Agreement

Pursuant to the terms of the Data Trust Agreement, the Seller will deliver to the Data Trustee the Portfolio Information in respect of the Purchased Lease Receivables. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Information in safe custody and will protect it against unauthorised access by third parties.

If a Servicer Termination Event has occurred, pursuant to the Data Trust Agreement, the Data Trustee will fully co-operate with the Trustee and the Issuer, any successor Servicer appointed by the Issuer and with agents (such agent being a bank or credit institution with a banking license in Germany) of the Issuer that are compatible with the Secrecy Rules. In this event, the Data Trustee will also use its best endeavours to ensure, subject always to the Secrecy Rules, that all information necessary to permit timely Collections from the Lessees, especially the Portfolio Information, is at the request of the Issuer duly and swiftly transferred either to the Trustee or the successor Servicer.

5. Swap Agreement

The Issuer will, on or about the Closing Date, enter into a Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will hedge its interest rate exposure resulting from a fixed rate under the Purchased Lease Receivables (resulting from the net present value calculation based on the Discount Rate) and floating rate interest obligations under the Compartment 2 Notes. Under the Swap Agreement, on each Payment Date, the Issuer will owe the Swap Fixed Interest Rate applied to the Swap Notional Amount and the Swap Counterparty will pay the Swap Floating Interest Rate equal to EURIBOR per annum as determined by the Calculation Agent in respect of the Interest Period immediately preceding such Payment Date, applied to the Swap Notional Amount. Payments under the Swap Agreement will be made on a net basis by the Issuer or the Swap Counterparty depending on which party will, from time to time, owe the higher amount (the "**Swap Net Cashflow**"). In the absence of defaults or termination events under the Swap Agreement, the interest rate hedge will remain in full force until the Swap Termination Date being the earlier of (i) the Legal Final Maturity Date and (ii) the date of full repayment of all Compartment 2 Notes.

Pursuant to the Swap Agreement, if the Swap Counterparty ceases to be an Eligible Swap Counterparty, the Swap Counterparty shall use its best endeavours, *inter alia*, to, as soon as reasonably practicable after such down-grading, and at its own cost, (i) subject to the then applicable criteria of Fitch and S&P, to provide eligible collateral in the form and substance in accordance with the Swap Agreement; or (ii) transfer all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty and is domiciled in the same jurisdiction as the outgoing Swap Counterparty or the Issuer; or (iii) procure another person that has the required

ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement.

In the event that the Swap Counterparty shall post cash collateral to the Issuer, the Issuer undertakes to the Swap Counterparty to open and maintain a separate collateral account in which the Issuer will hold such cash collateral received from the Swap Counterparty pursuant to the "mark-to-market collateral arrangement" mentioned in the last paragraph item (i) above. The Swap collateral account shall be interest bearing and segregated from the Issuer Account-C2 and the general cash flow of the Issuer. Moneys standing to the credit of the Swap collateral account shall not constitute Collections. Furthermore, the Issuer undertakes to the Swap Counterparty to maintain a specific ledger in respect of the cash collateral and such cash collateral shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer.

The Swap Agreement is governed by English law.

6. Calculation Agency Agreement

Pursuant to the Calculation Agency Agreement, WestLB AG as the Calculation Agent is appointed by the Issuer and will act as agent of the Issuer to make certain calculations in respect of the Compartment 2 Notes.

On behalf of the Issuer, the Monthly Investor Reports and the post-issuance transaction information will be made available through the Calculation Agent's website (which is located at www.westlbmarkets.net). The Monthly Investor Reports shall be based upon information provided in the Monthly Reports by the Servicer in accordance with the Servicing Agreement.

For the avoidance of doubt, the afore-mentioned website is not a part of this Offering Circular.

The obligations of the Calculation Agent under the Calculation Agency Agreement shall terminate upon at least thirty (30) Business Days' written notice of termination from the Issuer or the Servicer to the Calculation Agent provided that no such notice shall be effective to terminate this Agreement, unless the Rating Agencies have been given a prior written notification of the termination of the obligations of the Calculation Agent hereunder and provided further that the Calculation Agent may only terminate this Agreement for good cause (*aus wichtigem Grund*).

Pursuant to the Calculation Agency Agreement, upon the termination of the Calculation Agent pursuant to the preceding paragraph, the Issuer shall have the right to appoint a successor Calculation Agent, provided that until a successor Calculation Agent has agreed in writing to perform obligations substantially similar to those of the Calculation Agent hereunder, the outgoing Calculation Agent shall continue to act as the Calculation Agent. The Calculation Agent shall have the right to nominate a successor for appointment by the Issuer. In the event of any urgency, the Calculation Agent shall be entitled to appoint a successor Calculation Agent acceptable to the Issuer under terms substantially similar to the terms of the Calculation Agency Agreement if the Issuer fails to appoint a successor Calculation Agent within a reasonable period of time.

7. Agency Agreement

Pursuant to the Agency Agreement, the Interest Determination Agent is appointed by the Issuer and will act as agent of the Issuer to make certain determinations in respect of the Compartment 2 Notes and the Paying Agent is appointed by the Issuer and will act as agent of the Issuer to effect payments in respect of the Compartment 2 Notes.

The Paying Agent will be effecting all payments in respect of the Compartment 2 Notes required to be made by the Issuer in respect of the Pre-Enforcement Application of Payments, based on information set out in the relevant Monthly Investor Report.

The functions, rights and duties of the Interest Determination Agent and the Paying Agent are set out in the Conditions. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES".

8. Subscription Agreement

The Issuer, the Seller, the Trustee, the Managers and the Joint Lead Managers have entered into a Subscription Agreement under which the Joint Lead Managers have agreed to subscribe and pay for the Compartment 2 Notes, subject to certain conditions. The Joint Lead Managers and the Managers are the beneficiary of certain representations, warranties and undertakings of indemnification from the Seller and the Issuer. See "SUBSCRIPTION AND SALE".

9. Corporate Administration Agreement

Pursuant to a Corporate Administration Agreement (i) the Corporate Administrator provides Bavarian Sky S.A. with certain corporate and administrative functions in respect of Compartment 2 and (ii) Luxembourg International Consulting S.A. shall be instructed by the Corporate Administrator to provide certain Luxembourg domiciliation functions to Bavarian Sky S.A. Such services to Bavarian Sky S.A. include, *inter alia*, providing directors of Bavarian Sky S.A., keeping the corporate records, convening director's meetings, providing registered office facilities and suitable office accommodation, preparing and filing all statutory and annual returns, preparing the financial statements and performing certain other corporate administrative services against payment of a fee.

The claims of Bavarian Sky S.A. under the Corporate Administration Agreement have been transferred to the Trustee for security purposes pursuant to the Trust Agreement. The Corporate Administration Agreement is governed by the laws of Luxembourg.

EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS

Weighted average life of the Compartment 2 Notes refers to the average amount of time that will elapse (on a 30/360 basis) from the date of issuance of a Compartment 2 Note to the date of distribution of amounts to the Compartment 2 Noteholders distributed in reduction of principal of such Compartment 2 Note. The weighted average life of the Compartment 2 Notes will be influenced by, amongst other things, the rate at which the Purchased Lease Receivables are paid, which may be in the form of scheduled amortisation, prepayments or delinquencies, and also by losses.

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

The table assumes, among other things, that if:

- (a) the Portfolio is subject to a constant annual rate of prepayment as set out under "CPR";
- (b) the Initial Purchased Lease Receivables amortise according to the respective pool cut and the Additional Purchased Lease Receivables amortise over a period of 36 months, respectively;
- (c) no early amortisation event occurs;
- (d) no Purchased Lease Receivables are repurchased by the Seller;
- (e) the Compartment 2 Notes are issued on the Issue Date of 10 February 2010;
- (f) the Clean-Up Call is exercised;
- (g) the cumulative default rate is 2.00 per cent;
- (h) the Discount Rate is assumed to be 6.05 per cent. and the Monthly Payments are discounted back to the assumed Cut-Off Date of 31 January 2010;
- (i) third party expenses are assumed to be 0.05 per cent. plus Servicing Fee of 1.00%; and
- (j) the fixed rates under the Swap Agreement plus the weighted margin on the Class A Notes, Class B Notes, and the Subordinated Loan is assumed to be 2.30 per cent.

The approximate average life of the Compartment 2 Notes, at various assumed rates of prepayment of the Purchased Lease Receivables, would be as follows:

CPR (per cent.)	Class A Notes			Class B Notes		
	Average Life in Years	First Principal Payment Date	Expected Maturity	Average Life in Years	First Principal Payment Date	Expected Maturity
0.00%	1.92	Mar 2011	May 2013	3.25	May 2013	May 2013
8.00%	1.88	Mar 2011	Apr 2013	3.17	Apr 2013	Apr 2013
10.00%	1.87	Mar 2011	Apr 2013	3.17	Apr 2013	Apr 2013
15.00%	1.85	Mar 2011	Mar 2013	3.08	Mar 2013	Mar 2013

The exact average life of the Class A Compartment 2 Notes and of the Class B Compartment 2 Notes cannot be predicted as the actual rate at which the Purchased Lease Receivables will be repaid and a number of other relevant factors are unknown.

The average life of the Class A Compartment 2 Notes and of the Class B Compartment 2 Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Assumed Amortisation of the Notes

This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and a CPR of 8.0 percent:

Period	Payment Date falling in	Aggregate Discounted Lease Balance (EUR)	Class A Outstanding Notes Balance (EUR)	Class B Outstanding Notes Balance (EUR)	Amortisation of Class A Notes (EUR)	Amortisation of Class B Notes (EUR)
1	Mar-10	800,000,000	742,000,000	58,000,000	-	-
2	Apr-10	800,000,000	742,000,000	58,000,000	-	-
3	May-10	800,000,000	742,000,000	58,000,000	-	-
4	Jun-10	800,000,000	742,000,000	58,000,000	-	-
5	Jul-10	800,000,000	742,000,000	58,000,000	-	-
6	Aug-10	800,000,000	742,000,000	58,000,000	-	-
7	Sep-10	800,000,000	742,000,000	58,000,000	-	-
8	Oct-10	800,000,000	742,000,000	58,000,000	-	-
9	Nov-10	800,000,000	742,000,000	58,000,000	-	-
10	Dec-10	800,000,000	742,000,000	58,000,000	-	-
11	Jan-11	800,000,000	742,000,000	58,000,000	-	-
12	Feb-11	800,000,000	742,000,000	58,000,000	-	-
13	Mar-11	751,734,369	692,970,610	58,000,000	49,029,390	-
14	Apr-11	705,059,538	645,635,629	58,000,000	47,334,981	-
15	May-11	660,069,548	600,182,447	58,000,000	45,453,182	-
16	Jun-11	617,032,753	556,776,506	58,000,000	43,405,941	-
17	Jul-11	575,911,540	515,355,118	58,000,000	41,421,388	-
18	Aug-11	536,559,270	475,802,605	58,000,000	39,552,513	-
19	Sep-11	498,954,116	438,070,742	58,000,000	37,731,863	-
20	Oct-11	463,190,759	402,236,019	58,000,000	35,834,723	-
21	Nov-11	429,341,674	368,400,167	58,000,000	33,835,852	-
22	Dec-11	397,463,875	336,497,911	58,000,000	31,902,255	-
23	Jan-12	366,876,452	305,931,494	58,000,000	30,566,417	-
24	Feb-12	337,092,987	276,171,948	58,000,000	29,759,546	-
25	Mar-12	308,265,686	247,427,914	58,000,000	28,744,035	-
26	Apr-12	280,932,090	220,173,193	58,000,000	27,254,721	-
27	May-12	255,140,062	194,478,397	58,000,000	25,694,796	-
28	Jun-12	230,936,906	170,383,557	58,000,000	24,094,839	-
29	Jul-12	208,486,451	148,061,637	58,000,000	22,321,920	-
30	Aug-12	187,548,219	127,247,952	58,000,000	20,813,686	-
31	Sep-12	167,757,644	107,560,660	58,000,000	19,687,292	-
32	Oct-12	149,127,235	89,055,113	58,000,000	18,505,547	-
33	Nov-12	131,970,424	72,022,094	58,000,000	17,033,018	-
34	Dec-12	116,150,503	56,334,922	58,000,000	15,687,173	-
35	Jan-13	101,968,376	42,264,749	58,000,000	14,070,172	-
36	Feb-13	88,041,876	28,428,499	58,000,000	13,836,251	-
37	Mar-13	74,365,654	14,838,697	58,000,000	13,589,801	-
38	Apr-13	-	-	-	14,838,697	58,000,000
39	May-13	-	-	-	-	-
40	Jun-13	-	-	-	-	-
41	Jul-13	-	-	-	-	-
42	Aug-13	-	-	-	-	-
43	Sep-13	-	-	-	-	-
44	Oct-13	-	-	-	-	-
45	Nov-13	-	-	-	-	-
46	Dec-13	-	-	-	-	-
47	Jan-14	-	-	-	-	-
48	Feb-14	-	-	-	-	-
49	Mar-14	-	-	-	-	-
50	Apr-14	-	-	-	-	-
51	May-14	-	-	-	-	-
52	Jun-14	-	-	-	-	-
53	Jul-14	-	-	-	-	-
54	Aug-14	-	-	-	-	-
55	Sep-14	-	-	-	-	-
56	Oct-14	-	-	-	-	-
57	Nov-14	-	-	-	-	-
58	Dec-14	-	-	-	-	-
59	Jan-15	-	-	-	-	-
60	Feb-15	-	-	-	-	-

DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL

The following is a description of the Purchased Lease Receivables and the Lease Collateral containing the Eligibility Criteria and the Seller Warranties. The text will be attached as Appendix C to the Conditions and constitutes an integral part of the Conditions – in case of any inconsistency in this description of the Purchased Lease Receivables and of the Lease Collateral and elsewhere in the Offering Circular, this Description of the Purchased Lease Receivables and of the Lease Collateral will prevail.

The Purchased Lease Receivables are not actively managed, and the Purchased Lease Receivables may not be replenished or replaced.

1. Eligibility Criteria

"**Eligibility Criteria**" means, in respect of any Lease Receivable that is the subject of an Offer, relevant:

- a. that the Lease Agreements are legally valid and assignable;
- b. that the Lease Receivables have monthly installment payments;
- c. that the Leased Vehicles under the Lease Agreements are existing;
- d. that the Lease Receivables are free from rights of third parties;
- e. that the Lease Receivables may be segregated and identified at any time for purposes of ownership and related Lease Collateral;
- f. that none of the Lessees is an Affiliate of BMW AG or has leased its vehicle via the Seller's internal employee program;
- g. that all Lease Receivables are governed by the laws of Germany;
- h. that on the relevant Cut-Off Date at least one lease instalment has been paid in respect of each of the Lease Agreements;
- i. that the Lease Receivables are denominated in an amount payable in EUR;
- j. that the Lease Agreements have been entered into exclusively with Lessees which, if they are corporate entities have their registered office or, if they are individuals have their place of residence in Germany;
- k. that the Lease Agreement does not contain the right to cancel the relevant Lease Agreement or to prepay the Lease Instalments;
- l. that the total amount of Purchased Lease Receivables assigned hereunder resulting from Lease Agreements with one and the same Lessee will not exceed EUR 1,500,000 in respect of any single Lessee;
- m. that the Lease Receivable is not overdue or in default on the relevant Cut-Off Date;
- n. that the Purchased Lease Receivables are free of defences, whether preemptory or otherwise (*Einwendungen oder Einreden*) for the agreed term of the Lease Agreements as well as free from rights of any third party and that the Lessees in particular have no set-off claims;
- o. that the status and enforceability of the Purchased Lease Receivables is not impaired due to warranty claims or any other rights (including claims which may be set-off) of the Lessee (even if the Issuer knew or could have known of the existence of such defences or rights on the relevant Cut-Off Date);
- p. that the remaining term of the contract as of the relevant Cut-Off Date is not more than 60 months;

- q. in case of Lease Receivables relating to consumers, all applicable form requirements and notifications are complied with;
- r. the Lease Receivables to be purchased on the relevant Purchase Date together with all Purchased Lease Receivables shall meet the following conditions:
 - (a) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles which are new vehicles does not fall below 82% of the Aggregate Discounted Lease Balance; "new vehicles" include, for the avoidance of doubt, demonstration cars;
 - (b) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles which are leased by the business Lessees does not exceed 90% of the Aggregate Discounted Lease Balance;
 - (c) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles with non-BMW brands (*Fremdmarken*) does not exceed 5% of the Aggregate Discounted Lease Balance;
 - (d) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables with the remaining term of (i) 36 or more months does not exceed 30% of the Aggregate Discounted Lease Balance; (ii) 42 or more months does not exceed 28% of the Aggregate Discounted Lease Balance; (iii) 48-53 (including) months does not exceed 17% of the Aggregate Discounted Lease Balance; and (iv) 54 or more months does not exceed 12% of the Aggregate Discounted Lease Balance.

These "Eligibility Criteria" are relevant as of the relevant Cut-Off Date.

2. Seller Warranties

As of the Closing Date and the relevant Additional Purchase Date, the Seller represents and warrants the following:

- a. that all Purchased Lease Receivables are eligible in accordance with the Eligibility Criteria on the relevant Cut-Off Date;
- b. that terminations of the Lease Agreements have not occurred and are not pending;
- c. that the acquisition of the Leased Vehicles by the Seller is financed in compliance with the requirements of section 108 subsection 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*).

PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA

The portfolio information presented in this Offering Circular is based on the pool as of 31 January 2010.

1. Purchased Lease Receivables characteristics

(1) original aggregate lease balance*

group in EUR	original aggregate lease balance in EUR	original aggregate lease balance in percent of total	number of contracts	number of contracts in percent of total
0 - 5,000	355,977.98	0.03%	91	0.13%
5,000 - 10,000	18,378,892.57	1.44%	2,309	3.31%
10,000 - 15,000	195,810,171.22	15.29%	16,973	24.31%
15,000 - 20,000	335,056,815.48	26.16%	20,909	29.95%
20,000 - 25,000	296,636,848.51	23.16%	14,624	20.95%
25,000 - 30,000	189,876,519.09	14.83%	7,695	11.02%
30,000 - 35,000	104,698,199.47	8.18%	3,607	5.17%
35,000 - 40,000	59,852,153.53	4.67%	1,784	2.56%
40,000 - 45,000	34,136,841.82	2.67%	894	1.28%
45,000 - 50,000	17,412,400.75	1.36%	408	0.58%
50,000 - 55,000	10,882,822.69	0.85%	230	0.33%
55,000 - 60,000	6,297,989.06	0.49%	122	0.17%
> 60,000	11,250,302.33	0.88%	173	0.25%
total	1,280,645,934.50	100.00%	69,819	100.00%
			average amount:	18,342.37

* original aggregate lease balance is not discounted

(2) current Aggregate Discounted Lease Balance*

group in EUR	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
0 - 5,000	52,390,865.39	6.55%	15,008	21.50%
5,000 - 10,000	166,792,742.28	20.85%	22,450	32.15%
10,000 - 15,000	164,941,421.85	20.62%	13,250	18.98%
15,000 - 20,000	170,528,761.82	21.32%	9,886	14.16%
20,000 - 25,000	110,258,952.25	13.78%	4,980	7.13%
25,000 - 30,000	61,320,530.12	7.67%	2,259	3.24%
30,000 - 35,000	33,237,815.01	4.15%	1,037	1.49%
35,000 - 40,000	18,452,724.45	2.31%	496	0.71%
40,000 - 45,000	8,829,617.76	1.10%	209	0.30%
45,000 - 50,000	5,390,473.80	0.67%	114	0.16%
50,000 - 55,000	3,339,862.15	0.42%	64	0.09%
55,000 - 60,000	1,774,961.00	0.22%	31	0.04%
> 60,000	2,740,646.42	0.34%	35	0.05%
total	799,999,374.30	100.00%	69,819	100.00%
			average amount:	11,458.19

* based on 6.05% discount rate

(3) original term

group in months	current aggregate discounted lease balance in EUR	current aggregate discounted lease balance	number of contracts	number of contracts in percent of total
<= 6	-	0.00%	-	0.00%
> 6 - <= 12	650,773.93	0.08%	145	0.21%
> 12 - <= 24	50,555,529.01	6.32%	5,947	8.52%
> 24 - <= 36	677,233,241.97	84.65%	58,901	84.36%
> 36 - <= 42	3,968,523.09	0.50%	315	0.45%
> 42 - <= 48	49,781,400.06	6.22%	3,387	4.85%
> 48 - <= 53	124,751.06	0.02%	6	0.01%
> 53	17,685,155.18	2.21%	1,118	1.60%
Total	799,999,374.30	100%	69,819	100%
WA Original Term	36.32			

(4) seasoning

group in months	current aggregate discounted lease balance in EUR	current aggregate discounted lease balance	number of contracts	number of contracts in percent of total
<= 6	283,768,522.23	35.47%	14,268	20.44%
> 6 - <= 12	218,394,694.95	27.30%	14,625	20.95%
> 12 - <= 24	245,163,761.88	30.65%	28,727	41.14%
> 24 - <= 36	50,144,521.24	6.27%	11,589	16.60%
> 36 - <= 42	2,096,139.45	0.26%	487	0.70%
> 42 - <= 48	431,734.55	0.05%	123	0.18%
> 48 - <= 53	-	0.00%	-	0.00%
> 53	-	0.00%	-	0.00%
Total	799,999,374.30	100%	69,819	100%

WA Seasoning Term: 10.96

(5) remaining term

group in months	current aggregate discounted lease balance in EUR	current aggregate discounted lease balance	number of contracts	number of contracts in percent of total
<= 6	2,044,163.01	0.26%	879	1.26%
> 6 - <= 12	48,879,083.53	6.11%	13,434	19.24%
> 12 - <= 24	283,527,737.93	35.44%	31,730	45.45%
> 24 - <= 36	438,962,655.94	54.87%	22,832	32.70%
> 36 - <= 42	13,771,023.55	1.72%	546	0.78%
> 42 - <= 48	9,070,411.39	1.13%	287	0.41%
> 48 - <= 53	1,996,405.68	0.25%	65	0.09%
> 53	1,747,893.27	0.22%	46	0.07%
Total	799,999,374.30	100%	69,819	100%

WA Remaining Term 25.36

(6) leased vehicles

car modell	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
BMW - 1 series	50,999,740.74	6.37%	8,043	11.52%
BMW - 3 series	210,507,020.23	26.31%	21,758	31.16%
BMW - 5 series	217,642,112.32	27.21%	17,954	25.72%
BMW - 6 series	41,612,132.37	5.20%	1,823	2.61%
BMW - 7 series	77,309,663.73	9.66%	3,534	5.06%
Mini	12,542,404.72	1.57%	2,242	3.21%
X - model	169,349,890.84	21.17%	12,403	17.76%
Z - model	15,902,712.69	1.99%	1,746	2.50%
others (incl. Motorcycles)	4,133,696.66	0.52%	316	0.45%
total	799,999,374.30	100.00%	69,819	100.00%

(7) new- / used vehicles

car type	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
new cars*	736,868,141.17	92.11%	62,371	89.33%
used cars	63,131,233.13	7.89%	7,448	10.67%
total	799,999,374.30	100.00%	69,819	100.00%

* include, for the avoidance of doubt, demonstration cars

(8) customer group

customer group	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
private individual	97,604,316.89	12.20%	11,764	16.85%
commercial	702,395,057.41	87.80%	58,055	83.15%
total	799,999,374.30	100.00%	69,819	100.00%

(9) concentration by lessee

No	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
1	488,624.62	0.06%	24	0.03%
2	437,136.35	0.05%	17	0.02%
3	325,688.14	0.04%	26	0.04%
4	305,104.95	0.04%	39	0.06%
5	295,835.16	0.04%	41	0.06%
6	259,699.46	0.03%	16	0.02%
7	231,223.54	0.03%	9	0.01%
8	226,614.63	0.03%	17	0.02%
9	222,351.39	0.03%	16	0.02%
10	219,978.84	0.03%	1	0.00%
11	190,271.77	0.02%	9	0.01%
12	189,206.92	0.02%	10	0.01%
13	187,144.04	0.02%	10	0.01%
14	183,964.26	0.02%	39	0.06%
15	181,637.37	0.02%	5	0.01%
16	180,445.48	0.02%	15	0.02%
17	177,486.42	0.02%	12	0.02%
18	172,612.46	0.02%	6	0.01%
19	167,308.62	0.02%	7	0.01%
20	161,474.25	0.02%	4	0.01%
Total	4,803,808.67	0.60%	323	0.46%

(10) geographical distribution of lessees

post code area	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
post code area 0	39,822,928.59	4.98%	3,490	5.00%
post code area 1	38,657,615.74	4.83%	3,593	5.15%
post code area 2	72,693,553.83	9.09%	6,369	9.12%
post code area 3	69,649,778.47	8.71%	6,076	8.70%
post code area 4	100,678,034.09	12.58%	8,504	12.18%
post code area 5	89,505,059.03	11.19%	7,697	11.02%
post code area 6	104,316,428.78	13.04%	9,145	13.10%
post code area 7	95,825,489.09	11.98%	8,180	11.72%
post code area 8	116,624,540.24	14.58%	10,506	15.05%
post code area 9	72,225,946.44	9.03%	6,259	8.96%
total	799,999,374.30	100.00%	69,819	100.00%

Rundown Schedule

This amortisation scenario of the Initial Purchased Receivables is based on the assumptions listed under "Weighted Average Lives of the Notes" above, on a CPR of 0%, losses of 0% and does not take into consideration the replenishment period.

