

**LLOYDS BANK**  
**CORPORATE MARKETS**



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## IMPORTANT NOTICE

**IMPORTANT: You must read the following before continuing.** The following applies to the Prospectus attached to this electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This Prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this prospectus to any other person. By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) if you are in the United States, you are a “qualified institutional buyer” as defined in Rule 144A under the Securities Act who is also a “qualified purchaser” as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer nor Lloyds TSB Bank plc nor any person who controls any of them, nor any director, officer, employee or agent of the Issuer or Lloyds TSB Bank plc nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or Lloyds TSB Bank plc.

# Gable Funding plc

(incorporated in England and Wales with limited liability under Registered Number 7418421)

Notes	Initial Principal Amount Outstanding	Issue Price	Rate of Interest	Final Maturity Date	Ratings (S&P/Fitch)
Class A1a	£200,000,000	100%	1.75% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class A1b	£200,000,000	100%	1.75% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class A2a	£225,000,000	100%	1.85% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class A2b	£225,000,000	100%	1.85% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class A3a	£150,000,000	100%	0.1% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class A3b	£150,000,000	100%	0.1% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	AAA(sf)/AAAsf
Class B	£170,000,000	100%	0.1% margin above three-month Sterling LIBOR	Interest Payment Date falling in March 2041	A(sf)/Asf
Class S	£274,000,000	100%	Variable	Interest Payment Date falling in March 2041	Unrated

**Closing Date** Gable Funding plc (the “**Issuer**” or “**Issuer Beneficiary**”) will issue the Notes in the classes set out above on or about 20 April 2011 (the “**Closing Date**”).

**Underlying Assets** The Issuer will make payments on the Notes from, among other things, a portfolio comprising UK PFI project finance loans originally originated and/or acquired by Lloyds TSB Bank plc (“**Lloyds**”) and Bank of Scotland plc (“**BoS**” and, together with Lloyds, the “**Originators**”) and secured, among other things, over infrastructure projects or assets located in England, Wales and Scotland (the “**Portfolio**” or the “**Loans**” and each, a “**Loan**”) in which the Issuer will acquire a beneficial interest under a trust on the Closing Date (see the section entitled “*The Portfolio*” for more information on the Loans).

**Credit Enhancement and Other Key Features**

- General Reserve in an amount of £70,000,000 on the Closing Date.
- Subordination of more junior-ranking Notes.
- Interest on the Class A Notes will be partly paid from drawings from the Yield Reserve on each Interest Payment Date up to (and including) the Yield Reserve Release Date. The Yield Reserve is sized to cover a proportion of interest due on the Class A1 Notes and Class A2 Notes.

See the sections entitled “*Transaction Summary — Credit Structure and Cashflow*” and “*Key Structural Features — Credit Enhancement, Liquidity Support and other Key Features*” for more information.

**Liquidity Support** General Reserve in an amount of £70,000,000 on the Closing Date which can be used to meet revenue shortfalls.

See the sections entitled “*Transaction Summary — Credit Structure and Cashflow*” and “*Key Structural Features — Credit Enhancement, Liquidity Support and other Key Features*” for more information.

**Redemption Provisions** Information on any optional and mandatory redemption of the Notes is summarised in the section entitled “*Summary of the Terms and Conditions of the Notes*” and set out in full in Condition 7 (*Redemption*).

**Class A2 Put Option** Information on the mandatory purchase of the Class A2 Notes on the Class A2 Transfer Date by Lloyds as purchaser (the “**Put Option Purchaser**”) at the option of the holders of the Class A2 Notes is summarised in the section entitled “*Summary of the Terms and Conditions of the Notes*” and set out in full in Condition 8 (*Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders*).

**Rating Agencies** Unless stated otherwise, credit ratings included or referred to in this Prospectus have been issued by Standard & Poor’s Ratings Services, a division of Standard & Poor’s Credit Market Services Europe Ltd. (“**S&P**”) and Fitch Ratings Limited (“**Fitch**” and together with S&P, the “**Rating Agencies**”), each

of which is established in the European Union and has applied to be registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”), although the result of such applications has not been determined.

**Ratings**

Ratings are expected to be assigned to the Class A Notes and the Class B Notes (the “**Rated Notes**”) as set out above on or before the Closing Date.

The ratings assigned to the Rated Notes by Fitch and S&P address (i) the likelihood of full and timely payment of interest due on each Interest Payment Date to the holders of the Class A Notes, (ii) the likelihood of ultimate payment of interest to the holders of the Class B Notes and (iii) the likelihood of ultimate payment of principal to the holders of the Rated Notes on a date that is not later than the Final Maturity Date.

The ratings assigned to the Rated Notes reflect the views of the Rating Agencies and are based on the Loans and their Related Security subject to the Assets Trust and the structural features of the transaction, including, among other things, the ratings of the Swap Counterparties.

**The assignment of ratings to the Rated Notes is not a recommendation to invest in the Rated Notes. Any credit rating assigned to the Rated Notes may be revised or withdrawn at any time.**

**Listing**

This document comprises a prospectus (the “**Prospectus**”) for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”). The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Rated Notes to be admitted to the Official List (the “**Official List**”) and trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). Such approval relates only to the Rated Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

There can be no assurance that any such listing will be obtained or, if obtained, maintained.

**Obligations**

The Notes will be obligations of the Issuer alone and will not be the obligations of, guaranteed by or be the responsibility of, any other entity. The Notes will not be obligations of Lloyds or BoS, their Affiliates or any other party named in the Prospectus, other than the Issuer.

**Retention Undertaking**

Lloyds will retain a material net economic interest of at least 5% in the securitisation in accordance with Article 122(a) (“**Article 122a**”) of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (which does not take into account any implementing rules thereof in a relevant jurisdiction), referred to as the Capital Requirements Directive. As at the Closing Date, such interest will be comprised of an interest in not less than 5% of the Principal Amount Outstanding of each of the Class A1 Notes, Class A2 Notes, Class A3 Notes, Class B Notes and Class S Notes. Any change to this manner in which this interest is held will be notified to investors. Please refer to the section entitled “*Article 122a of the Capital Requirements Directive*” for further information.

**Definitions**

Please refer to the section entitled “*Glossary of Defined Terms*” for definitions of defined terms.

**THE “RISK FACTORS” SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.**

The date of this Prospectus is 15 April 2011

Arranger



Lead Manager



## Important Information

### FOR A DISCUSSION OF CERTAIN RISK FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES, SEE “RISK FACTORS”.

The Issuer accepts responsibility for the information contained in this Prospectus (save for the information contained in the sections of this Prospectus headed “*The Portfolio*”, “*Loan Origination and Servicing*”, “*Lloyds Banking Group*”, “*The Note Trustee, The Principal Paying Agent and The Registrar*”, “*Article 122a of the Capital Requirements Directive*” and “*Yield Reserve Account Bank*”. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Originators, the Assets Trustees, the Account Banks, the Yield Reserve Account Bank, the Collection Account Banks, the Swap Counterparties, the Servicers, the Cash Manager, the Agent Bank, the Put Option Purchaser, the Security Trustee, the Note Trustee, the Principal Paying Agent, the Registrar and the Transfer Agent (together the “**Responsible Transaction Parties**”) accepts responsibility for the information contained in this Prospectus relating to itself, in the sections headed “*The Note Trustee, The Principal Paying Agent and The Registrar*”, “*Lloyds Banking Group*” and “*Yield Reserve Account Bank*”, as applicable. To the best of the knowledge of each such party, which has taken all reasonable care to ensure such is the case, the relevant information is in accordance with the facts and does not omit anything likely to affect the import of such information. In addition, the Originators accept responsibility for the information contained in the sections of this Prospectus headed “*The Portfolio*” and “*Loan Origination and Servicing*”. To the best of the knowledge and belief of the Originators (which have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect the import of such information. Lloyds also accepts responsibility for the information contained in the section of this Prospectus headed “*Article 122a of the Capital Requirements Directive*” (but not, for the avoidance of doubt, any information set out in the sections referred to therein). To the best of the knowledge and belief of Lloyds, which has taken all reasonable care to ensure that such is the case, such information is in accordance with the facts and contains no omission likely to affect the import of such information.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its affiliates taken as a whole (the “**Group**”) and the Notes which according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger, the Lead Manager or any other person to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Lead Manager to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States. For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger, the Lead Manager or the Responsible Transaction Parties. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Arranger, the Lead Manager or any of the Responsible Transaction Parties since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the

information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Arranger, the Lead Manager or any of the Responsible Transaction Parties (other than in respect of the information contained in the sections, if any, for which they are responsible, as set out above) accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by each of them on its behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Arranger, the Lead Manager and the Responsible Transaction Parties accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger, the Lead Manager or the Responsible Transaction Parties that any recipient of this Prospectus should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary.

None of the Arranger, the Lead Manager or any of the Responsible Transaction Parties undertakes or shall undertake to review the financial condition or affairs of the Issuer.

None of the Arranger, the Lead Manager, the Responsible Transaction Parties or any other party has separately verified the information contained in this Prospectus and, accordingly, none of the Arranger, the Lead Manager, the Responsible Transaction Parties or any other party (save as specified above in relation to the acceptance of responsibility) makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or in any further notice or other document which may at any time be supplied in connection with the Notes or their distribution or accepts any responsibility or liability therefor. None of the Arranger, the Lead Manager, each Originator, each Originator Beneficiary, each Assets Trustee, each Swap Counterparty, the Security Trustee, the Note Trustee and any Agent, the Cash Manager or any other party undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the aforementioned parties which is not included in this Prospectus.

#### CURRENCY

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “Pounds”, “Sterling”, “GBP” and “£” are to the lawful currency for the time being of the United Kingdom.

#### FORWARD LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. Prospective investors should not place undue reliance on any such statements when making investment decisions as such statements are necessarily speculative in nature meaning that actual results may vary from the projections and forward looking statements contained herein.

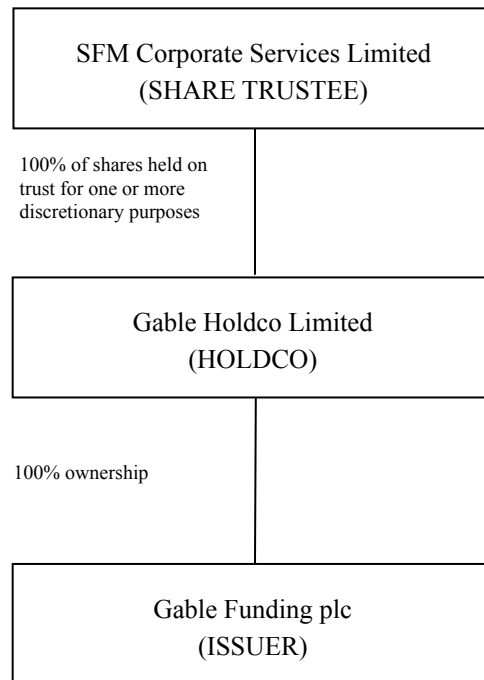
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## DIAGRAMMATIC OVERVIEW

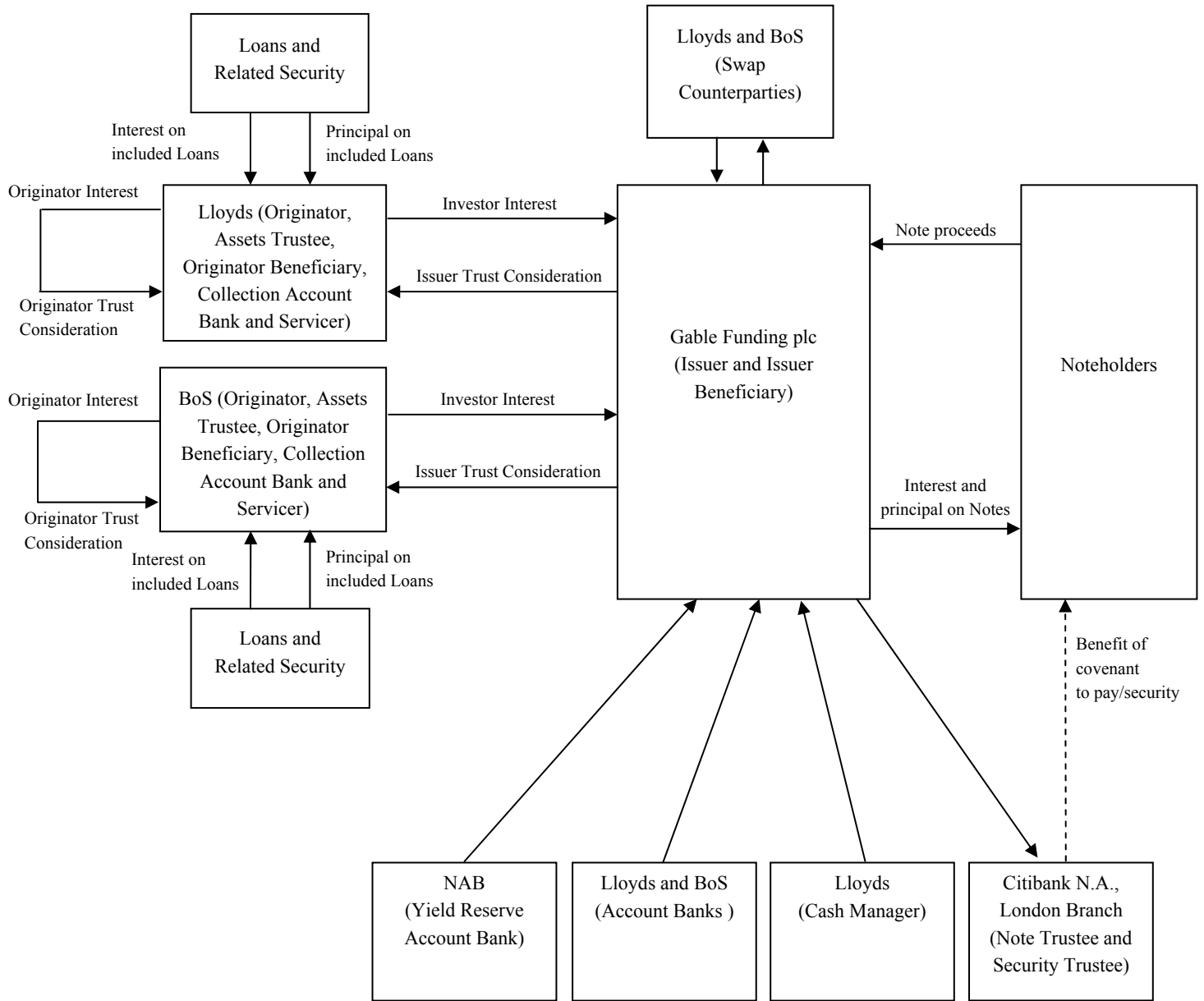
### Ownership Structure



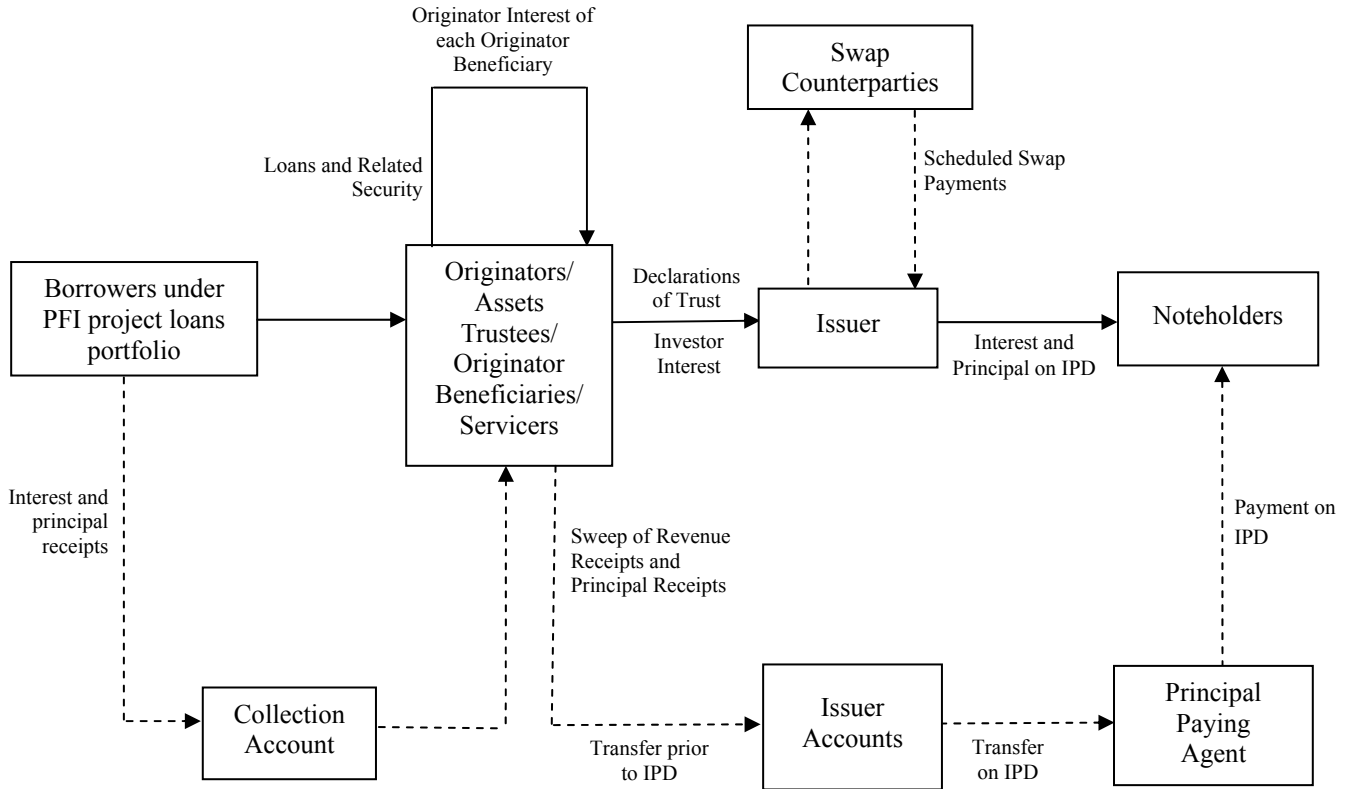
The diagram above illustrates the ownership structure of the special purpose companies that will be parties to the transaction, as follows:

- The Issuer is wholly-owned by Holdco.
- The entire issued share capital of Holdco is held on trust by the Share Trustee under the terms of a discretionary trust for one or more discretionary purposes.
- None of the Issuer, Holdco or the Share Trustee are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by either Originator or any member of the group of companies containing the Originators.

## Structure Diagram



## Diagrammatic Overview of On-Going Cash Flow



## TRANSACTION SUMMARY

*The information set out below is an overview of various aspects of the transaction. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.*

### TRANSACTION PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Gable Funding plc	Gable Funding plc 35 Great St Helen's London EC3A 6AP	N/A (Please refer to the section entitled " <i>Issuer</i> " for further information on this.)
<b>Holdco</b>	Gable Holdco Limited	Gable Holdco Limited 35 Great St Helen's London EC3A 6A	N/A (Please refer to the section entitled " <i>Holdco</i> " for further information on this.)
<b>Originators/Assets Trustees</b>	Lloyds TSB Bank plc and Bank of Scotland plc	Lloyds TSB Bank plc Market Interface – Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN Bank of Scotland plc Market Interface – Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN	Declaration of Trust (Please refer to the section entitled " <i>The Declaration of Trust</i> " for further information on this.)
<b>Servicers</b>	Lloyds TSB Bank plc and Bank of Scotland plc	Lloyds TSB Bank plc Project Finance 33 Old Broad Street Level 7 London EC2N 1HZ Bank of Scotland plc Project Finance New Uberior House Level 2 11 Earl Grey Street Edinburgh EH3 9BN	Servicing Agreement (Please refer to the section entitled " <i>The Servicing Agreement</i> " for further information on this.)
<b>Cash Manager</b>	Lloyds TSB Bank plc	Lloyds TSB Bank plc Market Interface - Portfolio Management New Uberior House Level 1	Cash Management Agreement

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
		11 Earl Grey Street Edinburgh EH3 9BN	
<b>Account Banks</b>	Lloyds TSB Bank plc and Bank of Scotland plc	Lloyds TSB Bank plc Market Interface – Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN Bank of Scotland plc Market Interface - Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN	Account Bank Agreement
<b>Yield Reserve Account Bank</b>	National Australia Bank Limited	National Australia Bank Limited 88 Wood Street London EC2V 7QQ	Yield Reserve Account Bank Agreement
<b>Collection Account Banks</b>	Lloyds TSB Bank plc and Bank of Scotland plc	Lloyds TSB Bank plc Market Interface - Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN Bank of Scotland plc Market Interface - Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN	Servicing Agreement
<b>Put Option Purchaser</b>	Lloyds TSB Bank plc	Lloyds TSB Bank plc Market Interface – Portfolio Management New Uberior House Level 1 11 Earl Grey Street Edinburgh EH3 9BN	Conditional Note Purchase Deed (Please refer to the section entitled “ <i>Summary of the Terms and Conditions of the Notes</i> ” for further information on this.)

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Swap Counterparties</b>	Lloyds TSB Bank plc and Bank of Scotland plc	Lloyds TSB Bank plc 10 Gresham Street London EC2V 7AE Bank of Scotland plc 10 Gresham Street London EC2V 7AE	Lloyds Swap Agreement and BoS Swap Agreement (Please refer to the section entitled “ <i>Key Structural Features – Credit Enhancement, Liquidity Support and other Key Features</i> ” for further information on this.)
<b>Note Trustee</b>	Citibank, N.A., London Branch	Citibank, N.A., London Branch Citigroup Centre Canada Square London E14 5LB	Trust Deed/Deed of Charge (See Conditions for further information on this.)
<b>Security Trustee</b>	Citibank, N.A., London Branch	Citibank, N.A., London Branch Citigroup Centre Canada Square London E14 5LB	Deed of Charge (See Conditions for further information on this.)
<b>Agent Bank</b>	Citibank, N.A., London Branch	Citibank, N.A., London Branch Citigroup Centre Canada Square London E14 5LB	Paying Agency Agreement
<b>Principal Paying Agent</b>	Citibank, N.A., London Branch	Citibank, N.A., London Branch Citigroup Centre Canada Square London E14 5LB	Paying Agency Agreement
<b>Registrar/Transfer Agent</b>	Citibank, N.A., London Branch	Citibank, N.A., London Branch Citigroup Centre Canada Square London E14 5LB	Paying Agency Agreement
<b>Corporate Services Provider</b>	Structured Finance Management Limited	Structured Finance Management Limited 35 Great St Helen’s London EC3A 6AP	Corporate Services Agreement
<b>Irish Listing Agent</b>	Arthur Cox Listing Services Limited	Arthur Cox Listing Services Limited Earlsfort Centre Earlsfort Terrace Dublin 2	N/A
<b>Arranger</b>	Lloyds TSB Bank plc	Lloyds TSB Bank plc	Subscription Agreement

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
		25 Gresham Street London EC2V 7HN	
<b>Lead Manager</b>	Lloyds TSB Bank plc	Lloyds TSB Bank plc 10 Gresham Street London EC2V 7AE	Subscription Agreement

## ASSETS TRUST AND SERVICING

Please refer to the sections entitled “The Declaration of Trust”, “The Servicing Agreement” and “Loan Origination and Servicing” for further detail in respect of the characteristics of the Assets Trust and the creation and the servicing arrangements in respect of the assets subject to Assets Trust.

### **Creation of the Assets Trust**

Pursuant to the terms of the Declaration of Trust, each of Lloyds and BoS as Originator will, on the Closing Date, declare a trust for the benefit of the Issuer and itself as beneficiaries (each Originator in such capacity, an “**Originator Beneficiary**” and, together with the Issuer, the “**Beneficiaries**”) over its entitlement to the Rights and Collected Proceeds in relation to the Loans and their Related Security originally originated or acquired by it (the “**Trust Assets**”) (together, both trusts declared by the Assets Trustees, being the “**Assets Trust**”).

#### ***Beneficial Interests***

The proportion of the undivided beneficial interest of the Issuer (the “**Investor Interest**”) and the relevant Originator Beneficiary (the “**BoS Originator Interest**” or the “**Lloyds Originator Interest**”) in each of the Loans and its Related Security is set out in the section entitled “*The Portfolio – The Loans*” and amounts received by the Servicers in respect of the Loans and their Related Security shall be paid to the Issuer and each relevant Originator Beneficiary in accordance with these proportions.

#### ***Originator/Assets Trustee Power of Attorney***

The Issuer will not have any direct relationship with, and will not be able to directly enforce any of the obligations of any Borrower. However, each of the Originators will grant to the Issuer an irrevocable power of attorney to permit the Issuer, upon the insolvency of the relevant Originator, to take certain actions in the name of the relevant Originator in relation to, among other things, the management, collection and enforcement or (subject to the transfer and other similar restrictions therein) sale of the Loans and their Related Security in order to preserve value for the Issuer’s interest in the Assets Trust.

### **Features of the Loans in the Portfolio**

The Portfolio of Loans which are subject to the Assets Trust consists of English, Welsh and Scottish PFI project finance loans originally originated or acquired by Lloyds and BoS.

The following is a summary of certain features of the Loans as at the Cut-off Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in the section entitled “*The Portfolio*”.

#### **Borrowers**

Entities which have entered into a concession with a public sector entity in England, Wales or Scotland in respect of the construction and/or operation of English, Welsh or Scottish infrastructure assets.



<b>PFI/PPP Infrastructure Sectors financed by the Loans</b>	Courts, education, healthcare, library, police, prisons, social housing, street lighting, transport and waste water.
<b>Loan Collateral</b>	First-ranking security
<b>Denomination of Loans</b>	GBP
<b>Total Number of Loans</b>	66
<b>Number of Primary Borrowers</b>	57
<b>Investor Interest in Portfolio Aggregate Principal Balance (GBP) at Cut-off Date</b>	£1,453,058,487

**Consideration for the Investor Interest**

The Declaration of Trust in respect of the relevant Trust Assets is made by each Originator in consideration of the payment by the Issuer to each Originator of its respective portion of the Issuer Trust Consideration on the Closing Date.

**Representations and Warranties**

Each Originator makes the following representations and warranties on the Closing Date:

- The Loans satisfy the Eligibility Criteria on the Cut-off Date.
- The relevant Originator has absolute unencumbered legal and beneficial ownership of the Rights and Collected Proceeds in respect of each Loan and its Related Security.
- There are no provisions in the Loan Agreements that prohibit the relevant Originator from declaring the Assets Trust over the Rights and Collected Proceeds in respect of each Loan.
- No material disputes, litigation, defences, counterclaims or enforcement procedures or proceedings, initiated by the relevant Originator, are pending with respect to the Loans.
- Each Loan and its Related Security are legal, valid, binding and enforceable, subject to the usual legal opinion reservations and qualifications for loans and security of this type.
- No provision of a Loan Agreement relating to a Loan has been terminated, repudiated or rescinded by the relevant Originator or, so far as it is aware, terminated, repudiated or rescinded by any relevant Borrower.
- Other than in relation to the drawing of funds, neither the relevant Originator nor any of its Affiliates have any direct/indirect or contingent performance obligations for the performance of each Loan. The relevant Originator has

performed all material obligations which have fallen due for performance under the relevant Loan Agreement with respect to such Loan.

**Re-acquisition of the Issuer's Interest in any Trust Assets by an Originator**

***Optional Re-acquisition of the Issuer's Interest in the Assets Trust:***

***In whole***

Following the declaration of the Assets Trust and prior to service of an Enforcement Notice, both Originators may re-acquire the Issuer's interest (i.e. the Investor Interest) in all Loans and their Related Security (in respect of each Originator, which were originally originated or acquired by it) (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) on any Business Day from the Closing Date to (but excluding) the Final Maturity Date, provided that the Originators pay to the Issuer (as provided more fully in the Declaration of Trust) an amount equal to the greater of: (i) the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of all Loans, together with accrued but unpaid interest and all arrears of interest relating thereto; and (ii) an amount sufficient to repay the Rated Notes (and all items ranking *pari passu* and in priority to them under the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments) in full.

***In part***

Following the declaration of the Assets Trust and prior to service of an Enforcement Notice, the relevant Originator may re-acquire the Issuer's interest (i.e. the Investor Interest) in a Loan and its Related Security originally originated or acquired by it (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) from the Issuer if, in the opinion of the relevant Servicer: (i) there is a significant risk of such Loan being transferred to the relevant Servicer's debt recovery unit; or (ii) such Loan has become a Defaulted Loan, provided that the relevant Originator pays to the Issuer (as provided more fully in the Declaration of Trust) an amount equal to the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of such Loan, together with accrued but unpaid interest and all arrears of interest relating thereto.