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

(11) assumed amortisation of the initial aggregate discounted lease balance

Period	Monthly Period	assumed Aggregate Discounted Lease Balance in EUR	redemption in EUR
		799,999,374.30	
1	Feb 2010	764,673,548.29	35,325,826.01
2	Mrz 2010	729,169,622.62	35,503,925.67
3	Apr 2010	693,486,699.37	35,682,923.25
4	Mai 2010	657,623,873.52	35,862,825.85
5	Jun 2010	621,580,238.21	36,043,635.31
6	Jul 2010	585,355,051.99	36,225,186.22
7	Aug 2010	549,596,220.54	35,758,831.45
8	Sep 2010	514,394,867.86	35,201,352.68
9	Okt 2010	479,952,347.15	34,442,520.71
10	Nov 2010	446,553,504.31	33,398,842.84
11	Dez 2010	414,193,139.67	32,360,364.64
12	Jan 2011	382,371,128.47	31,822,011.20
13	Feb 2011	351,251,049.60	31,120,078.87
14	Mrz 2011	321,198,630.50	30,052,419.10
15	Apr 2011	292,458,250.06	28,740,380.44
16	Mai 2011	265,247,881.38	27,210,368.68
17	Jun 2011	239,543,563.03	25,704,318.35
18	Jul 2011	215,259,906.77	24,283,656.26
19	Aug 2011	192,381,320.33	22,878,586.44
20	Sep 2011	171,041,592.26	21,339,728.07
21	Okt 2011	151,411,435.98	19,630,156.28
22	Nov 2011	133,462,666.24	17,948,769.74
23	Dez 2011	116,529,371.51	16,933,294.73
24	Jan 2012	99,983,544.62	16,545,826.89
25	Feb 2012	84,103,001.54	15,880,543.08
26	Mrz 2012	69,503,851.95	14,599,149.59
27	Apr 2012	56,326,478.39	13,177,373.56
28	Mai 2012	44,672,454.14	11,654,024.25
29	Jun 2012	34,829,441.75	9,843,012.39
30	Jul 2012	26,504,212.55	8,325,229.20
31	Aug 2012	19,228,980.43	7,275,232.12
32	Sep 2012	13,133,069.29	6,095,911.14
33	Okt 2012	8,687,781.63	4,445,287.66
34	Nov 2012	5,808,091.75	2,879,689.88
35	Dez 2012	5,093,477.68	714,614.07
36	Jan 2013	4,406,076.25	687,401.43
37	Feb 2013	3,748,603.98	657,472.27
38	Mrz 2013	3,143,756.77	604,847.21
39	Apr 2013	2,606,706.68	537,050.09
40	Mai 2013	2,154,308.87	452,397.81
41	Jun 2013	1,771,964.19	382,344.68
42	Jul 2013	1,450,984.69	320,979.50
43	Aug 2013	1,162,246.93	288,737.76
44	Sep 2013	915,173.97	247,072.96
45	Okt 2013	713,181.70	201,992.27
46	Nov 2013	566,644.30	146,537.40
47	Dez 2013	482,933.41	83,710.89
48	Jan 2014	402,175.32	80,758.09
49	Feb 2014	326,084.66	76,090.66
50	Mrz 2014	261,627.50	64,457.16
51	Apr 2014	203,083.32	58,544.18
52	Mai 2014	157,290.01	45,793.31
53	Jun 2014	121,912.03	35,377.98
54	Jul 2014	89,546.29	32,365.74
55	Aug 2014	59,855.90	29,690.39
56	Sep 2014	34,477.16	25,378.74
57	Okt 2014	14,714.41	19,762.75
58	Nov 2014	-	14,714.41
59	Dez 2014	-	-
60	Jan 2015	-	-

(2) Net loss (total portfolio)

For a generation of lease receivables (being all receivables originated in the same quarter), the cumulative net losses (i.e. after realisation of the Leased Vehicles) in respect of a month are calculated on single contract data based on the following assumptions:

- (a) considering of all terminated contracts out of new business originated from January 2000 onwards, Calculations are based on the final invoice date;
- (b) number of overdue instalments before termination = 2 (commercial Lessees) = 4 (private Lessees);
- (c) number of overdue instalments between termination and net loss (default) = 4;
- (d) PV of instalments between time of contract's final invoice and expiration of the contract (discount rate 8.00%);
- (e) gross loss = ((b) + (c))* monthly instalment in EUR + (d); and
- (f) net loss = gross loss ./ . pro rata share of realisation of car.

Quarter New Business	cumulative net losses in % / months after origination																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Q1 2000	0.01%	0.17%	0.39%	0.61%	0.90%	1.19%	1.44%	1.62%	1.80%	1.89%	1.99%	2.03%	2.07%	2.10%	2.13%	2.14%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%
Q2 2000	0.01%	0.11%	0.28%	0.57%	0.85%	1.07%	1.28%	1.46%	1.62%	1.75%	1.84%	1.94%	1.97%	2.00%	2.01%	2.03%	2.03%	2.03%	2.03%	2.04%	2.04%	2.05%
Q3 2000	0.02%	0.16%	0.45%	0.78%	1.11%	1.43%	1.71%	1.88%	2.02%	2.15%	2.25%	2.33%	2.37%	2.39%	2.41%	2.42%	2.42%	2.42%	2.44%	2.44%	2.44%	2.44%
Q4 2000	0.02%	0.15%	0.44%	0.71%	1.00%	1.29%	1.50%	1.67%	1.82%	2.00%	2.09%	2.15%	2.20%	2.22%	2.24%	2.25%	2.25%	2.26%	2.26%	2.26%	2.27%	2.27%
Q1 2001	0.03%	0.14%	0.41%	0.67%	0.96%	1.19%	1.45%	1.61%	1.82%	1.96%	2.04%	2.12%	2.15%	2.17%	2.20%	2.21%	2.22%	2.22%	2.22%	2.23%	2.23%	2.23%
Q2 2001	0.01%	0.13%	0.40%	0.73%	0.99%	1.22%	1.50%	1.76%	1.91%	2.04%	2.14%	2.21%	2.28%	2.31%	2.32%	2.33%	2.34%	2.35%	2.35%	2.35%	2.35%	2.35%
Q3 2001	0.00%	0.18%	0.49%	0.78%	1.12%	1.39%	1.76%	1.97%	2.16%	2.28%	2.40%	2.47%	2.52%	2.54%	2.56%	2.57%	2.58%	2.59%	2.59%	2.60%	2.60%	2.60%
Q4 2001	0.02%	0.14%	0.34%	0.56%	0.80%	1.11%	1.30%	1.48%	1.66%	1.79%	1.88%	1.96%	2.01%	2.04%	2.06%	2.08%	2.09%	2.09%	2.09%	2.09%	2.09%	2.09%
Q1 2002	0.00%	0.15%	0.42%	0.70%	0.96%	1.20%	1.43%	1.56%	1.73%	1.87%	1.94%	2.02%	2.08%	2.11%	2.12%	2.13%	2.13%	2.14%	2.14%	2.15%	2.15%	2.15%
Q2 2002	0.01%	0.21%	0.40%	0.72%	1.00%	1.25%	1.43%	1.64%	1.76%	1.91%	2.03%	2.11%	2.13%	2.16%	2.18%	2.20%	2.20%	2.20%	2.21%	2.21%	2.21%	2.21%
Q3 2002	0.04%	0.18%	0.45%	0.80%	1.17%	1.41%	1.69%	1.87%	2.05%	2.17%	2.26%	2.33%	2.36%	2.40%	2.41%	2.42%	2.42%	2.43%	2.43%	2.43%	2.43%	2.43%
Q4 2002	0.01%	0.16%	0.43%	0.84%	1.18%	1.53%	1.78%	1.99%	2.19%	2.33%	2.40%	2.47%	2.50%	2.51%	2.52%	2.53%	2.53%	2.54%	2.54%	2.54%	2.54%	2.54%
Q1 2003	0.03%	0.22%	0.50%	0.78%	1.20%	1.54%	1.82%	2.06%	2.23%	2.42%	2.49%	2.56%	2.61%	2.64%	2.66%	2.67%	2.67%	2.68%	2.68%	2.69%	2.70%	2.70%
Q2 2003	0.00%	0.17%	0.44%	0.80%	1.06%	1.37%	1.59%	1.81%	2.00%	2.11%	2.19%	2.24%	2.29%	2.33%	2.35%	2.36%	2.38%	2.38%	2.38%	2.39%	2.39%	2.39%
Q3 2003	0.00%	0.24%	0.55%	0.93%	1.31%	1.60%	1.93%	2.17%	2.37%	2.51%	2.61%	2.68%	2.71%	2.76%	2.77%	2.78%	2.78%	2.78%	2.79%	2.81%	2.81%	2.81%
Q4 2003	0.04%	0.17%	0.47%	0.75%	1.00%	1.28%	1.61%	1.82%	1.96%	2.08%	2.19%	2.26%	2.30%	2.32%	2.33%	2.34%	2.36%	2.36%	2.36%	2.36%	2.37%	2.37%
Q1 2004	0.00%	0.15%	0.39%	0.70%	1.02%	1.33%	1.50%	1.64%	1.77%	1.87%	1.94%	2.00%	2.05%	2.06%	2.07%	2.08%	2.08%	2.08%	2.08%	2.09%	2.09%	2.09%
Q2 2004	0.01%	0.08%	0.29%	0.54%	0.84%	1.03%	1.21%	1.35%	1.45%	1.57%	1.65%	1.71%	1.74%	1.75%	1.76%	1.76%	1.77%	1.78%	1.78%	1.78%	1.78%	1.78%
Q3 2004	0.04%	0.20%	0.48%	0.79%	1.09%	1.30%	1.55%	1.73%	1.86%	1.96%	2.03%	2.06%	2.08%	2.09%	2.09%	2.10%	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%
Q4 2004	0.02%	0.11%	0.29%	0.55%	0.76%	0.97%	1.13%	1.27%	1.36%	1.46%	1.50%	1.53%	1.55%	1.56%	1.57%	1.58%	1.58%	1.59%	1.59%	1.60%	1.60%	1.60%
Q1 2005	0.02%	0.13%	0.37%	0.59%	0.79%	1.03%	1.25%	1.34%	1.43%	1.51%	1.55%	1.57%	1.59%	1.62%	1.62%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
Q2 2005	0.00%	0.10%	0.29%	0.48%	0.64%	0.78%	0.91%	1.02%	1.12%	1.17%	1.21%	1.23%	1.26%	1.27%	1.29%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Q3 2005	0.01%	0.10%	0.29%	0.49%	0.69%	0.83%	0.93%	1.02%	1.12%	1.18%	1.23%	1.26%	1.30%	1.31%	1.32%	1.33%	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%
Q4 2005	0.01%	0.08%	0.22%	0.37%	0.50%	0.62%	0.73%	0.82%	0.90%	0.94%	1.00%	1.02%	1.05%	1.06%	1.08%	1.09%	1.09%	1.09%	1.09%	1.09%	1.09%	1.09%
Q1 2006	0.01%	0.05%	0.24%	0.33%	0.52%	0.64%	0.71%	0.79%	0.85%	0.91%	0.95%	0.97%	1.00%	1.00%	1.02%	1.03%						
Q2 2006	0.01%	0.06%	0.18%	0.30%	0.42%	0.49%	0.57%	0.62%	0.70%	0.75%	0.80%	0.83%	0.84%	0.86%	0.86%							
Q3 2006	0.01%	0.07%	0.18%	0.28%	0.41%	0.52%	0.62%	0.74%	0.82%	0.85%	0.92%	0.97%	1.00%	1.01%								
Q4 2006	0.02%	0.08%	0.18%	0.25%	0.33%	0.46%	0.60%	0.68%	0.75%	0.83%	0.88%	0.93%	0.95%									
Q1 2007	0.01%	0.08%	0.20%	0.33%	0.44%	0.56%	0.69%	0.78%	0.86%	0.95%	1.01%	1.01%										
Q2 2007	0.01%	0.03%	0.08%	0.19%	0.30%	0.37%	0.44%	0.54%	0.62%	0.70%	0.72%											
Q3 2007	0.00%	0.04%	0.15%	0.25%	0.32%	0.41%	0.53%	0.68%	0.77%	0.79%												
Q4 2007	0.01%	0.05%	0.12%	0.20%	0.26%	0.37%	0.47%	0.59%	0.61%													
Q1 2008	0.00%	0.03%	0.08%	0.17%	0.29%	0.37%	0.51%	0.55%														
Q2 2008	0.00%	0.02%	0.07%	0.16%	0.28%	0.40%	0.45%															
Q3 2008	0.00%	0.02%	0.12%	0.21%	0.33%	0.38%																
Q4 2008	0.00%	0.01%	0.08%	0.17%	0.23%																	
Q1 2009	0.00%	0.02%	0.08%	0.11%																		
Q2 2009	0.00%	0.02%	0.03%																			
Q3 2009	0.02%																					

(4) Net loss (commercial lessees)

For a generation of lease receivables (being all receivables originated in the same quarter), the cumulative net losses (i.e. after realisation of the Leased Vehicles) in respect of a month are calculated on single contract data based on the following assumptions:

- (a) considering of all terminated contracts out of new business originated from January 2000 onwards, Calculations are based on the final invoice date;
- (b) number of overdue instalments before termination = 2 (commercial Lessees) = 4 (private Lessees);
- (c) number of overdue instalments between termination and net loss (default) = 4;
- (d) PV of instalments between time of contract's final invoice and expiration of the contract (discount rate 8.00%);
- (e) gross loss = ((b) + (c))* monthly instalment in EUR + (d); and
- (f) net loss = gross loss /. pro rata share of realisation of car.

Quarter New Business	cumulative net losses in % / months after origination																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Q1 2000	0.01%	0.17%	0.39%	0.61%	0.89%	1.18%	1.45%	1.62%	1.80%	1.89%	1.99%	2.03%	2.06%	2.09%	2.12%	2.13%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
Q2 2000	0.01%	0.10%	0.29%	0.58%	0.85%	1.07%	1.27%	1.46%	1.61%	1.74%	1.83%	1.93%	1.96%	1.98%	1.99%	2.01%	2.01%	2.02%	2.02%	2.02%	2.02%	2.03%
Q3 2000	0.02%	0.15%	0.42%	0.79%	1.13%	1.45%	1.73%	1.91%	2.05%	2.17%	2.26%	2.35%	2.39%	2.41%	2.43%	2.44%	2.44%	2.44%	2.46%	2.46%	2.46%	2.46%
Q4 2000	0.02%	0.16%	0.45%	0.74%	1.04%	1.36%	1.56%	1.73%	1.88%	2.05%	2.15%	2.21%	2.26%	2.28%	2.29%	2.30%	2.30%	2.31%	2.31%	2.31%	2.32%	2.32%
Q1 2001	0.03%	0.16%	0.44%	0.71%	1.00%	1.25%	1.50%	1.64%	1.86%	2.00%	2.08%	2.15%	2.19%	2.21%	2.23%	2.24%	2.25%	2.25%	2.25%	2.25%	2.26%	2.27%
Q2 2001	0.01%	0.14%	0.40%	0.75%	1.01%	1.25%	1.54%	1.80%	1.96%	2.10%	2.20%	2.27%	2.33%	2.36%	2.38%	2.39%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Q3 2001	0.00%	0.20%	0.50%	0.81%	1.17%	1.44%	1.80%	2.02%	2.21%	2.33%	2.44%	2.52%	2.59%	2.61%	2.61%	2.62%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%
Q4 2001	0.02%	0.16%	0.34%	0.54%	0.80%	1.12%	1.33%	1.50%	1.68%	1.83%	1.91%	2.00%	2.05%	2.08%	2.10%	2.11%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
Q1 2002	0.00%	0.16%	0.46%	0.77%	1.04%	1.29%	1.53%	1.65%	1.81%	1.96%	2.03%	2.11%	2.18%	2.20%	2.21%	2.22%	2.23%	2.23%	2.23%	2.24%	2.24%	2.24%
Q2 2002	0.02%	0.24%	0.41%	0.74%	1.05%	1.31%	1.51%	1.74%	1.87%	2.01%	2.14%	2.21%	2.24%	2.27%	2.29%	2.31%	2.31%	2.31%	2.31%	2.31%	2.31%	2.31%
Q3 2002	0.04%	0.19%	0.49%	0.86%	1.26%	1.52%	1.81%	2.00%	2.18%	2.30%	2.39%	2.45%	2.49%	2.53%	2.55%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%
Q4 2002	0.01%	0.17%	0.48%	0.93%	1.27%	1.64%	1.87%	2.08%	2.29%	2.45%	2.52%	2.58%	2.61%	2.61%	2.62%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%
Q1 2003	0.04%	0.25%	0.54%	0.83%	1.31%	1.69%	2.00%	2.26%	2.45%	2.62%	2.70%	2.78%	2.83%	2.87%	2.89%	2.89%	2.90%	2.91%	2.91%	2.92%	2.92%	2.92%
Q2 2003	0.00%	0.18%	0.47%	0.87%	1.15%	1.49%	1.73%	1.97%	2.18%	2.30%	2.40%	2.45%	2.49%	2.53%	2.55%	2.56%	2.58%	2.58%	2.58%	2.59%	2.60%	2.60%
Q3 2003	0.00%	0.22%	0.55%	0.98%	1.38%	1.70%	2.06%	2.30%	2.49%	2.63%	2.74%	2.81%	2.84%	2.88%	2.89%	2.90%	2.91%	2.91%	2.91%	2.93%	2.93%	2.93%
Q4 2003	0.03%	0.16%	0.49%	0.80%	1.06%	1.38%	1.72%	1.94%	2.08%	2.20%	2.31%	2.38%	2.42%	2.44%	2.46%	2.47%	2.48%	2.49%	2.49%	2.49%	2.49%	2.49%
Q1 2004	0.00%	0.17%	0.42%	0.74%	1.08%	1.39%	1.55%	1.69%	1.82%	1.92%	1.99%	2.05%	2.10%	2.11%	2.12%	2.14%	2.14%	2.14%	2.14%	2.14%	2.14%	2.14%
Q2 2004	0.01%	0.07%	0.31%	0.58%	0.92%	1.11%	1.27%	1.43%	1.52%	1.64%	1.72%	1.78%	1.81%	1.82%	1.83%	1.84%	1.85%	1.86%	1.86%	1.86%	1.86%	1.86%
Q3 2004	0.05%	0.22%	0.51%	0.85%	1.18%	1.41%	1.66%	1.83%	1.97%	2.08%	2.16%	2.18%	2.20%	2.21%	2.21%	2.23%	2.23%	2.23%	2.23%	2.23%	2.23%	2.23%
Q4 2004	0.02%	0.12%	0.31%	0.59%	0.83%	1.04%	1.20%	1.36%	1.45%	1.56%	1.60%	1.63%	1.65%	1.67%	1.68%	1.69%	1.69%	1.70%	1.70%	1.71%	1.71%	1.71%
Q1 2005	0.02%	0.16%	0.44%	0.67%	0.89%	1.16%	1.41%	1.49%	1.58%	1.68%	1.72%	1.74%	1.76%	1.80%	1.81%	1.81%	1.82%	1.82%	1.82%	1.82%	1.82%	1.82%
Q2 2005	0.00%	0.12%	0.35%	0.57%	0.73%	0.90%	1.05%	1.16%	1.28%	1.34%	1.38%	1.40%	1.43%	1.44%	1.45%	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%
Q3 2005	0.01%	0.08%	0.26%	0.47%	0.69%	0.85%	0.97%	1.08%	1.19%	1.26%	1.32%	1.35%	1.39%	1.40%	1.42%	1.42%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
Q4 2005	0.01%	0.10%	0.23%	0.39%	0.52%	0.66%	0.78%	0.88%	0.97%	1.02%	1.08%	1.11%	1.14%	1.14%	1.14%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%
Q1 2006	0.02%	0.06%	0.26%	0.35%	0.58%	0.72%	0.79%	0.87%	0.95%	1.02%	1.05%	1.08%	1.11%	1.11%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%
Q2 2006	0.01%	0.07%	0.20%	0.34%	0.49%	0.57%	0.66%	0.72%	0.82%	0.87%	0.92%	0.96%	0.97%	0.97%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
Q3 2006	0.01%	0.08%	0.21%	0.32%	0.45%	0.59%	0.70%	0.84%	0.92%	0.96%	1.03%	1.09%	1.13%	1.13%								
Q4 2006	0.02%	0.09%	0.20%	0.27%	0.36%	0.50%	0.66%	0.75%	0.83%	0.93%	0.99%	1.04%	1.06%									
Q1 2007	0.00%	0.09%	0.22%	0.38%	0.49%	0.63%	0.76%	0.87%	0.97%	1.06%	1.13%	1.16%										
Q2 2007	0.01%	0.03%	0.08%	0.20%	0.32%	0.40%	0.49%	0.61%	0.69%	0.79%	0.80%											
Q3 2007	0.00%	0.04%	0.16%	0.28%	0.33%	0.42%	0.57%	0.73%	0.82%	0.85%												
Q4 2007	0.02%	0.06%	0.14%	0.23%	0.29%	0.42%	0.53%	0.66%	0.68%													
Q1 2008	0.00%	0.04%	0.10%	0.21%	0.33%	0.43%	0.60%	0.64%														
Q2 2008	0.00%	0.03%	0.08%	0.18%	0.33%	0.48%	0.53%															
Q3 2008	0.00%	0.02%	0.14%	0.25%	0.37%	0.44%																
Q4 2008	0.00%	0.01%	0.08%	0.19%	0.25%																	
Q1 2009	0.00%	0.01%	0.09%	0.13%																		
Q2 2009	0.00%	0.02%	0.03%																			
Q3 2009	0.00%																					

(7) Delinquencies

At a given month, the Delinquency Ratio is calculated as the ratio of:

- (a) the delinquent lease receivables (all overdue and future due instalments and the residual value); and
- (b) total aggregate lease balance (instalments and residual value).

year	2002			2003			2004			2005		
	days past due	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90
January				0.36%	0.15%	0.07%	0.43%	0.26%	0.10%	0.27%	0.19%	0.07%
February				0.40%	0.15%	0.09%	0.42%	0.19%	0.08%	0.43%	0.12%	0.06%
March				0.40%	0.16%	0.08%	0.32%	0.17%	0.07%	0.37%	0.17%	0.05%
April				0.34%	0.17%	0.07%	0.42%	0.14%	0.08%	0.39%	0.15%	0.07%
May				0.40%	0.13%	0.09%	0.42%	0.15%	0.08%	0.40%	0.14%	0.10%
June				0.37%	0.16%	0.06%	0.38%	0.15%	0.06%	0.34%	0.18%	0.10%
July				0.37%	0.12%	0.06%	0.35%	0.14%	0.06%	0.36%	0.14%	0.09%
August	0.37%	0.19%	0.07%	0.38%	0.20%	0.05%	0.34%	0.20%	0.08%	0.44%	0.19%	0.09%
September	0.42%	0.15%	0.09%	0.37%	0.17%	0.09%	0.35%	0.13%	0.07%	0.36%	0.14%	0.07%
October	0.35%	0.13%	0.08%	0.40%	0.13%	0.09%	0.37%	0.14%	0.07%	0.36%	0.13%	0.07%
November	0.50%	0.15%	0.06%	0.43%	0.16%	0.07%	0.34%	0.14%	0.07%	0.36%	0.13%	0.06%
December	0.45%	0.16%	0.10%	0.64%	0.21%	0.12%	0.41%	0.13%	0.08%	0.54%	0.17%	0.07%
Average	0.42%	0.16%	0.08%	0.41%	0.16%	0.08%	0.38%	0.16%	0.08%	0.39%	0.15%	0.07%

year	2006			2007			2008			2009		
	days past due	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90
January	0.34%	0.13%	0.06%	0.42%	0.14%	0.08%	0.21%	0.05%	0.04%	0.33%	0.08%	0.04%
February	0.40%	0.13%	0.07%	0.43%	0.17%	0.07%	0.23%	0.08%	0.03%	0.14%	0.11%	0.05%
March	0.34%	0.16%	0.06%	0.27%	0.19%	0.08%	0.19%	0.08%	0.03%	0.33%	0.07%	0.06%
April	0.33%	0.13%	0.10%	0.27%	0.11%	0.10%	0.23%	0.07%	0.05%	0.16%	0.13%	0.04%
May	0.37%	0.14%	0.07%	0.30%	0.10%	0.05%	0.19%	0.10%	0.04%	0.23%	0.06%	0.07%
June	0.31%	0.14%	0.06%	0.42%	0.12%	0.05%	0.18%	0.08%	0.04%	0.23%	0.12%	0.04%
July	0.26%	0.12%	0.05%	0.25%	0.24%	0.05%	0.14%	0.05%	0.03%	0.22%	0.10%	0.05%
August	0.25%	0.11%	0.06%	0.26%	0.12%	0.18%	0.25%	0.07%	0.02%	0.18%	0.08%	0.05%
September	0.26%	0.10%	0.05%	0.27%	0.11%	0.07%	0.21%	0.11%	0.05%	0.24%	0.08%	0.05%
October	0.30%	0.13%	0.05%	0.23%	0.10%	0.06%	0.18%	0.08%	0.05%	0.14%	0.08%	0.04%
November	0.31%	0.11%	0.07%	0.23%	0.07%	0.03%	0.15%	0.06%	0.04%	0.26%	0.09%	0.05%
December	0.46%	0.17%	0.06%	0.14%	0.11%	0.03%	0.21%	0.08%	0.04%			
Average	0.33%	0.13%	0.06%	0.34%	0.14%	0.08%	0.20%	0.08%	0.04%	0.23%	0.09%	0.05%

(8) Annualised prepayments

At a given month, the annualised prepayment rate is calculated by multiplying the monthly prepayment rate by 12. The monthly prepayment rate is calculated as the ratio of:

- (a) the aggregate lease balance of all lease receivables prepaid during the respective month (i.e. damage, theft, conversion, continuance, amicably); and
- (b) the aggregate lease balance.