***Mandatory Re-acquisition of the Issuer's Interest in the Assets Trust:***

The relevant Originator shall be obliged to re-acquire the Issuer's interest (i.e. the Investor Interest) in a Loan and its Related Security originally originated or acquired by it (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) if it is determined that the Eligibility Criteria were breached as at the Cut-off Date or an Asset Warranty (as summarised under "*Representations and Warranties*" above) was breached as at the Closing Date and the relevant Originator shall pay to the Issuer an amount equal to the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of such Loan, together with accrued but unpaid interest and all arrears of interest relating thereto.

**Servicing of the Assets Trust**

Each Originator will be appointed by, among others, the Issuer and the relevant Originator Beneficiary to service the Loans and their Related Security originally originated or acquired by it. At all times, the Originators as Servicers shall deal with the Loans and any Borrower thereunder in accordance with the Servicing Standard.

**Delegation**

The Servicers may delegate some of their servicing functions to a third party provided that the relevant Servicer remains responsible for the performance of any functions so delegated. See the section entitled “*The Servicing Agreement*” for further information.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

Please refer to the section entitled “*Terms and Conditions of the Notes*” for further detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	<b>Class A Notes</b>					
	<b>Class A1a</b>	<b>Class A1b</b>	<b>Class A2a</b>	<b>Class A2b</b>	<b>Class A3a</b>	<b>Class A3b</b>
<b>Currency</b>	Sterling (£)	Sterling (£)	Sterling (£)	Sterling (£)	Sterling (£)	Sterling (£)
<b>Initial Principal Amount Outstanding</b>	£200,000,000	£200,000,000	£225,000,000	£225,000,000	£150,000,000	£150,000,000
<b>Note Credit Enhancement</b>	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds	Subordination of Class B Notes and Class S Notes; excess Available Revenue Funds
<b>Reserve Credit Enhancement</b>	General Reserve					
<b>Yield Reserve</b>	Yield Reserve sized to cover, on each Interest Payment Date up to (and including) the Yield Reserve Release Date, the difference between the fixed margin received by the Issuer from the relevant Swap Counterparty and the applicable Relevant Margin on the Class A1 Notes and Class A2 Notes					
<b>Liquidity Support</b>	Funds from the General Reserve applied to make up any revenue deficit of the Issuer					
<b>Issue Price</b>	100%	100%	100%	100%	100%	100%
<b>Rate of Interest</b>	Three-month LIBOR plus Relevant Margin	Three-month LIBOR plus Relevant Margin	Three-month LIBOR plus Relevant Margin	Three-month LIBOR plus Relevant Margin	Three-month LIBOR plus Relevant Margin	Three-month LIBOR plus Relevant Margin
<b>Relevant Margin</b>	1.75% per annum	1.75% per annum	1.85% per annum	1.85% per annum	0.1% per annum	0.1% per annum

	<b>Class A1a</b>	<b>Class A1b</b>	<b>Class A2a</b>	<b>Class A2b</b>	<b>Class A3a</b>	<b>Class A3b</b>
<b>Interest Accrual Method</b>	Actual/Actual	Actual/Actual	Actual/Actual	Actual/Actual	Actual/Actual	Actual/Actual
<b>Interest Payment Dates</b>	Interest and principal will be payable in arrear on 20 March, 20 June, 20 September and 20 December in each year					
<b>Business Day Convention</b>	Modified Following	Modified Following	Modified Following	Modified Following	Modified Following	Modified Following
<b>First Interest Payment Date</b>	20 June 2011	20 June 2011	20 June 2011	20 June 2011	20 June 2011	20 June 2011
<b>First Interest Period</b>	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)
<b>Other Early Redemption in full Events</b>	Tax/clean-up call/re-acquisition of the Investor Interest in all Loans by the Originators. Please refer to Condition 7 ( <i>Redemption</i> )					
<b>Noteholder Put Option</b>	N/A	N/A	Put option exercisable after Put Option Date (being, the Interest Payment Date falling in March 2018) with completion of the put to occur before Switch Date	Put option exercisable after Put Option Date (being, the Interest Payment Date falling in March 2018) with completion of the put to occur before Switch Date	N/A	N/A
<b>Final Maturity Date</b>	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041
<b>Form of the Notes</b>	Registered Notes (global form)	Registered Notes (global form)	Registered Notes (global form)	Registered Notes (global form)	Registered Notes (global form)	Registered Notes (global form)
<b>Application for Listing</b>	Irish Stock Exchange					

	<b>Class A1a</b>	<b>Class A1b</b>	<b>Class A2a</b>	<b>Class A2b</b>	<b>Class A3a</b>	<b>Class A3b</b>
<b>ISIN</b>	XS0602366311	XS0602368440	XS0602370008	XS0602370420	XS0602370776	XS0602370933
<b>Common Code</b>	060236631	060236844	060237000	060237042	060237077	060237093
<b>Clearance/ Settlement</b>	Euroclear/Clearstream, Luxembourg					
<b>Minimum Denomination</b>	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
<b>Regulation</b>	Reg S	Reg S	Reg S	Reg S	Reg S	Reg S

### Class B and S Notes

<b>Minimum Denomination</b>	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
<b>Regulation</b>	<b>Class B</b> Reg S	<b>Class S</b> Reg S
<b>Currency</b>	Sterling (£)	Sterling (£)
<b>Initial Principal Amount Outstanding</b>	£170,000,000	£274,000,000
<b>Note Credit Enhancement</b>	Subordination of Class S Notes; excess Available Revenue Funds	N/A
<b>Reserve Credit Enhancement</b>	General Reserve	N/A
<b>Yield Reserve</b>	N/A	N/A
<b>Liquidity Support</b>	Funds from the General Reserve applied to make up any revenue deficit of the Issuer	N/A
<b>Issue Price</b>	100%	100%
<b>Rate of Interest</b>	Three-month LIBOR plus Relevant Margin	Variable (equal to the excess funds remaining after application of prior ranking items pursuant to the relevant Priority of Payments)
<b>Relevant Margin</b>	0.1% per annum	N/A
<b>Interest Accrual Method</b>	Actual/Actual	N/A
<b>Interest Payment Dates</b>	Interest and Principal will be payable in arrear on 20 March, 20 June, 20 September and 20 December in each year	
<b>Business Day Convention</b>	Modified Following	Modified Following
<b>First Interest Payment Date</b>	20 June 2011	20 June 2011
<b>First Interest Period</b>	Closing Date (including) to 20 June 2011 (excluding)	Closing Date (including) to 20 June 2011 (excluding)
<b>Other Early Redemption in full Events</b>	Tax/clean-up call/re-acquisition of the Investor Interest in some (or all) Loans by the relevant Originator. Please refer to Condition 7 ( <i>Redemption</i> )	
<b>Noteholder Put Option</b>	N/A	N/A
<b>Final Maturity Date</b>	Interest Payment Date falling in March 2041	Interest Payment Date falling in March 2041
<b>Form of the Notes</b>	Registered Notes (global form)	Registered Notes (definitive certificated form)
<b>Application for Listing</b>	Irish Stock Exchange	Not listed
<b>ISIN</b>	XS0602371154	N/A
<b>Common Code</b>	060237115	N/A
<b>Clearance/Settlement</b>	Euroclear/Clearstream, Luxembourg	N/A

## **Ranking**

The Notes within each Class will rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and (other than as specified below in respect of the Class A Notes) principal at all times.

Class A Notes will rank senior to the other Classes of Notes as to payments of interest and principal at all times.

Class B Notes will rank senior to the Class S Notes as to payments of interest and principal at all times.

Prior to the occurrence of a Class A Trigger Event, payments of principal on the Class A1 Notes, Class A2 Notes and Class A3 Notes will be made in the following order, firstly, to the Class A1 Notes until they are repaid in full, secondly, (i) prior to (but excluding) the Switch Date, to the Class A3 Notes until they are repaid in full and, then, to the Class A2 Notes until they are repaid in full or (ii) from (and including) the Switch Date, to the Class A2 Notes until they are repaid in full and, then, to the Class A3 Notes until they are repaid in full. Following the occurrence of a Class A Trigger Event, payments of principal on the Class A Notes, amongst themselves, will be made *pro rata* and *pari passu*.

Any reference to a “Class” of Notes or Noteholders shall be a reference to, as the case may be, the Class A1a Notes, the Class A1b Notes, the Class A2a Notes, the Class A2b Notes, the Class A3a Notes, the Class A3b Notes, the Class B Notes or the Class S Notes or the respective holders thereof.

## **Security**

Pursuant to the Deed of Charge, the Issuer will create in favour of the Security Trustee for the benefit of the Issuer’s creditors first-ranking English law security (with certain Scots law terms being construed in accordance with Scots law) over, among other things, its interest in the Assets Trust, its interests in the Transaction Documents and the Issuer Accounts as security for, among other things, the payment of amounts due to the Issuer’s creditors.

## **Interest Provisions**

Please refer to the “*Full Capital Structure of the Notes*” table above.

## **Interest Deferral on the Class B Notes**

If on any Interest Payment Date, the Issuer has insufficient Available Revenue Funds (including, for the avoidance of doubt, any Permitted Revenue General Reserve Drawing) to pay interest due on the Class B Notes (unless they are the Most Senior Class), such interest shall not be regarded as due and payable on such date and shall continue to accrue until the next Interest Payment Date or such earlier date on which interest on the Class B Notes becomes immediately due and payable. Additional interest shall accrue on such unpaid and deferred interest amount at the same rate of interest as that applicable to the Class B Notes. For the avoidance of doubt, this does not apply to the Class S Notes as the amount of interest payable on the Class S Notes is variable depending on the excess amount of Available Revenue Funds.

## **Gross-up**

None of the Issuer, Holdco, Arranger, Lead Manager, Account Banks, Yield Reserve Account Bank, Collection Account Banks, Swap Counterparties, Security Trustee, Note Trustee, Originators, Assets Trustees, Servicers, Cash Manager, Put Option Purchaser, Agent Bank, Principal Paying Agent, Registrar, Transfer Agent or any Paying Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.



**Global Certificates in relation to the Rated Notes / Individual Certificate in relation to the Class S Notes**

Each Class of Rated Notes will be represented on issue by a global certificate in registered form (the "**Global Certificates**" and each a "**Global Certificate**"). The Issuer will maintain a register, to be kept on the Issuer's behalf by the Registrar, in which the Global Certificates are registered in the name of a nominee for a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking *société anonyme* ("**Clearstream, Luxembourg**"). Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Rated Notes. Such book-entry interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. Except in the circumstances described under "*Summary of Provisions relating to the Rated Notes in Global Form - Exchange*", individual Certificates will not be available in relation to the Rated Notes.

The Class S Notes will be represented by an individual certificate in registered form.

**Redemption**

The Notes are subject to the following optional or mandatory redemption events:

- mandatory redemption in whole at their Principal Amount Outstanding (together with accrued interest) on the Final Maturity Date, as fully set out in Condition 7(a) (*Final Redemption*);
- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date, subject to availability of Available Principal Funds, as fully set out in Condition 7(b) (*Mandatory Early Redemption in Part*);
- optional redemption exercisable by the Issuer in whole at their Principal Amount Outstanding (together with accrued interest) for tax reasons, as fully set out in Condition 7(d) (*Optional Redemption for Tax Reasons*);
- optional redemption in whole at their Principal Amount Outstanding (together with accrued interest) on any Interest Payment Date if the aggregate Principal Amount Outstanding of the Rated Notes is less than or equal to 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes upon issue, as fully set out in Condition 7(e) (*Optional Redemption for Other Reasons*); and
- redemption on an Interest Payment Date upon exercise by an Originator or both Originators (as applicable) of its or their (as applicable) option to re-acquire the Issuer's interest (i.e. the Investor Interest) in certain Loan(s) and its (or their) Related Security or all Loans and their Related Security (as provided below) (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date):
  - (a) of the Rated Notes in whole at their Principal Amount Outstanding (together with accrued interest) and Class S Notes to the extent of Available Principal Funds, if both Originators exercise their option to re-acquire all Loans and their Related Security after the Closing Date to (but excluding) the Final Maturity Date;
  - (b) in part to the extent of re-acquisition proceeds, if an

Originator exercises its option to re-acquire a Loan and its Related Security, provided there is a significant risk of such Loan being transferred to the relevant Servicer's debt recovery unit,

as fully set out in Condition 7(f) (*Redemption in Whole or in Part in relation to the Re-acquisition of Investor Interest*). Please refer to the section entitled "*The Declaration of Trust – Re-acquisition of the Investor Interest by the relevant Originator*".

- mandatory redemption in part on any Interest Payment Date if the relevant Originator becomes aware that an Asset Warranty was breached in respect of a Loan as at the Closing Date and/or if a Loan did not satisfy the Eligibility Criteria as at the Cut-off Date, as fully set out in Condition 7(f) (*Redemption in Whole or in Part in relation to the Re-acquisition of Investor Interest*).

Please refer to the section entitled "*The Declaration of Trust – Re-acquisition of the Investor Interest by the relevant Originator*".

**Put Option in relation to the Class A2 Notes**

The Class A2 Notes have the benefit of the purchase arrangements referred to in Condition 8 (*Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders*) and the Conditional Note Purchase Deed. Under the Conditional Note Purchase Deed, the Put Option Purchaser will have the obligation to purchase the relevant outstanding Class A2 Notes at the Put Option Purchase Price (being (i) the Principal Amount Outstanding of the Class A2 Notes on the Put Option Date, less (ii) Principal Losses allocable to the Class A2 Notes, plus (iii) accrued interest to (but excluding) the Class A2 Transfer Date) on the Class A2 Transfer Date, if a Class A2 Noteholder so elects.

Please refer to the section entitled "*Key Structural Features – Put Option in relation to the Class A2 Notes*" for further information.

**Events of Default**

As fully set out in Condition 12 (*Events of Default*), which broadly includes (where relevant, subject to the applicable grace period):

- non-payment of interest and/or principal in respect of the Most Senior Class of Notes (subject to a grace period of 15 days);
- breach of the obligations by the Issuer under the Transaction Documents (subject to a grace period of 30 days, if the breach of the relevant obligation is in the opinion of the Note Trustee capable of remedy);
- enforcement proceedings are commenced against the Issuer;
- insolvency of the Issuer; or
- winding-up of the Issuer.

**Limited Recourse**

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 13 (*Enforcement, Limited Recourse and Non-Petition*).

**Governing Law**

English law.

## RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

*Please refer to the sections entitled “Terms and Conditions of the Notes” and “Rights of Noteholders and relationship with other Secured Creditors” for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.*

**Prior to an Event of Default** Noteholders holding no less than 10 per cent. of the Principal Amount Outstanding of the Notes of a particular Class then outstanding are entitled to requisition that a Noteholders’ meeting be convened of such Class. Noteholders can also participate in a Noteholders’ meeting convened by the Issuer or Trustee to consider any matter affecting their interests.

However, unless the Issuer has an obligation to take such action under the relevant Transaction Documents, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without the consent of the Issuer and, if applicable, certain other transaction parties.

**Following an Event of Default** Following the occurrence of an Event of Default, Noteholders of the Most Senior Class of Notes may, by Extraordinary Resolution, direct the Note Trustee to deliver an Acceleration Notice to the Issuer stating that all Classes of Notes are immediately due and repayable at their respective Principal Amount Outstanding (together (if applicable) with accrued interest).

**Noteholders Meeting provisions**

<b>Notice period</b>	21 clear days for the initial meeting	14 clear days for the adjourned meeting
<b>Quorum for Extraordinary Resolution</b>	At an initial meeting two or more persons holding or representing a clear majority in Principal Amount Outstanding of the relevant Class of Notes then outstanding (other than a Basic Terms Modification, which requires 75% of the Principal Amount Outstanding of the relevant Class of Notes then outstanding)	At an adjourned meeting two or more persons with any holding or representing any Principal Amount Outstanding of the relevant Class of Notes then outstanding (other than a Basic Terms Modification, which requires 25% of the Principal Amount Outstanding of the relevant Class of Notes then outstanding)
<b>Required majority for Extraordinary Resolution</b>	66 ⅔ per cent. of votes cast for matters requiring an Extraordinary Resolution	66 ⅔ per cent. of votes cast for matters requiring an Extraordinary Resolution

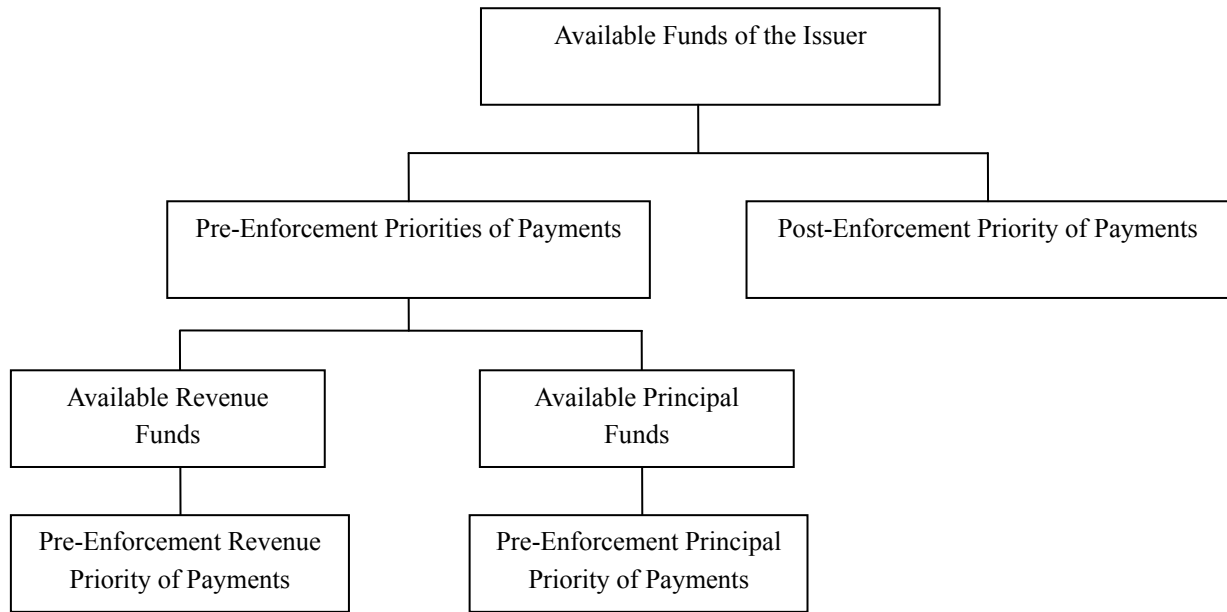
<b>Written Resolution</b>	A resolution in writing signed by the holders of at least 66 <sup>2</sup> / <sub>3</sub> per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.
<b>Matters requiring Extraordinary Resolution</b>	<p>The following matters, among other things, require an Extraordinary Resolution (without prejudice to the Note Trustee's power to agree to certain matters without the relevant Noteholders' consent as set out in the Trust Deed):</p> <ul style="list-style-type: none"> <li>• any Basic Terms Modification;</li> <li>• to vary or compromise the rights of the Noteholders against the Issuer;</li> <li>• modification of the Trust Deed, the Notes or the other Transaction Documents;</li> <li>• to waive any breach in respect of the Trust Deed, the Notes or the other Transaction Documents or any Event of Default or Potential Event of Default under or in respect of the Notes;</li> <li>• to give any authority, direction, approval, consent or sanction required to be given by Extraordinary Resolution;</li> <li>• to approve a committee to represent the Noteholders' interests;</li> <li>• to approve a proposed new Note Trustee or Security Trustee and to remove a Note Trustee or Security Trustee;</li> <li>• substitution of any entity for the Issuer as principal debtor under the Trust Deed; and</li> <li>• to discharge the Note Trustee from any liability it may incur pursuant to the Trust Deed, the Notes or the other Transaction Documents.</li> </ul>
<b>Relationship between Classes of Noteholders</b>	<p>Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary by them.</p> <p>A Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.</p>
<b>Originators as Noteholders</b>	A relevant Originator has the same voting rights as other Noteholders of the relevant Class of Notes.
<b>Relationship between Noteholders and other Secured Creditors</b>	For so long as any Notes are outstanding, the Security Trustee shall have regard solely to the interests of the Noteholders.
<b>Provision of Information to the Noteholders</b>	The Cash Manager will provide an Investor Report on, at least, a quarterly basis.

**Communication with  
Noteholders**

Notices to the Noteholders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to holders of the Rated Notes will be valid, for so long as the Rated Notes are admitted to trading on the Irish Stock Exchange, when, such notice is filed in the Companies Announcement Office of the Irish Stock Exchange. In addition to the foregoing (but not instead of), the Issuer may publish any such notice via the Bloomberg service (or any other similar information service).

## CREDIT STRUCTURE AND CASHFLOW

*Please refer to the section entitled “Key Structural Features” for further detail in respect of the credit structure and cashflow of the transaction.*



### **Available Funds of the Issuer**

The Issuer will have Available Revenue Funds and Available Principal Funds for the purposes of making interest and principal payments under the Notes and other applicable payments under the other Transaction Documents.

### **Available Revenue Funds**

Available Revenue Funds means, in respect of an Interest Payment Date, the aggregate of:

- (a) any Revenue Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Revenue Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;
- (b) any interest credited to any of the Interest Accounts, Principal Accounts, General Reserve Account, Yield Reserve Account and Note Proceeds Account during the immediately preceding Collection Period;
- (c) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account during the immediately preceding Collection Period;
- (d) interest and income in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account, a Principal Account and the General Reserve Account during the immediately preceding

- Collection Period;
- (e) any amount (other than any Swap Collateral) received by the Issuer from a Swap Counterparty on the relevant Interest Payment Date under the relevant Swap Agreement;
  - (f) the applicable Permitted Revenue General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date; and
  - (g) to the extent there are Available Revenue Funds under paragraphs (a) to (f) of this definition available for payments under item (v) of the Pre-Enforcement Revenue Priority of Payments in the section entitled “*Key Structural Features*”, the amount of the applicable Class A Permitted Yield Reserve Drawing in respect of such Interest Payment Date towards making payment under item (v) of the Pre-Enforcement Revenue Priority of Payments only,
- but, for the avoidance of any doubt, shall not include any amounts standing to the credit of the Issuer Profit Ledger.

**Available Principal Funds**

Available Principal Funds means, in respect of an Interest Payment Date, the aggregate of:

- (a) any Principal Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Principal Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;
- (b) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments (to the extent not relating to interest and income) invested in using funds withdrawn from a Principal Account during the immediately preceding Collection Period;
- (c) any Deemed Principal Receipts in respect of such Interest Payment Date;
- (d) an amount equal to the Permitted Principal General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date;
- (e) following the Issuer’s entry into a Swap Replacement Transaction and the payment of any Swap Replacement Payment or Swap Settlement Payment, all amounts remaining in the Swap Termination Account transferred to the Principal Accounts; and
- (f) after the Issuer has made the payments required to be made by it out of the Note Proceeds Account on the Closing Date, all amounts remaining in the Note Proceeds Account transferred to the Principal Accounts.

**Summary of Priorities of Payments**

Below is a summary of the relevant payment priorities. Please refer to the section entitled “*Key Structural Features — Cashflows and Cash Management*” for further information and for the relevant payment priorities set out in full. Additionally, please refer to the section entitled “*Terms and Conditions of the Notes*”.

<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Principal Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
(i) fees, expenses and liabilities payable to the Security Trustee and the Note Trustee, subject to a cap;	(i) prior to a Class A Trigger Event, in repayment of principal on, first, the Class A1 Notes until they have been repaid in full,	(i) fees, expenses and liabilities payable to the Security Trustee and the Note Trustee;
(ii) fees, expenses and liabilities payable to the Servicers, Cash Manager, Account Banks and Yield Reserve Account Bank, subject to a cap;	(i) second, (i) prior to (but excluding) the Switch Date, the Class A3 Notes until they have been repaid in full and, then, the Class A2 Notes until they have been repaid in full or (ii) from (and including) the Switch Date, to the Class A2 Notes until they are repaid in full and, then, to the Class A3 Notes until they are repaid in full but, following a Class A Trigger Event, in repayment of principal on the Class A Notes <i>pari passu</i> and <i>pro rata</i> ;	(ii) fees, expenses and liabilities payable to the Servicers, Cash Manager, Account Banks, Yield Reserve Account Bank, Agents, Rating Agencies, Corporate Services Provider, legal advisors, accountants, auditors, any other amounts due and payable to third parties under obligations incurred in respect of the Issuer's business, any taxes payable, and an Issuer Profit Amount to be credited to the Issuer Profit Ledger;
(iii) fees, expenses and liabilities payable to the Agents, Rating Agencies, Corporate Services Provider, legal advisors, accountants and auditors, any other amounts due and payable to third parties under obligations incurred in respect of the Issuer's business, any taxes payable and an Issuer Profit Amount to be credited to the Issuer Profit Ledger, subject to a cap (except for the Issuer Profit Amount);	(ii) once the Class A Notes are repaid in full, towards repayment of principal on the Class B Notes;	(iii) amounts due and payable to each Swap Counterparty under the relevant Swap Agreement (except for Swap Subordinated Amounts);
(iv) amounts due and payable to each Swap Counterparty under the relevant Swap Agreement (except for Swap	(iii) once the Class A Notes and Class B Notes are repaid in full, in repayment of principal on the Class S Notes; and	(iv) interest due and payable on the Class A Notes;
		(v) principal due and payable on the



<b>Pre-Enforcement Revenue Priority of Payments:</b>	<b>Pre-Enforcement Principal Priority of Payments:</b>	<b>Post-Enforcement Priority of Payments:</b>
<p>Subordinated Amounts;</p> <p>(v) together with the amount of any Class A Permitted Yield Reserve Drawing withdrawn from the Interest Account held at Lloyds, interest due and payable on the Class A Notes;</p> <p>(vi) amounts to be credited to the Class A Principal Deficiency Ledger until any debit balance is reduced to zero;</p> <p>(vii) interest due and payable on the Class B Notes (including, for the avoidance of doubt, any deferred interest from previous Interest Payment Dates and accrued interest thereon);</p> <p>(viii) amounts to be credited to the Class B Principal Deficiency Ledger until any debit balance is reduced to zero;</p> <p>(ix) to the extent that there are any liabilities in respect of the Rated Notes still outstanding, amounts to be</p>	<p>(iv) the excess (if any) to be applied as if part of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments.</p>	<p>Class A Notes;</p> <p>(vi) interest due and payable on the Class B Notes;</p> <p>(vii) principal due and payable on the Class B Notes;</p> <p>(viii) Swap Subordinated Amounts payable to each relevant Swap Counterparty under the relevant Swap Agreement; and</p> <p>(ix) any excess towards payment of amounts due and payable on the Class S Notes.</p>



relevant Swap Counterparty and the Relevant Margin element of the interest due and payable on the Class A1 Notes and the Class A2 Notes. On the Interest Payment Date immediately following the Yield Reserve Release Date, the Yield Reserve Release Amount will be applied in accordance with the Pre-Enforcement Principal Priority of Payments. The Yield Reserve Release Date is the earlier of (i) the Interest Payment Date on which all amounts outstanding in respect of (prior to the occurrence of a Class A Trigger Event) the Class A2 Notes, or (after the occurrence of a Class A Trigger Event) the Class A Notes, will be repaid in full; and (ii) the Interest Payment Date following the date on which the Aggregate Principal Balance of all Loans has been reduced to zero and no further recoveries are expected in respect of any of the Loans or their Related Security;

- once all Classes of Notes and other items, ranking in priority to the Class S Notes in accordance with the Pre-Enforcement Priorities of Payments and the Post-Enforcement Priority of Payments, have been repaid in full, principal payments and other sums payable on the Loans in respect of the Investor Interest, together with funds in the General Reserve, will be used to repay the Class S Notes;
- a Class A Principal Deficiency Ledger and a Class B Principal Deficiency Ledger will be established to record debits in respect of the notional principal losses corresponding to each relevant Class of Notes in reverse sequential order. Available Revenue Funds will be applied in accordance with the relevant Priority of Payments to credit any debit entries to the relevant Principal Deficiency Ledger in sequential order;
- availability of a guaranteed investment rate provided by the Account Banks on the balance standing from time to time to the credit of the General Reserve Account, Interest Accounts and Principal Accounts; and
- availability of basis swaps provided by the Swap Counterparties to hedge against the possible variance between the rate of interest payable under and in respect of the Loans which are not Defaulted Loans (the “**Non-Defaulted Loans**”) and the Rate of Interest payable under and in respect of the Rated Notes.

See the section entitled “*Key Structural Features — Credit Enhancement, Liquidity Support and other Key Features*” for further information on each of the above.

### **Bank Accounts and Cash Management**

Collections from Borrowers are currently paid to the relevant general collection accounts (the “**Collection Accounts**”) operated by each Originator (acting as Servicer), as applicable. The relevant Originator (acting as Servicer) shall transfer all amounts received pursuant to the terms of the relevant Loan Agreement which would be allocable to the Investor Interest in the Loans, from the relevant Collection Account into the relevant Issuer Account not later than the close of business on the second Business Day after the relevant amounts have been received by the relevant Servicer.

The Issuer will establish and maintain the following Sterling-denominated Issuer Accounts held with the relevant Account Bank into which, among other things, payments allocable to the Investor Interest in the Loans and their Related Security will be deposited:

- Interest Accounts;

- Principal Accounts;
- General Reserve Account;
- Note Proceeds Account;
- Swap Collateral Account; and
- Swap Termination Account.

The Issuer will also establish and maintain a Sterling-denominated Yield Reserve Account with the Yield Reserve Account Bank to hold the Yield Reserve (for the avoidance of doubt, on the Closing Date, being the Yield Reserve Amount).

Please refer to the section entitled “*Key Structural Features — Cashflows and Cash Management*” for further information.

### **Summary of Key Swap Terms**

There will be two Basis Swap Transactions (one between the Issuer and Lloyds as Swap Counterparty and one between the Issuer and BoS as Swap Counterparty) with the following key commercial terms:

- *Issuer Payments*: subject to certain adjustments, all interest received by the Issuer during the relevant Collection Period in respect of the Investor Interest in the Non-Defaulted Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) in respect of which there have been no missed interest payments during the immediately preceding Collection Period, unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period.
- *Swap Counterparties Payments*: subject to certain adjustments, the product of (i) the sum of the Investor Interest in the Aggregate Principal Balances of all Non-Defaulted Loans (in respect of which there have been no missed interest payments during the immediately preceding Collection Period, unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period) (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) on each day of the relevant Interest Period, divided by the number of days in such Interest Period (ii) the sum of LIBOR and a fixed margin and (iii) the Relevant Day-Count Fraction. In addition, the relevant Swap Counterparty will pay to the Issuer at the Closing Date an amount equal to the Accrued Interest on the Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) allocable to the Investor Interest.
- *Frequency of Payment*: on each Interest Payment Date.

Please refer to the section entitled “*Key Structural Features – Credit Enhancement, Liquidity Support and other Key Features — Basis Risk for the Notes*” for further detail in respect of the terms of the Swap Agreements.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Swap Counterparties:	<p>(a) (i) Long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by S&amp;P and short-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A-1 by S&amp;P or (ii), where no such short-term rating has been assigned by S&amp;P, long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A+ by S&amp;P; and</p> <p>(b) a short-term issuer default rating of at least F1 by Fitch and if a long-term issuer default rating has been assigned by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level), or</p> <p>(c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.</p>	<ul style="list-style-type: none"> <li>• Collateral posting</li> <li>• Guarantee of a Swap Counterparty’s obligations</li> <li>• Replacement of a Swap Counterparty</li> </ul> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled “<i>Key Structural Features — Credit Enhancement, Liquidity Support and other Key Features</i>”.</p>
Account Banks:	<p>(a) (i) Long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by S&amp;P and short-term unsecured, unsubordinated and unguaranteed debt obligations</p>	<ul style="list-style-type: none"> <li>• Replacement of relevant Account Bank</li> </ul>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Yield Reserve Account Bank:	<p>rated at least A-1 by S&amp;P or (ii), where no such short-term rating has been assigned by S&amp;P, long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A+ by S&amp;P; and</p> <p>(b) a short-term issuer default rating of at least F1 by Fitch and if a long-term issuer default rating has been assigned by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level), or</p> <p>(c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.</p> <p>(a) (i) Long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by S&amp;P and short-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A-1 by S&amp;P or (ii), where no such short-term rating has been assigned by S&amp;P, long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A+ by S&amp;P; and</p> <p>(b) a short-term issuer default rating of at least F1 by Fitch and if a long-term issuer default rating has been assigned by</p>	<ul style="list-style-type: none"> <li>• Replacement of Yield Reserve Account Bank</li> </ul>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Collection Account Banks:	<p data-bbox="580 286 927 607">Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level), or</p> <p data-bbox="523 629 927 909">(c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.</p> <p data-bbox="523 931 927 1469">(a) (i) Long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least BBB by S&amp;P and short-term unsecured, unsubordinated and unguaranteed debt obligations rated at least A-2 by S&amp;P or (ii), where no such short-term rating has been assigned by S&amp;P, long-term unsecured, unsubordinated and unguaranteed debt obligations rated at least BBB+ by S&amp;P; and</p> <p data-bbox="523 1491 927 1998">(b) a short-term issuer default rating of at least F1 by Fitch and, if a long-term issuer default rating has been assigned by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level), or</p>	<ul style="list-style-type: none"> <li data-bbox="1007 931 1369 992">• Replacement of relevant Collection Account Bank</li> </ul>

**Transaction Party**

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**Required Ratings/Triggers**

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**Possible effects of Trigger being breached include the following**

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- (c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.



## Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Class A Trigger Event:	A Class A Trigger Event shall occur in respect of an Interest Payment Date if, immediately after the distribution of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date, there would be any outstanding debit balance on the Class A Principal Deficiency Ledger which relates to Principal Losses recorded as debit entries on the Class A Principal Deficiency Ledger prior to (and including) the last day of the immediately preceding Collection Period.	Payments of principal on the Class A Notes, amongst themselves, will be made <i>pro rata</i> and <i>pari passu</i> . See the section entitled “ <i>Key Structural Features — Credit Enhancement, Liquidity Support and other Key Features</i> ” for further information.
Power of Attorney Event:	<p>means, in respect of an Originator/Assets Trustee:</p> <p>(a) a director of the relevant Originator/Assets Trustee admits in writing such Originator/Assets Trustee’s inability to pay its debts as they fall due or such Originator/Assets Trustee suspends making payments on any of its debts; or</p> <p>(b) unless such Originator/Assets Trustee has received a Rating Agency Confirmation in relation to such action, a moratorium is declared in respect of any indebtedness of the relevant Originator/Assets Trustee or any corporate action, legal proceedings or other procedure or step is taken in relation to:</p> <p style="margin-left: 20px;">(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the relevant Originator/Assets Trustee;</p> <p style="margin-left: 20px;">(ii) a composition, compromise, assignment, assignation or arrangement with any creditor of the relevant</p>	<p>Issuer enabled to act in the name of the Originators to, among other things, take actions to collect the proceeds of, and enforce the Loans against, the Borrowers.</p> <p>See the section entitled “<i>The Declaration of Trust</i>” for further information.</p>

Nature of Trigger	Description of Trigger	Consequence of Trigger
Account Bank Termination Events:	<p data-bbox="667 248 978 277">Originator/Assets Trustee; or</p> <p data-bbox="587 304 983 629">(iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the relevant Originator/Assets Trustee or substantially all of its assets,</p> <p data-bbox="587 656 991 904">and (i) such corporate action, legal proceedings or other procedure or step is not frivolous or vexatious and (ii) the relevant proceeding continues to be undismissed or unstayed sixty (60) days after the commencement of such proceeding.</p> <p data-bbox="531 927 959 956">The occurrence of any of the following:</p> <p data-bbox="531 969 999 1030">(a) Insolvency Event of an Account Bank; or</p> <p data-bbox="531 1043 999 1776">(b) (unless due to technical or administrative errors or reasons outside the control of the relevant Account Bank or due to actions of third parties) default is made by an Account Bank in making any payment required to be made, or giving any payment instruction required to be given, under the relevant Account Bank Agreement and such default continues for a period of two Business Days after the earlier of the appropriate department of such Account Bank becoming actually aware of such default and receipt by such Account Bank of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied; or</p> <p data-bbox="531 1789 999 2002">(c) material default in the performance of any other obligation under an Account Bank Agreement, where the Security Trustee confirms receipt of (i) so long as any Rated Notes remain outstanding, (A) written confirmation</p>	Replacement of relevant Account Bank.

Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>from the Note Trustee that such event or circumstance is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes then outstanding or (B) a written direction from the Note Trustee (itself acting with the sanction of an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes then outstanding) that such event or circumstance is materially prejudicial to the interests of such Noteholders, or (ii) if no Rated Notes remain outstanding, direction given in accordance with the Deed of Charge that, in each case, such event or circumstance is materially prejudicial to the interests of the relevant Secured Creditors and such event or circumstance is not remedied in all material respects within 30 Business Days after the earlier of the appropriate department of the relevant Account Bank becoming actually aware of such default and receipt by such Account Bank of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied;</p>	
	<p>(d) an Account Bank becomes or will become obliged to deduct or withhold from any payment of interest in respect of the Issuer Accounts held with the relevant Account Bank amounts for any UK taxes, duties, assessments or governmental charges;</p>	
	<p>(e) it is or will become unlawful for an Account Bank to perform any of its obligations under the relevant Account Bank Agreement: or</p>	
	<p>(f) an Account Bank ceases to be an Authorised Entity.</p>	

Nature of Trigger	Description of Trigger	Consequence of Trigger
Yield Reserve Account Bank Termination Event:	<p>The occurrence of any of the following:</p> <p>(a) Insolvency Event of the Yield Reserve Account Bank; or</p> <p>(b) (unless due to technical or administrative errors or reasons outside the control of the Yield Reserve Account Bank or due to actions of third parties) default is made by the Yield Reserve Account Bank in making any payment required to be made, or giving any payment instruction required to be given, under the Yield Reserve Account Bank Agreement and such default continues for a period of two Business Days after the earlier of the appropriate department of the Yield Reserve Account Bank becoming actually aware of such default and receipt by the Yield Reserve Account Bank of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied; or</p> <p>(c) material default in the performance of any other obligation under the Yield Reserve Account Bank Agreement, where the Security Trustee confirms receipt of (i) so long as any Rated Notes remain outstanding, (A) written confirmation from the Note Trustee that such event or circumstance is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes then outstanding or (B) a written direction from the Note Trustee (itself acting with the sanction of an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes then outstanding) that such event or circumstance is materially prejudicial to the interests of such Noteholders, or (ii) if no Rated Notes remain outstanding, direction given in accordance with the Deed of Charge that, in each case, such event or</p>	Replacement of Yield Reserve Account Bank.

Nature of Trigger	Description of Trigger	Consequence of Trigger
Cash Manager Termination Events:	<p>circumstance is materially prejudicial to the interests of the relevant Secured Creditors and, in each case, such event or circumstance is not remedied in all material respects within 30 Business Days after the earlier of the appropriate department of the Yield Reserve Account Bank becoming actually aware of such default and receipt by the Yield Reserve Account Bank of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied;</p> <p>(d) the Yield Reserve Account Bank becomes or will become obliged to deduct or withhold from any payment of interest in respect of the Yield Reserve Account amounts held by it for any UK taxes, duties, assessments or governmental charges;</p> <p>(e) it is or will become unlawful for the Yield Reserve Account Bank to perform any of its obligations under the Yield Reserve Account Bank Agreement: or</p> <p>(f) the Yield Reserve Account Bank ceases to be an Authorised Entity.</p> <p>The occurrence of any of the following:</p> <p>(a) Insolvency Event of the Cash Manager; or</p> <p>(b) (unless due to technical or administrative errors or reasons outside the control of the Cash Manager or due to actions of third parties) default in making any payment required to be made, or giving any payment instruction required to be given, and such default continues for a period of 10 Business Days after the earlier of the appropriate department of the Cash Manager becoming actually aware of such default and receipt by the Cash Manager of written notice of such default from the Issuer or, as the case</p>	Replacement of Cash Manager.

Nature of Trigger	Description of Trigger	Consequence of Trigger
Servicer Termination Events:	<p>may be, the Security Trustee requiring the default to be remedied; or</p> <p>(c) material default in the performance of any other obligation under the Cash Management Agreement, where the Security Trustee confirms receipt of (i) so long as any Rated Notes remain outstanding, (A) written confirmation from the Note Trustee that such event is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes then outstanding or (B) a written direction from the Note Trustee (itself acting with the sanction of an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes then outstanding) that such event or circumstance is materially prejudicial to the interests of such Noteholders or (ii) if no Rated Notes remain outstanding, direction given in accordance with the Deed of Charge that, in each case, such event or circumstance is materially prejudicial to the interests of the relevant Secured Creditors and, in each case, such event or circumstance is not remedied in all material respects within 30 Business Days after the earlier of the appropriate department of the Cash Manager becoming actually aware of such default and receipt by the Cash Manager of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied; or</p> <p>(d) it is or will become unlawful for the Cash Manager to perform any of its obligations under the Cash Management Agreement.</p>	Replacement of the relevant Servicer.
	<p>The occurrence of any of the following:</p> <p>(a) Insolvency Event of the relevant Servicer; or</p>	

Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>(b) (unless due to technical or administrative errors or reasons outside the control of the relevant Servicer or due to actions or omissions of third parties) default in making any payment required to be made, or giving any payment instruction required to be given, and such default continues for a period of 10 Business Days after the earlier of the appropriate department of the relevant Servicer becoming actually aware of such default and receipt by the relevant Servicer of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the default to be remedied; or</p> <p>(c) material default in the performance of any other obligation under the Servicing Agreement where the Security Trustee confirms receipt of (i) so long as any Rated Notes remain outstanding, (A) written confirmation from the Note Trustee that such event or circumstance is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes then outstanding or (B) a written direction from the Note Trustee (itself acting with the sanction of an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes then outstanding) that such event or circumstance is materially prejudicial to the interests of such Noteholders or (ii) if no Rated Notes remain outstanding, direction given in accordance with the Deed of Charge that, in each case, such event or circumstance is materially prejudicial to the interests of the relevant Secured Creditors and, in each case, such event or circumstance is not remedied in all material respects within 30 Business Days after the</p>	

**Nature of Trigger**

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**Description of Trigger**

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**Consequence of Trigger**

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earlier of the appropriate department of the relevant Servicer becoming actually aware of such default and receipt by the relevant Servicer of written notice of such default from the Issuer or, as the case may be, the Security Trustee the default to be remedied; or

- (d) it is or will become unlawful for the relevant Servicer to perform any of its obligations under the Servicing Agreement.

See the section entitled "*The Servicing Agreement*" for further information.



## FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

<b>Type of Fee</b>	<b>Amount of Fee</b>	<b>Priority in Cashflow</b>	<b>Frequency</b>
Servicing fees	Currently, a <i>de minimis</i> amount	Ahead of all outstanding Notes	As agreed from time to time
Cash management fees	Currently, a <i>de minimis</i> amount	Ahead of all outstanding Notes	As agreed from time to time
Other fees and expenses of the Issuer	Estimated at approximately £80,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	As agreed from time to time

## **ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE**

*Please refer to paragraph 9 (Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes) of the section entitled “Risk Factors” for further information on the implications of Article 122a for certain investors in the Notes.*

### **Retention statement**

Lloyds will retain a material net economic interest of at least 5% in the securitisation in accordance with Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (which does not take into account any implementing rules thereof in a relevant jurisdiction), referred to as the Capital Requirements Directive. As at the Closing Date, such interest will be comprised of an interest in not less than 5% of the Principal Amount Outstanding of each of the Class A1 Notes, Class A2 Notes, Class A3 Notes, Class B Notes and Class S Notes. Any change to this manner in which this interest is held will be notified to investors.

### **Investors to assess compliance**

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, the Arranger, the Lead Manager or the Responsible Transaction Parties make any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective investor should ensure that they comply with the implementing provisions in respect of Article 122a in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of 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.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### 1 Credit Structure

#### 1.1 Notes obligations of Issuer only

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any of Lloyds or BoS, their Affiliates or any other party named in the Prospectus and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

#### 1.2 Limited source of funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on Revenue Receipts and Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Issuer Accounts, amounts received in respect of any Eligible Investments, the receipts under the Swap Agreements, (in relation to the Rated Notes) amounts standing to the credit of the General Reserve Account and (in relation to the Class A Notes up to (and including) the Yield Reserve Release Date and prior to enforcement) the amounts standing to the credit of the Yield Reserve Account. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Issuer will have no recourse to the Originators, save as provided in the Declaration of Trust (see section entitled "*The Declaration of Trust*" for further information).

#### 1.3 Limited recourse

The Notes will be limited recourse obligations of the Issuer. Other than the receipts from the Loans in the Portfolio, interest earned on the Issuer Accounts, amounts received in respect of any Eligible Investments, the receipts under the Swap Agreements, (in relation to the Rated Notes) amounts standing to the credit of the General Reserve Account and (in relation to the Class A Notes up to (and including) the Yield Reserve Release Date and prior to enforcement) amounts standing to the credit of the Yield Reserve Account, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or

- (ii) the service of an Enforcement Notice; and
- (b) realisation of the Secured Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments,

the proceeds of such realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

#### **1.4 Deferral of interest payments on the Class B Notes**

If, on any Interest Payment Date, the Issuer has insufficient Available Revenue Funds to pay interest due on the Class B Notes (unless they are the Most Senior Class), such interest shall not be regarded as due and payable on such date and shall continue to accrue until the next Interest Payment Date or such earlier date on which interest on such Class of Notes becomes immediately due and payable. Additional interest shall accrue on such unpaid and deferred interest amount at the same rate of interest as that applicable to the Class B Notes. For the avoidance of doubt, this does not apply to the Class S Notes as the amount of interest payable on the Class S Notes is variable depending on the excess amount of Available Revenue Funds (and therefore not subject to deferral like the interest on the Class B Notes). To the extent that there are insufficient funds on the following Interest Payment Date the deferral of interest in accordance with Condition 6(j) (*Deferral of Interest*) shall continue until the Final Maturity Date or such other date on which the Notes are redeemed in full.

#### **1.5 Credit risk of the Borrowers**

The Issuer is subject to the risk of default in or restructuring of payment by the Borrowers and the failure by the Servicers and/or Originators, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Loans, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled “*Key Structural Features*”. However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

#### **1.6 The ability of the Issuer to redeem the Notes in the event of their acceleration prior to the Final Maturity Date is limited**

If the Notes were to be accelerated for any reason prior to the Final Maturity Date, the Issuer would be required to redeem the Principal Amount Outstanding owed under the Notes without having received accelerated payments in relation to the Investor Interest. Further, the Issuer’s ability to realise funds from the Investor Interest is limited as the Originators are the legal owners of the Loans (see the section entitled “*The Declaration of Trust*” for further information). As a result, even upon the acceleration of the Notes as a result of an Event of Default, the amount of Available Revenue Funds on each Interest Payment Date may not change and would be distributed in accordance with the relevant Priority of Payments. It is therefore highly likely that the Issuer would not be able to redeem in full (and possibly not in part) the Principal Amount Outstanding owed under the Notes and its inability to redeem the Notes might continue until the Final Maturity Date. Consequently, a purchaser of the Notes must be prepared to hold any Notes until the Final Maturity Date.

## **1.7 Market Value of the Loans**

The market value of the Loans will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the borrowers or guarantors, as the case may be, of the Loans.

The financial markets periodically experience substantial fluctuations. No assurance can be given that the conditions giving rise to such price fluctuations and limited liquidity will not occur, subsist or become more acute following the Closing Date. A decrease in the market value of the Loans would adversely affect the proceeds of any realisation that could be obtained by the Issuer or the Security Trustee (following the occurrence of a Power of Attorney Event in respect of the relevant Originator), which could affect the amount received by the Issuer and could ultimately affect the ability of the Issuer to pay in full or redeem the Notes.

## **1.8 Rate of Interest risk**

The Rated Notes bear interest at a floating rate of three-month LIBOR plus a margin. However, the Issuer will receive floating rate interest on and in respect of the Loans which will be lower than the Rate of Interest payable under the Rated Notes.

To provide hedging against substantially all of the mismatch between the rates of interest payable on the Loans in the Portfolio and the Rate of Interest payable by the Issuer under the Rated Notes, the Issuer will enter into two Basis Swap Transactions under the relevant Swap Agreements on the Closing Date. If the Issuer fails to make timely payments under a Swap Agreement, it will have defaulted under such Swap Agreement. In addition, on each Interest Payment Date up to (and including) the Yield Reserve Release Date, to cover the mismatch between the rates of interest received from the Swap Counterparties in respect of the Loans in the Portfolio and the rate of interest payable by the Issuer under the Rated Notes, the Yield Reserve will be used to pay a proportion of the interest due on the Class A Notes on each Interest Payment Date. The Yield Reserve is sized to meet payments of a proportion of interest due on the Class A1 Notes and Class A2 Notes.

Each Swap Counterparty is obliged only to make payments under the relevant Swap Agreement if and for so long as the Issuer makes payments under the same. The Issuer is only obliged to make payments under the Swap Agreements if there are sufficient Available Revenue Funds. If a Swap Counterparty is not obliged to make payments, or defaults in its obligation to make payments under the relevant Swap Agreement, the Issuer will be exposed to the variance between the rates of interest payable on the Loans and the Rate of Interest payable by it under the Rated Notes unless a replacement Swap Agreement is entered into. If a Swap Agreement terminates, the Issuer may as a result be obliged to make a termination payment to the relevant Swap Counterparty. Any variance between the rates of interest payable on the Loans and the Rate of Interest payable by the Issuer under the Rated Notes and any termination payment payable by it to a Swap Counterparty may adversely affect the ability of the Issuer to meet its obligations under the Rated Notes.

## **1.9 Swap Counterparty risk**

In the event that a Swap Counterparty does not pay the amount payable under the relevant Swap Agreement when due, Available Revenue Funds may be less than would otherwise be the case and this could result in reduced payments to Noteholders. In addition, if a Swap Agreement is terminated, the Cash Manager (on behalf of the Issuer) may be obliged to use Available Revenue Funds to pay a termination payment, including any default or breakage costs, under the relevant Swap Agreement.

Except where a Swap Counterparty has caused the relevant Swap Agreement to terminate by its own default or upon a Swap Counterparty's failure to take remedial action pursuant to its credit rating downgrade, any termination payment in respect of such Swap Agreement due by the Issuer will rank in

priority to payments of interest due and payable on the Notes. Any additional amount required to be paid by the Issuer following termination of such Swap Agreement (including any extra costs incurred if the Issuer cannot enter into a replacement swap agreement), will also generally rank ahead of payments due on the Notes. If the Issuer is obliged to make a termination payment to a Swap Counterparty or to pay any other additional amount as a result of the termination of the relevant Swap Agreement, this may reduce or adversely affect the amount of funds which the Issuer has available to make payments on the Notes of any Class. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the relevant Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the relevant Class of Notes.

Furthermore, if a Swap Counterparty were to default in respect of its obligations under the relevant Swap Agreement so as to result in a termination of such Swap Agreement, the Issuer (or the Cash Manager on its behalf) will use reasonable endeavours to enter into a replacement arrangement with another appropriately rated entity, which may require the Issuer to make a payment. A failure to enter into such a replacement arrangement may result in a downgrade of the rating of the Rated Notes, and may reduce the amount of funds available to make payments on the Notes. In addition, if the Issuer fails to enter into such replacement arrangement, the Portfolio will remain unhedged; this may in turn reduce the amount of funds available to make payments on the Notes.

In the event of the insolvency of a Swap Counterparty the Issuer will be treated as a general creditor of such Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of the relevant Swap Counterparty, as well as that of the Loans.

To mitigate this risk, under the terms of the Swap Agreements, in the event that the short-term rating or long-term rating (as applicable) of a Swap Counterparty fails to meet the Requisite Ratings, the relevant Swap Counterparty will, in accordance with the terms of the relevant Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the relevant Swap Agreement and at its own cost which may include providing collateral for its obligations under the relevant Swap Agreement, arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the Requisite Ratings, procuring another entity with the Requisite Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Swap Agreement or such other action that would result in the Rating Agencies continuing the then current rating of the Rated Notes or restoring it to the level prior to the downgrade event. No assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the relevant Swap Counterparty or that another entity with the Requisite Ratings will be available to become a co-obligor or guarantor.

It may be difficult and/or expensive for the Issuer to enter into a replacement arrangement upon the downgrade, insolvency or default of a Swap Counterparty. Failure to enter into a replacement arrangement may result in a rating downgrade of the Rated Notes and may reduce the amount of funds available to make payments on the Notes.

In addition, the rating criteria used by the Rating Agencies to assign a rating to the Rated Notes may be amended by the Rating Agencies from time to time. Following amendments to the relevant rating criteria by a Rating Agency applicable to a Swap Agreement, the Issuer, each relevant Swap Counterparty and the Security Trustee may agree to amend and restate the relevant Swap Agreements in order to implement the new rating criteria so as to maintain the ratings then assigned to the Rated Notes. Such amendments may be prejudicial to the interests of one or more than one Class of Noteholders.

## 1.10 Collectability of Loans

The collectability of amounts owing under the Loans is subject to credit risks and will generally fluctuate in response to, among other things, general economic conditions, the financial conditions of Borrowers and related factors. Loans included in the Portfolio which comply with the Eligibility Criteria on the Closing Date but which subsequently cease to comply with the Eligibility Criteria will not be removed from the Portfolio. To the extent that a loss is suffered in relation to any Loan, there may be insufficient funds available to the Issuer to enable the Issuer to meet payments to Noteholders in full and the Noteholders may suffer a loss.

## 1.11 Put Option relating to the Class A2 Notes

The Class A2 Notes are subject to the purchase arrangements set out in Condition 8 (*Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders*) and the conditional note purchase deed entered into between the Issuer, the Put Option Purchaser, the Cash Manager, the Note Trustee, the Principal Paying Agent, the Registrar and the Transfer Agent (the “**Conditional Note Purchase Deed**”) (see the section entitled “*Key Structural Features — Put Option in relation to the Class A2 Notes*” for further information).

These purchase arrangements for the Class A2 Notes provide that in respect of the Class A2 Transfer Date, any of the outstanding Class A2 Notes may be purchased by the Put Option Purchaser at the Put Option Purchase Price (if the relevant Class A2 Noteholder so wishes). However, the Put Option Purchaser is not obliged to purchase Class A2 Notes if an Event of Default has occurred and is continuing on the Class A2 Transfer Date. Moreover, the purchase price payable by the Put Option Purchaser in respect of the Class A2 Notes on the Class A2 Transfer Date is subject to reduction by the amount of any Class A2 Principal Deficiency Losses. Therefore, the purchase arrangements are not intended to provide credit support for the assets contained in the Assets Trust backing the Class A2 Notes and should not be viewed as a guarantee that investors in the Class A2 Notes will receive the full outstanding principal amount of such Class A2 Notes on the Class A2 Transfer Date (see “*Key Structural Features — Put Option in relation to the Class A2 Notes*”). If (a) an Event of Default has occurred and is continuing on the Class A2 Transfer Date or (b) the Put Option Purchaser defaults (including due to a deterioration in its financial condition) in its obligations to pay the Put Option Purchase Price for the Class A2 Notes on the Class A2 Transfer Date, a Class A2 Noteholder, in all likelihood, will be unable to sell its Class A2 Notes on the Class A2 Transfer Date and may be unable to do so at any other time (or, if it is able to sell its Class A2 Notes, the price received from a third party purchaser may be less than the purchase price set out in the Conditional Note Purchase Deed). Investors should note that they will be reliant on the financial condition of the Put Option Purchaser on the Class A2 Transfer Date to the extent that the Put Option Purchaser is obliged to purchase the Class A2 Notes. Investors will therefore need to satisfy themselves independently of the ability of the Put Option Purchaser to comply with its obligations under the Conditional Note Purchase Deed. The purchase arrangements relating to the Class A2 Notes depend on the facilities of Euroclear and Clearstream, Luxembourg. If individual Certificates are issued in relation to the Class A2 Notes in any circumstances described in this Prospectus, or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the purchase of the relevant Class A2 Notes by the Put Option Purchaser as contemplated in Condition 8 (*Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders*) and the Conditional Note Purchase Deed or if such mechanisms are disrupted, then the purchase arrangements established for the Class A2 Notes may no longer be able to be implemented and/or may be delayed as described in “*Key Structural Features - Put Option in relation to the Class A2 Notes*” below. Although the parties to the Conditional Note Purchase Deed have agreed that in such circumstances they will make reasonable efforts to enter into alternative purchase arrangements, there can be no assurance that they will be able to do so, in which case, the Put Option Purchaser may not be able to purchase the Class A2 Notes.

The ratings assigned by the Rating Agencies to any Class A2 Notes do not address such purchase arrangements relating to such Class A2 Notes (as described in “*Key Structural Features - Put Option in relation to the Class A2 Notes*” below) or the likelihood of the Put Option Purchaser not being required or not being able to purchase the Class A2 Notes as described above.