Annualised Prepayments	2002	2003	2004	2005
January	9.43%	11.71%	10.27%	7.66%
February	8.64%	8.74%	7.85%	4.73%
March	9.64%	9.88%	9.92%	6.25%
April	10.61%	10.48%	9.26%	6.65%
May	10.47%	10.12%	8.82%	5.86%
June	9.85%	9.22%	10.04%	6.61%
July	12.11%	10.60%	9.87%	5.48%
August	9.86%	8.34%	8.85%	4.93%
September	9.47%	9.02%	8.55%	4.48%
October	12.15%	9.70%	9.36%	4.67%
November	10.68%	9.19%	8.73%	4.96%
December	9.81%	8.91%	7.90%	4.82%

Annualised Prepayments	2006	2007	2008	2009
January	5.31%	4.88%	5.37%	2.92%
February	3.62%	3.29%	4.23%	2.46%
March	4.62%	4.01%	4.86%	2.91%
April	3.95%	3.29%	5.24%	3.06%
May	4.76%	4.12%	4.33%	2.57%
June	3.74%	5.16%	4.51%	2.77%
July	4.40%	5.80%	4.68%	3.82%
August	3.55%	4.92%	4.09%	2.76%
September	3.58%	4.31%	4.05%	2.69%
October	4.15%	5.58%	3.62%	2.92%
November	4.65%	4.97%	3.15%	2.75%
December	4.81%	4.84%	3.45%	

3. Inferential statement of the Issuer

The Issuer states herewith that the securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Compartment 2 Notes. However this is not a guarantee given by the Issuer and the Issuer as a special purpose entity has only limited resources available as described under the "RISK FACTORS – Factors that may affect the Issuer's ability to fulfil its obligations under the Compartment 2 Notes – Structural and other credit risks – Limited resources of the Issuer".

CREDIT AND COLLECTION POLICY

The following is a description of the Credit and Collection Policy. The text will be attached as Appendix D to the Conditions.

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

The normal business procedures of BMW Leasing GmbH currently include the following:

Description of Rating System & Risk Management

All credit applications in the leasing business are subject to various integrity and plausibility checks as well as sophisticated rating procedures within standardised credit processes. The rating system has been in use at BMW for over 10 years and is continuously being enhanced with regard to an accurate assessment of the customer's financial strength and to the ability to predict potential defaults. An automated system combines external information provided by the applicant, credit agencies and other sources as well as internal data on previous credit performances via optimized statistical models and algorithms, which differ by customer types. The result is a rating figure reflecting the applicant's credit worthiness.

Based upon the rating a probability of default is assigned to the potential obligor, which along with the expected recovery rate given default (depending on the vehicle type leased) determines the expected loss. Both probabilities of default, as well as recovery rates, are derived from historical default experiences at BMW Bank GmbH.

Rating and expected loss provide the basis for the credit decision (i.e. responsible and competent authorities as well as approval / rejection of the application) and for the collateral to be provided by the obligor, which is continuously monitored with respect to its recoverability. The expected value of the leased vehicle at maturity as part of the contract terms is determined based upon public market value forecasts and internal recovery rates. It is subject to ongoing assessments and monitoring during the entire contract period to identify potential losses in the remarketing process at an early stage.

Several methods are used to measure and manage the risks of the existing leasing portfolio of BMW Bank GmbH. For example, a Value at Risk indicating the maximum loss within the portfolio at a specific probability over a certain period of time is calculated on a regular basis. It is monitored within a limit system, which reflects the risk taking capacity of the bank in terms of capital available as well as business and risk strategies. Ratings and risk parameters also play an essential role in the provisioning for bad loans. The board is involved in the entire risk management process and bases its decisions upon the risk relevant information provided.

The whole rating and risk management system was assessed and approved by German banking supervision in 2006 for the purpose of determining regulatory capital by means of internal ratings according to Basel II.

Termination of Lease Contracts

Generally the Lessee of a commercial or private lease contract is bound to the application for four weeks. The lease contract is concluded, if the lessor confirms in writing the application or delivering the vehicles at this time.

Additional to the termination above, the Lessees of non-commercial lease contracts have a cancellation right. The private Lessees are entitled to exercise the cancellation right within two weeks after receipt a written notice informing him of such cancellation right by sending a letter, fax or e-mail message to BMW without giving any reasons (right of withdrawal – *Widerrufsrecht*).

Each party to a lease contract can terminate the contract without observing any notice period, in particular the lessor, but not limited to:

- if the other party is unable to pay or engaged in debt composition proceedings; when its cheques are not covered or its bills of exchange not honoured;

- if the other party has made untrue statements in connection with the Lease Contract or has failed to state relevant facts and the lessor cannot, therefore, be reasonably expected to continue to honour the contract; and
- if the other party does not stop committing serious breaches of the contract in spite of written requests to this effect or if it fails to remedy immediately any effects of such breaches of contract;

in particular the Lessee, but not limited to:

- if the vehicle has been stolen or has been destroyed and the cost of repairing exceeds 60 per cent of the replacement cost of the vehicle. The termination is possible within three weeks to the end of a contract month; and
- if the Lessee dies. In these cases the heirs are entitled to terminate the contract to the end of a contract month.

Collections/recovery

The first payment is due when the Leased Vehicle is licensed and registered on the Lessee's name; all subsequent payments are due on the first of the month in advance for the month. The number of payments corresponds to the leasing period in months.

The leasing application includes a clause authorising BMWL to debit the payments as they become due, directly on the Lessee's bank account. In 2008, approximately 96% of the Lessees made use of the direct debit system offered by BMWL. This procedure should ensure that BMWL receives amounts due promptly. The customers who do not authorise direct debiting give standing payment orders to their banks or write individual bank remittances.

The monthly instalments are generally billed value dated first working day of each month. BMWL transmits the required information via BMW Bank GmbH (account holder for BMWL) to Deutsche Bundesbank, which in turn communicates/clears with the Lessee's banks. BMWL receives the total amount of the instalments paid by direct debit on the first working day of the current month on its bank accounts.

In case the direct debiting orders of BMWL are not honoured, the banks immediately debit the respective account of BMWL accordingly. Therefore, the overdue payments for any given month are typically known on the day after the debit (10 days in case of standing orders/bank remittances) and reminder notices are sent out immediately. In 2008, 3.4% of the direct debit payments were not honoured. In 78% of the cases this was due to insufficient funds. In 22% this was due to objections, closing of accounts or incorrect account data.

The process to handle the reminders is fully automated supported by respective IT systems. The employees of the collections/recovery department of BMWL are authorised to grant justifiable payment extensions in exceptional cases within this period. Those extensions are closely monitored and reviewed.

As soon as BMWL categorises a payment overdue (no matter which payment method applies) a first reminder will be sent out. If the Lessee does still not pay, a second reminder letter is generally sent out after another two weeks. The entire dunning process is supported by outbound telephone campaigns to customers handled through BMWL and its service providers.

Further reminders will be sent out every two weeks to the customer (advising that collection agencies/lawyers will be mandated and corresponding cost will be debited to customers account in case of further non-payment) until conditions are met which enable BMWL to terminate Lease Contracts. Following conditions have to be met:

- Customer type – commercial Lessees:
two leasing instalments are overdue.
- Customer type – private individuals:
two instalments or more representing in the aggregate at least 10% of the total value of the Lease Contract (5% when the term of the Lease Contract exceeds three years) are overdue (consumer protection law requirements).

In both cases BMWL sends a letter threatening contract termination by registered mail prior to the termination itself setting a final two-week (commercial) or three-week (private) deadline for payment, if BMWL will not receive the respective payments the contract will be terminated. In addition, the dealer who mediated the contract will be informed

about the termination. The Lessee is requested to return the vehicle to the dealer who mediated the lease contract. If the customer fully pays the amount owed, negotiations regarding continuation of the lease contract will take place.

If the Lessee does not voluntarily return the vehicle BMWL mandates collection agencies (e.g. Nürnberger Inkasso) for further collection and recovery activities. Within 5 days the collection agency sends a final reminder in its own name to the Lessee requesting again the return of the car voluntarily or alternatively payment of the complete overdue amount. If all respective appropriate means of the collection agencies are unsuccessful after two weeks, external service providers are mandated by the collection agencies to secure the vehicles (repossession agencies). The leading companies in this area operate with a high level of reliability and trust with a view to protection of BMWL's interests.

In case of a successful repossession or if the Lessee returns the cars voluntarily BMWL's service provider DEKRA issues an expertise opinion regarding the current status and dealer purchase price (*Händler-Einkaufspreis*) of the car.

In both cases (voluntarily/not voluntarily return) the Lessee has the right to name a commercial purchaser within 21 days to make a binding offer (at a higher price than the dealer purchase price (*Händler-Einkaufspreis*)) for the car. It is BMWL's decision to accept this customer/offer. Usually, the collection agencies sell the cars at the dealer purchase price (*Händler-Einkaufspreis*) to the dealer who mediated the lease contract. Should BMWL decide not to sell the cars to the purchaser proposed by the customer even though the offer was at a higher price than the dealer purchase price (*Händler-Einkaufspreis*), the extra earnings over the dealer purchase price (*Händler-Einkaufspreis*) have to be credited to the customers account.

If collection agencies were mandated to handle collection activities, a final closing statement for the contract (EAB) will be issued by them. In case the Lessee returned the car voluntarily without prior involvement of collections agencies, BMWL handles the closing statements. Remaining balances have to be paid by customers within two weeks. If the customer fails to settle the closing balance again collections agencies will be mandated (unless already done) to apply for a court order to pay (*Mahnbescheid*). Further collection actions could result in a court proceeding and a possible enforcement order handled by BMW Group approved lawyers (*RAs Fetzer*) who are also responsible for long term supervision.

THE ISSUER

1. General

Bavarian Sky S.A., a company with limited liability (*société anonyme*), was incorporated as a special purpose vehicle for the purpose of issuing asset backed securities under the laws of Luxembourg on 26 April 2007, for an unlimited period and with registered office at 7 Val Ste Croix, L-1371 Luxembourg (telephone: + 352 22 11 90). Bavarian Sky S.A. is registered with the Luxembourg Register of Trade and Companies under registered number B 127 982 on 29 May 2007.

Bavarian Sky S.A. has elected in its Articles of Incorporation to be governed by the Luxembourg Securitisation Law.

2. Corporate purpose of the Issuer

Bavarian Sky S.A. has as its business purpose the securitisation (within the meaning of the Luxembourg Securitisation Law which applies to Bavarian Sky S.A. of receivables (the "**Permitted Assets**"). Bavarian Sky S.A. may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, provided that it is consistent with the Luxembourg Securitisation Law.

3. Compartments

The Board of Directors of Bavarian Sky S.A. may create one or more Compartments within Bavarian Sky S.A. Each Compartment shall correspond to a distinct part of the assets and liabilities of Bavarian Sky S.A. The resolution of the Board of Directors creating one or more Compartments within Bavarian Sky S.A., as well as any subsequent amendments thereto, shall be binding as of the date of such resolution against any third party.

Rights of creditors of Bavarian Sky S.A. that (i) have, when coming into existence, been designed as relating to a Compartment or (ii) have arisen in connection with the creation, the operation or the liquidation of a Compartment are, except if otherwise provided for in the resolution of the Board of Directors creating the relevant Compartment, strictly limited to the assets of that Compartment and such assets shall be exclusively available to satisfy such creditors. Creditors of Bavarian Sky S.A. whose rights are designated as relating to a specific Compartment of Bavarian Sky S.A. shall (subject to mandatory law) have no rights to the assets of any other Compartment.

Unless otherwise provided for in the resolution of the Board of Directors of Bavarian Sky S.A. creating such Compartment, no resolution of the Board of Directors of Bavarian Sky S.A. may be taken to amend the resolution creating such Compartment or take any other decision directly affecting the rights of the creditors whose rights relate to such Compartment without the prior approval of the creditors whose rights relate to such Compartment. Any decision of the Board of Directors taken in breach of this provision shall be void.

The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 2 Notes and the other Transaction 2 Documents and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 2. The assets of Compartment 2 will be exclusively available to satisfy the rights of the Compartment 2 Noteholders and the other creditors of the Issuer in respect of the Compartment 2 Notes, the other Transaction 2 Documents and all matters connected therewith, as provided therein, and (subject to mandatory law) no other creditors of the Issuer will have any recourse against the assets of Compartment 2 of the Issuer.

For so long as the Compartment 2 Notes remain outstanding, Bavarian Sky S.A. will not be permitted to issue further securities in respect of any Compartment of Bavarian Sky S.A., or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to Bavarian Sky S.A., confirmed to Bavarian Sky S.A. that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, Bavarian Sky S.A. shall not incur any payment or other obligations in respect of its Compartment 2 or in respect of any other pre-existing Compartment, (b) based on such legal opinion and upon the written notification to the Rating Agencies, S&P confirms to Bavarian Sky S.A. that the issuance of the securities or entrance into any other transaction documents related therewith will not cause the then current ratings of the Compartment 2 Notes to be downgraded, and (c) based, inter alia, on such legal opinion and confirmation from S&P, the Board of Directors of Bavarian Sky S.A. shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions shall not be cross-collateralised or cross-defaulted.

4. Business activity

Bavarian Sky S.A. has not previously carried on any business or activities other than those incidental to its incorporation, other than in respect of its Compartments 1, A and 2 and other than entering into certain transactions prior to the Issue Date with respect to the securitisation transaction contemplated herein.

In respect of Compartment 2, the Issuer's principal activities will be the issue of the Compartment 2 Notes, the granting of Compartment 2 Security, the entering into the Subordinated Loan Agreement, the entering into the Swap Agreement and the entering into all other Transaction 2 Documents to which it is a party and the establishment of the Issuer Account-C2 and the exercise of related rights and powers and other activities reasonably incidental thereto.

In respect of Compartments other than Compartment 2, the principal activities of Bavarian Sky S.A. will be the operation as a multi-issuance securitisation conduit for the purposes of, on an on-going basis, purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the asset-backed markets. Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and shall be separate from all other securitisations entered into by Bavarian Sky S.A. To that end, each securitisation carried out by Bavarian Sky S.A. shall be allocated to a separate Compartment.

5. Corporate Administration and Management

The Directors and Managers of Bavarian Sky S.A. are:

Director	Business address	Principal activities outside the Issuer
Alexis Kamarowsky, born on 10 April 1947	7 Val Ste Croix, L-1371 Luxembourg	Professional in the domiciliation business
Federigo Cannizzaro di Belmontino, born on 12 September 1964	7 Val Ste Croix, L-1371 Luxembourg	Professional in the domiciliation business
Jean-Marc Debaty, born on 11 March 1966	7 Val Ste Croix, L-1371 Luxembourg	Professional in the domiciliation business

Each of the directors confirms that there is no conflict of interest between his duties as a director of the Issuer and his principal and/or other activities outside Bavarian Sky S.A.

6. Capital and Shares, shareholders

The authorised and issued capital of Bavarian Sky S.A. is set at EUR 31,000 divided into 3,100 shares fully paid up, registered ordinary shares with a par value of EUR 10 each.

The shareholder of Bavarian Sky S.A., who has an influence on Bavarian Sky S.A. and controls Bavarian Sky S.A., is the Foundation.

7. Capitalisation

The unaudited capitalisation of Bavarian Sky S.A. as at the date of this Offering Circular, adjusted for the issue of the Compartment 2 Notes on the Issue Date, is as follows:

Share Capital

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

8. Indebtedness

Bavarian Sky S.A. has no material indebtedness, contingent liabilities and/or guarantees as at the date of the Offering Circular, other than that which Bavarian Sky S.A. has incurred or shall incur in relation to Compartment 2 and the transactions contemplated in the Offering Circular.

9. Holding Structure

(a) Stichting Andesien, prenamed 3,100 shares

Total **3,100 shares**

10. Subsidiaries

Bavarian Sky S.A. has no subsidiaries or Affiliates.

11. Name of the financial auditors of Bavarian Sky S.A.

KPMG Audit S.à r.l

Société à Responsabilité Limitée

31, allée Scheffer

L-2520 Luxembourg

Tel.: +352 22 51 511

Fax : +352 22 51 71

KPMG Audit S.à r.l is a member of the Institut des Réviseurs d' Entreprises.

12. Main Process for Director's Meetings and Decisions

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

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

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

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

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

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

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

The Board of Directors can create one or several separate compartments, in accordance with article 5 of the Articles of Incorporation.

13. Financial Statements

Audited financial statements will be published by Bavarian Sky S.A. on an annual basis.

The business year of Bavarian Sky S.A. extends from 1 January to 31 December. The first business year began on 29 May 2007 and ended on 31 December 2007. KPMG Audit S.à r. l., as the auditor of Bavarian Sky S.A., audited the annual accounts of Bavarian Sky S.A. displayed hereunder for the periods from 1 January 2007 to 31 December 2007 and from 1 January 2008 to 31 December 2008. In the opinion of KPMG Audit S.à r. l. the below annual accounts gave, in conformity with Luxembourg legal and regulatory requirements, a true and fair report of the financial position of Bavarian Sky S.A. as at 31 December 2007 and as at 31 December 2008 and of the result of its operations from 1 January 2007 to 31 December 2007 and from 1 January 2008 to 31 December 2008.

Bavarian Sky S.A. annual accounts as at 31 December 2007.

BAVARIAN SKY S.A.

Annual Accounts

For the period from April 26, 2007
(date of incorporation) to
December 31, 2007

(with the Report of the Réviseur
d'Entreprises thereon)



KPMG Audit
9, Allée Scheffler
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

To the Shareholders of
Bavarian Sky S.A.
7, Val Sainte-Croix
L-1371 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the annual accounts

Following our appointment by the Board of Directors dated June 20, 2007, we have audited the accompanying annual accounts of Bavarian Sky S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the period from April 26, 2007 (date of incorporation) to December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Audit S.à.r.l., a Luxembourg Société à Responsabilité Limitée
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International, a Swiss corporation

TVA LU 20375177
Capital 25.000 €
RCS Luxembourg B 103990



Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Bavarian Sky S.A. as of December 31, 2007, and of the results of its operations for the period from April 26, 2007 (date of incorporation) to December 31, 2007 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, July 18, 2008

KPMG Audit S.à r.l.
Réviseurs d'Entreprises


N. Dogniez


D. Wallace

Bavarian Sky S.A.

Balance Sheet
as at December 31, 2007
(expressed in EUR)

ASSETS	Notes	2007
Fixed assets		
Financial assets		
Other loans	2.3, 3	799 580 373
Current assets		
Other debtors (of which due after one year: EUR Nil)	4	4 369 502
Cash at bank	5	18 806 731
TOTAL ASSETS		822 756 606
LIABILITIES		
Capital and reserves		
Subscribed capital	6	31 000
Creditors		
Notes issued (of which due within one year: NIL)	8	800 000 000
Amounts owed to affiliated undertakings (of which due within one year: NIL)	9	19 552 060
Trade creditors		34 560
Other creditors (of which tax creditors and social security: NIL) (of which due within one year: 3 138 986)	10	3 138 986
TOTAL LIABILITIES		822 756 606

The accompanying notes form an integral part of the annual accounts.

Bavarian Sky S.A.

Profit and Loss Accounts for the period
from April 26, 2007 (date of incorporation) to December 31, 2007
(expressed in EUR)

CHARGES	Notes	April 26 to December 31, 2007
Value adjustments in respect of fixed assets	3	577 173
Other operating charges		90 462
Interest payable and similar charges	2.5,8,12	33 587 815
Amount due to seller of lease receivables	9	10 388 065
		<u>44 643 515</u>
 INCOME		
Income from other investments forming part of the fixed assets	2.3, 3	28 241 148
Other interest receivable and similar income	2.5, 13	16 402 367
		<u>44 643 515</u>

The accompanying notes form an integral part of these annual accounts.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

1 General

Bavarian Sky S.A. (the "Company") is a Luxembourg limited liability company ("Société Anonyme") incorporated on April 26, 2007, which shall have the status of a securitisation company under the Luxembourg law of March 22, 2004 on securitisation.

The registered office of the Company is established in 7, Val Sainte-Croix, L-1371 Luxembourg. The Company is established for an unlimited period of time.

The Company is registered with the trade and companies register of Luxembourg under number B 127 982.

The Company's business purpose is, in accordance with the terms of the Luxembourg law of March 22, 2004 on securitisations, the securitisation of permitted assets being a portfolio of receivables. In addition, article 5 of the articles of incorporation allows the Company to enter into one or more compartments. Each compartment of the company shall be treated as a separate entity. During the period ended December 31, 2007 one compartment was established.

The accounting year shall begin on January 1 and shall terminate on December 31 each year, with the exception of the first accounting year, which shall begin on April 26, 2007 and shall terminate on December 31, 2007.

2 Significant Accounting Policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with the generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg with the exception of formation expenses which have been fully expensed in the current period (see note 2.2)

The Company is a small size corporation as per article 35 and 36 of the law dated December 19, 2002. The Company takes into account the abridged preparation and disclosure requirements as per article 35, 47 and 66 and the abridged publication requirements as per article 79 of this law. Therefore the Company does not prepare a management report.