#### **1.12 Average life and prepayment considerations**

The average life of each Class of Notes may be different to the number of years specified until their Final Maturity Date. No assurance can be given as regards the exact average life of any of the Notes. Average life refers to the average amount of time that will elapse from the date of issue of each Class of Notes until amounts in respect of principal of such Notes have been repaid in full to the holder thereof.

The average life of the Notes will depend on, among other things, the amount and timing of payment of principal in respect of the Loans (including full and partial repayments and prepayments, the Collected Proceeds allocated to the Issuer upon enforcement of any Related Security and realisation of the Investor Interest in the Loans following a Power of Attorney Event).

The average life of the Notes may be adversely affected by a higher than anticipated rate of prepayments on the Loans. The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws, local and regional economic conditions. No guarantee can be given as to the level of prepayment that the Loans may experience.

In the period from (and including) the Closing Date up to (but excluding) the Final Maturity Date or such earlier date on which all the Notes are redeemed in full, on each Interest Payment Date, the Issuer shall apply any Available Principal Funds, which broadly consists of all amounts of principal received (i) as repayment or prepayment on the Loans, (ii) in connection with the enforcement of the Loans and any Related Security and (iii) in connection with a re-acquisition by an Originator of the Investor Interest in any Loan, to (partially) redeem the Notes in accordance with the Pre-Enforcement Principal Priority of Payments.

The average life of the Notes may also be affected by the early redemption of the Notes in accordance with Condition 7 (*Redemption*) or by the occurrence of an Event of Default.

#### **1.13 Redemption of the Notes by the Issuer following the re-acquisition by an Originator of the Investor Interest in any Loans**

The Issuer shall redeem the Rated Notes in whole on any Interest Payment Date upon the Originators exercising their option to re-acquire the Issuer’s interest (i.e. the Investor Interest) in all Loans and their Related Security (in respect of each Originator, originally originated or acquired by it) (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) at any time after the Closing Date, as fully set out in Condition 7(f) (*Redemption in Whole or in Part in relation to the Re-acquisition of Investor Interest*). An Originator also has the option to re-acquire the Issuer’s interest (i.e. the Investor Interest) in a Loan and its Related Security if there is a significant risk of such Loan being transferred to the relevant Servicer’s debt recovery unit, and the Issuer shall redeem the relevant Notes, in accordance with the applicable Priority of Payments, to the extent of such re-acquisition proceeds (and any other Available Principal Funds), as fully set out in Condition 7(f) (*Redemption in Whole or in Part in relation to the Re-acquisition of Investor Interest*). No assurance can be given that an Originator will not exercise its option to re-acquire the Issuer’s interest in all (or certain) of the relevant Loans originally originated or acquired by such Originator in the above circumstances.

On the applicable Interest Payment Date (as referred to above), the Issuer shall also redeem the Class S Notes to the extent of the Available Principal Funds and in accordance with the applicable Priority of



Payments, but, if the re-acquisition proceeds received from an Originator do not exceed the amounts required to redeem the Rated Notes (and all items ranking in priority thereto), then (once the Rated Notes are repaid in full) the Issuer may have insufficient funds to meet payment of principal on the Class S Notes in full and the Class S Noteholders may suffer a loss.

#### **1.14 Notes, subordination and credit enhancement**

As stated in Condition 4(b) (*Status, Priority and Security — Priority*), the Class S Notes are subordinated in right of payment of interest and principal to the Class B Notes and the Class A Notes, the Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes in order to provide credit enhancement to the Most Senior Class or Classes (as applicable) of Notes, respectively. Prior to the occurrence of a Class A Trigger Event, payments of principal on the Class A1 Notes, Class A2 Notes and Class A3 Notes will be made in the following order, firstly, to the Class A1 Notes until they are repaid in full, secondly, (i) prior to (but excluding) the Switch Date, to the Class A3 Notes until they are repaid in full and, then, to the Class A2 Notes until they are repaid in full or (ii) from (and including) the Switch Date, to the Class A2 Notes until they are repaid in full and, then, to the Class A3 Notes until they are repaid in full. Following the occurrence of a Class A Trigger Event, payments of principal on the Class A Notes, amongst themselves, will be made *pro rata* and *pari passu*. Any losses on the Loans will be allocated first to the Class of Notes ranking most junior in point of payment and security. See further the section entitled “*Key Structural Features*” and Condition 4(b) (*Status, Priority and Security — Priority*). Subordination of other Classes of Notes may not protect more senior Noteholders from all risks of loss.

#### **1.15 Notes may not be suitable investments for all investors**

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

#### **1.16 Volatility of the Class S Notes**

The Class S Notes represent a leveraged investment in the underlying Loans. Accordingly, it is expected that changes in the market value of the Class S Notes will be greater than changes in the market value of the underlying Loans, which themselves are subject to credit, liquidity, interest rate and other risks. Utilisation of leverage is a speculative investment technique and involves certain risks to investors and will generally magnify the Class S Noteholders’ opportunities for gain and risk of loss.

#### **1.17 Credit ratings**

The ratings assigned by the Rating Agencies address (i) the likelihood of full and timely payment of interest due on each Interest Payment Date to the Noteholders of the Class A Notes, (ii) the likelihood of ultimate payment of interest to the Noteholders of the Class B Notes and (iii) the likelihood of ultimate payment of principal to the Noteholders of the Rated Notes on a date that is not later than the Final Maturity Date. Credit ratings of debt securities represent Rating Agencies’ opinions regarding their credit quality and are not a guarantee of quality. Rating Agencies attempt to evaluate the safety of principal and, if applicable, interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Also, Rating Agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an Issuer’s then current financial condition may be better or worse than a credit rating indicates. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or more of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. There is no assurance that any such ratings will continue for any period of time. At any time, a

Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Rated Notes may be lowered or withdrawn entirely by a Rating Agency if, in its judgement, circumstances in future so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may have an adverse effect on the value of the Notes.

Agencies other than the Rating Agencies could seek to rate the Rated Notes, and if such “unsolicited ratings” are lower than the comparable ratings assigned to the Rated Notes, those unsolicited ratings could have an adverse effect on the value of the Rated Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to “ratings” or “rating” in this Prospectus is to the rating or ratings assigned by the specified Rating Agencies only. In the event that a rating is substantially lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to such Rated Notes and the market value of such Rated Notes is likely to be adversely affected.

The Class S Notes shall not be rated.

#### **1.18 Rating Agency Confirmation in relation to the Notes in respect of certain actions**

A written Rating Agency Confirmation that any action proposed to be taken by the Issuer, the Note Trustee or any other of the Parties to the Transaction Documents will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to the Noteholders. While entitled to have regard to the fact that the Rating Agencies may have confirmed that the then current rating of the relevant Class of Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Secured Creditors (including the Noteholders), the Issuer, the Note Trustee, the other parties to the Transaction Documents or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders), the Issuer, the Note Trustee, the other parties to the Transaction Documents or any other person whether by way of contract or otherwise.

Any such written Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a written Rating Agency Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A written Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A written Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain Rating Agencies have indicated that they will no longer provide Rating Agency Confirmations as a matter of policy. In circumstances where a Rating Agency is not willing to issue a written Rating Agency Confirmation due to its then prevailing policy regarding the issue of written Rating Agency Confirmations, an authorised signatory of the Issuer (or the relevant Servicer on its behalf) may certify in writing to the Note Trustee that, in its opinion (and where a Rating Agency was prepared to consult with the Issuer (or the relevant Servicer, as applicable) this opinion is based on consultation with that Rating Agency) such amendment would not cause the ratings of the Rated Notes to be reduced or withdrawn by the Rating Agencies. Confirmation from Fitch shall not be required but Fitch shall be notified of the proposed action, determination or appointment. To the extent that no written Rating Agency Confirmation or the certification referred to above can be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

### **1.19 Limited liquidity of the Notes**

There is expected to be a very limited secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes.

Investors should note that the market for the Notes will be affected by, among other things, supply and demand for the Notes, and that, accordingly, it should not be assumed that there will be a significant correlation between the market value of the Notes and the market value of the Portfolio. Prospective investors should be aware that the market value of the Notes may also be affected by events in the capital and credit markets which may have an effect on the market value of the Portfolio, the Issuer and/or similar structured securities generally.

In addition, the liquidity of any trading market (should any develop) in the Notes may be adversely affected by changes in the overall market for investment and non-investment grade securities. If such a trading market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price depending on many factors including prevailing interest rates and the market for similar securities.

Consequently, a purchaser must be prepared to hold such Notes until the Final Maturity Date or such earlier date on which the Notes are redeemed in full. Although application has been made to the Irish Stock Exchange for the Rated Notes to be admitted to the Official List and trading on its regulated market in accordance with the Prospectus Directive, there can be no assurance that admission to the Irish Stock Exchange will be achieved or, if achieved, will be maintained.

### **1.20 Recent events in the financial markets**

In late 2006 the sub-prime mortgage loan market in the United States commenced a period characterised by a large number of borrower defaults. Prior to the commencement of such period, a significant volume of sub-prime mortgage loans had been securitised and, in turn sub-prime mortgage backed securities had been sold to Collateralised Debt Obligations (“CDOs”) of asset backed securities (“ABS”) and other investment funds. As a result of the deterioration of the US sub-prime mortgage loan market, CDOs of ABS and other investment funds that invested in US sub-prime mortgage backed securities began experiencing significant losses which has triggered a series of events that resulted in severe liquidity crisis in the global credit markets from the summer of 2007, including in market sectors with little or no exposure to sub-prime mortgages and/or to the United States. While such market conditions have shown signs of improvement in certain sectors of the global credit markets, it is difficult to predict whether, or to what extent, such market improvement will continue and/or how long the adverse market conditions will continue to exist.

There continue to exist additional risks for the Issuer and investors as a result of the current liquidity crisis. These risks include, among others, (i) the possibility that, on or after the Closing Date, the price at which assets can be sold will have deteriorated from their effective purchase price and (ii) the increased illiquidity of the Notes as there may be little or no secondary trading in certain securities. These additional risks may affect the returns on the Notes to investors or the market for the Notes, as applicable.

In addition, the current crisis has stalled the primary and secondary markets for a number of financial products including certain loan products. The impact of the crisis on the primary and secondary markets may ultimately adversely affect the returns on the Notes to investors.

Whilst central bank schemes, such as the Bank of England's Discount Window Facility which was launched in October 2008 and the European Central Bank liquidity scheme, provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facilities

are likely to adversely impact secondary market liquidity for asset-backed securities in general, regardless of whether the Notes are eligible securities.

## **2 Rights of Noteholders and Secured Creditors**

### **2.1 Conflicts of Interest among Noteholders**

In connection with the exercise of its functions, the Note Trustee shall have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class S Noteholders, each as a Class, and shall not have regard to the consequences of such exercise for individual Noteholders. If, in relation to the exercise or performance of its functions described in the Conditions, the Note Trustee is of the opinion that there is or may be a conflict between holders of any Classes of Notes, the Note Trustee shall have regard only to the interests of the Most Senior Class of Notes then outstanding.

### **2.2 Conflicts of interest between the Noteholders of the Rated Notes and other Secured Creditors**

The Security Trustee shall have regard to the interests of the Secured Creditors equally, provided that where in the opinion of the Security Trustee there is a conflict between the interests of the Noteholders of the Rated Notes and the other Secured Creditors, the Security Trustee shall have regard solely to the interests of the Noteholders of the Rated Notes.

In having regard to the interests of the Noteholders, the Security Trustee shall be entitled to rely upon a written direction from the Note Trustee (itself acting in its sole discretion or with the sanction of an Extraordinary Resolution of the Noteholders or of holders of the relevant Class, subject to and in accordance with the provisions of the Trust Deed and the Conditions) or a written confirmation from the Note Trustee as to whether, in the opinion of the Note Trustee, any matter, action or omission is or is not in the interests of, or is or is not materially prejudicial to the interests of, the Noteholders. The Note Trustee shall have sole responsibility for resolving conflicts of interest as between Classes of Noteholders, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

### **2.3 Noteholders' resolutions**

The Trust Deed includes provisions for the passing of an Extraordinary Resolution (whether at a Noteholders' meeting by way of vote or by written resolution) of the Noteholders in respect of (among any other matters) amendments to the Conditions of the Notes and/or the Trust Deed. Such provisions include, among other things, (i) quorum requirements for the holding of Noteholders' meetings and (ii) voting thresholds required to pass Extraordinary Resolutions at such meetings (or through written resolutions). The quorum required for a meeting of Noteholders convened to vote on an Extraordinary Resolution other than regarding a Basic Terms Modification is two or more person(s) holding or representing a clear majority of the Principal Amount Outstanding of the Notes then outstanding in that Class or those Classes. The quorum at an adjourned meeting is two or more persons holding or representing Noteholders of that Class or those Classes. The quorum required for a meeting of Noteholders convened to vote on an Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each Class of Noteholders) will be two or more person(s) holding or representing at least 75 per cent. of the Principal Amount Outstanding of the Notes then outstanding in the relevant Class or Classes. The quorum at an adjourned meeting to vote on an Extraordinary Resolution relating to a Basic Terms Modification is two or more person(s) holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes then outstanding in the relevant Class or Classes. It should, however, be noted that amendments may still be effected and waivers may be granted in respect of such provisions in circumstances where not all Noteholders agree with the terms thereof and an Extraordinary Resolution in respect of any such amendments or waivers once passed in accordance with the provisions of the Conditions and the provisions of the Trust Deed will be binding on all such dissenting Noteholders.

See Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and the more detailed provisions of the Trust Deed.

#### **2.4 Voting rights upon an Event of Default and enforcement**

Subject to the Conditions of the Notes, if an Event of Default has occurred and is continuing, the Trustee may, in its absolute discretion or shall, if so directed by an Extraordinary Resolution of the Most Senior Class of Notes, deliver an Enforcement Notice to the Issuer and (provided that it is indemnified and/or secured to its satisfaction) take such steps and/or institute such proceedings as it may think fit to enforce its rights under and in accordance with the Trust Deed and other Transaction Documents (including the Conditions). As a result, Noteholders of the Most Senior Class of Notes may be unable to direct enforcement of Security in circumstances in which they are unable to secure the relevant majority and Noteholders of more junior Classes of Notes will not be able to direct such enforcement which, in each case, may be adverse to the Noteholders of relevant Classes of Notes. See Condition 12 (*Events of Default*) and Condition 13 (*Enforcement, Limited Recourse and Non-Petition*) for further information.

#### **2.5 Originator(s) as Noteholders**

For so long as any Notes are held by either of the Originators, the relevant Originator will be entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). The Originator's interests, with respect to the holding of such Notes, may be different from that of other Noteholders to the extent there are other Noteholders. So long as an Originator continues to hold any Notes, in the exercise of the rights to which it is entitled under the Notes, it will be in its interests to minimise any adverse impact or potential adverse impact on itself and its Affiliates. Such interests of an Originator may conflict with the interests of other Noteholders.

### **3 Assets Trust**

#### **3.1 Beneficial interest in the Loans only**

The Issuer will not have any direct or exclusive interest in the Loans. The Loans will not be assigned legally or equitably or otherwise transferred to the Issuer and legal title to the Loans (and their Related Security) will remain with, or shall continue to be held on behalf of, the relevant Originator (in its capacity as Assets Trustee). The Issuer will have a fixed undivided interest in some of the relevant Trust Assets which does not give the Issuer exclusive entitlement to such Trust Asset. In their capacity as trustees of the Assets Trust, the Assets Trustees will hold their interests in the Loans on trust for the benefit of the Issuer and the Originator Beneficiaries. However, the Issuer will not have any direct entitlement under the Assets Trust to the Loans and neither the Issuer, nor the Security Trustee:

- (a) will have a direct contractual relationship with any Borrower under any Loan;
- (b) will have the right to assert claims or effect remedies directly against the Borrowers; or
- (c) will have any rights to vote in respect of a decision of the lenders or give any instructions to the Borrower in respect of any Loan.

In addition, the Originators will not grant the Issuer, the Note Trustee or any other entity any security interest over any Loan. However, each of Lloyds and BoS, in its capacity as Originator and Assets Trustee, will grant an Originator/Assets Trustee Power of Attorney to the Issuer, pursuant to which the Issuer may, following a Power of Attorney Event, exercise all or any of Lloyd's or BoS's rights, powers and discretions under the Declaration of Trust, in relation to the Trust Assets and/or under the Loans and their Related Security, including, among other things, the management, collection, enforcement or (subject to the transfer and other similar restrictions therein) sale of the Loans and their Related Security in order to preserve value for the Issuer's Investor Interest under the Assets Trust.

### **3.2 Limitations on enforcing Loans against Borrowers and the Originator/Assets Trustee Powers of Attorney**

The Issuer has a beneficial interest in the Loans only, and will not have any direct contractual relationship with any Borrower, nor any direct rights or ability to enforce against any Borrower. In the event that any Borrower defaults under a Loan, the Issuer will rely on the Originators (as Assets Trustees and Servicers) to recover all sums due to the Issuer in respect of the Trust Assets. Only the relevant Originator will be entitled to take any remedial action in respect of the relevant Loan or to exercise any votes permitted to be taken or given thereunder.

The Originator/Assets Trustee Powers of Attorney will allow the Issuer to act in the name of the Originators (as lenders of record) to take actions to enforce the Loans against the Borrowers and to collect the proceeds of Trust Assets upon the occurrence of a Power of Attorney Event. The Issuer has received legal advice (subject to certain qualifications) to the effect that the Issuer may exercise its powers under the Originator/Assets Trustee Powers of Attorney following the occurrence of a Power of Attorney Event without the leave of the court under English or, as the case may be, Scots insolvency laws. There can be no assurance, however, that a court would reach the same conclusion or that leave, if required, would be granted. In the event that the Issuer is unable to exercise its powers under the Originator/Assets Trustee Powers of Attorney, the Issuer would not be able to take actions to, among other things, enforce the Loans against Borrowers in default and the Noteholders may suffer a loss as a result. See the section entitled “*The Declaration of Trust — Originator/Assets Trustee Powers of Attorney*” for further information on the actions the Issuer can take pursuant to each Originator/Assets Trustee Power of Attorney.

### **3.3 Restrictions on transfer of Loans and no removal of Assets Trustees**

Certain of the Loans contain restrictions on transfer that may limit or restrict the transfer, assignment, assignation or similar of the Loans. The Assets Trust has been structured with the intention that such limitations or restrictions are not contravened by the declaration of the Assets Trust. Such limitations or restrictions on transfer, assignment, assignation or similar and the provisions of the Declaration of Trust will not permit the appointment of a substitute trustee under the Assets Trust, even in the event of a default by Lloyds or BoS of their obligations as Asset Trustees. Accordingly, unless a Power of Attorney Event has occurred, Lloyds and BoS are the only entities capable of enforcing the Loans. If a Power of Attorney Event does occur, under the Originator/Assets Trustee Powers of Attorney the Issuer may enforce, in certain limited circumstances and in the name of Lloyds and BoS, the rights of Lloyds and BoS to, among other things, collect the relevant Loans.

### **3.4 Set-off**

In the event of the insolvency of an Originator or a Borrower, a Borrower which also has a deposit with the relevant Originator or to which the relevant Originator owes other obligations may attempt to satisfy its payment obligation in respect of the relevant Loan by setting off its deposit or other obligations against such payment obligation.

All of the Loans in the Portfolio are subject to provisions contained in the relevant Loan Agreement pursuant to which the relevant Borrower agrees to make payments in respect of the Loans without set-off or counterclaim.

Notwithstanding the previous paragraph, however, under English law, certain mandatory insolvency law set-off provisions would continue to be available to a Borrower on its insolvency or on the insolvency of the relevant Originator if, contrary to the way in which the Assets Trust has been structured, the Declaration of Trust were held to be in breach of a transfer restriction in the underlying Loan (however, see the section entitled “*The Portfolio — Representations and Warranties*” which sets out the relevant Originator’s representations and warranties that there are no provisions in the Loan

Agreements that prohibit the relevant Originator from declaring the Assets Trust over the Rights and Collected Proceeds in respect of the relevant Loans).

Therefore, if a court determined that such mandatory insolvency law set-off provisions were available so as to enable a Borrower to set off amounts owing by the relevant Originator against its payment obligations, then a Borrower which also had a deposit with the relevant Originator or to which the relevant Originator owes other obligations might be able to set off such deposit or such other obligations against its obligations in respect of a Loan, in which case payments in respect of such Loan could be diminished and, consequently, the ability of the Issuer to make payments under the Notes could be affected.

Whilst in England, set-off on insolvency is mandatory, in Scotland it is essentially a procedural matter and can be viewed as being a private right of the party which is seeking to exercise a procedural right to plead set-off on insolvency. As a personal right, parties to a contract can agree not to enforce such a right of set-off.

## **4 Administration by Third Party Risk**

### **4.1 Reliance on servicing of Assets Trust by the Originators**

None of the Issuer or the Security Trustee has any legal interest in the Loans, they will have a beneficial interest only.

The Issuer will be dependent upon the Originators' (including acting as Assets Trustees and Servicers) performance of their obligations under the Declaration of Trust and the Servicing Agreement in order to receive amounts due from Borrowers under the Loans. While amounts of Revenue Receipts and Principal Receipts are held in a Collection Account, such amounts are not held subject to any security interest and the Issuer and the Security Trustee will accordingly have an unsecured claim against the Originators in respect of their beneficial interest in the Collected Proceeds then on deposit in the Collection Accounts. In order to mitigate this risk, amounts in respect of the Investor Interest standing to the credit of the Collection Accounts will be transferred to the relevant secured Issuer Account not later than the close of business on the second Business Day after the relevant amounts have been received by the relevant Servicer.

### **4.2 Servicing - ability to change terms of a Loan or dispose of Defaulted Loans or dispose of certain restructured Loans**

An Originator (acting as Servicer) is under an obligation under the Servicing Agreement, as lender of record for a Loan, to take all decisions in relation to a Loan and its Related Security (originally originated or acquired by it), including, among other things, voting on any matter (in turn, including any waiver or amendment) and directing enforcement, subject to such action being a Permitted Variation or a Permitted Restructuring in accordance with the Servicing Standard (see the section entitled "*The Servicing Agreement — Loan Amendments*" for further information).

Further, an Originator (acting as Servicer) may, subject to transfer or assignment restrictions in the relevant Loan Agreement, arrange for the sale of any relevant Defaulted Loan or part thereof or, if following a Permitted Restructuring the final repayment date of a Loan has been extended beyond the Final Maturity Date of the Notes, shall use commercially reasonable endeavours to sell or otherwise dispose of such Loan, in accordance with the Servicing Standard, which may be for an amount less than par.

In such event, the beneficial interest in the relevant Loan would, following payment to the relevant Assets Trustee by the Originator (acting as Servicer) of the proceeds from such sale in accordance with the Declaration of Trust, be surrendered by the Issuer and the Originator Beneficiary and would no longer form part of the Assets Trust.

Following such disposal, an amount equivalent to the Investor Interest in such Loan shall be credited by the Assets Trustee to the relevant Issuer Account.

#### **4.3 Continued relationship of the Originators with the Borrowers under Loans and conflicts of interest**

The Originators and their Affiliates may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, any existing Borrower or its Affiliates. The Originators and their Affiliates may have entered into and may from time to time enter into business transactions with Borrowers or their respective Affiliates and may or may not hold other obligations of or have business relationships with any existing Borrowers or its Affiliates. Such obligations or relationships may or may not comprise Loans.

Various potential and actual conflicts of interest may arise from the activities of the Originators and/or their Affiliates in connection with the transactions contemplated by this Prospectus. Among other things, the Originators and/or their Affiliates may have other loans, equity positions or other relationships with Borrowers or their Affiliates as outlined above. These loans, equity positions and other relationships may give rise to interests that are different from or adverse to the interests of the Noteholders. The Originators shall not be obliged to have regard for the interests of the Assets Trustees, the Issuer or the Noteholders in its business transactions with Borrowers or their Affiliates.

#### **4.4 Syndicated Loan facilities**

A number of the Loans are drawn under facilities which are syndicated or are capable of being syndicated or which have multiple lenders, in respect of which the exercise of remedies and the taking of other actions against Borrowers (including the granting of amendments and waivers) may be subject to the vote of a certain percentage of the lenders thereunder (measured by the amount of outstanding advances or commitments). In respect of certain of the Loans, the relevant Originator may not have a sufficient interest to direct compliance by the Borrower with the terms of the Loan, to object to certain changes to the applicable Loan that may be agreed to by the other lenders or to require the enforcement of the Loan or its Related Security. In addition, a bank other than an Originator may act as agent for the lenders. In such cases, the relevant Originator is dependent upon the actions taken by the agent for the lenders as well as other lenders in enforcing the terms of the relevant Loan against the relevant Borrower. Under syndicated loans in which a bank other than either of the Originators acts as agent for the lenders under the relevant Loan, the relevant Originator in most circumstances will not have the ability to take enforcement actions directly against the Borrower under the Loan without the involvement of the agent, and accordingly the ability of the Issuer to take enforcement actions directly against such Borrower will be similarly limited in the event that it takes action under the Originator/Assets Trustee Powers of Attorney.

#### **4.5 Reliance on third parties**

The Issuer is a party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. Counterparties of the Issuer may not perform their respective obligations under the Transaction Documents, which may result in the Issuer not being able to meet its obligations. In particular, it should be noted that there is a risk that Lloyds in its capacity as Originator, Assets Trustee, Servicer, Cash Manager, Swap Counterparty, Account Bank, Collection Account Bank and Put Option Purchaser or BoS in its capacity as Originator Assets Trustee, Servicer, Swap Counterparty, Account Bank, and Collection Account Bank will not perform its obligations vis-à-vis the Issuer under the relevant Transaction Documents to which it is a party which may adversely affect payments on the Notes. The Originators, the Arranger, the Lead Manager, the Note Trustee, the Security Trustee, the Agents, the Swap Counterparties, the Assets Trustees, the Servicers, the Cash Manager, the Put Option Purchaser, the Account Banks, the Yield Reserve Account Bank, the



Collection Account Banks and/or any of their Affiliates, as well as the other parties to the Transaction Documents acting in their respective capacities, shall not, by virtue of acting in any such capacity, be deemed to have other duties or responsibilities other than as expressly provided with respect to each such capacity.

There can be no certainty that, in the event that any such third party needs to be replaced, a replacement party can be found to take over their responsibilities or that such replacement party will agree to do so on identical terms of those agreed with the outgoing party. Furthermore, the liability of any such party, the extent to which the Issuer may make a claim in the event of inadequate performance or non performance may be limited by the provisions of the relevant contract (such as to fraud, wilful default or negligence). In such case, the ability of the Issuer to recover damages incurred may be reduced, which would in turn affect the amount available to make payments under the Notes.

In particular, Lloyds and BoS will be appointed by, among others, the Issuer, as the Servicers to perform certain services in relation to the Loans. If one of (or both) the Servicers are no longer able to perform their duties under the Servicing Agreement, there can be no assurance that a Substitute Servicer(s) with sufficient experience would be found who would be willing, able and authorised to perform the duties of the Servicer(s) in relation to the Loans on the terms of the Servicing Agreement, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes. The ability of a Substitute Servicer(s) to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Substitute Servicer(s) may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Account Banks, the Yield Reserve Account Bank, the Collection Account Banks or the Swap Counterparties) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FSA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by S&P and Fitch. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may in certain circumstances be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed.

#### **4.6 Other commercial relationships of the parties involved and conflicts of interest**

Lloyds is acting in a number of capacities (i.e. as Originator, Assets Trustee, Servicer, Put Option Purchaser, Cash Manager, Swap Counterparty, Account Bank, Collection Account Bank, Arranger and Lead Manager) and BoS is acting in a number of capacities (i.e. as Originator, Assets Trustee, Servicer, Swap Counterparty, Account Bank and Collection Account Bank) in connection with the transactions described in the Transaction Documents. Each of Lloyds and BoS in acting in such capacities in connection with the transaction shall have only the duties and responsibilities expressly agreed to by it in its relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. Furthermore, conflicts of interest between the interests of Lloyds,

BoS and the interests of the Noteholders and/or the other parties to the Transaction Documents may exist or may arise as a consequence of Lloyds and BoS acting in a number of different capacities in the Transaction Documents.

Any party to the Transaction Documents may have entered or may enter into business dealings with each other or with third parties (including the Borrowers) from which they may derive revenues and profits in addition to any fees stated in the various documents, without any duty to account therefor and may from time to time be in possession of certain information (confidential or otherwise) and/or opinions, which information and/or opinions might, if known by other parties (or individuals responsible for monitoring or advising the Issuer) or any Noteholder, affect decisions made by it (or them), including with respect to an investment in the Notes. Notwithstanding this, none of the parties to the Transaction Documents including the Arranger, shall have any duty or obligation to notify the Issuer, the Note Trustee, any Noteholder or any other party to the Transaction Documents thereof (save as expressly provided in the Transaction Documents).

The parties to the Transaction Documents may also have ongoing relationships with each other and may own securities or other obligations issued by them or deal in any obligation of another party to the Transaction Documents and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking, investment management or other business transactions with each other and may act with respect to such transactions in the same manner as if the Transaction Documents and the Notes did not exist. The Originators and/or their Affiliates may have other loans, equity positions or other relationships with Borrowers or their Affiliates as outlined above. These loans, equity positions and other relationships may give rise to interests that are different from or adverse to the interests of the Noteholders. There are no restrictions in the relevant agreements on such loans or relationships and the Originators shall not be obliged to have regard for the interests of the Issuer or the Noteholders in its business transactions with Borrowers or their Affiliates.

Any party to the Transaction Documents (including Lloyds and/or BoS), other than the Issuer, may purchase Notes from time to time and their interests may conflict with those of other Noteholders. As a consequence of these or other such relationships, potential or actual conflicts of interest may exist and/or arise in relation to the Transaction Documents.

## **5 Risks relating to the Portfolio**

This section describes certain risks relating to the Portfolio of Loans and the related PFI/PPP Infrastructure Transactions (as defined below) which could affect the payments under the Portfolio and, therefore, affect the ability of the Issuer to make payments under the Notes.

### **5.1 The Portfolio**

None of the Issuer, the Note Trustee, the Security Trustee, the Arranger, the Lead Manager, the Cash Manager, the Account Banks, the Yield Reserve Account Bank, the Collection Account Banks, the Put Option Purchaser, the Agents or the Swap Counterparties have made any investigation into the Borrowers of the Loans, the Loans or their Related Security. The value of the Portfolio may fluctuate from time to time. None of the Issuer, the Originators, the Assets Trustees, the Note Trustee, the Arranger, the Lead Manager, the Servicers, the Security Trustee, the Cash Manager, the Swap Counterparties, the Account Banks, the Yield Reserve Account Bank, the Collection Account Banks, the Put Option Purchaser, any Agent or any of their Affiliates are under any obligation to maintain the value of the Loans at any particular level. None of the Originators, the Assets Trustees, the Note Trustee, the Security Trustee, the Arranger, the Lead Manager, the Servicers, the Cash Manager, the Swap Counterparties, the Account Banks, the Yield Reserve Account Bank, the Collection Account

Banks, the Put Option Purchaser, any Agent or any of their Affiliates has any liability to the Noteholders as to the amount or value of, or any decrease in the value of, the Loans from time to time.

Prospective investors should also be aware that although certain characteristics of the Portfolio are set forth in the section below entitled “*Portfolio*”, those characteristics are only applicable as at the Cut-off Date (unless otherwise specified therein). The composition of the Portfolio will vary over time due to, among other things, repayment and prepayment under the relevant Loan, release, enforcement or changes to the Related Security which may arise due to actions taken by the relevant Servicer in respect of such Related Security in accordance with its normal business practice acting as a Prudent Lender of PFI/PPP project finance loans (as to which see below “*The Declaration of Trust*”). As a result, the characteristics of the Portfolio set forth in the Prospectus are not necessarily indicative of the characteristics of the Portfolio at any subsequent time.

The primary remedy of the Issuer against an Originator if any of the asset representations and warranties made by such Originator under the relevant Declaration of Trust is materially breached or proves to be materially untrue as at the Closing Date shall be to require such Originator to repurchase the Issuer’s beneficial interest in the relevant Loan and Related Security. There can be no assurance that such Originator will have the financial resources to honour such obligations under the relevant Declaration of Trust. This may affect the quality of the Loans and any Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

## 5.2 Risk Factors and Mitigants Associated with PFI/PPP Infrastructure Transactions

The Loans relate to PFI/PPP Infrastructure Transactions.

“**Infrastructure Provider**” means an entity or combination of entities that either: (a) has entered into a concession with a public sector entity in the UK in respect of the provision of a PFI/PPP Infrastructure Transaction; or (b) whose sole business activity (either alone or in conjunction with a funding vehicle) is the provision of a PFI/PPP Infrastructure Transaction.

“**PFI/PPP Infrastructure Transaction**” means a transaction which consists of all or any part or parts of the acquisition, financing, design, construction, operation and/or maintenance of assets with a view to the relevant Borrower delivering such assets and/or to providing a service in respect of such assets to an Infrastructure User provided that in each case: (a) the service is generally considered to be of a type that has historically been performed by or on behalf of a public sector entity in the UK and/or (b) the remuneration received by such Borrower for the provision of such service is to be paid by an Infrastructure User.

“**Infrastructure User**” means any or all (as the case may be) of: (a) a public sector entity or (b) the general public or (c) any other user ultimately engaged in providing services to either a public sector entity or the general public.

In a generic sense, the economic basis for the PFI/PPP Infrastructure Transactions within the Portfolio is that:

- (a) an Infrastructure Provider either enters into a concession with a public sector entity or acquires a licence or other right with or from a public sector entity (or acquires rights in an entity which has already entered into such agreement or been granted such licence or other right), requiring the Infrastructure Provider to either procure, finance, design, construct, operate and/or maintain a new asset or service or to continue to maintain an existing asset or provide an existing service for the benefit of Infrastructure Users;
- (b) generally, where the PFI/PPP Infrastructure Transaction involves the construction of a new asset or provision of a new service, the Infrastructure Provider subcontracts the construction of this asset to a construction contractor (the “**Construction Contractor**”);

- (c) the Infrastructure Provider operates the relevant asset and/or provides the relevant service, either itself or with the help of an operating contractor (an “**O&M Contractor**”) to whom it subcontracts the provision of operation and maintenance services, and thereby provides the asset or related service to Infrastructure Users;
- (d) in return for operating the relevant asset or providing the relevant service, the Infrastructure Provider receives revenue from Infrastructure Users and uses such revenue to seek to pay (in order) its operating costs, debt service on its senior debt and a return to its shareholders; and
- (e) the Infrastructure Provider raises the required finance for the PFI/PPP Infrastructure Transaction from a combination of senior debt (like the Loans) and shareholder funds with a view to either (i) paying a Construction Contractor to construct a new asset or (ii) acquiring rights (or interests within an entity which owns such rights) to provide an existing asset or service to Infrastructure Users.

In substance, the overall effect of the arrangements described above is that the range of PFI/PPP Infrastructure Transactions included in the Portfolio tend to have sufficient common features that the overall balance of risk allocation across such PFI/PPP Infrastructure Transactions is broadly comparable. This commonality across the Portfolio is in part (typically, where the relevant PFI/PPP Infrastructure Transaction involves the construction and operation of a new asset, or the exploitation of a new right) driven by the pervading doctrine of project finance that a project will achieve its optimum risk allocation if risks are allocated to the project participants best able to manage those risks, and in part driven by the monopolistic nature of the underlying infrastructure assets (which typically benefit the relevant Infrastructure Provider with a business model providing high or unassailable barriers to entry for potential competitors). Whilst there can be significant differences between the detail of transactions within the Portfolio, these differences tend to be differences of emphasis, mitigation and detail rather than differences of fundamental concept.

Whilst there are clear differences in the treatment of certain risks between PFI/PPP Infrastructure Transactions and in the underlying documentation or documentation used for different PFI/PPP Infrastructure Transactions, there are also examples of groups of transactions which follow very similar structure and documentation. In some part, this is the result of a deliberate attempt by the government to standardise documentation; in other cases, there is a natural tendency to follow established and applicable precedents where a transaction shares features (such as sub-sector, participants or financiers) with earlier successfully executed transactions.

Set out below are some of the typical risks that arise on PFI/PPP Infrastructure Transactions, along with a description of the typical mitigants which apply to those risks.

**These descriptions of risks and mitigants are designed to draw attention in generic terms to a few key main areas of risk inherent in the wide range of PFI/PPP Infrastructure Transactions relating to the Loans which make up the Portfolio. As such they do not constitute a complete description of the risks involved and/or mitigants utilised in any individual transaction.**

### **5.3 Construction delay/cost overrun**

Where a PFI/PPP Infrastructure Transaction involves the construction of a new asset or significant refurbishment of an existing asset, there are two principal risks that may arise in the construction period. Firstly, there is the risk that construction of a new asset (and ultimate certification of the service to be provided when construction is complete) may not be completed within the expected and agreed price; secondly, construction (and certification) may not be completed on time.

Typically, the Infrastructure Provider subcontracts its construction obligations to a Construction Contractor on the basis of a turnkey contract providing for a fixed price and fixed completion date (the “**Construction Contract**”). Such a Construction Contract will normally seek to pass the majority of

risks relating to price and/or time (to the extent that those risks are not retained by the relevant public sector counterparty to any PFI/PPP Infrastructure Transaction) to the Construction Contractor, subject to certain agreed maximum liabilities.

If there is a delay in construction, the Infrastructure Provider will ordinarily suffer a delay in the start of its full revenue earning capability (either under the relevant concession agreement or direct from users of the relevant assets or services, depending on the payment structure applicable to that PFI/PPP Infrastructure Transaction — on which see the paragraphs entitled “*Revenue risk – General*”, “*Revenue Risk - Availability risk*” and “*Revenue risk - Demand/usage/volume risk*” below); any period of delay may also overlap with the Infrastructure Provider’s liabilities to start repayment of the Loan. Under the Construction Contract, it is usual for the Construction Contractor to be required to pay liquidated damages for failure to complete construction on time other than in specified circumstances (which are usually matters beyond the control of the Construction Contractor). The level of liquidated damages will normally be set so as to enable the Infrastructure Provider, among other things, to meet its debt service obligations in respect of the Loan.

Generally, the Construction Contractor will seek to cap its liability under the Construction Contract. This will often take the form of a cap on its overall liability described as a percentage of the total construction price and also a limitation on the period for which it will continue to be liable to pay liquidated damages (which may effectively operate as a sub-cap on liquidated damages liability within the overall liability cap).

Finally, the Construction Contractor’s performance obligations will often be guaranteed by its parent company (or parent companies, where the Construction Contract is a joint venture). On some transactions there may be some third party support for performance by the Construction Contractor in the form of a surety or performance bond. In each case, the Infrastructure Provider (and therefore its lenders) are inherently subject to the risk of a payment default by the Construction Contractor, the relevant parent company guarantor and/or surety bond provider and hence are dependent on the credit quality of those counterparties as well as their technical expertise.

## **5.4 Revenue risk**

### **5.4.1 General**

The revenue mechanism (and, with it, related forms of revenue risk) prevalent across the various PFI/PPP Infrastructure Transactions contained within the Portfolio is the availability or capacity-based payment mechanism, although a limited number of PFI/PPP Infrastructure Transactions also combine a demand/usage-based mechanism with that.

Broadly speaking, an availability or capacity-based payment mechanism is one in which the Infrastructure Provider is paid for making the relevant asset or service available for use to Infrastructure Users irrespective of whether the relevant Infrastructure Users actually use it (and in this way an availability-based concession agreement used in a number of PFI/PPP Infrastructure Transactions within the Portfolio commonly resembles “*take-or-pay*” structures seen in power purchase agreements and other areas of project finance). In a demand/usage based structure, the Infrastructure Provider receives payment based on the number of actual Infrastructure Users or the amount of actual use of the relevant assets or services. This revenue can either come from one or more types of Infrastructure Users (e.g. customers using a toll road) or from some other entity, but in all cases where a transaction involves a demand/usage based structure, the relevant Borrower’s income stream is ultimately exposed to the risk of actual usage of the relevant asset falling below the projected usage (see also the paragraph entitled “*Demand/usage/volume risk*” below).

In a limited number of PFI/PPP Infrastructure Transactions within the Portfolio, there is a combination of availability or capacity-based payments and demand/usage based payments. This tends to occur either (i) to compensate the Infrastructure Provider against increased operating costs arising from increased usage and/or (ii) to limit the extent to which payment of debt service to senior lenders (as opposed to payment of returns to shareholders) is dependent on actual usage.

In any PFI/PPP payment mechanism where the Infrastructure Provider relies on payment from a public sector entity, the Infrastructure Provider is subject to the risk of a payment default by that relevant public sector entity (which, in turn, would affect the ability of the Issuer to make payments under the Notes). However, under PFI/PPP Infrastructure Transactions involving concessions, such a non-payment would commonly trigger a termination of the relevant concession for default of the concession grantor. As referred to in the paragraph entitled “*Termination*” below, this is likely to be accompanied by a claim for compensation from the Infrastructure Provider and this will generally act as an incentive for the relevant concession grantor to avoid payment defaults in ordinary circumstances.

#### **5.4.2 Availability risk**

Predominantly, the PFI/PPP Infrastructure Transactions within the Portfolio involve a payment structure which generally requires the concession grantor to pay the agreed price for provision of buildings, assets or services which are central to the project during its operating life (the “**Availability Charge**”) to the extent that the buildings, assets or services are available for use by the relevant concession grantor (and irrespective of whether the relevant concession grantor chooses actually to use them). In addition, payment of the Availability Charge will normally be subject to deductions where the services to be provided by the Infrastructure Provider to the relevant concession grantor fail to meet the agreed performance standards. Together these factors make up the availability or capacity-based payment mechanism, which can be both complex and specific to the individual PFI/PPP Infrastructure Transaction.

#### **5.4.3 Demand/usage/volume risk**

A limited number of the PFI/PPP Infrastructure Transactions in the Portfolio have a payment structure whereby, the Infrastructure Provider’s expected revenue is not based solely on the availability of the project for use, but also on the volume of actual use of those assets by Infrastructure Users (the “**Usage Fee**”). In certain distressed scenarios in such structures, the Infrastructure Provider’s income stream (and therefore its ability to service the Loans) is exposed to the risk of actual usage of the relevant asset falling short of the forecast usage at the time of creation of the Loan (whether as a result of the subsequent creation of a competing facility or some other reason).

### **5.5 Lifecycle replacement and maintenance costs**

On some PFI/PPP Infrastructure Transactions (particularly those involving the construction of a new asset or refurbishment of an existing asset) an Infrastructure Provider may be able to subcontract the risk of lifecycle replacement of certain parts of the relevant asset throughout the asset’s design life and other maintenance requirements to an O&M Contractor on the basis of a fixed price for the life of the relevant transaction (subject to caps on the O&M Contractor’s liability). On other transactions the cost of lifecycle replacement and other maintenance may or may not remain with the Infrastructure Provider to be met out of transaction revenues as and when it arises. In the latter case, the project lenders may require the Infrastructure Provider to build and maintain a cash reserve against projected future maintenance expenditure (typically looking forward between 18 and 36 months) or to arrange for the provision of alternative financial support.

In either case, in the event that the actual costs of lifecycle replacement or maintenance differ from those projected at the time of creation of the relevant Loan, an Infrastructure Provider may be exposed to the risk of claims against its O&M Contractor (subject to caps on the O&M Contractor's liability) should it fail to satisfactorily perform such lifecycle replacement or maintenance and/or the risk of it being unable to access sufficient funds within any reserve account or other facility in order to allow it to perform such lifecycle replacement or maintenance on its own behalf. As a result, the Infrastructure Provider's income stream (and its ability to service any Loan) may suffer from performance deductions (in an availability/capacity-based payment structure) and/or the risk of lower demand/usage as the asset becomes less attractive to Infrastructure Users (in a demand/usage based payment structure).

## **5.6 Performance and operating cost risk**

Operation of the project assets and provision of the project services will normally either be conducted by the Infrastructure Provider itself (possibly with the benefit of operating or technical support arrangements) or be subcontracted to one or more O&M Contractors on the basis of generally fixed price operating and maintenance contracts ("**O&M Contracts**") which pass down the operating phase obligations of the Infrastructure Provider under the relevant concession agreement or licence to the O&M Contractors on broadly the same terms. Where an O&M Contractor fails to perform its obligations under its O&M Contract, it is usually liable to the Infrastructure Provider for any reduction in revenue resulting from that failure, subject to caps on the O&M Contractor's liability which typically reflect the value of the relevant O&M Contracts (and hence may appear low in comparison to the Availability Charge). To the extent that these caps are exceeded the Infrastructure Provider's revenue is likely to be adversely affected, although in the longer term the Infrastructure Provider may be able to act on persistent poor performance by replacing an O&M Contractor who is performing poorly (and termination triggers under an O&M Contract are usually set in advance of any corresponding termination triggers under the relevant concession agreement in order to afford the Infrastructure Provider the opportunity to replace a poorly performing O&M Contractor). As with construction risk, the efficacy of the O&M Contractor's liability will be subject to its credit risk.

Subject to the various caps on liability, the Construction Contract and the O&M Contracts for any PFI/PPP Infrastructure Transaction will, together, ordinarily provide for a regime in which, subject to certain exceptions, the Infrastructure Provider has recourse to one or more out of the Construction Contractor and the O&M Contractors for reductions in its forecast Availability Charge from the concession grantor which are attributable to performance failures or defects in the construction of the underlying assets.

In terms of the actual costs of operating a particular PFI/PPP Infrastructure Transaction, generally an Infrastructure Provider will be expected to include the costs of operating a project within the contracted revenue model relating to that project, and will then either seek to manage the risk of fluctuations in those operating costs itself or pass that risk on to the O&M Contractors in the form of fixed price O&M Contracts subject to an escalation formula. In some projects, however, some or all of the services may be subject to benchmarking or market testing. These processes typically allow either (i) for adjustments to be made to the price of the relevant O&M Contracts and to the overall Availability Charge or Usage Fee in order to reflect the prevailing market price for the relevant services or (ii) re-tendering of the O&M Contracts with a sharing in the Availability Charge/Usage Fee of any adjustment in the costs of the services which results from the re-tendering.

An exposure to operating cost risk also potentially arises if an O&M Contractor defaults under its O&M Contract and such contract is terminated. In seeking to replace the terminated O&M Contractor or supplier, the Infrastructure Provider will need to agree a price for that O&M Contract which is consistent with market circumstances prevailing at the time of replacement, even if that represents a

higher price than that previously paid to the terminated contractor and is not reflected in the Availability Charge or Usage Fee.

### **5.7 Certain financial risks**

Interest on the Loans in the Portfolio is calculated at floating rates of interest. Certain Borrowers do not have the ability to pass on variations in the rate of interest either directly to users or under the relevant concession by way of increased charges. A significant portion of this floating rate of interest exposure is generally hedged by way of interest rate swaps or other derivatives.

The income of some Infrastructure Providers in relation to Loans in the Portfolio is indexed by reference to published measures of general inflation. Their operating and maintenance costs vary in line with a range of different parameters. In many projects, the risk of mismatch between the indexation of income and operating and maintenance costs is subcontracted to an O&M Contractor under a long-term O&M Contract. However, this pass-down does not always cover the full extent of the Infrastructure Provider's costs and there is therefore a risk that debt service coverage ratios may be eroded by differential price increases. In addition, a proportion of the PFI/PPP Infrastructure Transactions within the Portfolio benefit from inflation-related hedging.

### **5.8 Changes in circumstances/supervening events**

Generally an Infrastructure Provider is responsible for delivering the relevant asset and/or services to Infrastructure Users and for managing the risks inherent in that delivery. This means that in general the Infrastructure Provider bears the risk of events or circumstances which either prevent performance or make performance more difficult or more expensive (in each case which may negatively impact the Infrastructure Provider's ability to service the relevant Loan). However, where a PFI/PPP Infrastructure Transaction involves a concession agreement, such document will typically recognise the occurrence of certain supervening events or changes in circumstances for which the Infrastructure Provider does not bear all the risk.

Although there are many formulations for the allocation of risk relating to these changes in circumstances or supervening events, most projects subdivide them into those for which the relevant concession grantor is primarily responsible and bears predominately all of the risk and those which are outside of the control of both the relevant concession grantor and the Infrastructure Provider (such as events of force majeure) and for which there is a shared risk position between the Infrastructure Provider and the concession grantor.

Where the relevant concession grantor bears predominantly all the risk, the Infrastructure Provider is typically entitled to (i) relief from the consequences of it breaching the relevant concession agreement, (ii) extension of time for completion of construction of the relevant asset and (iii) compensation for losses (including reduced revenue, e.g. where the occurrence of such risk entails a delay to the planned completion date for the construction of a new asset, through payment of a 'deemed' Availability Charge and increased costs), in each case to the extent that the breach, delay or losses are caused by the relevant event. The position for shared risk events which are not attributable to the fault of either the Infrastructure Provider or concession grantor (or sub-contractors) is more varied, but often the Infrastructure Contractor will be entitled to (i) relief from the consequences of breach and (ii) extension of time for completion of construction, but not compensation for losses (or only partial protection against losses).

Many of the events for which the Infrastructure Contractor receives relief but not compensation will also be insurable and the losses suffered by the contractor will be mitigated by insurance, including for example damage to property, third party liabilities and lost revenues. The extent of such insurance cover and its cost may vary from time to time as a result of changes in conditions in the insurance market and the nature of the relevant event.



Change in law risk tends to be allocated to the Construction Contractor during construction and later shared between the Infrastructure Provider and the authority in respect of capex (subject to a minimum amount to be borne by the Infrastructure Provider). The Infrastructure Provider tends to be protected at all times against any change in law that is discriminatory or specific to the project.

## **5.9 Termination**

Virtually every relevant concession agreement used in the PFI/PPP Infrastructure Transactions contained within the Portfolio will include, to some degree, circumstances in which either the relevant concession grantor or the Infrastructure Provider can terminate such concession agreement. Typically these termination rights will be separated into events which represent an Infrastructure Provider default (for which the relevant concession grantor can terminate) and those which represent a concession grantor default (for which the Infrastructure Provider can terminate). In addition, there are often further events (such as the occurrence of extended force majeure) which are not classed as being due to the default of either party, but nonetheless entitle either or both parties to terminate the relevant concession agreement.

The consequences of termination of a concession agreement and the manner in which they are documented vary considerably from project to project. However, there are some common themes which are frequently applicable.

On a termination for default of the concession grantor, it is normal for the Infrastructure Provider and its lenders and shareholders to be held harmless as a result of that termination, including full repayment of the Loan and payment of an agreed level of return to the shareholders.

On a termination for Infrastructure Provider default, it is normal for the project assets to be transferred to the relevant concession grantor (or at least for the relevant grantor to have the option to have them transferred to it in return for payment of market value) or for the concession to be retendered to a replacement Infrastructure Provider. Although the structures vary greatly (and documentation can be detailed and complex or can simply rely on applicable provisions of general law), there is normally some requirement for the relevant concession grantor to pay a level of compensation for acquiring that asset so that it is not seen to have received an unjust windfall of an asset for which it had not paid for, or, in the instance of a retendering, to pass through to the Infrastructure Provider the highest tender price. Typically this compensation (or tender price) will go towards repayment of the Loans, but will likely be insufficient to ensure full repayment (and normally there will be no surplus to be returned to shareholders).

On a termination where no party is at fault, compensation will often be designed to be sufficient to repay the Loan in full, with a limited surplus to be returned to shareholders. Payment of such termination compensation is inevitably subject to the risk of a payment default by the relevant concession grantor.

## **5.10 Environmental risk**

Certain projects may involve a Borrower constructing or operating a type of asset (e.g. a waste management utility) which can attract liability for environmental damage of varying types (e.g. the contamination of the project site or neighbouring lands or the pollution of the local environment). Typically such liabilities are managed through (a) due diligence on the relevant PFI/PPP Infrastructure Transaction and its environmental risks; (b) the provision of advance environmental permits or consents from appropriate governmental entities; (c) allocating such liabilities to Construction Contractors or O&M Contractors (or such liabilities being retained by concession grantors); (d) technical due diligence and an appropriate insurance package (or some combination of all of these mitigants). However, to the extent such due diligence, risk allocation or mitigation is limited or

incomplete, a Borrower may be subject to claims from governmental entities or other third parties in respect of environmental damage.

### **5.11 Concentration Risk**

Although no significant concentration with respect to any particular Borrower is expected to exist at the Closing Date (as to which see the section entitled "*The Portfolio — Key Features of the Portfolio*"), the concentration of the Portfolio in any one Borrower would subject the Notes to a greater degree of risk with respect to defaults by such Borrower, and the concentration of the Portfolio in any one sector or region could subject the Notes to a greater degree of risk with respect to economic downturns relating to such sector or region. See further the section entitled "*The Portfolio*".

## **6 Insolvency**

### **6.1 English Law Security and insolvency considerations**

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as of yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the security being delayed and/or the value of the security being impaired.

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

It should be also noted that under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital markets and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify these exceptions.

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

## **6.2 Fixed charges may take effect under English law as floating charges**

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Secured Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolished Crown preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but Section 176A of the Insolvency Act requires a “prescribed part” (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

## **6.3 Liquidation expenses**

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

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

## **6.4 Effect of Insolvency of an Originator on the Loans Trust**

English law recognises that, on any insolvency of a trustee, property held in trust by the insolvent entity as trustee belongs to the beneficiaries of the relevant trust and is not available for distribution among creditors of the insolvent entity, acting other than in its capacity as trustee of the relevant trust. However, to the extent that the Assets Trust was not validly constituted (for example certain Loans were not sufficiently identified or capable of being separated from property retained by the relevant Originator), the Loans may be available for distribution among the creditors of the Originator generally. Furthermore, regardless of whether the Assets Trust was validly constituted, any property which is not clearly identifiable as trust property at the time that the Issuer is tracing into it (for example it has been dissipated by the relevant Originator or co-mingled with its property) may also be available for distribution among the creditors of such Originator generally. The Declaration of Trust details the Loans and distinguishes them in all cases from related rights retained by the Originators.

## 7 Other Legal and Regulatory Risks

### 7.1 Increased regulation

In the United Kingdom and elsewhere, recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and there is increased political and regulatory scrutiny of the banking industry and operations of the financial institutions.

The UK Government, the FSA and other regulators in the United Kingdom or overseas may intervene further in relation to the strengthening of the liquidity standards in the UK and global banking system and in relation to any areas of industry risk identified. Increased regulation and regulatory intervention may lead to requests from regulators to carry out wide ranging reviews and investigations. It is uncertain how the more rigorous climate will impact financial institutions and the matters contemplated by this Prospectus.

### 7.2 Implementation of Basel II risk-weighted framework

The regulatory capital framework published by the Basel Committee on Banking Supervision (the “**Basel Committee**”) in 2006 (the “**The Basel II framework**”) has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as “**Basel III**”), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the “**Liquidity Coverage Ratio**” and the “**Net Stable Funding Ratio**”). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Funding Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as CRD IV) are expected to be presented in March 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### 7.3 Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the “**FSA**” and, together with HM Treasury and the Bank of England, the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the “**FSMA**”) (such as, among others, the Originators, the Swap Counterparties, the Collection Account Banks, the Account Banks and the Yield Reserve Account Bank) (each a “**Relevant Entity**”)

that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the Relevant Entity or the shares of the Relevant Entity to a private sector purchaser; (ii) transfer of all or part of the business of the Relevant Entity to a “bridge bank” wholly-owned by the Bank of England; and (iii) temporary public ownership of the Relevant Entity. HM Treasury may also take a parent company of a Relevant Entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the Relevant Entity could be made.

In general, the Banking Act requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the special resolution regime to be used effectively. An order may make provision which has retrospective effect. In general, there is considerable uncertainty about the scope of the powers afforded to the Authorities under the Banking Act and how the Authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of a Relevant Entity, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined “default events” have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of a Relevant Entity may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

At present, the Authorities have not made an instrument or order under the Banking Act in respect of the Relevant Entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

#### **7.4 Change of law**

The structure of the transaction and, among other things, the issue of the Notes and the ratings which are to be assigned to the Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

## 7.5 Book-entry interests

Unless and until individual Certificates are issued in exchange for the book-entry interests, holders and beneficial owners of book-entry interests will not be considered the legal owners of the Rated Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of book-entry interests.

The Common Depositary will be considered the registered holder of the Rated Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Certificates under the Trust Deed while the Rated Notes are represented by the Global Certificates. Accordingly, each person owning a book-entry interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, the Global Certificates will be made by the Principal Paying Agent to the Common Depositary in the case of the Global Certificates. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of book-entry interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of book-entry interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the book-entry interests or for maintaining, supervising or reviewing any records relating to such book-entry interests.