2.2 Formation expenses

Costs related to the incorporation of the Company in the amount of EUR 8,853 have been fully expensed in the first year of operation (April 26, 2007 to December 31, 2007) as other operating charges.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

2.3 Financial assets

The Company's financial assets are stated at acquisition cost less any impairment in value, which, in the opinion of the Directors the recovery of the underlying receivable is considered doubtful.

2.4 Foreign currency translation

The Company maintains its accounts in Euro (EUR) and the annual accounts are expressed in this currency.

Assets and liabilities expressed in a currency other than EUR are converted into EUR at the rate of exchange ruling at the balance sheet date.

Income and charges in foreign currency are converted into EUR at the rate of exchange ruling on the date of the transaction.

Realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account. Unrealised exchange gains are deferred.

2.5 Off balance sheet transactions

Interest rate swaps entered into as hedging instruments against interest rate fluctuations are reported off balance sheet at nominal value. Interest income and expense arising from these agreements are recorded on an accrual basis.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

3 Fixed assets

Bavarian Sky S.A. used the net proceeds from the issuance of the notes to purchase a portfolio of eligible auto lease receivables, secured by the Lease Collateral of BMW Leasing GmbH.

The evolution of the portfolio of lease receivables for the year ended December 31, 2007 is as follows:

	2007
	EUR
Opening balance	---
Purchases during the period	992 750 168
Receivables collected during period	(192 592 622)
Write-off of defaulted amounts, net	(157,814)
Value adjustments	(419,359)
Ending balance	<u>799 580 373</u>

Interest accrued and interest income recorded for the period from July 17 to December 31, 2007 amounts to EUR 2 572 000 and EUR 28 241 148. Value adjustments have been recorded for receivables where the recovery is considered doubtful.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

4 Other debtors

As at December 31, 2007 other debtors are made up as follows:

	2007
	EUR
Accrued interest on portfolio of lease receivables	2 572 000
Accrued interest on interest rate swaps	1 646 000
Miscellaneous receivables	151 502
	<hr/>
	4 369 502
	<hr/>

The interest receivables collected by the servicing agent (BMW Leasing) are collected for the period ended December 31, 2007 and due to the Company on the following interest payment date (January 15, 2008).

5 Cash at bank

The cash at bank as at December 31, 2007 is composed as follows:

	2007
	EUR
Cash held at bank	6 462
Cash reserve account	18 800 269
	<hr/>
	18 806 731
	<hr/>

The cash reserve account forms part of the available distribution amount and provides limited protection against shortfalls in the amounts required to pay in respect of interest, principal and other payment obligations in accordance with the priority of payments.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

6 Subscribed capital

The subscribed capital of EUR 31,000 is issued and fully paid, and is represented by 3 100 shares of EUR 10 each.

7 Legal reserve

Under Luxembourg law, the Company must appropriate at least 5% of its statutory net profit to a non distributable legal reserve until the aggregate reserve reaches 10% of the subscribed share capital. The legal reserve is not distributable. No appropriation is required for the period from April 26 to December 31, 2007.

8 Notes issued

On July 17, 2007 the Company issued Class A and Class B Compartment I notes backed by a portfolio of auto lease receivables (see note 3) maturing on August 17, 2015.

The evolution and make up of the notes outstanding as at December 31, 2007 can be summarised as follows:

Class Notes	Margin over 1 month Euribor	Notes Issued	Issued and fully paid 31.12.2007
		EUR	EUR
Class A	0.08%	752 000 000	752 000 000
Class B	0.18%	48 000 000	48 000 000
		<u>800 000 000</u>	<u>800 000 000</u>

Interest accrued and expensed during the period from July 17 to December 31 amounts to EUR 1 674 667 and EUR 16 358 577 respectively.

Bavarian Sky S.A.
Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

9 Amounts owed to affiliated undertakings

9.1 Subordinated Loan

The Company entered into a Subordinated Loan Agreement with BMW Financing which was used to fund the deposit on the cash reserve account. Interest is charged on the outstanding balance at a rate of Euribor 1 month plus 0.50%. Interest accrued and expensed during the period July 17 to December 31, 2007 amounts to EUR 20 763 and EUR 319 016 respectively.

The evolution of the subordinated loan as at December 31, 2007 can be summarised as follows:

	2007
	EUR
Opening balance	---
Subordinate Loan Drawn	18 800 000
Prepayments	(9 636 005)
Ending balance	9 163 995

9.2 Amounts due to seller of lease receivables

As at December 31, 2007 amounts due to seller of lease receivables is as follows:

	2007
	EUR
Amount due to seller of lease receivables	10 388 065

The amount due to the seller of the lease receivables is calculated in accordance the trust deed as the excess spread remaining after all other payments have been made following the pre-enforcement priority of payments.

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

10 Other creditors

As at December 31, 2007 other creditors are made up as follows:

	2007
	EUR
Accrued interest on notes issued	1 674 667
Accrued interest on interest rate swaps	1 443 556
Accrued interest on subordinated loan	20 763
	<hr/>
	3 138 986
	<hr/>

11 Taxation

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

12 Interest payable and similar charges

For the period ended December 31, 2007 interest payable and similar charges were made up as follows:

	2007
	EUR
Interest on subordinated loans	319 016
Interest on notes issued	16 358 577
Interest on interest rate swap	16 910 222
	<hr/>
	33 587 815
	<hr/>

Bavarian Sky S.A.

Notes to the Annual Accounts
for the period ended December 31, 2007
(continued)

13 Interest receivable and similar income

For the period ended December 31, 2007 interest receivable and similar income were made up as follows:

	2007
	EUR
Interest on interest rate swap	16 037 311
Interest on cash at bank	365 056
	<hr/>
	16 402 367

14 Other

The Company has engaged a Corporate Service Provider who provides daily management of the Company activities and as such does not employ any personnel.

15 Off-balance sheet activities

The Company entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 1 notes.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate receivable	Interest rate payable
EUR 800 000 000	Final Maturity Date: August 17, 2012	one-month EURIBOR	Fixed rate: 4.64% p.a.

16 Related party transactions

The Company has purchased a portfolio of lease receivables from BMW Leasing GmbH who also acts as servicer of the individual receivables. In accordance with the agreements in place BMW Leasing GmbH receives a fee for services provided to the Company.

Bavarian Sky S.A. annual accounts as at 31 December 2008.

BAVARIAN SKY S.A.

Annual Accounts
for the year ended
December 31, 2008
(with the Report of the
Réviseur d'Entreprises
thereon)

7, Val Sainte-Croix
L-1371 Luxembourg
R.C.S. Luxembourg B127 982

Bavarian Sky S.A.

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KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

To the Shareholders of
Bavarian Sky S.A.
7, Val Sainte-Croix
L-1371 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the annual accounts

We have audited the accompanying annual accounts of Bavarian Sky S.A. which comprise the balance sheet as at December 31, 2008, the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Bavarian Sky S.A. as of December 31, 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, January 25, 2010

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

N. Dogniez

C. Brüne

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the annual accounts of Bavarian Sky S.A. (the "Company") for the financial year ended December 31, 2008.

Financial highlights

	2008	2007
	EUR	EUR
Total Assets	4 348 843 509	822 756 606
Notes Issued	2 099 999 346	800 000 000
Net Profit/(Loss) for the financial year	-	-

Principal risks

The Company was incorporated for the purpose of securitising a portfolio of lease receivables originated by BMW Leasing GmbH. The Company has only entered into lease receivable purchase agreements with this originator of lease receivables. The principal risk facing the Company therefore is the reliance on the sole counterparty and their ability to settle all liabilities as they become due.

Business development

During 2008 the Company created Compartment A for the purpose of securitising a pool of expectancy rights (security titles issued to secured claims represented by the vehicles leased) originated by BMW Leasing GmbH. The purchase of the portfolio of expectancy rights has been funded via an issuance of notes plus bank loans (schuldschein loans). As at December 31, 2008 two compartments are active.

For 2009 the creation of at least one compartment is planned and the continuance of the existing programme is foreseen without any significant change.

Acquisition of own shares

During the year ended December 31, 2008 the Company has not purchased any of its own shares.

Research and development activities

The Company was not involved or participating in any kind of research or development activities in the year ended December 31, 2008.

Branches of the Company

The Company does not have any branches.

DIRECTORS' REPORT

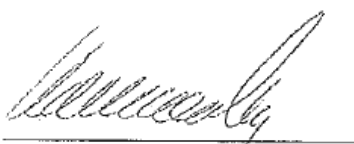
Subsequent events

On May 7, 2009 the Board of Directors approved the creation of Compartment 2 for the purpose of securitising a pool of lease receivables originated By BMW Leasing GmbH. No other events occurred subsequent to December 31, 2008 that would have a material impact on these annual accounts.

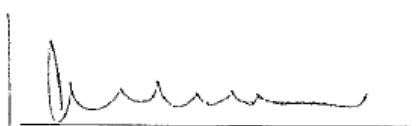
STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The directors confirm that to the best of their knowledge:


- The annual accounts are prepared in accordance with the Luxembourg accounting standards. They give a true and fair view of the assets, liabilities, financial position and result of the issuer.
- The summary of activities includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority.
- The Director's report includes a fair review of the development and performance of the business and adequately describes the principal risks and uncertainties faced by the Company.



Alexis Kamarowsky
Director



Federigo Cannizzaro di Belmontino
Director



Jean-Marc Debaty
Director

Bavarian Sky S.A.
Balance Sheet
as at December 31, 2008
(expressed in EUR)

ASSETS	Notes	2008	2007
Fixed assets			
Financial assets			
Other loans	2.3, 3	4 288 576 573	799 580 373
Current assets			
Debtors			
Other debtors			
-becoming due and payable within one year	4	3 870 740	4 369 502
Cash at bank	5	56 390 262	18 806 731
Prepaid expenses		5 934	-
TOTAL ASSETS		<u><u>4 348 843 509</u></u>	<u><u>822 756 606</u></u>
 LIABILITIES			
Capital and reserves			
Subscribed capital	6	31 000	31 000
Creditors			
Bonds - Non-convertible bonds			
-becoming due and payable after more than one year	8	2 099 999 346	800 000 000
Amounts owed to credit institutions			
-becoming due and payable after more than one year	9	999 999 497	-
Amounts owed to affiliated undertakings			
-becoming due and payable after more than one year	10	1 243 468 367	19 552 060
Other creditors			
-becoming due and payable within one year	11	5 345 299	3 173 546
TOTAL LIABILITIES		<u><u>4 348 843 509</u></u>	<u><u>822 756 606</u></u>

The accompanying notes form an integral part of the annual accounts

Bavarian Sky S.A.
Profit and Loss Account
for the financial year ended December 31, 2008
(expressed in EUR)

CHARGES	Notes	January 1 to December 31, 2008	April 26 to December 31, 2007
Other operating charges		325 287	90 462
Value adjustments in respect of financial assets	3	2 139 258	577 173
Interest payable and similar charges	2.5, 13		
-concerning affiliated undertakings		458 369	319 017
-other interest payable and charges		116 762 500	33 268 798
Amount due to seller of lease receivables	10.2	35 697 828	10 388 065
		<u>155 383 242</u>	<u>44 643 515</u>
 INCOME			
Income from other loans forming part of fixed assets			
-other income	2.3, 14	85 347 710	28 241 148
Other interest receivable and similar income	2.5, 15	70 035 532	16 402 367
		<u>155 383 242</u>	<u>44 643 515</u>

The accompanying notes form an integral part of the annual accounts

Bavarian Sky S.A.
Notes to the Annual Accounts
for the financial year ended December 31, 2008

1 General

Bavarian Sky S.A. (the “Company”) is a Luxembourg limited liability company (“Société Anonyme”) incorporated on April 26, 2007, which shall have the status of a securitisation company under the Luxembourg law of March 22, 2004 on securitisation.

The registered office of the Company is established in 7, Val Sainte-Croix, L-1371 Luxembourg. The Company is established for an unlimited period of time.

The Company is registered with the trade and companies register of Luxembourg under number B 127 982.

The Company is a subsidiary of BMW Leasing GmbH.

The Company’s business purpose is, in accordance with the terms of the Luxembourg law of March 22, 2004 on securitisations, the securitisation of permitted assets being a portfolio of receivables. In addition, article 5 of the articles of incorporation allows the Company to enter into one or more compartments. Each compartment of the Company shall be treated as a separate entity.

Compartment A was created on September 16, 2008 for the purpose of securitising a portfolio of Expectancy Rights.

As at December 31, 2008, two compartments were active.

The accounting year shall begin on January 1 and shall terminate on December 31 each year, with the exception of the first accounting year, which began on April 26, 2007 and terminated on December 31, 2007.

2 Significant Accounting Policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with the generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

2.2 Formation expenses

Costs related to the incorporation of the Company and individual compartments have been fully expensed in the first year of operation and disclosed in the profit and loss account as other operating charges.

Bavarian Sky S.A.
Notes to the Annual Accounts
for the financial year ended December 31, 2008

2 Significant Accounting Policies (continued)

2.3 Financial assets

The Company's financial assets are stated at acquisition cost less any impairment in value, which, in the opinion of the Directors the recovery of the underlying receivable is considered doubtful.

2.4 Foreign currency translation

The Company maintains its accounts in Euro (EUR) and the annual accounts are expressed in this currency.

Assets and liabilities expressed in a currency other than EUR are converted into EUR at the rate of exchange ruling at the balance sheet date.

Income and charges in foreign currency are converted into EUR at the rate of exchange ruling on the date of the transaction.

Realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account. Unrealised exchange gains are deferred.

2.5 Off balance sheet transactions

Interest rate swaps entered into as hedging instruments against interest rate fluctuations are reported off balance sheet at nominal value. Interest income and expense arising from these agreements are recorded on an accrual basis.

Bavarian Sky S.A.
Notes to the Annual Accounts
for the financial year ended December 31, 2008

3 Fixed assets

Bavarian Sky S.A. used the net proceeds from the issuance of the notes and of loans received to purchase a portfolio of eligible auto lease receivables and of Expectancy Rights held on vehicles leased, secured by the Lease Collateral of BMW Leasing GmbH. Expectancy Rights are rights to the title of a leased vehicle.

The evolution of the portfolio of lease receivables and Expectancy Rights for the year ended December 31, 2008 is as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Opening balance	799 580 373	-	799 580 373	-
Purchases during the year/period	555 062 599	4 126 677 660	4 681 740 259	992 750 168
Receivables collected during	(553 564 654)	(250 299 673)	(803 864 327)	(192 592 622)
Write-off of defaulted amounts (net)	(1 498 343)	-	(1 498 343)	(157 814)
Value adjustments during year/period	(640 915)	-	(640 915)	(419,359)
Discount	-	(386 740 474)	(386 740 474)	-
Ending balance	798 939 060	3 489 637 513	4 288 576 573	799 580 373

During 2008, of the EUR 2 510 482 of loans written-off EUR 1 012 139 were subsequently recovered and a provision of EUR 640 915 was taken for loans where recovery was doubtful, resulting in a total net value adjustment in respect of financial assets of EUR 2 139 258 (2007: EUR 577 173).

The Company has not made any value adjustments against Compartment A Expectancy Rights due to the Put Option contained in the Leased Vehicle Sale Option agreement. In accordance with this agreement the Company has the right to sell the leased vehicle and Expectancy Right to BMW Leasing GmbH at its purchase price.

Bavarian Sky S.A.
Notes to the Annual Accounts
for the financial year ended December 31, 2008

4 Other debtors

As at December 31, 2008 other debtors are comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Accrued interest on portfolio of lease	2 589 500	-	2 589 500	2 572 000
Accrued interest on interest rate	1 140 889	-	1 140 889	1 646 000
Miscellaneous receivables	140 351	-	140 351	151 502
	<u>3 870 740</u>	<u>-</u>	<u>3 870 740</u>	<u>4 369 502</u>

The interest receivable collected by the servicing agent (BMW Leasing GmbH) are collected for the period ended December 31, 2008 and due to the Company on the following interest payment date (January 15, 2009).

5 Cash at bank

The cash at bank as at December 31, 2008 is comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Cash held at bank	3 136	86 459	89 595	6 462
Cash reserve account	18 800 667	37 500 000	56 300 667	18 800 269
	<u>18 803 803</u>	<u>37 586 459</u>	<u>56 390 262</u>	<u>18 806 731</u>

The cash reserve account forms part of the available distribution amount and provides limited protection against shortfalls in the amounts required to pay in respect of interest, principal and other payment obligations in accordance with the priority of payments.

Bavarian Sky S.A.
Notes to the Annual Accounts
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6 Subscribed capital

The subscribed capital of EUR 31 000 is issued and fully paid, and is represented by 3 100 shares of EUR 10 each.

7 Legal reserve

Under Luxembourg law, the Company must appropriate at least 5% of its statutory net profit to a non distributable legal reserve until the aggregate reserve reaches 10% of the subscribed share capital. The legal reserve is not distributable. No appropriation is required for the financial year ended December 31, 2008 (2007: NIL)

8 Bonds - Non-convertible bonds

8.1 Compartment 1

On July 17, 2007 Compartment 1 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing on August 17, 2015.

The notes outstanding for Compartment 1 as at December 31, 2008 are comprised as follows:

Class Notes	Margin over 1 month Euribor	Notes issued	
		2008 EUR	2007 EUR
Class A	0.08%	752 000 000	752 000 000
Class B	0.18%	48 000 000	48 000 000
		800 000 000	800 000 000

8.2 Compartment A

During 2008 the Company entered into several Note Purchase Agreements for the purpose of partially funding its purchase of Expectancy Rights under Compartment A. The notes have been issued for an initial period of one year and shall be automatically renewed for one year periods thereafter unless terminated by the Company or the note purchasers in accordance with the terms and conditions of the notes purchase agreement. The notes have a one month revolving period.

As of December 31, 2008 there were EUR 1 299 999 346 in notes outstanding for Compartment A with an interest rate of 1 month Euribor plus a margin that is variable as a function of the cost of funding to these noteholders.

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9 Amounts owed to credit institutions

Compartment A's purchase of Expectancy Rights has been partially funded with credit institutions via Schuldschein loans. The loans have been granted for an initial period of one year with effect from September 16, 2008 and shall automatically extend for additional periods of 1 year thereafter unless terminated by either the Company or the lender in accordance with the terms of the agreement.

The amounts owed to credit institutions as at December 31, 2008 is comprised as follows:

Interest rate	2008
	EUR
Euribor 3M + 68bp	635 000 000
Euribor 1M + 75bp	14 999 673
Euribor 1M + 60bp	349 999 824
	999 999 497
	999 999 497

10 Amounts owed to affiliated undertakings

10.1 Subordinated loan

The Compartment 1 entered into a Subordinated Loan Agreement with BMW Financing which was used to fund the deposit on the cash reserve account. Interest was charged on the outstanding balance at a rate of Euribor 1 month plus 0.50%. This subordinated loan was repaid during 2008.

The Compartment A entered into a subordinated Loan Agreement with BMW Leasing GmbH. The use of the funds collected is to fund a cash reserve deposit. Interest paid on the subordinated loan is equal to the interest collected on the cash reserve deposit.

The evolution of the subordinated loans as at December 31, 2008 is comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Opening balance	9 163 995	-	9 163 995	-
Amounts drawn	-	972 221 733	972 221 733	18 800 000
Repayments	(9 163 995)	-	(9 163 995)	(9 636 005)
	-	972 221 733	972 221 733	9 163 995
	-	972 221 733	972 221 733	9 163 995

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10 Amounts owed to affiliated undertakings (continued)

10.2 Amounts due to seller of lease receivables

As at December 31, 2008 amounts due to seller of lease receivables is as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Opening balance	10 388 065	-	10 388 065	-
Amounts paid during year	(12 339 158)	-	(12 339 158)	-
Accruals made during year	20 679 458	15 018 370	35 697 828	10 388 065
	<u>18 728 365</u>	<u>15 018 370</u>	<u>33 746 735</u>	<u>10 388 065</u>

The amount due to the seller of the lease receivables is calculated in accordance with the trust deed as the excess spread remaining after all other payments have been made following the pre-enforcement priority of payments.

10.3 Dilution reserve

As part of the Compartment A Expectancy Rights purchase agreement, BMW Leasing GmbH has agreed to establish in the name of the Company a dilution reserve to serve as a protection for the Company against any dilutions. For the purpose of this agreement dilution is defined as any amount owed and not timely and fully paid under the Expectancy Rights purchase agreement. The balance of the dilution reserve as at December 31, 2008 was EUR 37 500 000.

10.4 Schuldschein loan

On December 16, 2008 the Company entered into a "Schuldschein" loan agreement with BMW Finance NV for the purpose of financing the purchase of Expectancy Rights for Compartment A.

	2008
Interest rate	<u>EUR</u>
Euribor 1M+125 bps	<u>199 999 899</u>

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11 Other creditors

As at December 31, 2008 other creditors are comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Accrued interest – notes issued	1 173 378	1 193 472	2 366 850	1 674 667
Accrued interest - interest rate	1 649 778	-	1 649 778	1 443 556
Accrued interest – borrowings	-	1 123 188	1 123 188	20 763
Other interest accrued	-	86 458	86 458	-
Suppliers	31 082	87 943	119 025	34 560
	<u>2 854 238</u>	<u>2 491 061</u>	<u>5 345 299</u>	<u>3 173 546</u>

12 Taxation

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

13 Interest payable and similar charges

For the year ended December 31, 2008 interest payable and similar charges are comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
-Concerning affiliated undertakings				
Interest expense borrowings	<u>90 046</u>	<u>368 323</u>	<u>458 369</u>	<u>319 017</u>
-Other interest payable and charges				
Interest expense - notes issued	36 102 936	20 929 111	57 032 047	16 358 577
Interest expense – interest rate	37 326 223	7 628 507	44 954 730	16 910 221
Interest expense – borrowings	-	14 775 723	14 775 723	-
	<u>73 429 159</u>	<u>43 333 341</u>	<u>116 762 500</u>	<u>33 268 798</u>

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14 Income from loans forming part of fixed assets

Income from other loans forming part of fixed assets of EUR 85 347 710 (2007: 28 241 148) includes interest income recorded for the period from January 1 to December 31, 2008 of EUR 60 302 164 (2007: 28 241 148) and gains realised on collected receivables of EUR 25 045 546 (2007: NIL).

15 Other interest receivable and similar income

For the year ended December 31, 2008 other interest receivable and similar income was comprised as follows:

	2008			2007
	Compartment 1	Compartment A	Combined	Compartment 1
	EUR	EUR	EUR	EUR
Interest income – interest	35 403 356	33 514 562	68 917 918	16 037 311
Interest income – cash at	749 291	368 323	1 117 614	365 056
	<u>36 152 647</u>	<u>33 882 885</u>	<u>70 035 532</u>	<u>16 402 367</u>

16 Other

The Company has engaged a Corporate Service Provider who provides daily management of the Company activities and as such does not employ any personnel.

17 Off-balance sheet activities

17.1 Compartment 1

The Compartment 1 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 1 notes.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate	Interest rate
EUR 800 000 000	Final Maturity Date:	one-month	Fixed rate:

The Compartment 1 entered into an “interest rate settlement agreement” on September 16, 2008 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

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17 Off-balance sheet activities (continued)

17.2 Compartment A

On September 16, 2008 the Company entered into an interest rate settlement agreement for Compartment A whereby the counterparty agrees to pay to the Company an amount of settlement outflow which corresponds to the Company's funding costs for the relevant settlement period (1 month). In return the Company pays to the counterparty an amount of settlement inflow which corresponds to the discounts applied to the expectancy rights collected during the immediately preceding calendar month.

18 Related party transactions

The Company has purchased a portfolio of lease receivables from BMW Leasing GmbH who also acts as servicer of the individual receivables. In accordance with the agreements in place BMW Leasing GmbH receives a fee for services provided to the Company.

19 Subsequent events

On May 7, 2009 the Board of Directors approved the creation of Compartment 2 for the purpose of securitising a pool of lease receivables originated by BMW Leasing GmbH. No other events occurred subsequent to December 31, 2008 that would have a material impact on these annual accounts.

Copies of above full annual accounts are available as set out in "GENERAL INFORMATION – Luxembourg Listing".