Holders of the book-entry interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of book-entry interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of book-entry interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of book-entry interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until individual Certificates are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of book-entry interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, any Paying Agent, the Registrar or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

The lack of Certificates for the Rated Notes in physical form could also make it difficult for a Noteholder to pledge such Rated Notes if Certificates in physical form are required by the party

demanding the pledge and may hinder the ability of the Noteholder to resell such Rated Notes because some investors may be unwilling to buy Rated Notes that do not entail Certificates in physical form.

Certain transfers of the Rated Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

## **7.6 European Monetary Union**

If the United Kingdom joins the European economic and monetary union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes denominated in Sterling may become payable in euro; (ii) law may allow or require the Notes denominated in Sterling to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes denominated in Sterling or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes.

## **7.7 Legal considerations may restrict certain investments**

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## **7.8 No gross-up for taxes**

As provided in Condition 10 (*Taxation*), if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatever nature are imposed and levied by or on behalf of the United Kingdom, any authority therein or thereof having power to tax, and such withholding or deduction is required by law, the Issuer or Paying Agents (as the case may be) will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and will not be obliged to pay any additional amounts to such Noteholders in respect of such withholding or deduction.

## **7.9 Securitisation company tax regime**

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now take effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007 and current on 3 December 2007).

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the Transaction Documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the new regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to the Noteholders.

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

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each member state of the European Union (a “**Member State**”) is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg will instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

#### **7.11 Contractual priorities of payments**

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the “anti-deprivation” principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The English Court of Appeal in *Perpetual Trustee Co Ltd and Belmont Park Investments Pty Ltd v BNY Corporate Trustee Services Ltd* [2009] EWCA Civ 1160, dismissed this argument and upheld the validity of similar priorities of payments, stating that the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s motion for summary judgement on the basis that the effect was that the provisions do infringe the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". The English Supreme Court granted leave to appeal the Court of Appeal's decision and has heard such appeal in respect of *Belmont Park Investments Pty Ltd v BNY Corporate Trustee Services Ltd* (although the judgment has not been handed down yet). In New York, however, whilst leave to appeal was granted, the case was settled before an appeal was heard. Therefore concerns still remain that the English and U.S. courts will



diverge in their approach. The Issuer's ability to make payments on the Notes may be adversely affected in the case of an unfavourable decision in England or if a Swap Counterparty becomes subject to US bankruptcy proceedings and the relevant provisions subordinating certain payments to it on its insolvency are held unenforceable, as referred to above. Given the current state of U.S. and English law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

## **8 Projections, Forecasts and Estimates**

Any projections, forecasts and estimates provided to prospective purchasers of the Notes are forward looking statements. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialise or will vary significantly from actual results. Accordingly, the projections are only estimates. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of the Portfolio, differences in the actual allocation of the Portfolio among asset categories from those assumed, mismatches between the timing of accrual and receipt of Revenue Receipts and Principal Receipts from the Portfolio, and the effectiveness of each Swap Agreement, among others.

None of the Issuer, the Originators, the Arranger, the Lead Manager, the Servicers, the Cash Manager, the Note Trustee, the Security Trustee, the Assets Trustees, the Swap Counterparties, the Account Banks, the Yield Reserve Account Bank, the Collection Account Banks, the Put Option Purchaser, the Agents or any of their respective Affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

## **9 Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Lead Manager, or any of the Responsible Transaction Parties makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (and any implementing rules in relation to a relevant jurisdiction) which applies, in general, to newly issued securitisations after 31 December 2010. Article 122a restricts an EU regulated credit institution from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the Notes it has acquired and the underlying exposures and that procedures have been established for such due diligence to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant investor.

Article 122a applies in respect of the Notes so investors which are EU regulated credit institutions should therefore make themselves aware of the requirements of Article 122a (and any implementing rules in relation to a relevant jurisdiction) in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine the sufficiency of the information described in this Prospectus and in any Investor Reports provided in relation to the transaction for the purpose of complying with Article 122a and none of the Issuer, the Arranger, the Lead Manager or any of the Responsible Transaction Parties makes any representation that the information described above is sufficient in all circumstances for such purposes.

There remains considerable uncertainty with respect to Article 122a and it is not clear what will be required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges for non-compliance with Article 122a and any implementing rules in a relevant jurisdiction should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings and certain hedge fund managers) in the future.

Article 122a of the Directive 2006/48/EC (as amended by Directive 2009/111/EC) and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

## 10 Risks relating to Lloyds Banking Group

### 10.1 Lloyds Banking Group's and Bank of Scotland Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on the Lloyds Banking Group's and Bank of Scotland Group's results of operations, financial condition and prospects

Lloyds Banking Group's and Bank of Scotland Group's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK, the European Union and the other markets where they operate. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, which the Lloyds Banking Group and Bank of Scotland Group expect to continue for the foreseeable future. The UK Government, the FSA and other regulators in the United Kingdom, the European Union or elsewhere overseas may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect the Lloyds Banking Group and Bank of Scotland Group. Future changes are difficult to predict and could materially adversely affect Lloyds Banking Group's and/or Bank of Scotland Group's businesses.

Areas where changes could have an adverse impact include, but are not limited to:

- (a) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which the Lloyds Banking Group and Bank of Scotland Group operate, which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (b) external bodies applying or interpreting standards or laws differently to those applied by Lloyds Banking Group and Bank of Scotland Group;
- (c) changes in competitive and pricing environments;

- (d) further requirements relating to financial reporting, corporate governance, conduct of business and employee compensation; and
- (e) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

Lloyds Banking Group continues to face political and regulatory scrutiny as a result of the Lloyds Banking Group's perceived systemic importance following the acquisition (the "Acquisition") of HBOS plc and its subsidiary and associated undertakings. At the time of the Acquisition, the Office of Fair Trading (the "OFT") identified some competition concerns in the UK personal current accounts and mortgages markets and for SME banking in Scotland. The OFT reiterated that it would keep these under review and consider whether to refer any banking markets to the Competition Commission if it identifies any prevention, restriction or distortion of competition.

The UK Government appointed an Independent Commission on Banking to review possible structural measures to reform the banking system and promote stability and competition.

From April 2011 the FSA is commencing an internal reorganisation as a first step in a process towards the formal transition of regulatory and supervisory powers from the FSA to the new Financial Conduct Authority (FCA) for conduct of business supervision and the Prudential Regulatory Authority (PRA) for capital and liquidity supervision in 2012. Until this time the responsibility for regulating and supervising the Lloyds Banking Group and Bank of Scotland Group's activities will remain with the FSA. In addition, from 2011, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority as new EU Supervisory Authorities are likely to have greater influence on regulatory approaches across the EU. These could lead to changes in how Lloyds Banking Group and Bank of Scotland Group is regulated and supervised on a day-to-day basis.

Amendments to a number of EU directives are also being considered, including the Market Abuse Directive, Markets in Financial Instruments Directive, Capital Requirements Directive, E-Money Directive and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive.

Lloyds Banking Group and Bank of Scotland Group are currently assessing the impacts of these regulatory developments and will participate in the consultation and calibration processes to be undertaken by the various regulatory bodies during 2011. Lloyds Banking Group and Bank of Scotland Group continue to work closely with the regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate against risks to Lloyds Banking Group and Bank of Scotland Group and their stakeholders.

## **10.2 Lloyds Banking Group and Bank of Scotland Group are exposed to various forms of legal and regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a material adverse effect on its results or its relations with its customers**

Both the Lloyds Banking Group and Bank of Scotland Group are exposed to various forms of legal and regulatory risk in its operations including:

- (a) certain aspects of Lloyds Banking Group's and/or Bank of Scotland Group's businesses may be determined by the relevant authorities, the Financial Ombudsman Service (the "FOS") or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- (b) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of Lloyds Banking Group or

Bank of Scotland Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;

- (c) contractual obligations may either not be enforceable as intended or may be enforced against the Lloyds Banking Group and Bank of Scotland Group in an adverse way;
- (d) Lloyds Banking Group and Bank of Scotland Group hold accounts for a number of customers that might be or are subject to interest from various regulators and authorities including the Serious Fraud Office or similar regulators in the United States or other jurisdictions. Neither Lloyds Banking Group nor Bank of Scotland Group is aware of any current investigation into Lloyds Banking Group or Bank of Scotland Group as a result of any such interest but cannot exclude the possibility of its conduct being reviewed as part of any such investigations;
- (e) the intellectual property of Lloyds Banking Group and Bank of Scotland Group (such as trade names) may not be adequately protected; and
- (f) Lloyds Banking Group and/or Bank of Scotland Group may be liable for damages to third parties harmed by the conduct of its business.

Failure to manage these risks adequately could impact Lloyds Banking Group and/or Bank of Scotland Group adversely and materially, both financially and reputationally.

Companies within the Lloyds Banking Group and Bank of Scotland Group are responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (the “FSCS”) in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Going forward, further provisions in respect of these costs are likely to be necessary. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material adverse effect on the results of operations and financial condition of Lloyds Banking Group and Bank of Scotland Group.

## KEY STRUCTURAL FEATURES

### Credit Enhancement, Liquidity Support and other Key Features

The Notes are obligations of the Issuer only and will not be the obligations of, or the responsibility of, or guaranteed by, any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments by the Noteholders, as follows:

- A portion of the proceeds of the Class S Notes will be used to fund the Yield Reserve Account (such reserve, the “**Yield Reserve**”) on the Closing Date. Up to (and including) the Yield Reserve Release Date, the Yield Reserve will be used to pay a proportion of the interest due on the Class A Notes in an amount equal to the Class A Permitted Yield Reserve Drawing (and is sized to pay a proportion of the interest due on the Class A1 Notes and Class A2 Notes on each Interest Payment Date prior to the service of an Enforcement Notice equal to the Class A Yield Reserve Amount). The Yield Reserve is not a credit-enhancing reserve but a Class A Notes interest-payment reserve.
- Available Revenue Funds (including any amounts that can be drawn from the General Reserve and the Yield Reserve) are expected to exceed interest due and payable on the Rated Notes and senior costs and expenses of the Issuer.
- Any Revenue Receipts shortfall in the amounts available for payment, among other things, of interest and any amount to reinstate Principal Losses (written to the relevant Principal Deficiency Ledger) on any Interest Payment Date may be funded by the amounts credited to the General Reserve Account (such reserve, the “**General Reserve**”). The General Reserve Amount is pre-funded by a portion of the proceeds of the Class S Notes on the Closing Date.
- In respect of the Class A Notes, the subordination of payments of interest and principal on the Class B Notes and Class S Notes, the deferral of interest payments in relation to the Class B Notes where the Issuer has insufficient funds to pay such amounts and interest on the Class S Notes only being due and payable to the extent of any excess of Available Revenue Funds (excluding amounts from the General Reserve or the Yield Reserve).
- Prior to the occurrence of a Class A Trigger Event, payments of principal on the Class A1 Notes, Class A2 Notes and Class A3 Notes will be made in the following order, firstly, to the Class A1 Notes until they are repaid in full, secondly, (i) prior to (but excluding) the Switch Date, to the Class A3 Notes until they are repaid in full and, then, to the Class A2 Notes until they are repaid in full or (ii) from (and including) the Switch Date, to the Class A2 Notes until they are repaid in full and, then, to the Class A3 Notes until they are repaid in full. Following the occurrence of a Class A Trigger Event, payments of principal on the Class A Notes, amongst themselves, will be made *pro rata* and *pari passu*.
- Principal Losses (allocable to the Investor Interest in the Assets Trust) will be allocated to the Notes in reverse sequential order in the Principal Deficiency Ledgers.
- The Issuer will enter into the Swap Agreements to hedge against the difference between the rates of interest due and payable by Borrowers on the Loans and the relevant Rates of Interest payable under and in respect of the Rated Notes (taking into account the scheduled Class A Permitted Yield Reserve Drawings).
- Under the Conditional Note Purchase Deed, the Class A2 Notes have the benefit of purchase arrangements, whereby the Put Option Purchaser will have the obligation on the Class A2 Transfer Date to purchase the relevant outstanding Class A2 Notes at the Put Option Purchase Price in accordance with the terms of the Conditional Note Purchase Deed.

- Certain of the Issuer Accounts earn interest at a specified rate.

Each of these factors is considered in more detail below.

### **Yield Reserve**

On the Closing Date, a portion of the proceeds of the Class S Notes will be used to fund the Yield Reserve Account with the Yield Reserve Amount, establishing the Yield Reserve. On each Interest Payment Date up to (and including) the Yield Reserve Release Date, the Cash Manager shall withdraw an amount equal to the Class A Permitted Yield Reserve Drawing towards the payment of interest on the Class A Notes.

Prior to service of an Enforcement Notice, on the Interest Payment Date immediately following the Yield Reserve Release Date the Yield Reserve Release Amounts will be applied in accordance with the Pre-Enforcement Principal Priority of Payments.

“**Yield Reserve Release Amount**” means all amounts standing to the credit of the Yield Reserve Account on the Yield Reserve Release Date (excluding any interest amounts on the amounts standing to the credit of the Yield Reserve Account).

“**Yield Reserve Release Date**” means the earlier of (i) the Interest Payment Date on which all amounts outstanding in respect of (prior to the occurrence of a Class A Trigger Event) the Class A2 Notes, or (after the occurrence of a Class A Trigger Event (irrespective whether such Class A Trigger Event is continuing)) the Class A Notes, will be repaid in full; and (ii) the Interest Payment Date immediately following the date on which the Aggregate Principal Balance of all Loans has been reduced to zero and no further recoveries are expected in respect of any of the Loans or their Related Security.

Following service of an Enforcement Notice, monies standing to the credit of the Yield Reserve Account will be applied in accordance with the Post-Enforcement Priority of Payments.

### **Credit Support provided by Available Revenue Funds**

It is anticipated that, during the life of the Notes, the Investor Interest in the interest payable by the Borrowers on the Loans (together with scheduled Class A Permitted Yield Reserve Amounts and the Permitted Revenue General Reserve Drawing) will be sufficient so that the Available Revenue Funds will cover the amounts payable under items (i) to (xi) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess remaining after payment of such items of the Pre-Enforcement Revenue Priority of Payments which is to be applied as interest on the Class S Notes will vary during the life of the Notes. The key factor determining such variation is the performance of the Portfolio.

An amount equal to Available Revenue Funds may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments towards reducing any debit balance to the Principal Deficiency Ledgers which may arise from Principal Losses.

To the extent that the amount of Available Revenue Funds on any Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (i) to (viii) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess will be used to replenish and increase the General Reserve Account up to an amount equal to the General Reserve Required Amount.

### **Liquidity support provided by use of the amounts credited to the General Reserve Account**

On the Closing Date, the Issuer will establish the General Reserve to provide credit enhancement and liquidity support for the Rated Notes (and prior ranking items). The General Reserve Account will be initially pre-funded up to the General Reserve Amount by a portion of the proceeds of the Class S Notes on the Closing Date and, following the Closing Date, will be replenished up to the General Reserve Required Amount from Available Revenue Funds on each Interest Payment Date to the extent required in accordance

with the provisions of the Pre-Enforcement Revenue Priority of Payments. Interest on the Class S Notes will not be supported by amounts standing to the credit of the General Reserve Account.

Prior to service of an Enforcement Notice, monies standing to the credit of the General Reserve Account as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Funds to fund any shortfall in items (i) to (viii) (inclusive) of the Pre-Enforcement Revenue Priority of Payments following allocation of items (a) to (e) of the Available Revenue Funds.

Prior to the service of an Enforcement Notice, on any Interest Payment Date on which the Rated Notes are repaid in full, the General Reserve Required Amount will be reduced to zero and any amounts standing to the credit of the General Reserve Account will be applied:

- (a) first, as Available Revenue Funds to satisfy payments under items (x) and (xi) of the Pre-Enforcement Revenue Priority of Payments in full; and
- (b) second, as Available Principal Funds, to satisfy payments under the Pre-Enforcement Principal Priority of Payments (including to redeem the Class S Notes).

Following service of an Enforcement Notice, monies standing to the credit of the General Reserve Account will be applied in accordance with the Post-Enforcement Priority of Payments.

For more information about the application of amounts standing to the credit of the General Reserve Account see the section entitled “*Key Structural Features — Cashflows and Cash Management*”.

#### **Subordination of the junior Classes of Notes, deferral of payments on the Class B Notes and variable interest on the Class S Notes**

Payments of interest on the different Classes of Notes will be paid in sequential order (so that payments on the Class S Notes and the Class B Notes will be subordinated to payments on the Class A Notes, and payments on the Class S Notes will be subordinated to payments on the Class B Notes) in accordance with the relevant Priority of Payments. Further, Available Revenue Funds will be applied to credit the Class A Principal Deficiency Ledger and Class B Principal Deficiency Ledger to rectify any debit thereon and to credit the General Reserve Account up to the General Reserve Required Amount prior to payment of interest on the Class S Notes.

Prior to the occurrence of a Class A Trigger Event, payments of principal on the Class A1 Notes, Class A2 Notes and Class A3 Notes will be made in the following order, firstly, to the Class A1 Notes until they are repaid in full, secondly, (i) prior to (but excluding) the Switch Date, to the Class A3 Notes until they are repaid in full and, then, to the Class A2 Notes until they are repaid in full or (ii) from (and including) the Switch Date, to the Class A2 Notes until they are repaid in full and, then, to the Class A3 Notes until they are repaid in full. Following the occurrence of a Class A Trigger Event, payments of principal on the Class A Notes, amongst themselves, will be made *pro rata* and *pari passu*.

Any shortfall in payments of interest on any Class B Notes (unless they are the Most Senior Class) will be deferred (and additional interest shall accrue on such unpaid and deferred interest amount at the same rate of interest as the Class B Notes) until the next Interest Payment Date and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on the Class B Notes will be increased to take account of any deferral of such amounts of interest for the Class B Notes. The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer Accounts, other than, for the avoidance of doubt, the Issuer Profit Amount and amounts standing to the credit of the General Reserve Account and the Yield Reserve Account.

### **Principal Losses are allocated in the Principal Deficiency Ledger**

On each Calculation Date, the Cash Manager will determine the amount of Principal Losses on the Portfolio which are allocable to the Notes.

A principal deficiency ledger relating to the Class A Notes (the “**Class A Principal Deficiency Ledger**”) and a principal deficiency ledger relating to the Class B Notes (the “**Class B Principal Deficiency Ledger**”), will be established on the Closing Date in order to record any Principal Losses on an Interest Payment Date.

Debits and credits recorded on the Class A Principal Deficiency Ledger shall be recorded in respect of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes on a *pro rata* and *pari passu* basis. Debits and credits recorded on the Class B Principal Deficiency Ledger shall be recorded in respect of the Class B Notes on a *pro rata* and *pari passu* basis.

The Investor Interest in any Principal Losses will be recorded as a debit to the Principal Deficiency Ledgers as follows:

- (a) *firstly*, to the Class B Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (b) *secondly*, to the Class A Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to the Principal Deficiency Ledgers shall be reduced to the extent of Available Revenue Funds available for such purpose on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments as follows:

- (a) *firstly*, to the Class A Principal Deficiency Ledger to reduce the debit balance to zero; and
- (b) *secondly*, to the Class B Principal Deficiency Ledger to reduce the debit balance to zero.

### **Basis Risk for the Notes**

The Issuer will receive, among other things, floating rate interest plus a margin on and in respect of the Loans. The Issuer will pay a rate of interest equal to three-month LIBOR plus the applicable Relevant Margin on the Rated Notes.

To hedge the interest rate mismatch between the interest rate income the Issuer will receive under the Loans and the interest payments the Issuer is obliged to make under the Rated Notes (taking into account any scheduled Class A Permitted Yield Reserve Amount), the Issuer shall on or before the Closing Date enter into a swap agreement with Lloyds as Swap Counterparty (the “**Lloyds Swap Agreement**”) and a swap agreement with BoS as Swap Counterparty (the “**BoS Swap Agreement**”, and together with the Lloyds Swap Agreement the “**Swap Agreements**”).

Under the Swap Agreements, the Issuer will enter into a basis swap transaction under the Lloyds Swap Agreement (the “**Lloyds Basis Swap Transaction**”) and a basis swap transaction under the BoS Swap Agreement (the “**BoS Basis Swap Transaction**” and together with the Lloyds Basis Swap Transaction, the “**Basis Swap Transactions**”).



Under each Basis Swap Transaction, the Issuer will pay to the relevant Swap Counterparty on each Interest Payment Date and in respect of the relevant Collection Period, the amount of interest actually received in respect of the Investor Interest in the Non-Defaulted Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) in respect of which there have been no missed interest payments during the immediately preceding Collection Period, unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period (which, for the avoidance of doubt, in respect of the first Interest Payment Date includes all amounts of Accrued Interest allocable to the Investor Interest in the relevant Loans) (each a “**Basis Swap Fixed Payment**”, together the “**Basis Swap Fixed Payments**”).

In return, the relevant Swap Counterparty will make to the Issuer on each Interest Payment Date and in respect of the relevant Interest Period, floating rate payments (each a “**Basis Swap Floating Payment**”, together the “**Basis Swap Floating Payments**”). In addition, each Swap Counterparty will pay to the Issuer on the Closing Date an amount equal to the Accrued Interest allocable to the Investor Interest in respect of the Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) as at the Closing Date (each an “**Initial Swap Counterparty Payment**”). The relevant Basis Swap Floating Payment is an amount equal to the product of (i) the relevant Basis Swap Notional Amount, (ii) the sum of LIBOR and a fixed margin (the “**Swap Floating Rate Margin**”) and (iii) the Relevant Day-Count Fraction. The relevant “**Basis Swap Notional Amount**” is an amount equal to the sum of the Investor Interest in the Aggregate Principal Balances of the Non-Defaulted Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) in respect of which there have been no missed interest payments unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period, divided by the number of days in such Interest Period. For the purpose of calculating the relevant Basis Swap Notional Amount for each day in the period (the “**Flatline Period**”) from the day (the “**Flatline Date**”) that is 8 (eight) Business Days prior to the last day of the relevant Interest Period the Aggregate Principal Balances will be deemed to remain constant at the amount as of the relevant Flatline Date. Adjustments will be made to the relevant Basis Swap Floating Payment on the following Interest Payment Date in relation to (i) any relevant Loans which have become Defaulted Loans within the Flatline Period and (ii) any relevant Loans which have amortised within the Flatline Period (reducing such Basis Swap Floating Payment).

#### *Use of Funds received under the Swap Agreements*

In summary, together with the applicable Class A Permitted Yield Reserve Drawing from the Yield Reserve Account, the Issuer will use amounts it receives under the Basis Swap Transactions to service interest on the Rated Notes (and any excess, after payment of any higher-ranking item in the Pre-Enforcement Priority of Payments, to pay interest on the Class S Notes).

Each Swap Agreement will be documented under a 1992 ISDA Master Agreement (*Multicurrency-Crossborder*) and be governed by English law.

#### *Termination of the relevant Swap Agreement*

The Basis Swap Transactions will be scheduled to terminate immediately following the Final Maturity Date. A Swap Agreement may be terminated early by the relevant Swap Counterparty in certain circumstances including, but not limited to, the following:

- (a) if there is a failure by the Issuer to pay amounts due under such Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to the Issuer (as set out in such Swap Agreement);
- (c) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under such Swap Agreement;

- (d) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed in relation to such Swap Agreement either (i) on payment by the relevant Swap Counterparty of any amount under such Swap Agreement which results in the relevant Swap Counterparty being obliged to gross up its payments under the terms of such Swap Agreement, or (ii) on payment by the Issuer under such Swap Agreement;
- (e) if the Note Trustee serves an Enforcement Notice on the Issuer pursuant to Condition 12 (*Events of Default*) of the Notes; and
- (f) if any of the Transaction Documents are amended (other than with the prior written consent of such Swap Counterparty) in any material respect which would result (i) in a Swap Counterparty having to pay more or receive a lesser payment under the relevant Swap Agreement to which it is a party or (ii) any of the Priorities of Payments being amended such that the Issuer's obligation to a Swap Counterparty under the relevant Swap Agreement are further contractually subordinated to the Issuer's obligation to any other Secured Creditor.

A Swap Agreement may be terminated early by the Issuer in conjunction with the Security Trustee, or following an Event of Default (under the Notes), by the Security Trustee in certain circumstances, including, but not limited to, an Event of Default (as defined in such Swap Agreement) or Additional Termination Event (as defined in such Swap Agreement) having occurred in respect of the relevant Swap Counterparty under such Swap Agreement provided any applicable grace period has expired, such circumstances including, among other things:

- (a) the relevant Swap Counterparty fails to pay amounts due under such Swap Agreement and any applicable grace period has expired;
- (b) certain insolvency events occur with respect to the relevant Swap Counterparty;
- (c) a breach of a provision of such Swap Agreement by the relevant Swap Counterparty is not remedied within the applicable grace period;
- (d) a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under such Swap Agreement;
- (e) there is a misrepresentation by the relevant Swap Counterparty in any material respect;
- (f) the relevant Swap Counterparty merges with another entity and the merged entity does not assume obligations under such Swap Agreement; and
- (g) the relevant Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in such Swap Agreement.

Each Swap Agreement provides that if such Swap Agreement is terminated pursuant to the occurrence of a Termination Event or an Event of Default (each as defined in such Swap Agreement), a termination payment may be made by either party based on the market value of that Swap Agreement as determined on the basis of a quotation sought from an eligible replacement (being an entity that could perform the obligations of the relevant Swap Counterparty and which complies with the Requisite Ratings as to the payment required to be made in order to enter into a transaction that would have the effect of preserving the economic equivalent of the respective payment obligations of the parties (or based upon a good faith determination of one of the party's total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

#### *Replacement Swap*

If, on or before the earlier of (a) repayment of the Rated Notes in full; and (b) the service of an Enforcement Notice, a Swap Agreement is terminated, the Issuer (or the Cash Manager on its behalf) shall use reasonable

endeavours to purchase a replacement swap (taking into account any early termination payment received from the relevant Swap Counterparty) on substantially similar terms to the relevant Basis Swap Transaction and subject to the receipt of a Rating Agency Confirmation.

*Downgrade or withdrawal of the Swap Counterparty's ratings*

Under the terms of each Swap Agreement, in the event that the rating(s) of the relevant Swap Counterparty are below, or are downgraded by a Rating Agency below, any of the Requisite Ratings, or if such ratings are withdrawn, the relevant Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the relevant Swap Agreement;
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the Requisite Ratings;
- (c) procuring another entity with the Requisite Ratings to become co-obligor or guarantor in respect of its obligations under the relevant Swap Agreement; or
- (d) taking such other action or putting in place such alternative hedging as will result in the rating of the relevant Notes then outstanding being maintained at, or restored to that which was assigned by the Rating Agencies prior to any downgrade or withdrawal of the relevant Swap Counterparty's ratings.

A failure to take such steps within the time periods specified in the relevant Swap Agreement will allow the Issuer to terminate such Swap Agreement.

As at the date of this Prospectus, the minimum required ratings for the Swap Counterparties are the same as the "**Requisite Ratings**" namely: (i) long-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least A by S&P and short-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least A-1 by S&P or (ii), where no such short-term rating has been assigned by S&P, long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A+ by S&P and (iii) a short-term issuer default rating of at least F1 by Fitch and, if the Swap Counterparty has been assigned a long-term issuer default rating by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where the Swap Counterparty's long-term issuer default rating has been put on "Rating Watch Negative" by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level), or (iv) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.

A Swap Counterparty under a Swap Agreement may, at any time, give written notice to the Note Trustee that the applicable Fitch rating criteria and/or the applicable S&P rating criteria have been updated and that such updated criteria have been published by the relevant Rating Agency (the "**New Rating Criteria**"). Subject to, among other things, a Rating Agency Confirmation in relation to the amendment of such Swap Agreement to implement the New Rating Criteria, the Note Trustee shall consent to such amendments and direct the Security Trustee to execute (and, subject to certain conditions, the Security Trustee shall execute) an amended Swap Agreement that seeks solely to implement such New Rating Criteria, provided that such amendment will not result in a Basic Terms Modification.

If collateral (or the equivalent thereof, as appropriate) is to be retransferred by the Issuer to the Swap Counterparties pursuant to the Swap Agreements, such collateral shall be retransferred outside of the Priority of Payments.

*Swap Credit Support Annex*

On or around the Closing Date, each Swap Counterparty will enter into a 1995 ISDA Credit Support Annex (*Bilateral Form – Transfer*) with the Issuer (the "**Swap Credit Support Annexes**") in support of the obligations of such Swap Counterparty under the relevant Swap Agreement. Pursuant to the terms of each

Swap Credit Support Annex, if at the time the relevant Swap Counterparty is required to provide collateral in respect of any of its obligations under the relevant Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in such Swap Credit Support Annex and the relevant Swap Agreements, the relevant Swap Counterparty will make transfers of collateral (the “**Swap Collateral**”) to the Issuer in respect of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

The Issuer will keep any collateral received from any Swap Counterparty pursuant to the relevant Swap Credit Support Annex in a separate cash and/or securities account. The Issuer may only make payments or transfers utilising any monies and/or securities held in the Swap Collateral Account if such payments and transfers are made in accordance with the terms of the relevant Swap Credit Support Annex. Amounts standing to the credit of the Swap Collateral Account will not, upon enforcement of the Security, be available to the Secured Creditors generally and may only be applied in satisfaction of amounts owing by the relevant Swap Counterparty, or to be repaid to such Swap Counterparty, in accordance with the terms of the relevant Swap Agreement. There may be circumstances where no amount is owing by the relevant Swap Counterparty. In such circumstances the transferred collateral must be returned to such Swap Counterparty outside the Priority of Payments.

#### *Swap Subordinated Amounts*

Any termination amount due and payable by the Issuer to a Swap Counterparty under the relevant Swap Agreement where:

- (a) the Defaulting Party (as defined in the relevant Swap Agreement) is such Swap Counterparty; and/or
- (b) an Additional Termination Event (as defined in the Swap Agreement) has occurred as a result of a failure by such Swap Counterparty to take remedial action in accordance with the terms of the relevant Swap Agreement following the downgrade or withdrawal of a rating of such Swap Counterparty,

(any such amount payable by the Issuer, a “**Swap Subordinated Amount**”) shall be payable at item (x) of the Pre-Enforcement Revenue Priority of Payments and item (viii) of the Post-Enforcement Priority of Payments.

#### **Put Option in relation to the Class A2 Notes**

The Class A2 Notes have the benefit of the purchase arrangements referred to in Condition 8 (*Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders*) and the Conditional Note Purchase Deed.

#### *Class A2 Purchase Commitment*

Subject to the purchase arrangements referred to above, the Put Option Purchaser will agree to purchase on the Class A2 Transfer Date (as defined below), at the Put Option Purchase Price all, but not some only, of the outstanding Class A2 Notes in respect of which a valid Class A2 Transfer Instruction (as defined below) has been delivered to the Principal Paying Agent via the relevant Clearing System (the “**Relevant Class A2 Notes**”), provided that no Event of Default has occurred which is continuing on the Class A2 Transfer Date (the “**Class A2 Purchase Commitment**”).

#### *Put Option Purchase Price*

On the date (the “**Class A2 Loss Calculation Date**”) which falls three Business Days after the Interest Payment Date falling in March 2018 (the “**Put Option Date**”), the Cash Manager will determine the purchase price payable by the Put Option Purchaser in relation to the Class A2 Purchase Commitment. Such purchase price (the “**Put Option Purchase Price**”) will be the (i) Principal Amount Outstanding of the Class A2 Notes on the Put Option Date, less (ii) the outstanding debit balance on the Class A Principal Deficiency Ledger attributable to the Class A2 Notes (determined on a *pro rata* and *pari passu* basis) on the Class A2 Loss Calculation Date (the “**Class A2 Principal Deficiency Losses**”) plus (iii) any interest accrued in relation to the Class A2 Notes from and including the Put Option Date up to but excluding the Class A2 Transfer Date

(after taking into account any principal repayments made in respect of the Class A2 Notes by the Issuer on or after the Put Option Date).

#### *Exercise of Put Option by the Class A2 Noteholders*

On the Business Day following the Class A2 Loss Calculation Date, the Issuer (with the approval of the Put Option Purchaser) will (i) give notice (which notice shall be irrevocable) to the Class A2 Noteholders via Euroclear and Clearstream, Luxembourg (provided that the Class A2 Notes are still in global form) of the Put Option Purchaser's intention to purchase the Class A2 Notes on the Class A2 Transfer Date for cash at a price equal to the Put Option Purchase Price (the “**Class A2 Notice to Purchase**”) and (ii) make a corresponding announcement via the Stock Exchange and Bloomberg. Any Class A2 Noteholder has the right (but not the obligation) to elect to have all, but not only some only, of its Class A2 Notes purchased by the Put Option Purchaser on the Class A2 Transfer Date. A Class A2 Noteholder may exercise its right to have all, but not only some only, of its Class A2 Notes purchased by the Put Option Purchaser on the Class A2 Transfer Date by giving an electronic transfer and blocking instruction in accordance with the usual procedures of Euroclear or Clearstream, Luxembourg (which notice shall be irrevocable) (a “**Class A2 Transfer Instruction**”) to the Principal Paying Agent no later than 4:00 p.m. (London time for Euroclear or Clearstream, Luxembourg (as applicable)) on the Business Day that is five Business Days prior to (but excluding) the Class A2 Transfer Date (or such earlier deadline set by any relevant intermediary of a clearing system).

#### *Class A2 Transfer Date*

The transfer date in relation to the Relevant Class A2 Notes will be the later of (i) the date falling 20 Business Days after the Put Option Date (the “**Scheduled Class A2 Transfer Date**”) and (ii) the Deferred Class A2 Transfer Date (as defined below). Where any individual Certificates are issued in relation to Class A2 Notes in accordance with the Trust Deed or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the purchase and settlement of the Class A2 Notes as contemplated in the Conditional Note Purchase Deed and the Conditions, then the parties to the Conditional Note Purchase Deed will use their reasonable endeavours to enter into alternative arrangements to give effect to the arrangements contemplated by the Conditional Note Purchase Deed and the Put Option Purchaser will purchase the Relevant Class A2 Notes on the later of (i) the relevant Scheduled Class A2 Transfer Date and (ii) the date which is the earlier of (A) the date that is 5 Business Days after the date on which the parties to the Conditional Note Purchase Deed agree a procedure by which the purchase can occur and (B) 60 days after the Scheduled Class A2 Transfer Date (the “**Deferred Class A2 Transfer Date**”, together with the Scheduled Class A2 Transfer Date the “**Class A2 Transfer Date**”).

#### *Liquidated Damages Amount*

If, on or prior to the Class A2 Transfer Date, an Insolvency Event in relation to the Put Option Purchaser has occurred, then the Put Option Purchaser will procure the payment to the Class A2 Noteholders of the amount as liquidated and ascertained damages, equal to the amount that a third party would be required to be paid as an upfront amount (in Sterling) in order to assume the Put Option Purchaser's obligations in respect of the full amount of the Class A2 Notes outstanding (the “**Class A2 Liquidated Damages Amount**”). Such amount will be determined in accordance with the provisions of the Conditional Note Purchase Deed.

#### *Termination of the Class A2 Purchase Commitment*

Upon payment of the Put Option Purchase Price all rights in respect of such Class A2 Notes will be transferred to or for the account of the Put Option Purchaser or as designated by the Put Option Purchaser. The Class A2 Purchase Commitment relating to the Class A2 Notes shall terminate upon the earlier of (i) the redemption in full of all of the Relevant Class A2 Notes, (ii) the purchase by the Put Option Purchaser of the Relevant Class A2 Notes, and (iii) in the case of the insolvency of the Put Option Purchaser, the payment of a Liquidated Damages Amount in respect of all of the Relevant Class A2 Notes.

Regardless of whether the Put Option Purchaser purchases any or all of the Class A2 Notes on the Class A2 Transfer Date, the Class A2 Notes will remain outstanding until such time as they are redeemed in full or until their Final Maturity Date. Therefore, if the Put Option Purchaser fails to purchase any or all of the Class A2 Notes, the relevant Noteholders will remain Noteholders with all related rights and their priority, standing and relationship with the Issuer (as set out in this Prospectus) will not be affected.

Please consider carefully the section entitled “*Risk Factors*”. Certain risks relating specifically to repayment of Class A2 Notes are described under “*Risk Factors – Put Option in relation to the Class A2 Notes*” above.

## **Cashflows and Cash Management**

### **Cash collection and reconciliation**

The relevant Originator (acting as Servicer) shall transfer all amounts received pursuant to the terms of the relevant Loan Agreements which would be allocable to the Investor Interest in the relevant Loans (and their Related Security), from the relevant Collection Account to the relevant Issuer Account not later than the close of business on the second Business Day after the relevant amounts have been received by the relevant Servicer.

On each Reconciliation Date, the Cash Manager shall determine: (i) the difference, if any, between (A) the amounts transferred from the Collection Accounts held at Lloyds to the Interest Account held at Lloyds and/or the Principal Accounts held at Lloyds during a Collection Period and (B) the amounts (in respect of Revenue Receipts and Principal Receipts) actually received from the Borrowers during such Collection Period allocable to the Investor Interest in the Loans originally originated or acquired by Lloyds, expressed as a positive number; and (ii) the difference, if any, between (A) the amounts transferred from the Collection Accounts held at BoS to the Interest Account held at BoS and/or the Principal Account held at BoS during a Collection Period and (B) the amounts (in respect of Revenue Receipts and Principal Receipts) actually received from the Borrowers during such Collection Period allocable to the Investor Interest in the Loans originally originated or acquired by BoS, expressed as a positive number (each a “**Reconciliation Amount**”). Any Reconciliation Amount shall be transferred from the relevant Issuer Account to the relevant Collection Account on such Reconciliation Date (or vice versa if the value of (B) is greater than the value of (A)).

The Cash Manager shall determine the portion of the relevant Reconciliation Amount allocable to Principal Receipts, which shall be paid to or, as the case may be, (subject always to the availability of funds) from the relevant Principal Account, and the portion allocable to Revenue Receipts, which shall be paid to or, as the case may be, (subject always to the availability of funds) from the relevant Interest Account.

The Cash Manager shall, upon notice by the relevant Servicer, instruct the relevant Account Bank to transfer any Mistaken Payments from the relevant Issuer Account to the relevant Collection Account(s) on the Business Day following receipt of such notice. There shall be no double counting between the Reconciliation Amount and any Mistaken Payments.

### **Calculation of available funds**

On the fifth Business Day before each Interest Payment Date (each, a “**Calculation Date**”), the Cash Manager will calculate the amount of the Available Revenue Funds and Available Principal Funds available to the Issuer to satisfy its obligations under the Notes and other items under the relevant Priority of Payments. The Available Revenue Funds and the Available Principal Funds shall be calculated by reference to the Revenue Receipts and the Principal Receipts received by the Issuer during the preceding 3 calendar months or, in the case of the first Calculation Date, during the preceding period commencing on (and including) the Closing Date to (and including) 31 May 2011 (each such period, a “**Collection Period**”).

### **Issuer Accounts**

On or prior to the Closing Date, the Issuer will establish and maintain with Lloyds as Account Bank an Interest Account, Principal Account, General Reserve Account, Note Proceeds Account, Swap Collateral Account and Swap Termination Account; with BoS as Account Bank an Interest Account and a Principal Account; and, with the Yield Reserve Account Bank, the Yield Reserve Account. All of the following amounts received by the Issuer shall be credited to the relevant Issuer Account and to the extent that any such amount is credited to another Issuer Account, the Cash Manager shall promptly instruct the relevant Account Bank or the Yield Reserve Account Bank (as applicable) to transfer such amount to the appropriate Issuer Account:

- (a) in respect of the Interest Account held at Lloyds:

- (i) Revenue Receipts in relation to the Loans originally originated or acquired by Lloyds;
- (ii) by 14:00 hours (London time) on the second Business Day immediately preceding each Interest Payment Date, all amounts standing to the credit of the Interest Account held at BoS;
- (iii) interest earned on the Issuer Accounts (except the Swap Collateral Account and the Swap Termination Account);
- (iv) interest, income, principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments invested in using funds withdrawn from the Interest Accounts;
- (v) interest and income in respect of any Eligible Investments invested in using funds withdrawn from the Principal Accounts and the General Reserve Account;
- (vi) by 14:00 hours (London time) on the second Business Day immediately preceding each Interest Payment Date, an amount equal to the Class A Permitted Yield Reserve Drawing (withdrawn from the Yield Reserve Account);
- (vii) amounts (other than Swap Collateral) received by the Issuer from each Swap Counterparty under the relevant Swap Agreement; and
- (viii) the Issuer Profit Amount; or
- (b) in respect of the Interest Account held at BoS, Revenue Receipts in relation to the Loans originally originated or acquired by BoS; or
- (c) in respect of the Principal Account held at Lloyds:
  - (i) Principal Receipts in relation to the Loans originally originated or acquired by Lloyds;
  - (ii) by 14:00 hours (London time) on the second Business Day immediately preceding each Interest Payment Date, all amounts standing to the credit of the Principal Account held at BoS;
  - (iii) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments (for the avoidance of doubt, to the extent not relating to interest and income) invested in using funds withdrawn from the Principal Accounts;
  - (iv) following the Issuer's entry into a Swap Replacement Transaction and the payment of any Swap Replacement Payment or Swap Settlement Payment by the Issuer, all amounts remaining in the Swap Termination Account;
  - (v) after the Issuer has made the payments required to be made by it out of the Note Proceeds Account on the Closing Date, all amounts remaining in the Note Proceeds Account; and
  - (vi) on or immediately after the Yield Reserve Release Date, the Yield Reserve Release Amount withdrawn from the Yield Reserve Account; or
- (d) in respect of the Principal Account held at BoS, Principal Receipts in relation to the Loans originally originated or acquired by BoS; or
- (e) in respect of the General Reserve Account:
  - (i) on the Closing Date, an amount from the Note Proceeds Account equal to the General Reserve Amount;
  - (ii) on each Interest Payment Date, an amount equal to the amount of Available Revenue Funds then applied under item (ix) of the Pre-Enforcement Revenue Priority of Payments; and



- (iii) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments (for the avoidance of doubt, to the extent not relating to interest and income) invested in using funds withdrawn from the General Reserve Account; or
- (f) in respect of the Yield Reserve Account:
  - (i) on the Closing Date, an amount equal to Yield Reserve Amount; and
  - (ii) interest earned on the Yield Reserve Account; or
- (g) in respect of the Note Proceeds Account, on the Closing Date, the proceeds of the issue of the Notes; or
- (h) in respect of the Swap Collateral Account:
  - (i) any Swap Collateral; and
  - (ii) interest, income, principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Swap Collateral; or
- (i) in respect of the Swap Termination Account:
  - (i) any Swap Counterparty Termination Payments; and
  - (ii) any Swap Replacement Receipts,  
due to the Issuer in respect of the Swap Agreement or any Swap Replacement Transaction; and
  - (iii) interest earned on the Swap Termination Account.

The Account Banks have agreed to pay a guaranteed investment rate equal to LIBOR (as determined in accordance with the Conditions) on the balance standing from time to time to the credit of the General Reserve Account, Interest Accounts and Principal Accounts. Each of the Account Banks and Yield Reserve Account Bank is required to satisfy certain criteria (including certain criteria and/or permissions set or required by the FSA from time to time) in order to continue to act in its capacity as Account Bank or Yield Reserve Account Bank, respectively. The criteria include a requirement that each Account Bank and the Yield Reserve Account Bank has the Requisite Ratings. If an Account Bank or the Yield Reserve Account Bank ceases to satisfy these criteria, then the relevant Issuer Account(s) may be transferred to another entity which does satisfy the relevant criteria.

#### **Available Revenue Funds**

On each Calculation Date, the Cash Manager will calculate the amount of interest funds available to the Issuer on the immediately following Interest Payment Date for the applicable Collection Period, and such interest funds (the “**Available Revenue Funds**”) shall be the sum of the following (without double counting):

- (a) any Revenue Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Revenue Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;
- (b) any interest credited to any of the Interest Accounts, Principal Accounts, General Reserve Account, Yield Reserve Account and Note Proceeds Account during the immediately preceding Collection Period;
- (c) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account during the immediately preceding Collection Period;

- (d) interest and income in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account, a Principal Account and the General Reserve Account during the immediately preceding Collection Period;
- (e) any amount (other than any Swap Collateral) received by the Issuer from a Swap Counterparty on the relevant Interest Payment Date under the relevant Swap Agreement;
- (f) the applicable Permitted Revenue General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date; and
- (g) to the extent there are Available Revenue Funds under paragraphs (a) to (f) hereof, available for payments under item (v) of the Pre-Enforcement Revenue Priority of Payments, the amount of the applicable Class A Permitted Yield Reserve Drawing in respect of such Interest Payment Date towards making payment under item (v) of the Pre-Enforcement Revenue Priority of Payments only,

but, for the avoidance of any doubt, shall not include any amounts standing to the credit of the Issuer Profit Ledger.

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

On each Interest Payment Date prior to the service of an Enforcement Notice, Available Revenue Funds (calculated on the immediately preceding Calculation Date) (other than amounts of Swap Collateral) shall be withdrawn from the relevant Issuer Account and applied as follows (such order of application being the “**Pre-Enforcement Revenue Priority of Payments**”), in each case only if and to the extent that the items of a higher priority have been paid or satisfied in full:

- (i) *firstly*, in payment or satisfaction, *pari passu* and *pro rata* of:
  - (a) the fees, costs, charges, expenses and liabilities due and payable to the Security Trustee under or pursuant to the Deed of Charge and/or any of the other Transaction Documents; and
  - (b) the fees, costs, charges, expenses and liabilities due and payable to the Note Trustee under or pursuant to the Trust Deed and/or any of the other Transaction Documents,
 subject to a maximum of the Senior Expenses Cap;
- (ii) *secondly*, in payment or satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, costs, charges, expenses and liabilities due and payable to each Servicer under the Servicing Agreement;
  - (b) the fees, costs, charges, expenses and liabilities due and payable to the Cash Manager under the Cash Management Agreement; and
  - (c) the fees, costs, charges, expenses and liabilities due and payable to each Account Bank under the Account Bank Agreement and the Yield Reserve Account Bank under the Yield Reserve Account Bank Agreement, respectively,
 subject to a maximum of the Administrative Expenses Cap;
- (iii) *thirdly*, in payment or satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, costs, charges, expenses and liabilities due and payable to the Agents under the Paying Agency Agreement;
  - (b) the fees, costs, charges, expenses and liabilities due and payable to the Rating Agencies in relation to the Notes;
  - (c) the fees, costs, charges, expenses and liabilities due and payable to the Corporate Services Provider under the Corporate Services Agreement;

- (d) the fees, costs, charges, expenses and liabilities due and payable to any legal advisors, accountants and auditors appointed by the Issuer;
- (e) any other amounts due and payable to third parties under obligations incurred in respect of the Issuer's business (other than under the Transaction Documents);
- (f) any tax for which the Issuer is primarily liable to the appropriate tax authorities; and
- (g) to credit the Issuer Profit Ledger in an amount of the Issuer Profit Amount,

subject to (other than item (g)) a maximum of the Administrative Expenses Cap (as reduced for items paid in priority hereto under item (ii) of the Pre-Enforcement Revenue Priority of Payments);

- (iv) *fourthly*, in payment or satisfaction, *pari passu and pro rata*, of all amounts (other than any Swap Subordinated Amounts) due and payable to each Swap Counterparty in respect of the relevant Swap Agreement;
- (v) *fifthly*, together with the amount of any Class A Permitted Yield Reserve Drawing withdrawn from the Interest Account held at Lloyds, in payment or satisfaction, *pari passu and pro rata*, of interest due and payable in respect of the Class A Notes;
- (vi) *sixthly*, to credit the Class A Principal Deficiency Ledger in an amount sufficient to eliminate any debit balance thereon;
- (vii) *seventhly*, in payment or satisfaction, *pari passu and pro rata*, of interest due and payable in respect of the Class B Notes;
- (viii) *eighthly*, to credit the Class B Principal Deficiency Ledger in an amount sufficient to eliminate any debit balance thereon;
- (ix) *ninthly*, to the extent that there are any liabilities in respect of the Rated Notes still outstanding, to credit the General Reserve Account in an amount such that the balance standing to the credit of the General Reserve Account thereafter is no less than the General Reserve Required Amount;
- (x) *tenthly*, in payment or satisfaction, *pari passu and pro rata*, of any Swap Subordinated Amounts due and payable to each relevant Swap Counterparty;
- (xi) *eleventhly*, in payment or satisfaction of any fees, costs, charges, expenses and liabilities that remain unpaid pursuant to items (i) to (iii) above (in the same order of priority as set out in this Pre-Enforcement Revenue Priority of Payments); and
- (xii) *twelfthly*, in payment or satisfaction, *pari passu and pro rata*, of the excess (if any) as interest on the Class S Notes and, to the extent that there is any such excess after the Class S Notes have been repaid in full, such excess shall be paid to the Class S Noteholders as interest deemed due immediately prior to the Class S Notes being repaid in full.

#### **Available Principal Funds**

On a Calculation Date, the Cash Manager will calculate the amount of principal funds available to the Issuer on the immediately following Interest Payment Date for the applicable Collection Period, and such principal funds (the “**Available Principal Funds**”) shall be an amount equal to the sum of the following:

- (a) any Principal Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Principal Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;
- (b) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments (to the extent not relating to interest and income) invested in using funds withdrawn from a Principal Account during the immediately preceding Collection Period;

- (c) any Deemed Principal Receipts in respect of such Interest Payment Date;
- (d) an amount equal to the Permitted Principal General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date;
- (e) following the Issuer's entry into a Swap Replacement Transaction and the payment of any Swap Replacement Payment or Swap Settlement Payment, all amounts remaining in the Swap Termination Account transferred to the Principal Accounts; and
- (f) after the Issuer has made the payments required to be made by it out of the Note Proceeds Account on the Closing Date, all amounts remaining in the Note Proceeds Account transferred to the Principal Accounts.

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

On each Interest Payment Date prior to the service of an Enforcement Notice, Available Principal Funds (calculated on the immediately preceding Calculation Date) shall be withdrawn from the relevant Issuer Account and applied as follows (such order of application being the “**Pre-Enforcement Principal Priority of Payments**”), in each case only if and to the extent that the items of a higher priority have been paid or satisfied in full:

- (i) *firstly*, in payment or satisfaction of:
  - (a) prior to the occurrence of a Class A Trigger Event, in each case only if and to the extent that the items of a higher priority have been paid or satisfied in full of:
    - (A) *firstly, pari passu and pro rata*, principal outstanding on the Class A1 Notes until the Class A1 Notes have been repaid in full;
    - (B) *secondly*, after the Class A1 Notes have been repaid in full,
      - (AA) prior to (but excluding) the Switch Date, in each case only if and to the extent that the items of higher priority have been paid or satisfied in full:
        - (I) *pari passu and pro rata*, principal outstanding on the Class A3 Notes until the Class A3 Notes have been repaid in full; and
        - (II) after the Class A3 Notes have been repaid in full, *pari passu and pro rata*, principal outstanding on the Class A2 Notes until the Class A2 Notes have been repaid in full; or
      - (BB) from (and including) the Switch Date, in each case only if and to the extent that the items of higher priority have been paid or satisfied in full:
        - (I) *pari passu and pro rata*, principal outstanding on the Class A2 Notes until the Class A2 Notes have been repaid in full; and
        - (II) after the Class A2 Notes have been repaid in full, *pari passu and pro rata*, principal outstanding on the Class A3 Notes until the Class A3 Notes have been repaid in full;
  - (b) after the occurrence of a Class A Trigger Event (irrespective of whether such Class A Trigger Event is continuing), *pari passu and pro rata*, principal outstanding in respect of the Class A Notes until the Class A Notes have been repaid in full;
- (ii) *secondly*, in payment or satisfaction of, *pari passu and pro rata*, principal outstanding in respect of the Class B Notes until the Class B Notes have been repaid in full;

- (iii) *thirdly*, in payment or satisfaction of, *pari passu* and *pro rata*, principal outstanding in respect of the Class S Notes until the Class S Notes have been repaid in full; and
- (iv) *fourthly*, the excess (if any) shall be applied as if it constituted part of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments.

#### **Post-Enforcement Priority of Payments**

Following the service of an Enforcement Notice, the Security Trustee (or the Cash Manager) or any Receiver appointed by the Security Trustee shall apply all moneys (other than (A) amounts of Excess Swap Collateral to be returned to each relevant Swap Counterparty and (B) any amounts standing to the credit of the Issuer Profit Ledger) received by it under the Deed of Charge in connection with the realisation or enforcement of the Security as follows (such order of application, together with the provisions governing the application of amounts referred to in (A) through (B) above, being the “**Post-Enforcement Priority of Payments**”):

- (i) *firstly*, in payment or satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, costs, charges, expenses and liabilities due and payable to the Security Trustee and any Receiver appointed by the Security Trustee under or pursuant to the Deed of Charge and/or any of the other Transaction Documents; and
  - (b) the fees, costs, charges, expenses and liabilities due and payable to the Note Trustee under or pursuant to the Trust Deed and/or any of the other Transaction Documents;
- (ii) *secondly*, in payment or satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, costs, charges, expenses and liabilities due and payable to each Servicer under the Servicing Agreement;
  - (b) the fees, costs, charges, expenses and liabilities due and payable to the Cash Manager under the Cash Management Agreement;
  - (c) the fees, costs, charges, expenses and liabilities due and payable to each Account Bank under the Account Bank Agreement and the Yield Reserve Account Bank under the Yield Reserve Account Bank Agreement, respectively;
  - (d) the fees, costs, charges, expenses and liabilities due and payable to the Agents under the Paying Agency Agreement;
  - (e) the fees, costs, charges, expenses and liabilities due and payable to the Rating Agencies in relation to the Notes;
  - (f) the fees, costs, charges, expenses and liabilities due and payable to the Corporate Services Provider under the Corporate Services Agreement;
  - (g) the fees, costs, charges, expenses and liabilities due and payable to any legal advisors, accountants and auditors appointed by the Issuer;
  - (h) any other amounts due and payable to third parties under obligations incurred in respect of the Issuer’s business (other than under the Transaction Documents);
  - (i) any tax for which the Issuer is primarily liable to the appropriate tax authorities; and
  - (j) to credit the Issuer Profit Ledger in an amount of the Issuer Profit Amount;
- (iii) *thirdly*, in payment or satisfaction, *pari passu* and *pro rata*, of all amounts (other than any Swap Subordinated Amounts) due and payable to each Swap Counterparty in respect of the relevant Swap Agreement;

- (iv) *fourthly*, in payment or satisfaction, *pari passu* and *pro rata*, of interest due and payable in respect of the Class A Notes;
- (v) *fifthly*, in payment or satisfaction, *pari passu* and *pro rata*, of principal due and payable on the Class A Notes;
- (vi) *sixthly*, in payment or satisfaction, *pari passu* and *pro rata*, of interest due and payable in respect of the Class B Notes;
- (vii) *seventhly*, in payment or satisfaction, *pari passu* and *pro rata*, of principal due and payable in respect of the Class B Notes;
- (viii) *eighthly*, in payment or satisfaction, *pari passu* and *pro rata*, of any Swap Subordinated Amounts due and payable to each relevant Swap Counterparty; and
- (ix) *ninthly*, in payment or satisfaction, *pari passu* and *pro rata*, of interest and principal due and payable in respect of the Class S Notes (for the purposes of this provision, any excess above the amount of principal due and payable on the Class S Notes shall be deemed interest due and payable on the Class S Notes immediately prior to the redemption of the Class S Notes in full).

Subject to the terms of the Deed of Charge, the Security Trustee shall not be responsible or liable in damages or otherwise to any party or person for any loss, damage or claim incurred by reason of the Security Trustee applying, in good faith, the Post-Enforcement Priority of Payments in accordance with the provisions of the Transaction Documents or any of them.

## THE PORTFOLIO

### Introduction

Pursuant to the Declaration of Trust, each of the Originators will declare a trust over all the Rights and Collected Proceeds in respect of the Loans in the Portfolio originally originated or acquired by it. As of 10 January 2011 (the “**Cut-off Date**”), the Aggregate Principal Balance of the Loans in the Portfolio is approximately £1,544,580,546. As of the Cut-off Date, each Loan included in the Portfolio satisfied the Eligibility Criteria as set out below.

The Loans were selected from a portfolio of PFI/PPP project finance loans financing infrastructure projects/assets in England, Wales and Scotland. The Loans were originally originated by, or acquired by (as applicable), Lloyds or BoS in the normal course of their business.

The Portfolio has characteristics that demonstrate the capacity to produce funds to service (together with payments from the Yield Reserve) payments due and payable on the Rated Notes.

### Key Features of the Portfolio

As of the Cut-off Date, the Portfolio was comprised of 66 Loans to 57 Borrowers.

A credit estimate process of the Portfolio has been carried out by S&P. Fitch has carried out a credit opinions process and credit screening process of the Portfolio.