14. Inspection of Documents

For the life of the Compartment 2 Notes, the following documents (or copies thereof)

- (a) the Articles of Incorporation of Bavarian Sky S.A.;
- (b) the minutes of the meeting of the Board of Directors of Bavarian Sky S.A. approving the issue of the Compartment 2 Notes, the issue of the Offering Circular and the Transaction as whole;
- (c) the shareholder's resolution approving the negative covenants as set out in Clauses 8.6, 8.10 and 8.16 of Schedule 8 Part 1 of the Incorporated Terms Memorandum;
- (d) the Offering Circular and all the Transaction 2 Documents referred in this Offering Circular; and
- (e) the historical financial information (if any) of Bavarian Sky S.A.;

may be inspected at the office of Bavarian Sky S.A. at 7 Val Ste Croix L-1371 Luxembourg.

The Compartment 2 Notes will be obligations of the Issuer acting in respect of its Compartment 2 only and will not be guaranteed by, or be the responsibility of BMW Leasing GmbH, BMW AG or any other person or entity. It should be noted, in particular, that the Compartment 2 Notes will not be obligations of, and will not be guaranteed by the Issuer (in respect of Compartments other than Compartment 2), the Seller, the Servicer (if different), the Trustee, the Arranger, the Joint Lead Managers, the Managers or any of their respective Affiliates, the Subordinated Lender, the Issuer Account Bank, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Swap Counterparty, the Corporate Administrator or the Foundation.

THE SELLER AND SERVICER

Auto Lease Business in Germany

In Europe, the impact of the financial crisis was mostly felt from 2008 mid-year onwards. In 2008, GDP growth of the German economy increased to 2.7% from 0.9% in the previous year. The GDP growth of Germany increased in the second quarter of 2009 by 0.3% compared to the first quarter (-7.1% compared to second quarter 2008, calendar adjusted -5.9%). The German economy experienced its first quarter of growth following four consecutive quarters of decreasing GDP figures. This slight upswing benefited from an increase in private (+0.7%) and public (0.4%) consumption. However, the growth rate of private consumption remained moderate despite a reduction in the average unemployment rate from 9.0% in 2007 to 7.8% in 2008.

In 2008, a total of 44.30 million vehicles (2007: 44.02 million/+0.6%) were registered in Germany. The number of newly registered passenger cars decreased by 1.8% to 3.09 million vehicles (2007: 3.15 million). Total automobile production in Germany in 2008 reached 5.53 million passenger cars, down 3.1% versus the previous year (5.71 million). In Germany, almost 3.1 million passenger cars were sold in 2008, 2% fewer than in the previous year. Consumers remained reluctant to spend in the face of the financial crisis, the ongoing debate on the taxation of CO₂ emissions and high fuel prices. The BMW Group sold 1.44 million BMW, MINI and Rolls-Royce passenger cars in 2008 and remained the leading premium automobile manufacturer in Germany. The sales volume of 280,915 units in Germany meant that the previous year's level was matched despite the exceptionally difficult business climate in 2008 (2007: 280,938 units).

Incorporation, Registered Office and Purpose

BMW Leasing GmbH ("BMW L") is Seller of the Lease Receivables and Servicer under the Servicing Agreement. BMW L was established in 1973 and has its registered office at Heidemannstrasse 164, 80939 Munich, Germany. Its registered share capital of DM 30 million (EUR 15,338,756.44) is held by BMW AG, Petuelring 130, 80788 Munich, Germany.

In 1988 BMW L has entered into an agency and service agreement with BMW Bank GmbH which commissions and authorises BMW Bank GmbH to assume various tasks for and on behalf of BMW L including the

- initiation, conclusion and completion of lease agreements;
- procurement of the funds required for the leasing business.

The objectives of BMW L are to lease motor vehicles in Germany, especially from the BMW, MINI and Rolls-Royce passenger cars and the BMW motorcycles brands.

In particular, BMW L offers:

- leasing of new and used BMW, MINI and Rolls-Royce vehicles;
- service-leasing to commercial and non-commercial customers; and
- leasing of vehicles of all makes.

The business purposes of BMW L vis-à-vis customers and dealers are largely determined by its membership in the BMW Group. BMW L co-operates closely with over 800 dealerships of the BMW Group in Germany. As a result of the partnership, a dealer can offer the customer complete, competent, personal service at one stop and from a single source, including the financing.

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

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

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

Since January 1st, 2009, BMWL is a financial services company regulated by the German regulatory body BaFin.

BMW Bank GmbH (BMW B) was initially established in 1971 as BMW Kredit GmbH and has its registered office at Heidemannstrasse 164, 80939 Munich, Germany. Its registered share capital of DM 24 million (EUR 12,271,193) is held by BMW AG, Petuelring 130, 80788 Munich, Germany. As of Dec 31st, 2008, BMW Bank had 782 employees.

Since 1994 BMW B is operating with a full banking license and offers

- financing of new and used BMW, MINI, and Rolls-Royce vehicles;
- financing of new and used vehicles of all makes;
- automotive insurance;
- dealer financing;
- international importer financing;
- deposit business; and
- wealth management.

Internal Audit

The internal audit department of BMW Bank GmbH audits BMWL. Its controlling procedures include audits of customer and dealer receivables with respect to their amounts and their punctual payment. The internal audit department of the BMW Bank GmbH occasionally also carries out audits. Under German law the annual financial statements of a company must be audited by an independent audit company.

Auditors

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungs-gesellschaft Ganghoferstrasse 29, 80339, München, KPMG audits the annual financial statements of BMW Leasing GmbH. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

THE SWAP COUNTERPARTY

For the purposes of Transaction 2, the Issuer has appointed Commerzbank Aktiengesellschaft as Swap Counterparty.

Commerzbank Aktiengesellschaft (the "**Bank**") is a stock corporation under German law and was established as Commerz- und Disconto-Bank in Hamburg in 1870. The Bank owes its present form to the re-merger of the post-war successor institutions of 1952 on July 1, 1958. The Bank's registered office is located in Frankfurt am Main and its head office is at Kaiserstraße 16 (*Kaiserplatz*), 60311 Frankfurt am Main, Federal Republic of Germany (telephone: +49 (0)69 136-20). The Bank is registered in the commercial register of the district court (*Amtsgericht*) of Frankfurt am Main under the number HRB 32 000.

Commerzbank Aktiengesellschaft is a universal bank. Its products and services for retail and corporate customers extend to all aspects of banking. The Bank is also active in specialised fields – partly covered by its subsidiaries – such as mortgage banking and real-estate business, leasing and asset management. Its services are concentrated on managing customers' accounts and handling payments transactions, loan, savings and investments plans, and also on securities transactions. Additional financial services are offered within the framework of the Bank's bancassurance strategy of cooperating with leading companies in finance-related sectors, including home loan savings schemes and insurance products.

The Commerzbank Group is divided into three areas: customer bank, asset-based finance and the run-off portfolio (Portfolio Restructuring Unit (PRU)). The customer bank comprises the customer-oriented core business activities of Commerzbank. Specifically, this includes the four segments Private Customers, Mittelstandsbank, Corporates & Markets as well as Central & Eastern Europe. The asset based finance area essentially includes Commercial Real Estate, Public Finance and ship financing. The run-off portfolio (Portfolio Restructuring Unit (PRU)) contains all the portfolios that the Bank no longer wants and has transferred to a single separate unit.

The information in the preceding 3 paragraphs has been provided by Commerzbank Aktiengesellschaft for use in this Offering Circular and Commerzbank Aktiengesellschaft is solely responsible for the accuracy of the preceding 3 paragraphs. Except for the foregoing 3 paragraphs, Commerzbank Aktiengesellschaft, in its capacity as Swap Counterparty has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Swap Counterparty has been accurately reproduced. The Issuer is able to ascertain from such information published by the Swap Counterparty that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE TRUSTEE

For the purposes of Transaction 2, the Issuer has appointed BNP Paribas Trust Corporation UK Limited as Trustee.

BNP Paribas Trust Corporation UK Limited has been appointed as the Trustee under the Trust Agreement.

BNP Paribas Trust Corporation UK Limited is incorporated under the Companies Act 1985 having limited liability and is registered with the Companies House of England and Wales with company number 04042668. It has its registered office at 55 Moorgate, London EC2R 6PA, United Kingdom.

This description of the Trustee does not purport to be a summary of, and is therefore subject to, and qualified in its entirety by reference to, the detailed provisions of the Transaction 2 Documents.

The delivery of this Offering Circular does not imply that there has been no change in the affairs of the Trustee since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

The information in the preceding 4 paragraphs has been provided by BNP Paribas Trust Corporation UK Limited for use in this Offering Circular and BNP Paribas Trust Corporation UK Limited is solely responsible for the accuracy of the preceding 4 paragraphs. Except for the foregoing 4 paragraphs, BNP Paribas Trust Corporation UK Limited, in its capacity as Trustee has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Trustee has been accurately reproduced. The Issuer is able to ascertain from such information published by the Trustee that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE ISSUER ACCOUNT-C2

For the purposes of Transaction 2, no later than the Issue Date the Issuer shall have opened the Issuer Account-C2.

No later than the Issue Date WestLB AG as Joint Lead Manager shall have paid the gross proceeds of the issue into the Issuer Account-C2, from which, *inter alia*, the Issuer will pay the Initial Purchase Price (EUR 799,999,374.30) on the Initial Purchase Date, and into which, on each Payment Date, the Servicer will on-pay Collections of the Lease Instalments (including Deemed Collections) and the Swap Counterparty will pay the Swap Net Cashflow to the Seller. The Issuer will use the Issuer Account-C2 as the basis for making, on each Payment Date, Transaction 2-related payments on account of expenses and moneys owed to Compartment 2 Noteholders and the other Secured Parties, including Swap Net Cashflow paid by the Issuer to the Swap Counterparty.

No later than the Issue Date, the Cash Reserve of EUR 34,000,000 will be credited to the Cash Reserve of the Issuer Account-C2 by the Issuer which amount the Issuer will have borrowed under the Subordinated Loan from the Subordinated Lender. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Subordinated Loan". The Cash Reserve will be available to support payments under the Pre-Enforcement Priority of Payments or Post-Enforcement Priority of Payments.

No later than the Issue Date, the Replenishment Fund will be established and moneys will be credited to the Issuer Account-C2 in accordance with the Pre-Enforcement Priority of Payments.

Upon the occurrence of a Commingling Reserve Trigger Event, the Servicer shall, within thirty (30) calendar days, transfer and deposit the Required Commingling Reserve to the Commingling Reserve of the Issuer Account-C2 or transfer the received Collections to the Issuer Account-C2 on a daily basis. The Commingling Reserve will be available to mitigate any commingling risk in accordance with the provisions set out in Clause 15 of the Servicing Agreement.

Upon the occurrence of an Indemnity Reserve Trigger Event, the Seller shall, within thirty (30) calendar days, transfer and deposit the Required Indemnity Reserve to the Indemnity Reserve of the Issuer Account-C2. In addition, upon the occurrence of a Set-Off Reserve Trigger Event and for as long as the Seller remains as the Servicer, the Servicer shall deposit to the Indemnity Reserve an amount equal to the potential set-off risk which will be adjusted on a monthly basis. The Indemnity Reserve will be available to mitigate any potential risks in relation to tax and/or other obligations of the Seller under the Transaction 2 Documents and the set-off risk in accordance with the provisions set out in Clause 14 of the Servicing Agreement.

THE CALCULATION AGENT

For the purposes of Transaction 2, WestLB AG will act as Calculation Agent of the Issuer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Calculation Agency Agreement" and "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement".

WestLB AG is a European commercial bank based in the German federal state of North Rhine-Westphalia (NRW) and is domiciled in Düsseldorf and Münster. Pursuant to the "Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute" (the "Restructuring Act") dated 2 July, 2002, which became effective on 1 August, 2002, the public legal form of the former Westdeutsche Landesbank Girozentrale was changed into a joint stock company and WestLB AG resulted.

Currently, the ownership structure of WestLB AG is as follows:

State of Northrhine-Westphalia 17.766%
NRW.BANK 30.862%
Savings Banks and Giro Association of Westphalia-Lippe 25.032%
Savings Banks and Giro Association of Rhineland 25.032%
Regional Association of Westphalia-Lippe 0.654%
Regional Association of Rhineland 0.654%

As a European commercial German bank, WestLB AG provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB AG also performs the functions of a municipal bank for NRW and the federal state of Brandenburg and acts as the central bank of the Sparkassen (savings banks) in NRW and Brandenburg. It conducts a comprehensive range of wholesale banking business and has the power to issue bonds, notes as well as mortgage and public sector covered bonds (Pfandbriefe). In addition, WestLB AG acts as the clearing and depository bank for the savings banks in NRW and Brandenburg. Internationally, the WestLB Group operates through a network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Currently WestLB AG has a long-term debt rating of "A2" and a short-term debt rating of "P-1" from Moody's, a long-term debt rating of "BBB+" (negative outlook) and a short-term debt rating of "A-2" from S&P, a long-term debt rating of "A (high)" and a short-term debt rating of "R-1" from DBRS.

As of September 30, 2009, the WestLB AG Group had total assets of approximately EUR 258.8 billion.

The information in the preceding 6 paragraphs has been provided by WestLB AG for use in this Offering Circular and WestLB AG is solely responsible for the accuracy of the preceding 6 paragraphs. Except for the foregoing 6 paragraphs, WestLB AG, in its capacity as Calculation Agent has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Calculation Agent has been accurately reproduced. The Issuer is able to ascertain from such information published by the Calculation Agent that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE INTEREST DETERMINATION AGENT, THE PAYING AGENT AND THE ISSUER ACCOUNT BANK

For the purposes of Transaction 2, BNP Paribas Securities Services, Luxembourg Branch will act as the Interest Determination Agent, the Paying Agent and the Issuer Account Bank. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement".

BNP Paribas Securities Services, Luxembourg Branch, a French credit institution acting through its Luxembourg branch whose offices are at 33, rue de Gasperich, L-5826 Hesperange, having as postal address L-2085 Luxembourg and registered with the Luxembourg trade and companies register under number B. 86 862.

The information in the preceding paragraph has been provided by BNP Paribas Securities Services, Luxembourg Branch for use in this Offering Circular and BNP Paribas Securities Services, Luxembourg Branch is solely responsible for the accuracy of the preceding paragraph. Except for the foregoing paragraph, BNP Paribas Securities Services, Luxembourg Branch, in its capacity as Interest Determination Agent, Issuer Account Bank and Paying Agent has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Interest Determination Agent, the Issuer Account Bank and the Paying Agent has been accurately reproduced. The Issuer is able to ascertain from such information published by the Interest Determination Agent, the Issuer Account Bank and the Paying Agent that no facts have been omitted which would render the reproduced information inaccurate or misleading

THE CORPORATE ADMINISTRATOR

For the purposes of Transaction 2, Structured Finance Management (Luxembourg) S.A., having its registered office at 7 Val Sainte-Croix, L-1371 Luxembourg, will act as Corporate Administrator of the Issuer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Corporate Administration Agreement".

Structured Finance Management (Luxembourg) S.A. ("SFMLux") provides nominee (or corporate) directors and a full range of corporate administrative services in Luxembourg for SPVs created for international securitisations, CDOs and structured finance transactions. SFMLux is 50% owned by SFM Holdings Limited and 50% by Luxembourg International Consulting S.A. ("Interconsult").

SFMLux combines the international structured finance expertise and contacts of SFM with the Luxembourg-based corporate administrative expertise of Interconsult.

Board

Alexis Kamarowsky, Managing Director, Interconsult
Federigo Cannizzaro di Belmontino, Deputy Managing Director, Interconsult
Jonathan E. Keighley, Managing Director, SFM
James G. S. Macdonald, Director, SFM

Administration

Jean-Marc Debaty, SPV Director
Danielle Caviglia, Corporate & Legal Department
Giovanna Carles, Corporate & Legal Assistant
Reeba Nachtegaale, Group Manager, Accounting & Tax

SFMLux draws on the full resources of the corporate administration, compliance procedures and personnel of Interconsult. Both Interconsult and SFMLux have a business licence as Domiciliation Agents ("Domiciliataires de Sociétés") and are supervised by the Commission de Surveillance du Secteur Financier ("C.S.S.F.").

The information in the preceding 5 paragraphs has been provided by Structured Finance Management (Luxembourg) S.A. for use in this Offering Circular and Structured Finance Management (Luxembourg) S.A. is solely responsible for the accuracy of the preceding 5 paragraphs. Except for the foregoing 5 paragraphs, Structured Finance Management (Luxembourg) S.A., in its capacity as Corporate Administrator has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Corporate Administrator has been accurately reproduced. The Issuer is able to ascertain from such information published by the Corporate Administrator that no facts have been omitted which would render the reproduced information inaccurate or misleading.

TAXATION

1. General

The following information summarises certain aspects of the tax law in force, and the related practice applied in Germany and Luxembourg at the date of this Offering Circular. The tax related information contained in this Offering Circular is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective investor in the Compartment 2 Notes. Prospective investors are advised to consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Compartment 2 Notes and the receipt of interest and distributions with respect to such Compartment 2 Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that tax law and its practice and interpretation may change.

2. German Taxation

Taxation in Germany

This section should be read in conjunction with "RISK FACTORS — German taxation".

Interest

A Noteholder who is tax resident in Germany (i.e., persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany) and receives interest on the Notes is subject to personal or corporate income tax (plus solidarity tax (*Solidaritätszuschlag*) thereon currently at a rate of 5.5 per cent. and church tax, if applicable). The interest may also be subject to trade tax if the Notes form part of the property of a German trade or business.

If the Noteholder keeps the Notes in a custodial account with a German financial institution or financial services institution (including a German branch of a non-German financial institution or financial services institution, but excluding a non-German branch of a German financial institution or financial services institution, the "**Institution**", the interest is principally subject to a flat rate withholding tax at a rate of 25 per cent. (plus solidarity surcharge thereon currently at a rate of 5.5 per cent. plus church tax, if applicable). The flat rate withholding tax is to be withheld by the Institution which credits or pays out the interest to the Noteholder. Through the application of the flat rate withholding tax, the income from capital investments is deemed discharged and the taxpayer is no longer required to include the income in his or her tax return. Foreign withholding tax on interest income may be credited against German tax. The flat rate withholding tax would not apply if the Noteholder is a German financial institution or financial services institution.

For individual resident Noteholders, an annual exemption for investment income of EUR 801 for individual tax payers or EUR 1,602 for married tax payers who are assessed jointly may apply, as a matter of principle, if their Notes do not form part of the property of a trade or business nor give rise to income from the letting and leasing of property. Therefore, Noteholders may be exempt from the flat rate withholding tax on interest if (i) their interest income qualifies as investment income and (ii) if they filed a withholding exemption certificate (*Freistellungsauftrag*) with the Institution holding the respective Notes in custody. However, the exemption applies only to the extent the interest income derived from the Notes together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no flat rate withholding tax will be levied if the Noteholder submits a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office to the German Institute holding the respective Notes in custody. Furthermore, if the flat tax rate exceeds the personal income tax rate of the individual resident Noteholder, the Noteholder may elect a personal assessment to apply his or her personal income tax rate.

Capital Gains

Gains from the alienation or redemption of Notes acquired after 31 December 2008, including gains derived by a secondary or any subsequent acquirer of such Notes upon alienation or redemption of the Notes at maturity ("**Capital Gains**") derived by a resident taxpayer are subject to personal or corporate income tax (plus solidarity surcharge and church tax, if applicable). The tax on Capital Gains applies irrespective of the holding period of the Notes. The Capital Gain may also be subject to trade tax if the Notes form part of the property of a German trade or business.

If the Noteholder keeps the Notes acquired after 31 December 2008 in a custodial account held with an Institution, the gain from the alienation or redemption of the Notes is principally subject to a flat rate withholding tax at a rate of 25 per cent. (plus solidarity surcharge thereon currently at a rate of 5.5 per cent. plus church tax, if applicable) levied by

the Institution which credits or pays out the capital gain to the Noteholder. The flat rate withholding tax also applies to interest accrued through the date of the sale of the Notes and shown separately on the respective settlement statement (*Stückzinsen*). With the flat rate withholding tax the income from capital investments is deemed discharged and the taxpayer is no longer required to include the income in his or her tax return. Flat rate withholding tax exemptions are available as explained under "Interest" above. The possibilities to offset losses from the alienation or redemption of the Notes are restricted, as losses may only be offset against other investment income.

Non-resident Noteholders

In principle, interest income deriving from Notes held by non-resident Noteholders is not regarded as taxable income in Germany, unless such income qualifies as German source income because:

- (1) the Notes are secured by a land charge on German real estate or ships registered in a German ship register or by domestic rights governed by the provisions of private law applicable to real estate; or
- (2) the Notes are held as business assets in a German permanent establishment or by a German-resident permanent representative of the Noteholder; or
- (3) the interest payments are linked to the profit of the issuer or the Notes are qualified as *jouissance* rights ("*Genussrechte*"); or
- (4) the interest income is paid out in course of an "over the counter transaction" ("*Tafelgeschäft*").

If the interest income deriving from the Notes qualifies as German source income and the Notes are held in custody with an Institution, the German flat rate withholding tax (including solidarity surcharge) would principally apply. Flat rate withholding tax exemptions may be available as explained under "Interest" above.

Gains derived from the alienation or redemption of the Notes by a non-resident Noteholder are subject to German personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5 per cent.) only if the Notes form part of the business property of a permanent establishment maintained in Germany by the Noteholder or are held by a permanent representative of the Noteholder (in which case such capital gains may also be subject to trade tax on income). Double tax treaties concluded by Germany generally permit Germany to tax the interest income in this situation.

If the Notes are held in custody with an Institution, (including a German permanent establishment of a foreign credit institution), as disbursing agent (*inländische auszahlende Stelle*) for the individual Noteholder, the German Central Tax Office is obliged to provide information on interest received by non-resident individual Noteholders to the tax authorities at the state of residence of the respective Noteholder, provided that this Noteholder is resident of an EU-Member state or any other territory for which the provisions under the EU Savings Tax Directive are applicable.

Inheritance or Gift Tax

No inheritance or gift taxes will arise with respect to any Compartment 2 Note under the laws of Germany, if, in the case of inheritance tax, neither the descendant nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Compartment 2 Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions to this rule apply to certain German expatriates.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Compartment 2 Notes. Currently, net wealth tax is not levied in Germany.

German Taxation of the Issuer

German Income Tax

The Issuer will derive income from carrying out certain business activities. Such income and gains, if any, should therefore be properly characterised as business profits (*Einkünfte aus Gewerbebetrieb*). Business profits derived by the Issuer will only be subject to German corporate income tax if the Issuer has its place of effective management and control in Germany or if the Issuer maintains a permanent establishment (*Betriebsstätte*) for its business in Germany or if the business profits are characterised as another category of income that constitutes German-source income. Subject

to the detailed discussion set out in "RISK FACTORS — German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control in Germany.

Trade Tax

Business profits derived by the Issuer will only be subject to German trade tax if the Issuer maintains a permanent establishment (*Betriebsstätte*) in Germany and to the extent that any net income derived by the Issuer is attributable to such permanent establishment. Subject to the detailed discussion set out in "RISK FACTORS – German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control in Germany. In addition, any potential trade tax risk is mitigated by the proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement, the Servicing Agreement and the Trust Agreement.

3. Luxembourg Taxation

By a law of June 21, 2005 (the "Savings Law"), Luxembourg has implemented a directive adopted on June 3, 2003 (the "Savings Directive") by the Council of Economic and Finance Ministers of the European Union (the "EU") regarding the taxation of savings income. In essence, under the Savings Law, which is in effect as of July 1, 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by an economic operator (paying agent within the meaning of the Savings Directive within its jurisdiction to or for an individual resident as well, in some cases, to specific forms of organisations such as partnerships (not being legal persons and not being themselves subject to business transaction, the so-called "residual activities") in another EU member state or in certain dependent or associated territories unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant EU member state. The rate of the withholding tax is currently 20% as from July 1, 2008 and 35% as from July 1, 2011.

As of July 1, 2006, interest paid to an individual resident in Luxembourg may under certain circumstances be subject to a 10% withholding tax, which is a final flat tax.

Payments under the Compartment 2 Notes will only be made after deduction or withholding of any mandatory withholding or deductions on account of tax. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Compartment 2 Notes in whole but not in part at their then Outstanding Notes Balance. See "TERMS AND CONDITIONS OF THE COMPARTMENT 2 NOTES — Condition 8.4 (*Optional Taxation Redemption*)".

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

- (a) without prejudice to what is stated above, all payments of Interest Amounts and Principal Amounts by the Issuer under the Compartment 2 Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, subject to what is stated above regarding the withholding tax on interest;
- (b) a holder of a Compartment 2 Note who derives income from a Compartment 2 Note or who realises a gain on the disposal or redemption of a Compartment 2 Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Compartment 2 Note unless:
 - (i) the holder is, or is deemed to be, a resident in Luxembourg for the purpose of the relevant provisions; or

- (ii) such Compartment 2 Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Compartment 2 Note by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Compartment 2 Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Compartment 2 Notes or the transfer of the Compartment 2 Notes. If any documents in respect of the Compartment 2 Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;
- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Compartment 2 Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Compartment 2 Notes or the transfer of a Compartment 2 Note; and
- (g) a holder of a Compartment 2 Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Compartment 2 Note or the execution, performance, delivery and/or enforcement of the Compartment 2 Note.

SUBSCRIPTION AND SALE

1. Subscription of the Compartment 2 Notes

The Joint Lead Managers, the Managers, the Issuer and the Seller are parties to the Subscription Agreement. Pursuant to the Subscription Agreement, each of the Joint Lead Managers and the Managers has agreed, subject to certain conditions, to subscribe, or to procure subscriptions, for the Compartment 2 Notes. The Seller has agreed to pay each of the Joint Lead Managers and the Managers a combined management, underwriting and placement commission on the Class A Compartment 2 Notes and the Class B Compartment 2 Notes and other fees, if any, as agreed between the parties to the Subscription Agreement. The Seller has agreed to reimburse each of the Joint Lead Managers and the Managers for certain of its expenses in connection with the issue of the Compartment 2 Notes. Pursuant to the Subscription Agreement, the Seller and the Issuer have agreed to indemnify each of the Joint Lead Managers and the Managers, as more specifically described in the Subscription Agreement, for and against certain Losses and liabilities in connection with certain representations in respect of, *inter alia*, the accurateness of certain information contained in this Offering Circular.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters.

The Subscription Agreement entitles each of the Joint Lead Managers and the Managers to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Compartment 2 Notes. The Issuer has agreed to indemnify each of the Joint Lead Managers and the Managers against certain liabilities in connection with the offer and sale of the Compartment 2 Notes.

2. Selling Restrictions

General

All applicable laws and regulations must be observed in any jurisdiction in which Compartment 2 Notes may be offered, sold or delivered. Each of the Joint Lead Managers and the Managers has agreed that it will not offer, sell or deliver any of the Compartment 2 Notes, directly or indirectly, or distribute this Offering Circular or any other offering material relating to the Compartment 2 Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not to its best knowledge and belief impose any obligations on the Issuer except as set out in the Subscription Agreement.

United States of America and its Territories

- (1) The Compartment 2 Notes have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each of the Joint Lead Managers and the Managers has represented and agreed that it has not offered or sold the Compartment 2 Notes, and will not offer or sell the Compartment 2 Notes (i) as part of its distribution at any time or (ii) otherwise until forty (40) calendar days after the completion of the distribution of all the Compartment 2 Notes only in accordance with Rule 903 of Regulation S under the Securities Act. Neither the Joint Lead Managers, the Managers, their respective Affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Compartment 2 Notes, and each of them has complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. At or prior to confirmation of sale of Compartment 2 Notes, the Joint Lead Managers and the Managers will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Compartment 2 Notes from them during the distribution compliance period a confirmation or notice to substantially the following effect:

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

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

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

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

United Kingdom

Each of the Joint Lead Managers and the Managers has represented and agreed 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 Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Germany

The Compartment 2 Notes are subject to the restrictions provided in the German Securities Prospectus Act (*Wertpapier-Prospektgesetz*) or other laws of Germany governing the issue, offering and sale of securities. Each of the Joint Lead Managers and the Managers has confirmed and agreed that no German securities prospectus (*Wertpapier-Prospekt*) within the meaning of the German Securities Prospectus Act has been or will be filed with the Federal Authority for the Supervision of Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) in connection with the offering of the Compartment 2 Notes, nor has such a prospectus been or will be published with respect to such Compartment 2 Notes. Consequently, the Compartment 2 Notes will not be offered to the public in Germany except under an exemption from the requirements under German law to file and publish a securities prospectus.

USE OF PROCEEDS

The aggregate proceeds from the Compartment 2 Notes amounting to approximately EUR 800,000,000 will be used to purchase, on the Purchase Date, Eligible Lease Receivables secured by the Lease Collateral from the Seller and residual amounts, if any, will be deposited to the Issuer Account-C2 with the Issuer Account Bank and will be earning interests.

GENERAL INFORMATION

1. Subject of this Offering Circular

This Offering Circular relates to approximately EUR 800,000,000 aggregate principal amount of the Compartment 2 Notes issued by the Issuer.

2. Authorisation

The issue of the Compartment 2 Notes was authorised by a resolution of the Board of Directors of Bavarian Sky S.A. passed on 3 February 2010.

3. Litigation

Neither Bavarian Sky S.A. is, or has been since its incorporation, nor the Seller is, or has during the period covering at least the previous 12 months has been, engaged in any litigation or arbitration proceedings which may have or have had during such period a significant effect on their respective financial position or profitability, and, as far as Bavarian Sky S.A. and the Seller are aware, no such litigation or arbitration proceedings are pending or threatened, respectively.

4. Payment Information

In connection with the Compartment 2 Notes, the Issuer will inform the Luxembourg Stock Exchange of the Interest Amounts, the Interest Periods and the Interest Rates and, if relevant, the payments of Principal Amounts on each Class of Compartment 2 Notes, in each case in the manner described in the Conditions.

Payments and transfers of the Compartment 2 Notes will be settled through the ICSDs, as described herein. The Compartment 2 Notes have been accepted for clearing by the ICSDs.

All notices regarding the Compartment 2 Notes will either be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) and by delivery to the ICSDs.

5. Material Change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer as of the date of its last published audited financial statements (31 December 2008).

6. Miscellaneous

No statutory or non-statutory accounts in respect of any business year of Bavarian Sky S.A. have been prepared other than as contained in this Offering Circular. Bavarian Sky S.A. will not publish interim accounts. The business year in respect of Bavarian Sky S.A. is the calendar year.

7. Luxembourg Listing

Application has been made for the Compartment 2 Notes to be listed to the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Issuer has appointed BNP Paribas Securities Services, Luxembourg Branch as the listing agent. The total estimated listing expenses are EUR 9,640.

Copies of the following documents may also be inspected during customary Business Hours at the specified offices of the Paying Agent and, as long as any Compartment 2 Notes are listed on the Luxembourg Stock Exchange, at the specified offices of the Paying Agent:

- (a) the Articles of Incorporation of Bavarian Sky S.A.;
- (b) the minutes of the meeting of the Board of Directors of Bavarian Sky S.A. approving the issue of the Compartment 2 Notes, the issue of the Offering Circular and the Transaction as a whole;

- (c) the audited annual accounts of Bavarian Sky S.A. for the periods from 1 January 2007 to 31 December 2007 and from 1 January 2008 to 31 December 2008;
- (d) the future annual financial statements of the Bavarian Sky S.A. (interim financial statements will not be prepared);
- (e) the Monthly Investor Reports;
- (f) the Trust Agreement;
- (g) all notices given to the Compartment 2 Noteholders pursuant to the Conditions; and
- (h) this Offering Circular and all Transaction 2 Documents referred to in this Offering Circular.

8. ICSDs

Euroclear Bank S.A./N.V.
 1 Boulevard du Roi Albert II
 1210 Brussels
 Belgium

Clearstream Banking, société anonyme, Luxembourg
 42 Avenue JF Kennedy
 L-1885 Luxembourg

9. Clearing Codes

Class A Compartment 2 Notes

ISIN: XS0479275017
 Common Code: 047927501
 WKN: A1ASA4

Class B Compartment 2 Notes

ISIN: XS0479319591
 Common Code: 047931959
 WKN: A1ASA5

MASTER DEFINITIONS SCHEDULE

The following is the text of the Master Definitions Schedule. The text will be attached as Appendix A to the Conditions and constitutes an integral part of the Conditions – in case of any overlap or inconsistency in the definitions of a term or expression in the Master Definitions Schedule and elsewhere in the Offering Circular, the definitions of the Master Definitions Schedule will prevail.

1. DEFINITIONS

The Transaction 2 Parties agree that, except where expressly stated to the contrary or where the context otherwise requires, the definitions set out below shall apply to terms or expressions referred to but not otherwise defined in each Transaction 2 Document.

"**Account Details**" means the details of the Issuer Account-C2 set out in Schedule 11 of the Incorporated Terms Memorandum.

"**Accrued Interest**" means the interest which has accrued up to the sale of a Compartment 2 Note.

"**Acquire**", "**Acquired**", "**Acquiring**" or "**Acquisition**" when used in respect of any asset, relates to an asset that has been, is being, or will be, purchased, acquired or assumed, as the case may be.

"**Additional Cut-Off Date**" means any Cut-Off Date falling in the Revolving Period.

"**Additional Lease Receivables**" means the additional Lease Receivables to be purchased by the Issuer on the Additional Purchase Date in accordance with the Additional Lease Receivables Purchase Agreement.

"**Additional Purchase Date**" means the Payment Date on which the Additional Lease Receivables are purchased by the Issuer during the Revolving Period.

"**Additional Purchase Price**" means the Aggregate Discounted Lease Balance of the relevant Additional Purchased Lease Receivables as of the respective Additional Cut-Off Date.

"**Additional Purchased Lease Receivables**" means any additional Lease Receivables purchased by the Issuer from the Seller during the Revolving Period on each Additional Purchase Date.

"**Additional Lease Receivables Purchase Agreement**" means any additional Lease Receivables Purchase Agreement to be entered into between, *inter alia*, the Issuer and the Seller during the Revolving Period on an Additional Purchase Date governed by the Lease Receivables Purchase Agreement.

"**Adverse Claim**" means any mortgage, charge, pledge, hypothecation, lien, floating charge or other security interest or encumbrance or other right or claim under the laws of any jurisdiction, of or on any Person's assets or properties in favour of any other Person.

"**Affiliate**" means, in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity of Person means ownership of a majority of the voting power of the entity or Person).

"**Agency Agreement**" means the agency agreement between the Paying Agents, the Calculation Agent, the Issuer, the Servicer and the Trustee dated the Signing Date.

"**Aggregate Discounted Lease Balance**" means, in respect of all Purchased Lease Receivables held by the Issuer at any time, the aggregate of the outstanding Discounted Lease Balances of such Purchased Lease Receivables less the amount of Defaulted Lease Receivables.

"**Aggregate Outstanding Notes Balance**" means the aggregation of the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as of any Payment Date.

"**Anonymised Portfolio Information**" means the anonymised portfolio information in the Offer that is (to be) sent by the Seller to the Issuer on each Purchase Date and that does not contain any personal data such as the names and

addresses of the relevant Lessees, but only the data such as the relevant Lessee number which the Issuer needs, *inter alia*, for certain risk management and identification purposes in respect of the Purchased Lease Receivables. The data constituting the Anonymised Portfolio Information is specified in Appendix 7 of the Lease Receivables Purchase Agreement.

"**Applicable Insolvency Law**" means any applicable bankruptcy, insolvency or other similar law affecting creditor's rights now or hereafter in effect in any jurisdiction.

"**Applicable Priority of Payments**" means, as applicable, either, prior to the occurrence of an Enforcement Event, the Pre-Enforcement Priority of Payments in respect of principal and interest, or, after the occurrence of an Enforcement Event, the Post-Enforcement Priority of Payments in respect of principal and interest.

"**Arranger**" means WestLB AG.

"**Articles of Incorporation**" means the *Statuts* of Bavarian Sky S.A. under Luxembourg law.

"**Assigned Assets**" has the meaning assigned to it in Clause 8.1 of the Trust Agreement.

"**Available C2 Assets**" means all rights, claims, interest, and other assets owned by the Issuer in respect of Compartment 2.

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C2 during such Monthly Period;
- (g) the Pro Rata Share of any proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such proceeds;
- (h) the Indemnity Reserve upon the occurrence and the continuation (as set out in Clause 13.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover (i) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the Lease Receivables Purchase Agreement; or (ii) any unpaid Deemed Collections which are due and payable; and
- (i) the Commingling Reserve upon the occurrence and the continuation (as set out in Clause 14.1 of the Servicing Agreement) of a Servicer Termination Event as of such Cut-Off Date and until a substitute Servicer is appointed, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer.

"**Available Post-Enforcement Funds**" means, from time to time, all moneys standing to the credit of the Issuer Account-C2 including, for the avoidance of doubt, (i) any enforcement proceeds in respect of the Compartment 2 Security credited to the Issuer Account-C2 and/or to any account of the Trustee or Receiver following an Enforcement

Event, (ii) the Indemnity Reserve, to the extent necessary to cover (a) any Servicing Fee due to the Servicer under item third of the Post-Enforcement Priority of Payments; (b) any unpaid payments due and payable by the Seller in accordance with Clause 16.3 of the Lease Receivables Purchase Agreement; or (c) any unpaid Deemed Collections which are due and payable; and (iii) the Commingling Reserve, to the extent necessary to cover any Servicer Shortfall caused by BMW Leasing GmbH as Servicer and excluding, for the avoidance of doubt, the Pro Rata Residual Value Share.

"**Bank Account Agreement**" means the bank account agreement between the Issuer, the Issuer Account Bank and the Trustee governing the Issuer Account-C2 dated the Signing Date.

"**BMW AG**" means Bayerische Motoren Werke Aktiengesellschaft.

"**BMW L**" means BMW Leasing GmbH.

"**Business Day**" means a day (other than a Saturday, a Sunday or any public holiday) on which banks and foreign exchange markets are open for business in London, Luxembourg, Munich, Frankfurt am Main and Düsseldorf, and which is a TARGET2 Settlement Day in relation to the payment of a sum denominated in Euros.

"**Business Hours**" means the period from 9 a.m. to 5 p.m. CET on any Business Day.

"**Calculation Agency Agreement**" means the calculation agency agreement between the Issuer, the Calculation Agent and the Trustee dated the Signing Date.

"**Calculation Agent**" means WestLB AG.

"**Calculation Agent Representations and Warranties**" means the Calculation Agent representations and warranties set out in Schedule 9 hereto.

"**Calculation Check**" has the meaning as defined in Clause 5.1 of the Calculation Agency Agreement.

"**Calculation Check Notice**" means the written notice issued by the Calculation Agent to the Issuer and the Servicer after conducting the Calculation Check.

"**Cash Reserve**" means the cash reserve of the Issuer held on the Issuer Account-C2 with the Issuer Account Bank in respect of Compartment 2 and for the purposes of Transaction 2, all monitored in separate ledgers as compiled by the Servicer.

"**CET**" means Central European time.

"**Charged Assets**" means the whole of the right, title, benefit and interest of the Issuer in such undertaking, property, assets and rights whatsoever and wheresoever situated, present and future, as are subject to the Compartment 2 Security including the Assigned Assets.

"**Civil Code**" means the civil code (*Bürgerliches Gesetzbuch*) of Germany, as amended or restated from time to time.

"**Class**" means any of the Class A Compartment 2 Notes and the Class B Compartment 2 Notes.

"**Class A Compartment 2 Noteholders**" means the holders of the Class A Compartment 2 Notes.

"**Class A Compartment 2 Notes**" means the class A notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 742,000,000, consisting of 14,840 individual Class A Notes, each in the nominal amount of EUR 50,000 and ranking senior to the Class B Notes and the Subordinated Loan.

"**Class A Initial Notes Balance**" means EUR 742,000,000 as of the Issue Date.

"**Class A Noteholders**" means the Class A Compartment 2 Noteholders.

"**Class A Notes**" means the Class A Compartment 2 Notes.

"**Class A Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class A Compartment 2 Notes.

"**Class B Compartment 2 Noteholders**" means the holders of the Class B Compartment 2 Notes.

"**Class B Compartment 2 Notes**" means the class B notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 58,000,000, consisting of 1,160 individual Class B Notes, each in the nominal amount of EUR 50,000 and ranking junior to the Class A Notes.

"**Class B Initial Notes Balance**" means EUR 58,000,000 as of the Issue Date.

"**Class B Noteholders**" means the Class B Compartment 2 Noteholders.

"**Class B Notes**" means the Class B Compartment 2 Notes.

"**Class B Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class B Compartment 2 Notes.

"**Clean-Up Call Conditions**" means as of any Payment Date on which the Aggregate Discounted Lease Balance is less than ten (10) per cent. of the Aggregate Discounted Lease Balance at the last Purchase Date (and provided that on the relevant Payment Date, no Enforcement Event has occurred), the Seller will have the option under the Lease Receivables Purchase Agreement to Acquire all outstanding Purchased Lease Receivables (together with any related Lease Collateral) against payment of Deemed Collections on the Clean-Up Call Settlement Date, subject to the following requirements:

- (a) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of the Compartment 2 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 2 ranking senior to the claims of the Compartment 2 Noteholders according to the Applicable Priority of Payments;
- (b) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated Clean-Up Call Settlement Date which shall be a Payment Date; and
- (c) the Deemed Collections payable by the Seller shall be equal to the current value of all Purchased Lease Receivables affected by the clean up call.

"**Clean-Up Call Date**" means the date on which the Seller exercises the Clean-Up Call Option.

"**Clean-Up Call Settlement Date**" means, provided that the Clean-Up Call Conditions are satisfied and the Seller exercises the Clean-Up Call Option at least one month prior to the next following Payment Date, such next following Payment Date.

"**Clean-Up Call Option**" means the Seller's right to exercise a clean-up call more specifically described in Condition 8.4 (a).

"**Clearstream Luxembourg**" means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking, *société anonyme*, and any successor thereto.

"**Closing Date**" means 10 February 2010.

"**Collections**" means any amounts, proceeds or financial benefits, received on or in connection with the Purchased Lease Receivables and Lease Collateral, in fulfilment of the financial obligations of a Lessee. The Collections shall include, *inter alia*:

- (a) all collections of the Lease Instalments under the Outstanding Lease Receivables that have been paid by the Lessees during the relevant Monthly Period;

- (b) the Deemed Collections, if any, paid in the relevant Monthly Period; and
- (c) the Pro Rata Share of any recovery proceeds received by means of realisation of the Leased Vehicles or other related security in accordance with the Credit and Collection Policy during the relevant Monthly Period which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such recovery proceeds.

"**Commingling Reserve**" means the commingling reserve of the Issuer held on the Issuer Account-C2 with the Issuer Account Bank in respect of Compartment 2 and for the purposes of Transaction 2, all monitored in separate ledgers as compiled by the Servicer.

"**Commingling Reserve Trigger Event**" means if, at any time for as long as the Seller remains as the Servicer:

(i)(x) the credit worthiness of BMW AG is no longer deemed to be commensurate with a long-term rating of A or a short-term rating of F1 by Fitch; or

(y) (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than A-2 by S&P or if BMW AG is not the subject of a S&P's short-term rating, the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than BBB+ by S&P or are no longer rated by S&P or any such rating has been withdrawn, or (b) S&P notifies the respective parties that BMW Leasing GmbH is not deemed eligible any longer under the applicable rating criteria by S&P; or

(ii) BMW AG ceases to own, directly or indirectly, at least 100% of the share capital of the Seller, or a termination of the profit and loss transfer agreement between BMW AG and the Servicer occurs, for as long as identical with the Seller.

"**Common Safekeeper**" or "**CSK**" means the entity appointed by the ICDSs to provide safekeeping for the Notes in NGN form.

"**Common Services Provider**" or "**CSP**" means the entity appointed by the ICDSs to provide asset servicing for the Notes in NGN form.

"**Common Terms**" means the provisions set out in Schedule 2 of this Incorporated Terms Memorandum.

"**Compartment**" means a compartment of the Issuer within the meaning of the Luxembourg Securitisation Law.

"**Compartment 2**" means the third Compartment of the Issuer designated for the purposes of Transaction 2 and named 'Compartment 2'.

"**Compartment 2 Debt**" means any and all debts, indebtedness, liabilities and obligations incurred by the Issuer in respect of Compartment 2.

"**Compartment 2 Noteholders**" or "**Noteholders**" means collectively the Class A Compartment 2 Noteholders and the Class B Compartment 2 Noteholders.

"**Compartment 2 Notes**" means collectively the Class A Compartment 2 Notes and the Class B Compartment 2 Notes.

"**Compartment 2 Security**" means all the Adverse Claims from time to time created by the Issuer in favour of the Trustee (and also for the benefit of the Secured Parties) pursuant to Clause 8 and the other provisions of the Trust Agreement and/or the Deed of Charge and Assignment exclusively available to satisfy the claims of the Secured Parties.

"**Competent Authority**" means the CSSF.

"**Conditions**" means the terms and conditions of the Compartment 2 Notes (which terms and conditions are set out in the Offering Circular).

"**Conditions Precedent**" means the conditions precedent to the compliant delivery of the Offer set out in Appendix 1 and Appendix 2 to the Lease Receivables Purchase Agreement.

"Contract Payment Rights" means all the rights of the Issuer deriving from the Purchased Lease Receivables and the Transaction 2 Documents, including, without limitation, the right to receive payments.

"Corporate Administration Agreement" means the corporate administration agreement (relating to all Compartments of the Issuer) entered into by the Issuer and the Corporate Administrator on 26 April 2007 under which the Corporate Administrator is responsible for the day to day administrative activities of the Issuer, including providing secretarial, clerical, administrative and related services to the Issuer and maintaining the books and records of the Issuer in accordance with applicable laws and regulations of Luxembourg.

"Corporate Administrator" means Structured Finance Management (Luxembourg) S.A.

"Credit and Collection Policy" means the body of binding working instructions (*Richtlinien* and *Arbeitsanweisungen*) created by the Seller to standardise its credit and collection management as consistently applied by the Seller from time to time.

"CSSF" means the Commission de Surveillance du Secteur Financier of Luxembourg.

"Cumulative Net Loss Ratio" means, for any Payment Date, a ratio which shall be calculated as the sum of (i) the Defaulted Amount at the end of the preceding Monthly Period and (ii) the Defaulted Amount of previous Monthly Periods divided by the sum of (i) Initial Purchased Lease Receivables and (ii) the Additional Lease Receivables at the Cut-Off Date immediately preceding such Payment Date.

"Cut-Off Date" means every last day of a calendar month starting with the Initial Cut-Off Date and ending with the Legal Final Maturity Date.

"Data Trust Agreement" means the data trust agreement between the Seller, the Data Trustee, the Trustee and the Issuer dated the Signing Date.

"Data Trustee" means BMW Bank GmbH.

"Day Count Fraction" means in respect of an Interest Period, the actual number of days in such period divided by 360.

"Deed of Charge and Assignment" means the deed of charge and assignment between the Issuer and the Trustee dated the Signing Date.

"Deemed Collection" means the deemed Collection in respect of Purchased Lease Receivables which the Seller shall pay to the Issuer on a calendar day on which

- (a) any Lease Receivables Representation and Warranty of the Seller proves to be incorrect in respect of such Purchased Lease Receivable as of the Closing Date or as of the relevant Additional Purchase Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (b) a Purchased Lease Receivable proves to be in breach of any of the Eligibility Criteria as of the relevant Cut-Off Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (c) a Purchased Lease Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (d) the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date; or
- (e) a Purchased Lease Receivable is reduced or affected due to any modification or amendment to the relevant Lease Agreement,

provided that for the avoidance of doubt, no Deemed Collection shall be payable in respect of Eligible Lease Receivables if the Lessee fails to make due payments solely as a result of its insolvency (*Delkredererisiko*). Any such Deemed Collection shall be at an amount equal to the Aggregate Discounted Lease Balance(s) of the affected Purchased Lease Receivable(s).

"Defaulted Amounts" means for any Purchased Lease Receivable upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before such Cut-Off Date an aggregate amount which shall be calculated as follows:

$$OL + ADLB - PNV - OP$$

where:

OL is the actual amount of overdue Lease Receivables at the relevant Cut-Off Date;

ADLB is the aggregate Discounted Lease Balance of all Lease Receivables which are scheduled for payment on dates falling after the relevant Cut-Off Date;

PNV are the Pro Rata Share of the net proceeds from the repossession and realisation of the Leased Vehicle upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before the relevant Cut-Off Date, if applicable;

OP is the Pro Rata Share of the other proceeds obtained upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before the relevant Cut-Off Date, if any.

"Defaulted Lease Receivable" means for any Monthly Period, all Purchased Lease Receivables for which a final invoice was issued by the Servicer in accordance with the Credit and Collection Policy on or before such Cut-Off Date and the aggregate amount of the Defaulted Lease Receivable shall be the outstanding Discounted Lease Balance including any Lease Receivables in arrears.

"Delinquent Lease Receivable" means of any Cut-Off Date, a Purchased Lease Receivable of which an amount of at least one Lease Instalment is overdue for more than 30 calendar days, provided that such Purchased Lease Receivable has not yet become Defaulted Lease Receivable.

"Delinquency Ratio" means the ratio expressed as a percentage of the Discounted Lease Balance of all Delinquent Lease Receivables divided by the Aggregate Discounted Lease Balance.

"Discount Rate" means the sum of (i) the Swap Fixed Interest Rate, plus (ii) 0.89% for the weighted average of the margins for the Compartment 2 Notes and the Subordinated Loan, plus (iii) 1.05% for senior expenses, plus (iii) 2.70% for the Excess Spread.

"Discounted Lease Balance" means the Lease Receivables discounted by the Discounted Rate.

"Early Amortisation Event" means the occurrence of any of the following event during the Revolving Period:

- (a) as of any Cut-Off Date, the Cumulative Net Loss Ratio exceeds (i) 0.40% for any Payment Date falling in before or August 2010; and (ii) 0.80% for any Payment Date falling between September 2010 to February 2011;
- (b) the occurrence of an Enforcement Event;
- (c) on two consecutive Cut-Off Dates, the amount deposited in the Replenishment Fund exceeds 10% of the Aggregate Discounted Lease Balance;
- (d) if after application of the Available Distribution Amount in accordance with the Pre-Enforcement Priority of Payments on the Reporting Date of the immediately following Payment Date, the Replenishment Fund under item eight would be lower than the Replenishment Available Amount;
- (e) the Swap Agreement has been terminated;
- (f) the occurrence of a Servicer Termination Event; or
- (g) an Insolvency Event has occurred to the Seller or Servicer;

"**EC Treaty**" means the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

"**Eligibility Criteria**" means the eligibility criteria set out in the Appendix 1 to Schedule 3, Part 3 of this Incorporated Terms Memorandum and being relevant as of the relevant Cut-Off Date.

"**Eligible Bank**" means a bank incorporated in, or which is the branch of a bank incorporated in a member state of the European Union that is an Eligible Counterparty. If at any time the Eligible Bank ceases to be an Eligible Bank, it shall, within thirty (30) calendar days after becoming ineligible, use commercially reasonable efforts to (i) replace itself with an Eligible Bank, or (ii) find an irrevocable and unconditional guarantor with an unsecured and unsubordinated short-term rating of at least (x) A-1 from S&P or, if such entity is not the subject of an S&P's short term rating, with long-term rating of at least A+ from S&P; and (y) a short-term rating of F1 and a long-term rating of A (or its equivalent) from Fitch, and for the avoidance of doubt, the guarantee provided by such guarantor shall meet the guidelines for such type of guarantee of S&P.

"**Eligible Counterparty**" means an institution (i) whose short-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A-1 (or its equivalent) by S&P, or if such institution is not the subject of a S&P's short-term rating, whose long-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A+ (or its equivalent) by S&P, and (ii) whose short-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least F1 (or its equivalent) by Fitch, and whose long-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A (or its equivalent) by Fitch. If the relevant entity is not or ceases to be an Eligible Counterparty itself, it means acting under an irrevocable and unconditional guarantee from an entity which is an Eligible Counterparty whereby such guarantee shall meet the guidelines for such type of guarantee of the Rating Agencies, unless the Rating Agencies confirm that any failure to be an Eligible Counterparty will not adversely affect the then rating of the Compartment 2 Notes.

"**Eligible Lease Receivable**" means any Lease Receivable satisfying the Eligibility Criteria as of the relevant Cut-Off Date.

"**Eligible Neutral Party**" means a disinterested third party that is a reputable bank, financial institution, auditing firm or law firm which is not materially identical to or an Affiliate or Subsidiary of any of the Seller, the Issuer, the Subordinated Lender, the Arrangers or any Swap Counterparty and which has not and will not during the exercise of any office pursuant to the Trust Agreement or any other Transaction 2 Document have any rights or obligations under or in connection with Transaction 2, save to the extent appointed pursuant to the Trust Agreement, provided that an auditing firm other than a member firm of KPMG, PriceWaterhouseCoopers, Deloitte or Ernst & Young (or any successor thereof) shall only qualify as an Eligible Neutral Party if approved by the Rating Agencies and provided further that a bank or financial institution shall qualify as an Eligible Neutral Party only if the department it is acting through is engaged in asset-backed securities transactions.

"**Eligible Servicer**" means a German company having its seat in a Member State of the European Union or European Economic Area, being regulated in accordance with applicable EU directives and having, if required, Obtained Consent for the servicing of the Purchased Lease Receivables.

"**Eligible Swap Counterparty**" means an institution that satisfies the Fitch Swap Requirements and the S&P Swap Requirements.

"**Encumbrance**" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, standard security, assignment by way of security or other security interest of any kind, but does not include liens arising in the ordinary course of trading by operation of law.

"**Enforcement Event**" means the event that (in the sole judgment of the Trustee) an Issuer Event of Default has occurred, and the Trustee has served an Enforcement Notice upon the Issuer.

"**Enforcement Notice**" means a notice delivered as soon as reasonably practicable by the Trustee on the Issuer, each of the other Secured Parties and the Rating Agencies upon the occurrence of an Issuer Event of Default stating that the Trustee commences with the enforcement of the Compartment 2 Security pursuant to the procedures set out in the relevant Security Documents.

"**English Law Charged Assets**" has the meaning given to such term in Clause 8.3 of the Trust Agreement.

"**English Transaction 2 Document**" means any of the Deed of Charge and Assignment and the Swap Agreement which are governed by and shall be construed in accordance with the laws of England and Wales.

"**EONIA**" means Euro Overnight Index Average which is calculated by the European Central Bank and published by the European Banking Federation on page 247 of the TELERATE screen.

"**EU Insolvency Regulation**" means Council Regulation (EC) No. 1346/2000 of 29 May 2000.

"**EUR**" or "**Euro**" means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty.

"**EURIBOR**" (Euro Interbank Offered Rate) means the rate determined by the Interest Determination Agent for deposits in euros for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. (CET) on the second Business Day immediately preceding the first day of such Interest Period (each, a "**Interest Determination Date**"). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall determine EURIBOR on the basis of such other screen rate the Interest Determination Agent shall determine in good faith. If no such screen rate is available, the Interest Determination Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Interest Determination Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euros at approximately 11:00 a.m. (CET) on the relevant Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Interest Determination Date less than two of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Interest Determination Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Interest Determination Agent by major banks in the Euro-zone, selected by the Interest Determination Agent, at approximately 11:00 a.m. (CET) on such Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time.

"**Euroclear**" means Euroclear Bank S.A./N.V. as operator of the Euroclear System and any successor thereto.

"**Euro-zone**" means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty.

"**Event of Default**" means, in relation to any Security Document, any event of default howsoever described in such Security Document.

"**Exchange Date**" has the meaning ascribed to such term in Condition 2 (c).

"**Excess Spread**" means the difference between the Discount Rate and the sum of the weighted average of the margins for the Compartment 2 Notes and the Subordinated Loan, the Swap Fixed Interest Rate, the Servicing Fee and senior expenses.

"**Expert**" means an Eligible Neutral Party appointed as such pursuant to the terms of the Data Trust Agreement or the Calculation Agency Agreement.

"**Final Discharge Date**" means the date on which the Trustee notifies the Issuer and the Secured Parties that the Trustee is satisfied that all the Secured Obligations, actual or contingent, and/or all other moneys and other liabilities due or owing by the Issuer, actual or contingent, in relation to the Transaction have been paid or discharged in full.

"**Financial Services Authority**" or "**FSA**" means the United Kingdom Financial Services Authority.

"**Financial Statements**" means, in respect of any Person, audited financial statements of such Person for a specified period, including a balance sheet and profit and loss account (or other form of income statement), provided that in respect of the Issuer "Financial Statements" shall mean audited financial statements of the Issuer for a specified period, including a balance sheet and profit and loss account (or other form) of income statement applicable to the Issuer generally and including separate statements in respect of its Compartment 2.

"**Fitch**" means Fitch Ratings Limited, or any successor to its rating business.

"**Fitch Swap Requirements**" are satisfied by an institution (a) whose international long-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A (or its equivalent) by Fitch and (b) whose international short-term unsecured and unsubordinated debt obligations are assigned a rating of at least F1 (or its equivalent) by Fitch.

"**Foundation**" means the Stichting Andesien, Dutch foundation (*stichting*) established under the laws of The Netherlands whose statutory seats are in Amsterdam and whose registered office is at Amsteldijk 166, 1079LH Amsterdam, The Netherlands.

"**Form of Accession**" means a form of accession as set out in Schedule IV to the Trust Agreement.

"**FSMA**" means the United Kingdom Financial Services and Markets Act 2000.

"**German Transaction 2 Documents**" means the Conditions, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement and the Subordinated Loan Agreement which are governed by, and shall be construed in accordance with, the laws of Germany.

"**Germany**" means the Federal Republic of Germany.

"**Global Note**" means each of the Temporary Global Notes and the Permanent Global Notes.

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including, without limitation, any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including, for the avoidance of doubt, the German financial regulator (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

"**Incorporated Terms Memorandum**" means this memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction 2 Parties.

"**Indemnified Amounts**" has the meaning as defined in Clause 5.1 of the Lease Receivables Purchase Agreement.

"**Indemnified Party**" has the meaning ascribed to it in Paragraph 10.3 (*Indemnity Payments*) of the Common Terms.

"**Indemnified Receivable**" means a Defaulted Lease Receivable or portion thereof which has been paid or is due to be paid by a third party other than the Lessee directly to the Purchaser.

"**Indemnity Reserve**" means the indemnity reserve of the Issuer held on the Issuer Account-C2 with the Issuer Account Bank in respect of Compartment 2 and for the purposes of Transaction 2, all monitored in separate ledgers as compiled by the Servicer.

"**Indemnity Reserve Trigger Event**" means if at any time:

(i)(x) the credit worthiness of BMW AG is no longer deemed to be commensurate with a long-term rating of A or a short-term rating of F1 by Fitch; or

(y) (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than A-2 by S&P or if BMW AG is not the subject of a S&P's short-term rating, the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of less than BBB+ by S&P or are no longer rated by S&P or any such rating has been withdrawn, or (b) S&P notifies the respective parties that BMW

Leasing GmbH is not deemed eligible any longer under the applicable rating criteria by S&P; or

(ii) BMW AG ceases to own, directly or indirectly, at least 100% of the share capital of the Seller, or a termination of the profit and loss transfer agreement between BMW AG and the Servicer occurs, for as long as identical with the Seller.

"Initial Cut-Off Date" means 31 January 2010.

"Initial Lease Balance" means with respect to any Lease Receivable, the initial outstanding balance of such Lease Receivable.

"Initial Lease Receivables" means the initial Lease Receivables to be purchased by the Issuer from the Seller on the Initial Purchase Date in accordance with the Lease Receivables Purchase Agreement.

"Initial Lease Receivables Purchase Agreement" means the Lease Receivables Purchase Agreement.

"Initial Notes Balance" means either the Class A Initial Notes Balance or the Class B Initial Notes Balance.

"Initial Purchase Date" means the Issue Date.

"Initial Purchase Price" means the Aggregate Discounted Lease Balance of the Lease Receivables contained in the Offer made in relation to the Lease Receivables Purchase Agreement as of the Initial Cut-Off Date (EUR 799,999,374.30).

"Initial Purchased Lease Receivables" means any Initial Lease Receivables purchased by the Issuer from the Seller on the Initial Purchase Date.

"Insolvency Event" means, with respect to the Issuer (where the context requires, in respect of its Compartment 2) or any Transaction 2 Party, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consents to, or acquiescence in, the official appointment of an insolvency receiver, custodian, trustee, liquidator or similar official for it or a substantial portion of its property; (iii) the initiation of any case, action or proceedings before any court or Governmental Authority against the Issuer or any Transaction 2 Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of the undertaking or assets of the Issuer or any Transaction 2 Party and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) initiation or consent to any case, action or proceedings in any court or Governmental Authority relating to the Issuer or any Transaction 2 Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws; (vi) an order is made against the Issuer or any Transaction 2 Party or an effective resolution is passed for its winding-up; and (vii) the Issuer or any Transaction 2 Party is deemed unable to pay its debts generally within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (provided that, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Issuer for the benefit of a trustee under the relevant security documents pertaining to a securitisation transaction of the Issuer shall not constitute an Insolvency Event in respect of the Issuer).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganisation, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors of a Person, or (b) any general assignment of assets for the benefit of creditors of a Person, composition, marshalling of assets for creditors of a Person, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors (which, for the avoidance of doubt, shall not include the distribution of the Issuer's cash in accordance with the Applicable Priority of Payments).

"Interest Amount" means the amount of interest payable by the Issuer on a Compartment 2 Note on a Payment Date accrued during the Interest Period relating to such Payment Date as further described in Condition 7.1(b).

"Interest Determination Agent" means BNP Paribas Securities Services, Luxemburg Branch.

"Interest Determination Date" means the second Business Day prior to the first day of the relevant Interest Period.

"Interest Period" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the previous Payment Date and ending on (but excluding) the relevant Payment Date, provided that the last Interest Period shall end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Compartment 2 Notes are redeemed in full.

"Interest Rate" means in respect of the Compartment 2 Notes the applicable rate of interest as more specifically described in Condition 7.3 (a).

"Interest Rate Swap" means an interest rate swap transaction between the Issuer and the Swap Counterparty governed by the Swap Agreement.

"International Central Securities Depository" or **"ICSD"** means either of Clearstream Luxembourg or Euroclear, and **"ICSDs"** means both Clearstream Luxembourg and Euroclear collectively.

"Investor Reporting Date" means the third Business Day prior to the respective Payment Date.

"ISIN" means the international securities identification number pursuant to the ISO – 6166 Standard.

"ISDA Calculation Agent" means, for the purpose of the Swap Agreement, the Calculation Agent defined in Section 4.14 of the 2006 ISDA Definitions.

"ISO" means the International Organisation for Standardisation.

"Issue Date" means the Closing Date.

"Issuer" means Bavarian Sky S.A., acting, unless the context requires otherwise, solely in respect of its Compartment 2.

"Issuer Account Bank" means BNP Paribas Securities Services, Luxembourg Branch.

"Issuer Account-C2" means the account held with the Issuer Account Bank in respect of the Compartment 2.

"Issuer Covenants" means the Issuer's covenants set out in Schedule 8 hereto.

"Issuer Event of Default" means in respect of the Compartment 2 Notes any of the following events:

- (a) subject to the availability of funds in accordance with the Applicable Priority of Payment, a default occurs in the payment of Interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of Principal on the Legal Final Maturity Date (and such default is not remedied within 2 Business Days of its occurrence) in respect of any of the Class A Compartment 2 Notes or the Class B Compartment 2 Notes (but not in respect of the Subordinated Loan Agreement);
- (b) the Issuer fails to perform or observe any of its other obligations under the Conditions or the Transaction 2 Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Compartment 2 Notes, the Class B Compartment 2 Notes, or any Transaction 2 Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer.

"Issuer-ICSDs Agreement" means the Issuer-ICSDs agreement between the Issuer and the ICSDs before any Notes in NGN form will be accepted by the ICSDs.

"Issuer Representations and Warranties" means the Issuer's representations and warranties set out in Schedule 7 hereto.

"Issuer Tax Event" means any of the following:

- (a) the Issuer is required by the laws of Luxembourg to withhold or deduct an amount in respect of any taxes from any payment of principal of, interest on, or any other amount payable in respect of the Notes (and such liability results in reduced payments under the Notes); or
- (b) the Issuer determines that income earned on any of the Issuer Account-C2 or any sum received or receivable by it pursuant to the Transaction 2 Documents is subject to deduction or withholding for or on account of any tax, duty, assessment or other governmental charge or is otherwise subject to taxation in Luxembourg or Germany, and the Issuer has not taken reasonable steps to mitigate the effects of such circumstances within a period of sixty (60) days, provided that the Issuer shall be under no obligation to take any such action if, in its reasonable opinion, it would thereby incur additional costs or expenses.

"Joint Bookrunners" means Société Générale, London Branch and WestLB AG.

"Joint Lead Managers" means Société Générale, London Branch and WestLB AG.

"Lease Agreement" means each contractual framework, based on the standard business terms (*Allgemeine Geschäftsbedingungen*) or otherwise, which governs the Seller's relationship with the respective Lessee(s) with regard to the Lease Receivables.

"Lease Agreement Identifier" means the lease agreement identification number as allocated to the relevant Purchased Lease Receivable by the Servicer in the Portfolio Management System.

"Lease Collateral" means (i) title to the Leased Vehicles, (ii) insurance proceeds in respect of the Leased Vehicles pertaining to the Purchase Lease Receivables administered by the Seller in accordance with its Credit and Collection Policy, (iii) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (iv) any other security interests related to the Purchased Lease Receivables under the Lease Agreements.

"Lease Identification Information" includes, with respect to a Purchased Lease Receivable, the Lease Agreement Identifier and the Lessee Identifier.

"Lease Instalment" means any lease instalment due and payable by the Lessee in the future, but excluding any portion relating to VAT, relating to residual values or relating to the provision of services, under a Lease Agreement.

"Lease Name and Contract Information" includes, with respect to a Purchased Lease Receivable, the name of the Lessee(s) and copies, in electronic form, of the relevant Lease Agreements and legal documents in respect of the relevant Lease Collateral.

"Lease Receivable" means the sum of the outstanding Lease Instalments arising from the relevant Lease Agreement (excluding any portion relating to VAT, relating to residual values or relating to the provision of services).

"Lease Receivables Purchase Agreement" means the lease receivables purchase agreement between the Seller, the Issuer and the Trustee dated the Signing Date including, where applicable, any Additional Lease Receivables Purchase Agreement.

"Lease Receivables Representation and Warranties of the Seller" means the representation and warranties set out in Schedule 3, Part 3 hereto.

"Leased Vehicle" means any passenger car or light commercial vehicle financed under a Lease Agreement.

"**Legal Final Maturity Date**" means the Payment Date falling in January 2018.

"**Lessee**" means, in respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased one or more vehicles on the terms of the relevant Lease Agreement(s).

"**Lessee Identifier**" means the lessee identification number allocated to the relevant Lessee by the Servicer.

"**Lessee Notification**" means such notification in substantially the same form as the one set out in Appendix 5 to the Lease Receivables Purchase Agreement.

"**Lessee Notification Event**" means any of the following:

- (a) an Insolvency Event has occurred with respect to the Seller or the Servicer;
- (b) a Servicer Termination Event occurs or the appointment of the Servicer is terminated pursuant to the Servicing Agreement;
- (c) the Seller or the Servicer fails to make any payment or deposit required by the terms of the relevant Transaction 2 Document within five (5) Business Days from the date such payment or deposit is required to be made;
- (d) the Seller or the Servicer fails to perform any of its material obligations under the Lease Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee; or
- (e) any representation or warranty in the Lease Receivables Purchase Agreement or in any other report provided by the Seller or the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"**Lessee Notification Event Notice**" means in respect of a Purchased Lease Receivable a notice sent to the relevant Lessees stating that such Purchased Lease Receivable and title for security purposes (*Sicherungseigentum*) to the Leased Vehicle have been assigned by the Seller to the Issuer pursuant to the Lease Receivables Purchase Agreement and instructing the Lessees to make payments to the Issuer Account-C2 or any other account compliant with the Transaction 2 Document.

"**Liabilities**" means, in respect of any Person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever, including reasonable legal fees and any Taxes and penalties incurred by that person, together with any VAT charged or chargeable in respect of any of the sums referred to in this definition.

"**Loss**" means, in respect of any Person, any loss, liability, cost, expense, claim, action, suit, judgment, and out-of-pocket costs and expenses (including, without limitation, fees and expenses of any professional adviser to such Person) which such Person may have incurred or which may be made against such Person and any reasonable costs of investigation and defence.

"**Luxembourg**" means the Grand Duchy of Luxembourg.

"**Luxembourg Securitisation Law**" means the Luxembourg law on securitisation of 22 March 2004.

"**Luxembourg Stock Exchange**" means société de la bourse de Luxembourg.

"**Luxembourg Transaction 2 Document**" means the Corporate Administration Agreement which is governed by, and shall be construed in accordance with, the laws of Luxembourg.

"**Managers**" means Commerzbank Aktiengesellschaft and Skandinaviska Enskilda Banken AB (publ).

"**MAR**" means the Market Conduct Sourcebook in the FSA's Handbook of rules and guidance.

"**Master Definitions Schedule**" means this Schedule 1 of this Incorporated Terms Memorandum.

"**Material Adverse Effect**" means in relation to any Person, any effect that results in, or could reasonably be expected to result in, the Insolvency Event of that Person or otherwise hinders or could reasonably be expected to hinder not only temporarily, the performance of that Person's obligations under any of the Transaction 2 Documents as and when due.

"**Member State**" means, as the context may require, a member state of the European Union or of the European Economic Area.

"**Monthly Period**" means, with respect to the first Monthly Period, the period commencing on (but excluding) the Initial Cut-Off Date and ending on (and including) the last day of February 2010 and with respect to each following Monthly Period each calendar month thereafter.

"**Monthly Investor Report**" means the report which contains key information the investor needs to analyse the development of the Purchased Lease Receivables, for instance defaults, delinquencies and performance, and which is made available by the Calculation Agent no later than the Investor Report Date.

"**Monthly Report**" means the report which contains key information the Calculation Agent needs to perform its calculations and which is sent each month by the Servicer to the Calculation Agent no later than six (6) Business Days following the respective Cut-Off Date.

"**New Global Note**" or "**NGN**" means a global note which refers to the books and records of the ICSDs to determine the total remaining indebtedness of the Issuer as determined from time to time.

"**New Issuer**" means any Person which successors the Issuer pursuant to Condition 13(b).

"**New Secured Party**" means any Person which accedes to the Trust Agreement as a Secured Party pursuant to a Form of Accession.

"**Noteholders**" means the Compartment 2 Noteholders.

"**Notes**" means the Compartment 2 Notes.

"**Notice**" means any notice, notification, confirmation, request, approval, consent or other communication given or delivered by one Transaction 2 Party to one or more other Transaction 2 Parties under or in connection with any Transaction 2 Document.

"**Notice Details**" means the provisions set out in Schedule 10 (*Notice Details*) to this Incorporated Terms Memorandum.

"**Obtained Consent**" means in respect of any Transaction 2 Document and a particular Transaction 2 Party a consent such Transaction 2 Party has obtained from any Governmental Authority in respect of Transaction 2 or any relevant Transaction 2 Document.

"**Offer**" means an offer in written or electronic form meeting the requirements set out in the Lease Receivables Purchase Agreement. For the avoidance of doubt, the parties hereto intend to have one offer covered by the Lease Receivables Purchase Agreement and additional offers covered by the Additional Lease Receivables Purchase Agreement during the Revolving Period. Any Offer delivered pursuant to the Lease Receivables Purchase Agreement or an Additional Lease Receivables Purchase Agreement (as applicable) shall contain:

- (a) the Aggregate Discounted Lease Balance (as of the relevant Cut-Off Date) of the Lease Receivables offered; and
- (b) a file containing the Anonymised Portfolio Information on a CD-Rom, consisting of the data listed in Appendix 7 of the Lease Receivables Purchase Agreement.

"**Offer Date**" means any third Business Days preceding any Payment Date falling within the Revolving Period.

"Offering Circular" means the prospectus dated on or about the Issue Date prepared in connection with the issue by the Issuer of the Compartment 2 Notes.

"1-Month-EURIBOR" means the EURIBOR for one month.

"Other Security Document" means any Security Document other than the Trust Agreement.

"Outstanding Notes Balance" means in respect of any Compartment 2 Note as of any Payment Date the Initial Notes Balance as reduced by the aggregate of payments of principal made in accordance with the Applicable Priority of Payments prior to such Payment Date on such Compartment 2 Note.

"Outstanding Lease Receivables" means a Purchased Lease Receivable that is neither a Defaulted Lease Receivable, nor a Purchased Lease Receivable being fully repaid.

"Paying Agent" means BNP Paribas Securities Services, Luxembourg Branch.

"Paying Transaction 2 Party" means where any Transaction 2 Party is under an obligation created by a Transaction 2 Document to make a payment to another Transaction 2 Party the Transaction 2 Party who is to make such payment.

"Payment Date" means (in respect of the first Payment Date) 15 March 2010 and thereafter the 15th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period shall be a reference to the Payment Date falling within the calendar month following such Monthly Period.

"Permanent Global Notes" means in respect of each Class of Compartment 2 Notes the permanent global bearer notes without coupons or talons attached representing each such Class as more specifically described in Condition 2(b).

"Permitted Encumbrance" means any Encumbrance permitted to be created under the Transaction 2 Documents or any other of the Issuer's Compartments.

"Person" means an individual, partnership, corporation (including a business trust), unincorporated association, trust, joint stock company, limited liability company, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.

"Portfolio Information" means a file of information sent by the Seller to the Data Trustee, including the names and addresses of the Lessees relating to the Anonymised Portfolio Information allowing the Data Trustee, in the circumstances specified in the Data Trust Agreement, to decrypt the Anonymised Portfolio Information. Such file is (to be) updated monthly (after each Monthly Period) by the Servicer as specified in the Servicing Agreement.

"Portfolio Management System" means the portfolio management system of the Servicer and any of the Servicer's successor system thereof or the system of a successor Servicer.

"Post-Enforcement Priority of Payments" means the priority of payments set out in Schedule II of the Trust Agreement.

"Pre-Enforcement Priority of Payments" means the priority of payments set out in Schedule I of the Trust Agreement.

"Preliminary Offering Circular" means the Offering Circular issued by the Issuer in preliminary form dated on or about 13 January 2010.

"Principal Amount" means the amount of principal payable by the Issuer on a Compartment 2 Note on a Payment Date.

"Proceedings" means any legal proceedings relating to a dispute arising out of or in connection with any Transaction 2 Document (including a dispute regarding the existence, validity or termination of any Transaction 2 Document or the consequences of its nullity).

"Pro Rata Residual Value Share" means a rate calculated as (i) the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate divided by (ii) the sum of the present value of the relevant Purchased

Lease Receivable outstanding using the Discount Rate plus the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate.

"Pro Rata Share" means a rate calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate divided by (ii) the sum of the present value of the relevant Purchased Lease Receivable outstanding using the Discount Rate plus the present value of the agreed residual value of the relevant Leased Vehicle using the Discount Rate.

"Prospectus Directive" means Directive 2003/71/EC and includes, where the context requires, Commission Regulation (EC) No. 809/2004 and any relevant implementing measure in each relevant Member State of the European Economic Area.

"Public Offer" means an "offer of securities to the public" as described in Article 2(1)(d) of the Prospectus Directive.

"Purchase" means the acquisition of a Lease Receivable pursuant to the Offer.

"Purchase Date" means the Initial Purchase Date and/or the Additional Purchase Date.

"Purchased Lease Receivables" means the Initial Purchased Lease Receivables and the Additional Purchased Lease Receivables collectively.

"Purchaser" means the Issuer in its capacity as purchaser of the Purchased Lease Receivables secured by the Lease Collateral.

"Rating Agencies" means Fitch and S&P.

"Receiver" means any Person or Persons appointed (and any additional Person or Persons appointed or their relevant successors) as administrative receiver, receiver, manager, or receiver and manager of all or any of the Charged Assets by the Trustee hereunder or otherwise.

"Receiving Transaction 2 Party" means, where any Transaction 2 Party is under an obligation created by a Transaction 2 Document to make payment to another Transaction 2 Party, the Transaction 2 Party which is to receive such payment.

"Records" means, in respect of any Purchased Lease Receivable, all Lease Agreements, invoices, receipts, correspondence, notes of dealings and other documents, books, books of account, registers, records and other information (especially computerised data, tapes, discs, punch cards, data processing software and related property and rights) maintained (and recreated in the event of destruction of the originals thereof) with respect to such Purchased Lease Receivable and the related Lessee to the extent relevant for the collection or servicing of the Purchased Lease Receivables.

"Recoveries" means all amounts received in respect of, or in connection with, any Purchased Lease Receivable by the Servicer after the date such Purchased Lease Receivable became a Defaulted Lease Receivable (provided that such Defaulted Lease Receivable has not been totally written off) including, for the avoidance of doubt, Lease Instalments, damages, reminder fees, past due interest and any other payment, by or for the account of the relevant Lessee minus all out-of-pocket expenses paid to third parties and incurred by the Servicer in connection with the collection of Defaulted Lease Receivables or the enforcement of the related Lease Collateral.

"Reference Banks" means four major banks in the Euro-zone inter-bank market selected by the Paying Agent from time to time.

"Regulatory Direction" means, in relation to any Person, a direction or requirement of any Governmental Authority with whose directions or requirements such Person is accustomed to comply, provided that such a direction or requirement does not contravene any Requirement of Law.

"Release Condition" means the earlier of (i) the full and final fulfillment of the obligations secured pursuant to Clause 2.10 of the Lease Receivables Purchase Agreement; (ii) the full and final payment of the relevant Purchased Lease Receivables or (iii) the termination of the relevant Lease Agreement as set out in Clause 2.6 of the Lease Receivables Purchase Agreement.

"Relevant German Transaction 2 Document" means in respect of a Transaction 2 Party each German Transaction 2 Document such Transaction 2 Party is to enter into or has entered into.

"Relevant German Transaction 2 Party" means in respect of a German Transaction 2 Document each Transaction 2 Party that is to enter into or has entered into such German Transaction 2 Document.

"Relevant Transaction 2 Document" means in respect of a Transaction 2 Party each German Transaction 2 Document, English Transaction 2 Document and Luxembourg Transaction 2 Documents such Transaction 2 Party is to enter into or has entered into.

"Relevant Transaction 2 Party" means in respect of a Relevant Transaction 2 Document each Transaction 2 Party that is to enter into or has entered into such Relevant Transaction 2 Document.

"Replenishment Available Amount" means, as of any Payment Date, the amount by which the Aggregate Outstanding Notes Balance exceeds the Aggregate Discounted Lease Balance as of the Cut-Off Date immediately preceding such Payment Date.

"Replenishment Fund" means the cash of the Issuer held for replenishment purposes on the Issuer Account-C2 with the Issuer Account Bank in respect of Compartment 2 and for the purposes of Transaction 2 during the Revolving Period, all monitored in separate ledgers as compiled by the Servicer.

"Reporting Date" means the sixth Business Day after the relevant Cut-Off Date.

"Required Cash Reserve" means (i) the lower of (x) 4.25% of the sum of (a) the Class A Initial Notes Balance and (b) the Class B Initial Notes Balance, and (y) the Aggregate Outstanding Notes Balance or (ii) zero after the Aggregate Discounted Lease Balance has been reduced to zero.

"Required Commingling Reserve" means the Required Commingling Reserve 1 and the Required Commingling Reserve 2 collectively.

"Required Commingling Reserve 1" means as of any Payment Date the sum of the Collections (for the avoidance of doubt, including prepayments) received by the Servicer under the Purchased Lease Receivables during the immediately preceding two Monthly Periods.

"Required Commingling Reserve 2" means as of any Payment Date the sum of the Collections (for the avoidance of doubt, including prepayments) received by the Servicer under the Purchased Lease Receivables during the immediately preceding Monthly Period.

"Required Indemnity Reserve" means an initial amount of EUR 4,500,000.

"Requirement of Law" in respect of any Person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or Governmental Authority.

"Revolving Period" means the period commencing on the Issue Date and ending on but excluding the earlier of (i) the Payment Date falling in March 2011 and (ii) the Payment Date before which an Early Amortisation Event has occurred.

"S&P" means Standard & Poor's Rating Services, Inc., a division of the McGraw Hill Companies, or any successor to its rating business.

"S&P Swap Requirements" are satisfied by (x) an entity, if such entity is the subject of an S&P's short-term rating, whose short-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A-1 (or its equivalent) by S&P

or (y) if such entity is not the subject of an S&P's short-term rating, whose long-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A+ (or its equivalent) by S&P.

"**Savings Directive**" means Council Directive 2003/48/EC regarding the taxation of savings income, adopted by the Council of the European Union on 3 June 2003.

"**Secrecy Rules**" means, collectively, the rules of German banking secrecy (*Bankgeheimnis*), the provisions of the Federal Data Protection Act (*Bundesdatenschutzgesetz*), as such rules are binding the Relevant German Transaction 2 Party with respect to the Purchased Lease Receivables and the Lease Collateral from time to time.

"**Secured Obligations**" means all duties and liabilities (present and future, actual and contingent) of the Issuer which the Issuer has covenanted with the Trustee to pay to the Compartment 2 Noteholders and the other Secured Parties pursuant to Clause 5.1(a) and (b) of the Trust Agreement.

"**Secured Parties**" means the Compartment 2 Noteholders, the Trustee, the Seller, the Servicer (if different from the Seller), the Subordinated Lender, the Joint Lead Managers, the Managers, the Swap Counterparty, the Paying Agent, the Luxembourg Paying Agent, the Calculation Agent, the Issuer Account Bank, the Data Trustee and the Corporate Administrator.

"**Securities Act**" means the U.S. Securities Act of 1933 as amended from time to time.

"**Security Documents**" means the Trust Agreement and the Deed of Charge and Assignment.

"**Security Period**" means the period beginning on the date of the Trust Agreement and ending on the date on which the Trustee is satisfied that all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full.

"**Seller**" means BMW Leasing GmbH, a wholly-owned subsidiary of BMW AG.

"**Seller Account**" means the Seller's account set out in Schedule 11 hereto.

"**Seller Covenants**" means the Seller's covenants set out in Schedule 4 hereto.

"**Seller Representations and Warranties**" means the Seller's representations and warranties set out in Schedule 3 hereto.

"**Seller Tax Event**" means the Seller or the Servicer is required by the laws of Germany to withhold or deduct an amount in respect of any taxes from any amount payable by it to the Issuer under the Lease Receivables Purchase Agreement or the Servicing Agreement, and the Seller or the Servicer has not taken reasonable steps to mitigate the effects of such circumstances within a period of sixty (60) days, and such circumstances are subsisting.

"**Seller Warranties**" means the warranties given by the Seller in respect of the Purchased Lease Receivables set out in the Appendix 2 to Schedule 3, Part 3 of this Incorporated Terms Memorandum and being relevant as of the relevant Purchase Date.

"**Servicer**" means BMW Leasing GmbH, unless the engagement of BMW Leasing GmbH as servicer of the Issuer in respect of Compartment 2 of the Issuer is terminated following the occurrence of a Servicer Termination Events in which case the Servicer shall mean the successor Servicer (if any).

"**Servicer Covenants**" means the Servicer's covenants set out in Schedule 6 hereto.

"**Servicer Representations and Warranties**" means the Servicer's representations and warranties set out in Schedule 5 hereto.

"**Servicer Shortfall**" means a shortfall in respect of on-payments of Collections due and payable by the Servicer to the Issuer pursuant to the terms of the Servicing Agreement.

"**Servicer Termination Event**" means:

- (a) an Insolvency Event has occurred with respect to the Seller or the Servicer;
- (b) the Seller or the Servicer fails to make any payment or deposit required by the terms of the Relevant Transaction 2 Document within five (5) Business Days of the date such payment or deposit is required to be made;
- (c) the Seller or the Servicer fails to perform any of its material obligations under the Lease Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee; and
- (d) any representation or warranty in the Lease Receivables Purchase Agreement or in the Servicing Agreement or in any report provided by the Seller or the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"**Services**" means the services to be provided by the Servicer as set out in Clause 3 (*The Services*) of the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement between the Servicer, the Issuer and the Trustee dated the Signing Date.

"**Servicing Fee**" means, for any Monthly Period, a rate calculated as:

$(1\% \times \text{the Aggregate Discounted Lease Balance at the beginning of the respective Monthly Period}) \div 12$

"**Signing Date**" means 5 February 2010.

"**Stabilising Manager**" means WestLB AG.

"**Stock Exchange**" means the Luxembourg Stock Exchange or any other stock exchange on which the Compartment 2 Notes are listed, from time to time.

"**Subordinated Lender**" means BMW Finance N.V.

"**Subordinated Loan**" means the EUR 34,000,000 loan received (or to be received at the latest on the Issue Date) by the Issuer under the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into by the Issuer (in respect of Compartment 2), the Subordinated Lender and the Trustee under which the Subordinated Lender will advance at the latest on the Issue Date (or has advanced) the Subordinated Loan to the Issuer.

"**Subscription Agreement**" means the subscription agreement between the Issuer in respect of Compartment 2, the Seller, the Joint Lead Managers, the Managers and the Trustee dated on or before the Closing Date.

"**Subsidiary**" means a corporation in relation to another corporation, if (x) the other corporation (aa) controls the composition of the board of directors of the first-mentioned corporation; (bb) controls more than half of the voting power of the first-mentioned corporation; (cc) holds more than half of the issued share capital of the first-mentioned corporation (excluding any part thereof which consists of preference shares); or (dd) possesses, directly or indirectly the power to direct or cause the direction of the management and policies of the first-mentioned corporation, whether through the ownership or voting of securities, by contract or otherwise; or, (y) the first-mentioned corporation is a Subsidiary of any corporation which is that other corporation's Subsidiary. For this purpose, the composition of a corporation's board of directors, *inter alia*, shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can directly or indirectly appoint or influence the appointment of or remove all or a majority of the directors, and for the purposes of this provision that other corporation shall be deemed to have power to make such an appointment if a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power or a person's appointment as a director follows necessarily from his being a director or other office of that other corporation.

"Swap Agreement" means the Swap Agreement dated and executed on or about the Closing Date between the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating compliant Schedule (including the related Credit Support Annex) and Confirmation.

"Swap Counterparty" means Commerzbank Aktiengesellschaft.

"Swap Fixed Interest Rate" means 1.41%. p.a..

"Swap Floating Interest Rate" means, with respect to each Payment Date, EURIBOR determined by the Interest Determination Agent (analogously to its determination of EURIBOR for the purposes of the Compartment 2 Notes for such Payment Date) two (2) Business Days before the inception of the Interest Period ending on such Payment Date.

"Swap Incoming Cashflow" means on any Payment Date, the product of:

- (a) the Swap Floating Interest Rate; and
- (b) the Swap Notional Amount; and
- (c) the actual number of calendar days of the Interest Period ending on such Payment Date divided by 360,

payable by the Swap Counterparty to the Issuer under the Swap Agreement.

"Swap Net Cashflow" means the amount equal, on any Payment Date, to (i) the Swap Incoming Cashflow, minus (ii) the Swap Outgoing Cashflow.

"Swap Notional Amount" means the aggregate Outstanding Notes Balance on the immediately preceding Payment Date.

"Swap Outgoing Cashflow" means on any Payment Date, the product of:

- (a) the Swap Fixed Interest Rate; and
- (b) the Swap Notional Amount; and
- (c) the number of calendar days to be calculated on the basis of a year of 360 days with twelve thirty-day months

payable by the Issuer to the Swap Counterparty under the Swap Agreement.

"Swap Termination Date" means the earlier of (i) the Legal Final Maturity Date and (ii) the Final Discharge Date.

"TARGET2" means the second generation of the Trans-European Automated Real-time Cross-Settlement Express Transfer System and was launched on 19 November 2007 by the European Central Bank.

"TARGET2 Settlement Day" means a day on which TARGET2 is operating.

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in Germany or Luxembourg and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly.

"Tax Authority" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world.

"Tax Credit" means any credit received by a Transaction 2 Party from a Tax Authority in respect of any Tax paid by such Transaction 2 Party.

"Tax Deduction" means any deduction or withholding on account of Tax.

"Tax Payment" means any payment for or on account of Tax.

"Tax Residents" means persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany.

"Temporary Global Note" means in respect of each Class of Notes the temporary global bearer note without coupons or talons attached as more specifically described in Condition 2 (b).

"Terminated Lease Receivable" means as of any Cut-Off Date, the Aggregate Discounted Lease Balance of all Purchased Lease Receivables arising under the relevant terminated Lease Agreements, provided that such Purchased Lease Receivables are not Defaulted Lease Receivables.

"Total Collections" means, on each Payment Date, the Collections, including, for the avoidance of doubt, amounts treated as Collections.

"Total Initial Notes Balance" means the aggregation of the Class A Initial Notes Balance and the Class B Initial Notes Balance on the Issue Date.

"Transaction 2" has the meaning given to such term in the Offering Circular dated 5 February 2010 relating to the issue of the Compartment 2 Notes by the Issuer in respect of its Compartment 2.

"Transaction 2 Debt" means any and all debts, indebtedness, liabilities and obligations incurred by the Issuer in respect of the Transaction 2.

"Transaction 2 Documents" means the German Transaction 2 Documents, the Issuer-ICSDs Agreement, the English Transaction 2 Documents and the Luxembourg Transaction 2 Documents collectively.

"Transaction 2 Party" means any Person who is a party to a Transaction 2 Document and **"Transaction 2 Parties"** means some or all of them.

"Trust Agreement" means the trust agreement entered into by, *inter alios*, the Issuer in respect of the Transaction and the Trustee.

"Trustee" means BNP Paribas Trust Corporation UK Limited.

"Trustee Claim" has the meaning assigned thereto in Clause 6.1 of the Trust Agreement.

"Trust Property" has the meaning assigned thereto in Clause 7.1 of the Trust Agreement.

"UK" or **"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland.

"United States" means, for the purpose of the Transaction, the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

"USD" means the lawful currency of the United States.

"VAT" means value added tax and any other tax of a similar fiscal nature (instead of or in addition to value added tax) whether imposed in Germany or elsewhere.

"VAT Receiving Transaction 2 Party" means the Transaction 2 Party to whom the supply referred to in Paragraph 22 (*Value Added Tax*) of the Common Terms is made.

"VAT Supplying Transaction 2 Party" means the Transaction 2 Party making the supply referred to in Paragraph 22 (*Value Added Tax*) of the Common Terms.

"2006 ISDA Definitions" means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.

2. PRINCIPLES OF INTERPRETATION AND CONSTRUCTION

2.1. Knowledge

- 2.1.1 References in any Transaction 2 Document to the expressions "so far as the Seller is aware" or "to the best of the knowledge, information and belief of the Seller" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Seller.
- 2.1.2 References in any Transaction 2 Document to the expressions "so far as the Servicer is aware" or "to the best of the knowledge, information and belief of the Servicer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Servicer.
- 2.1.3 References in any Transaction 2 Document to the expressions "so far as the Issuer is aware" or "to the best of the knowledge, information and belief of the Issuer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of directors of the Issuer.
- 2.1.4 References in any Transaction 2 Document to the expressions "so far as the Trustee is aware" or "to the best of the knowledge, information and belief of the Trustee" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Trustee.

2.2. Interpretation

In any Transaction 2 Document, the following shall apply:

- 2.2.1 a document being in an "*agreed form*" means that the form of the document in question has been signed off or agreed by each of the proposed parties thereto;
- 2.2.2 any reference to an "*agreement*", "*deed*" or "*document*" shall be construed as a reference to such agreement, deed or document as the same may from time to time be amended, varied, novated, supplemented, replaced or otherwise modified;
- 2.2.3 in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "*from and including*" and the words "*to*" and "*until*" each mean "*to but excluding*".
- 2.2.4 "*novation*" shall, for the purposes of the German Transaction 2 Documents, be construed as *Parteiwechsel*. "To novate" shall be interpreted accordingly;
- 2.2.5 "*periods*" of days shall be counted in calendar days unless Business Days are expressly prescribed;
- 2.2.6 any reference to any "*Person*" appearing in any of the Transaction 2 Documents shall include its successors and permitted assigns;
- 2.2.7 a reference to any person defined as a "*Transaction 2 Party*" or in any Transaction 2 Document or in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;
- 2.2.8 unless specified otherwise, "*promptly*", "*immediately*", "*forthwith*" or any similar expression used in a German Transaction 2 Document shall mean without undue delay (*ohne schuldhaftes Zögern*); and
- 2.2.9 a "*successor*" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction 2 Document or to which, under such laws, such rights and obligations have been transferred.

2.3. Statutes and Treaties

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.4. Time

Any reference in any Transaction 2 Document to a time of day shall, unless a contrary indication appears, be a reference to Central European time.

2.5. Schedules

Any Schedule of, or Appendix or Annex to, a Transaction 2 Document forms part of such Transaction 2 Document and shall have the same force and effect as if the provisions of such Schedule, Appendix or Annex were set out in the body of such Transaction 2 Document. Any reference to a Transaction 2 Document shall include any such Schedule, Appendix or Annex.

2.6. Headings

Section, Part, Schedule, Paragraph and Clause headings are for ease of reference only. They do not form part of any Transaction 2 Document and shall not affect such Transaction 2 Document's construction or interpretation.

2.7. Sections

Except as otherwise specified in a Transaction 2 Document, any reference in a Transaction 2 Document to:

2.7.1 a "*Section*" shall be construed as a reference to a Section of such Transaction 2 Document;

2.7.2 a "*Part*" shall be construed as a reference to a Part of such Transaction 2 Document;

2.7.3 a "*Schedule*", an "*Appendix*" or an "*Annex*" shall be construed as a reference to a Schedule, Appendix or Annex of such Transaction 2 Document;

2.7.4 a "*Clause*" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction 2 Document; and

2.7.5 "*this Agreement*" shall be construed as a reference to such Transaction 2 Document together with any Schedules, Appendices or Annexes thereto.

2.8. **Number**

In any Transaction 2 Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

REGISTERED OFFICE OF THE ISSUER
Bavarian Sky S.A., acting in respect of its Compartment 2
7 Val Ste Croix
L-1371 Luxembourg
Luxembourg

THE SELLER and THE SERVICER
BMW Leasing GmbH
Heidemannstrasse 164
80939 Munich
Germany

THE JOINT LEAD MANAGERS
WestLB AG
Herzogstrasse 15
40217 Düsseldorf
Germany

Société Générale, London Branch
SG House
41 Tower Hill
London EC 3N 4SG
United Kingdom

THE TRUSTEE
BNP Paribas Trust Corporation UK Limited
55 Moorgate
London EC2R 6PA
United Kingdom

THE DATA TRUSTEE
BMW Bank GmbH
Heidemannstrasse 164
80939 Munich
Germany

THE CALCULATION AGENT
WestLB AG
Herzogstrasse 15
40217 Düsseldorf
Germany

THE INTEREST DETERMINATION AGENT, THE PAYING AGENT
and THE ISSUER ACCOUNT BANK
BNP Paribas Securities Services, Luxembourg Branch
33, Rue de Gasperich
Howald-Hesperange
L-2085 Luxembourg

AUDITORS TO THE ISSUER

KPMG Audit S.à r.l
Société à Responsabilité Limitée
31, allée Scheffer
L-2520 Luxembourg

LEGAL ADVISERS

Transaction Counsel

Baker & McKenzie
Partnerschaft von Rechtsanwälten,
Wirtschaftsprüfern, Steuerberatern und Solicitors
Bethmannstrasse 50-54
60311 Frankfurt am Main
Germany

as to Luxembourg law

Bonn Schmitt Steichen
44, rue de la Vallée
L-2661 Luxembourg
Luxembourg

as to English law

Baker & McKenzie LLP
100 New Bridge Street
London EC4A 6JA
United Kingdom