The Portfolio is divided into the following different sectors, using the Originators’ internal classification:

- PFI/PPP Courts
- PFI/PPP Education
- PFI/PPP Healthcare
- PFI/PPP Library
- PFI/PPP Police
- PFI/PPP Prisons
- PFI/PPP Social Housing
- PFI/PPP Street Lighting
- PFI/PPP Transport
- PFI/PPP Waste Water

The borrowers (the “**Borrowers**” and each a “**Borrower**”) in the Portfolio are private sector construction and concession operating companies for PFI/PPP projects. All Loans are senior secured loans to Borrowers in England, Wales and Scotland only.

Certain characteristics of the Portfolio set forth below refer to the composition of the portfolio as at the Cut-off Date (unless otherwise specified in respect of the relevant information). The composition of the Portfolio will vary over time due to, among other things, repayment and prepayment under the relevant Loan, release, enforcement or changes to the Loans and their Related Security made by the relevant Originator in accordance with its normal business practice acting as a Prudent Lender of PFI/PPP project finance loans and as a result, the characteristics of the Portfolio set forth below are not necessarily indicative of the characteristics of the Portfolio at any subsequent time.

As of the Cut-off Date (unless otherwise specified in respect of the relevant information), the Loans had the following characteristics as set out in the tables below. Where more than one Loan has been advanced to the same Borrower in respect of the same project, the information in the tables below (other than the “**Overview Table**”) has been presented on an aggregate basis. Prospective investors should note that, as described in the paragraph above, the composition of the Portfolio may vary over time.

### **Overview Table**

Portfolio Aggregate Principal Balance (GBP).....	1,544,580,546
Investor Interest in Portfolio Aggregate Principal Balance (GBP) at Cut-off Date.....	1,453,058,487
Total number of Loans .....	66
Average Investor Interest in Aggregate Principal Balance per Loan (GBP) .....	22,016,038
Total number of Borrowers .....	57
Average Investor Interest in Aggregate Principal Balance per Borrower (GBP) .....	25,492,254
Weighted average spread.....	0.88%
Weighted average S&P credit estimate .....	BBB
Weighted average S&P recovery rate .....	83%
Weighted average Fitch credit opinion.....	BBB-/BB+
Weighted average Fitch recovery rate .....	83%



## The Loans

<b>Loan No.</b>	<b>Borrower No.</b>	<b>Sector</b>	<b>Status (construction /operation phase)</b>	<b>Original financial close</b>	<b>Loan maturity date</b>	<b>Aggregate Principal Balance (GBP)</b>	<b>Originator Interest in Aggregate Principal Balance (%)</b>	<b>Investor Interest in Aggregate Principal Balance (%)</b>
1	1	PFI/PPP Education	Operation	2000	2029	149,169,126	52	48
2	2	PFI/PPP Waste Water	Operation	2000	2027	14,007,884	1	99
3	2	PFI/PPP Waste Water	Operation	2000	2027	6,367,220	1	99
4	3	PFI/PPP Street Lighting	Operation	2004	2027	32,402,973	1	99
5	4	PFI/PPP Street Lighting	Operation	2003	2026	20,508,506	1	99
6	5	PFI/PPP Transport	Operation	2000	2025	11,443,878	1	99
7	6	PFI/PPP Prisons	Operation	2002	2027	12,590,150	1	99
8	7	PFI/PPP Education	Operation	2000	2030	40,209,798	1	99
9	8	PFI/PPP Education	Operation	2004	2030	22,238,621	1	99
10	9	PFI/PPP Education	Operation	2006	2032	71,251,108	1	99
11	10	PFI/PPP Education	Operation	2007	2033	37,176,028	1	99
12	11	PFI/PPP Healthcare	Operation	2003	2031	14,523,099	1	99
13	12	PFI/PPP Healthcare	Operation	1998	2030	44,216,180	1	99
14	12	PFI/PPP Healthcare	Operation	1998	2030	21,025,686	1	99
15	13	PFI/PPP Healthcare	Operation	2001	2031	29,710,695	1	99
16	13	PFI/PPP Healthcare	Operation	2001	2031	24,159,845	1	99
17	14	PFI/PPP Healthcare	Operation	2004	2032	31,820,456	1	99
18	15	PFI/PPP Healthcare	Operation	1999	2026	13,520,340	1	99
19	16	PFI/PPP Police	Operation	2002	2031	15,716,205	1	99

<b>Loan No.</b>	<b>Borrower No.</b>	<b>Sector</b>	<b>Status (construction /operation phase)</b>	<b>Original financial close</b>	<b>Loan maturity date</b>	<b>Aggregate Principal Balance (GBP)</b>	<b>Originator Interest in Aggregate Principal Balance (%)</b>	<b>Investor Interest in Aggregate Principal Balance (%)</b>
20	17	PFI/PPP Education	Operation	2007	2038	54,180,270	1	99
21	18	PFI/PPP Police	Operation	2005	2030	26,505,517	1	99
22	19	PFI/PPP Transport	Operation	1996	2024	19,907,177	1	99
23	20	PFI/PPP Courts	Operation	2001	2027	25,234,676	1	99
24	20	PFI/PPP Courts	Operation	2001	2027	2,402,901	1	99
25	21	PFI/PPP Healthcare	Operation	2005	2034	26,266,116	1	99
26	22	PFI/PPP Education	Operation	2001	2031	12,559,195	1	99
27	22	PFI/PPP Education	Operation	2001	2030	11,500,384	1	99
28	23	PFI/PPP Education	Operation	2005	2030	48,191,805	1	99
29	24	PFI/PPP Transport	Operation	2004	2028	20,350,378	1	99
30	25	PFI/PPP Prisons	Operation	1995	2021	20,959,250	1	99
31	26	PFI/PPP Education	Operation	2003	2027	12,952,345	1	99
32	27	PFI/PPP Education	Operation	2001	2030	16,149,058	1	99
33	27	PFI/PPP Education	Operation	2001	2030	2,790,465	1	99
34	28	PFI/PPP Education	Operation	2002	2027	34,022,202	1	99
35	29	PFI/PPP Transport	Operation	2005	2015	11,374,482	1	99
36	30	PFI/PPP Police	Operation	2004	2033	17,068,660	1	99
37	31	PFI/PPP Police	Operation	2006	2035	33,643,499	1	99
38	32	PFI/PPP Library	Operation	2007	2033	25,587,200	1	99
39	33	PFI/PPP Healthcare	Operation	2004	2034	16,345,639	1	99
40	34	PFI/PPP Police	Operation	2000	2031	21,095,586	1	99

<b>Loan No.</b>	<b>Borrower No.</b>	<b>Sector</b>	<b>Status (construction /operation phase)</b>	<b>Original financial close</b>	<b>Loan maturity date</b>	<b>Aggregate Principal Balance (GBP)</b>	<b>Originator Interest in Aggregate Principal Balance (%)</b>	<b>Investor Interest in Aggregate Principal Balance (%)</b>
41	34	PFI/PPP Police	Operation	2000	2032	2,376,663	1	99
42	35	PFI/PPP Social Housing	Operation	2006	2020	28,195,332	1	99
43	36	PFI/PPP Social Housing	Construction	2006	2020	47,007,819	1	99
44	37	PFI/PPP Prisons	Operation	2003	2028	16,317,000	1	99
45	38	PFI/PPP Police	Operation	2002	2027	14,533,481	1	99
46	39	PFI/PPP Healthcare	Operation	1998	2029	13,522,399	1	99
47	40	PFI/PPP Education	Operation	2004	2030	20,932,803	1	99
48	41	PFI/PPP Education	Operation	2005	2032	29,605,517	1	99
49	41	PFI/PPP Education	Operation	2005	2033	1,524,924	1	99
50	42	PFI/PPP Education	Operation	2001	2029	32,770,770	1	99
51	43	PFI/PPP Education	Operation	2002	2029	14,603,904	1	99
52	44	PFI/PPP Education	Operation	2005	2034	29,775,550	1	99
53	44	PFI/PPP Education	Operation	2005	2035	3,142,968	1	99
54	45	PFI/PPP Education	Operation	2001	2024	16,064,919	1	99
55	46	PFI/PPP Education	Operation	2004	2028	23,934,248	1	99
56	47	PFI/PPP Healthcare	Operation	2003	2028	7,074,733	1	99
57	48	PFI/PPP Healthcare	Operation	2002	2030	3,655,116	1	99
58	49	PFI/PPP Healthcare	Operation	2005	2035	18,406,829	1	99
59	50	PFI/PPP Healthcare	Operation	1999	2022	6,994,757	1	99
60	51	PFI/PPP Healthcare	Operation	2004	2031	27,370,666	1	99
61	52	PFI/PPP Courts	Operation	2004	2032	27,786,839	1	99

<b>Loan No.</b>	<b>Borrower No.</b>	<b>Sector</b>	<b>Status (construction /operation phase)</b>	<b>Original financial close</b>	<b>Loan maturity date</b>	<b>Aggregate Principal Balance (GBP)</b>	<b>Originator Interest in Aggregate Principal Balance (%)</b>	<b>Investor Interest in Aggregate Principal Balance (%)</b>
62	53	PFI/PPP Education	Operation	2000	2024	9,530,181	1	99
63	54	PFI/PPP Transport	Operation	2004	2031	21,294,000	1	99
64	55	PFI/PPP Education	Operation	2002	2026	9,084,794	1	99
65	56	PFI/PPP Transport	Operation	1996	2025	11,799,636	1	99
66	57	PFI/PPP Social Housing	Operation	2005	2033	36,130,099	1	99

<b>Status</b>	<b>Number of Borrowers</b>	<b>Investor Interest in Aggregate Principal Balance (GBP)</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
Operation.....	56	1,406,520,746	97
Construction.....	1	46,537,740	3
<b>Total.....</b>	<b>57</b>	<b>1,453,058,487</b>	<b>100</b>

<b>Industry</b>	<b>Number of Borrowers</b>	<b>Investor Interest in Aggregate Principal Balance (GBP)</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
PFI/PPP Courts.....	2	54,870,172	4
PFI/PPP Education .....	20	620,251,120	43
PFI/PPP Healthcare.....	13	295,626,430	20
PFI/PPP Library .....	1	25,331,328	2
PFI/PPP Police .....	6	129,630,213	9
PFI/PPP Prisons .....	3	49,367,736	3
PFI/PPP Social Housing.....	3	110,219,917	8
PFI/PPP Street Lighting .....	2	52,382,364	4
PFI/PPP Transport.....	6	95,207,854	7
PFI/PPP Waste Water .....	1	20,171,353	1
<b>Total.....</b>	<b>57</b>	<b>1,453,058,487</b>	<b>100</b>

<b>Investor Interest in Aggregate Principal Balance</b>	<b>Number of Borrowers</b>	<b>Investor Interest in Aggregate Principal Balance (GBP)</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
<10,000,000 .....	5	35,976,185	2
10,000,000<20,000,000.....	18	266,933,368	18
20,000,000<30,000,000.....	17	403,399,246	28
30,000,000<40,000,000.....	10	338,802,535	23
≥40,000,000 .....	7	407,947,153	28
<b>Total.....</b>	<b>57</b>	<b>1,453,058,487</b>	<b>100</b>

<b>Loan Maturity*</b>	<b>Number of Borrowers</b>	<b>Investor Interest in Aggregate Principal Balance (GBP)</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
<2025 .....	8	158,433,576	11
2025<2030 .....	20	417,551,154	29
2030<2035 .....	25	739,316,133	51
≥2035 .....	4	137,757,624	9
<b>Total.....</b>	<b>57</b>	<b>1,453,058,487</b>	<b>100</b>

\* Where there are multiple Loans per Borrower, refers to the longest maturity date.

<b>S&amp;P Credit Estimates<sup>1</sup></b>	<b>Number of Borrowers</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
A- .....	1	2
BBB+ .....	1	2
BBB.....	11	14
BBB- .....	23	44
BB+ .....	14	26
BB .....	4	6
BB- .....	2	6
B+.....	1	1
<b>Total.....</b>	<b>57</b>	<b>100</b>

<b>S&amp;P Recovery Ratings<sup>2</sup></b>	<b>Number of Borrowers</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
70% .....	1	4
75% .....	7	17
80% .....	9	18
85% .....	26	47
90% .....	14	14
<b>Total.....</b>	<b>57</b>	<b>100</b>

<sup>1</sup> The credit estimates, as listed, reflect those assigned by S&P as at 25 February 2011.

<sup>2</sup> The recovery ratings, as listed, reflect those assigned by S&P as at 25 February 2011.

<b>Fitch Credit Opinions<sup>3</sup></b>	<b>Number of Borrowers</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
BBB+ .....	1	2
BBB.....	5	10
BBB- .....	28	42
BB+ .....	16	32
BB .....	7	15
<b>Total.....</b>	<b>57</b>	<b>100</b>

<b>Fitch Recovery Ratings<sup>4</sup></b>	<b>Number of Borrowers</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
75% .....	2	6
80% .....	13	28
85% .....	42	66
<b>Total.....</b>	<b>57</b>	<b>100</b>

<sup>3</sup> The credit opinions, as listed, reflect those assigned by Fitch as at 25 February 2011.

<sup>4</sup> The recovery ratings, as listed, reflect those assigned by Fitch as at 25 February 2011.



## Individual Obligor Concentration

<b>Largest</b>	<b>Borrower Number</b>	<b>Sector</b>	<b>Status</b>	<b>Investor Interest in Aggregate Principal Balance (GBP)</b>	<b>Percentage of Investor Interest in Portfolio Aggregate Principal Balance (%)</b>
1	1	PFI/PPP Education	Operation	71,601,180	4.9
2	9	PFI/PPP Education	Operation	70,538,597	4.9
3	12	PFI/PPP Healthcare	Operation	64,589,447	4.4
4	17	PFI/PPP Education	Operation	53,638,467	3.7
5	13	PFI/PPP Healthcare	Operation	53,331,834	3.7
6	23	PFI/PPP Education	Operation	47,709,887	3.3
7	36	PFI/PPP Social Housing	Construction	46,537,740	3.2
8	7	PFI/PPP Education	Operation	39,807,700	2.7
9	10	PFI/PPP Education	Operation	36,804,268	2.5
10	57	PFI/PPP Social Housing	Operation	35,768,798	2.5
				<b>520,327,919</b>	<b>35.8</b>

## FM Providers

Facility management (“FM”) providers (“FM Providers”) maintain and develop the agreed services to support and improve the operation of each relevant project.

There is a good spread across FM sub-contractors, which provides for diversification.

The top 10 “hard” (e.g. physical building/plant maintenance services) and top 10 “soft” (e.g. staff services) FM Providers by exposure make up circa 80 per cent. and 74 per cent. of the Portfolio respectively (as a percentage of the Investor Interest in Aggregate Principal Balance of the Portfolio).

<b>Top 10 “Hard” FM Providers</b>		<b>Top 10 “Soft” FM Providers</b>	
<b>FM Provider</b>	<b>Number of Projects</b>	<b>FM Provider</b>	<b>Number of Projects</b>
Vita Lend Lease	9	Amey	5
Amey	7	Vita Lend Lease	5
Interserve FM	5	Interserve FM	5
Robertson Facilities Management	7	ISS Mediclean	2
Reliance Secure Task Management	3	Reliance Secure Task Management	3
Rydon Property Maintenance	2	Initial Facilities Management	4
Initial Facilities Management	4	FES FM	1
Carillion	3	Hyde Housing Association	1
FES FM	1	Robertson Facilities Management	3
Galliford Try Facilities Management	1	Galliford Try Facilities Management	1

## Aggregate Portfolio Amortisation

<b>Collection Period Ending</b>	<b>Percentage Amortisation of Investor Interest in Portfolio Aggregate Principal Balance</b>	<b>Collection Period Ending</b>	<b>Percentage Amortisation of Investor Interest in Portfolio Aggregate Principal Balance</b>
31/05/2011	1.3%	31/05/2019	1.5%
31/08/2011	0.4%	31/08/2019	0.7%
30/11/2011	1.2%	30/11/2019	1.6%
28/02/2012	0.3%	28/02/2020	0.7%
31/05/2012	1.4%	31/05/2020	1.6%
31/08/2012	0.6%	31/08/2020	0.9%
30/11/2012	1.3%	30/11/2020	1.5%
28/02/2013	0.7%	28/02/2021	1.0%
31/05/2013	1.2%	31/05/2021	1.5%
31/08/2013	0.6%	31/08/2021	0.7%
30/11/2013	1.3%	30/11/2021	1.6%
28/02/2014	0.7%	28/02/2022	0.7%
31/05/2014	1.3%	31/05/2022	1.6%
31/08/2014	0.7%	31/08/2022	0.6%
30/11/2014	1.2%	30/11/2022	1.7%
28/02/2015	0.7%	28/02/2023	0.6%
31/05/2015	1.3%	31/05/2023	1.7%
31/08/2015	0.7%	31/08/2023	0.6%
30/11/2015	1.4%	30/11/2023	1.9%
28/02/2016	0.5%	28/02/2024	0.5%
31/05/2016	1.5%	31/05/2024	2.0%
31/08/2016	0.6%	31/08/2024	0.9%
30/11/2016	1.5%	30/11/2024	1.8%
28/02/2017	0.6%	28/02/2025	0.7%
31/05/2017	1.4%	31/05/2025	1.9%
31/08/2017	0.7%	31/08/2025	0.7%
30/11/2017	1.5%	30/11/2025	1.9%
28/02/2018	0.7%	28/02/2026	0.7%
31/05/2018	1.4%	31/05/2026	1.9%
31/08/2018	0.7%	31/08/2026	0.8%
30/11/2018	1.5%	30/11/2026	1.9%
28/02/2019	0.7%	28/02/2027	0.8%

<b>Collection Period Ending</b>	<b>Percentage Amortisation of Investor Interest in Portfolio Aggregate Principal Balance</b>	<b>Collection Period Ending</b>	<b>Percentage Amortisation of Investor Interest in Portfolio Aggregate Principal Balance</b>
31/05/2027	1.9%	31/05/2033	0.7%
31/08/2027	0.7%	31/08/2033	0.2%
30/11/2027	2.0%	30/11/2033	0.5%
28/02/2028	0.6%	28/02/2034	0.0%
31/05/2028	2.1%	31/05/2034	0.5%
31/08/2028	0.6%	31/08/2034	0.0%
30/11/2028	2.1%	30/11/2034	0.5%
28/02/2029	0.5%	28/02/2035	0.1%
31/05/2029	2.1%	31/05/2035	0.2%
31/08/2029	0.5%	31/08/2035	0.0%
30/11/2029	2.3%	30/11/2035	0.2%
28/02/2030	0.6%	28/02/2036	0.0%
31/05/2030	1.7%	31/05/2036	0.1%
31/08/2030	0.4%	31/08/2036	0.0%
30/11/2030	1.4%	30/11/2036	0.1%
28/02/2031	0.3%	28/02/2037	0.0%
31/05/2031	1.3%	31/05/2037	0.1%
31/08/2031	0.2%	31/08/2037	0.0%
30/11/2031	1.2%	30/11/2037	0.2%
28/02/2032	0.2%	28/02/2038	0.0%
31/05/2032	1.1%	31/05/2038	0.1%
31/08/2032	0.4%	31/08/2038	0.0%
30/11/2032	0.9%	30/11/2038	0.1%
28/02/2033	0.2%		

### **Weighted Average Life of Portfolio**

11.9 years

### **Governing Law**

The Loans are advanced under 57 Loan Agreements, 49 of the Loan Agreements are governed by English law and 8 of the Loan Agreements are governed by Scots law.

## Eligibility Criteria

Each Loan shall, on the Cut-off Date, be required to satisfy each of the eligibility criteria set out below (collectively, the “**Eligibility Criteria**” and each, an “**Eligibility Criterion**”):

1. The Loan is a drawn senior debt obligation originated by a bank or other credit institution and is in respect of PFI/PPP (as determined in accordance with the relevant Originator’s prevailing project finance business definitions) and the Borrower in respect of the Loan is either (a) a project contractor/company or (b) a project funding vehicle.
2. The Borrower in respect of the Loan is located in the UK.
3. The Loan is a senior secured term loan, secured by first-ranking security.
4. The Borrower in respect of the Loan or the Loan have not been transferred to the relevant Originator’s recovery unit (called the Specialist Finance Business Support Unit).
5. The documentation in respect of the Loan is governed by the laws of England or Scotland.
6. There is no overdue principal and interest, or any suspension of payments, in respect of the Loan.
7. The Loan is denominated in GBP.
8. The relevant Originator’s decision to participate in the Loan must have been made in accordance with its standard credit and origination policies, in force at the time of origination and on its own account.
9. To the knowledge of the relevant Originator, the Borrower in respect of the relevant Loan has not become subject to administration, administrative receivership, receivership, winding-up, liquidation, dissolution or other insolvency proceeding.
10. To the knowledge of the relevant Originator, no material event of default or breach of covenant (e.g. non-payment, breach of debt service coverage ratio, abandonment of project, validity of security) has occurred and is continuing in relation to the Loan.
11. Neither Originator has received written notice of any litigation, dispute or complaint subsisting, threatened or pending which:
  - (i) has or might have a material adverse effect on the validity or enforceability of any relevant Loan Agreement relating to the Loan; or
  - (ii) may have a material adverse effect on the benefit to the Issuer of the Assets Trust; or
  - (iii) calls into question the relevant Originator’s title to any relevant Loan or the value of the Related Security in relation to such Loan.
12. The terms of the Loan do not provide for the reduction of principal and interest payable as a result of any event or circumstance (other than a change in tax law or a reduction in the margin payable following satisfaction of certain conditions prescribed in the applicable Loan Agreement).
13. To the knowledge of the relevant Originator, the Borrower in respect of the Loan has not asserted any set-off or counterclaim or any defence to payment of any amount due or to become due or to performance of any other obligation due under a Loan Agreement relevant to such Originator, except any assertion of set-off, counterclaim or a defence to payment or performance which is (i) invalid, so far as each Originator is aware, having taken appropriate legal advice, or (ii) has been resolved prior to the Closing Date.

14. To the knowledge of the relevant Originator, there are no outstanding requests for consents or waivers relating to (i) payment obligations, (ii) validity of security, (iii) subordination of rights, (iv) suspension or the abandonment of the project relating to the Loan, (v) the project contractor foregoing or otherwise giving up any rights to receive any payment from the relevant public sector entity or (vi) any event or circumstance entitling the relevant public sector entity to terminate the relevant project agreement.
15. The relevant Originator is not aware of any active negotiations to restructure the Loan.
16. The relevant Originator is not aware of any material inaccuracy in information provided with respect to the Loan.
17. The Loan is not capable of being converted or exchanged into another type of obligation.

### **Representations and Warranties**

The Declaration of Trust will contain representations and warranties to be given by the Originators to the Issuer on the Closing Date. Neither the Issuer, nor the Note Trustee or the Security Trustee, has carried out any searches, inquiries or independent investigation of the type which a prudent purchaser would normally be expected to carry out. The asset representations and warranties given by each of the Originators in respect of the Loans are as follows:

- (a) The Loans satisfy the Eligibility Criteria on the Cut-off Date.
- (b) The relevant Originator has absolute unencumbered legal and beneficial ownership of the Rights and Collected Proceeds in respect of each Loan and its Related Security.
- (c) There are no provisions in the Loan Agreements that prohibit the relevant Originator from declaring the Assets Trust over the Rights and Collected Proceeds in respect of each Loan.
- (d) No material disputes, litigation, defences, counterclaims or enforcement procedures or proceedings, initiated by the relevant Originator, are pending with respect to the Loans.
- (e) Each Loan and its Related Security are legal, valid, binding and enforceable, subject to the usual legal opinion reservations and qualifications for loans and security of this type.
- (f) No provision of a Loan Agreement relating to each Loan has been terminated, repudiated or rescinded by the relevant Originator or, so far as it is aware, terminated, repudiated or rescinded by any relevant Borrower.
- (g) Other than in relation to the drawing of funds, neither the relevant Originator nor any of its Affiliates have any direct/indirect or contingent performance obligations for the performance of each Loan. The relevant Originator has performed all material obligations which have fallen due for performance under the relevant Loan Agreement with respect to such Loan.

## LOAN ORIGINATION AND SERVICING

### Origination of Loans

The following is a description of the Lloyds Banking Group's ("LBG") risk assessment and loan servicing processes in relation to its PFI/PPP business (which applies internally in the same way to Lloyds and BoS, both being parts of the LBG group) as at the date of this Prospectus.

LBG's high-level group credit policy underpins its loan origination process and its basic principles of credit policy are centred around:

- Manage its risk exposures appropriately seeking an optimal balance between risk and reward.
- Adopt a prudent, through the cycle approach to lending, supported by a robust structure for credit management, and to segregate credit responsibility from business development and sales.
- Comply with all of the regulatory and legislative requirements relating to credit risk with particular attention to the relevant sections of the FSA's Prudential Source Book.
- Establish the source of repayment at the outset for all facilities; for PFI/PPP projects where payment is made for the projects' availability there should be no long-term reliance upon an income stream other than that contractually underwritten by the public sector. A short-term view can be taken on income contractually underwritten by a corporate of sufficient credit standing to stand fully behind its obligations.
- Adopt centrally a policy of portfolio management to monitor asset growth, quality and profitability while identifying and managing concentrations of risk.

Based on its credit policy, PFI/PPP within LBG has a rigorous framework in place to ensure appropriate loan origination. The approval process for PFI/PPP transactions typically involves, in summarised form, the following steps:

1. Identification of project, which depending on the structure and the Bank's role involves either a direct relationship with the project sponsors or with the Mandated Lead Arrangers ("MLA") banks.
2. Negotiation with external parties: draft and negotiate term sheet with transaction terms and conditions (for MLA roles only) and negotiate with the other banks in the syndication group and the lead arranger (for participation).
3. Execution & internal application for limits: origination team to deal with project's parties and obtain/formalise the project documentation (facility agreement, information memorandum and other relevant documents/contracts), internal application for limits including project's detailed description, economics and risk profile as well as Know Your Customer analysis.
4. Risk analysis: lending proposition is assessed by the Project Finance Risk team, which includes cash flow risk drivers analysis and sensitivities, qualitative risk drivers assessment and internal rating assessment (Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Defaults ("EaD")).
5. Approval process & sanctioning: depending on the commitment's size and risk profile, lending propositions are analysed and discussed by the relevant credit official/credit committee. Lending decision is made in compliance with applicable sanctioning authorities.

6. Post-sanctioning credit monitoring: credit monitoring activities, such as credit renewals (at least annually), periodic re-rating (at least annually), covenant monitoring, monthly reviews of underperforming portfolio with Project Finance Risk and the Business Support Unit team, regular updates with project's sponsors and agent banks and on-site visits.
7. Active management: close monitoring of capital and risk/reward metrics. Distribution channels include primary loan syndication, loan sales and securitisation.

Furthermore, it is LBG policy that its involvement in PFI/PPP facilities is limited to those projects fulfilling the following criteria:

- Contractual counterparties to have a demonstrated track record of satisfactory performance in carrying out contractual requirements (including build and operation) of similar size and scope. Also, suitable parental guarantees, in support of such obligations, need to be in place.
- The expected economic life of the assets is to be well in excess of proposed debt term.
- The technology used both in the construction and operational phase is to be proven.
- Feasibility study: reputable technical adviser to complete a review on the lender's behalf to confirm that timescales and costing used are achievable and accurate.
- The right to "step-in" (take a charge over the share capital of the project special purpose vehicle (the "SPV")) with respect to the project, following a breach by the borrower in order to ensure continued payment of the revenue stream.
- All new projects financed are subject to an environmental review checked by Group Environmental Risk.
- Reputable law firms to ensure proper transaction documentation. Also, the regulatory and legal aspects of the PPP framework within each country must be considered.

Given the different structures, type of deals and sectors within the PFI/PPP portfolio, risk drivers usually vary transaction by transaction. For lenders, the essence of PFI/PPP is the analysis of future projects' cash flows; this includes the identification and quantification of project risks, including environmental, construction, operating, regulatory and insurance risks. These risks are usually contractually allocated to those parties best able to manage them through construction guarantees, indemnities, insurance policies, export credit cover and other contractual arrangements. These arrangements underpin the economics of the project. Covenants are used to ensure lenders are closely involved, on an ongoing basis, in decision-making if the project runs into difficulties.

In order to properly assess the credit quality of PFI/PPP transactions a detailed risk driver assessment is carried out. Risk drivers may apply to the project's operating phase only, the construction phase only or both the construction and operating phases.

The following will need to be considered:

- Borrower covenant: the SPV's obligation, as borrower, to repay debt is indirectly supported by the payment covenant of the counterparty entering into the sales or offtake contract with the borrower, or the price of the service or commodity being sold. In the case of PFI/PPP where the project receives revenues in respect of availability, the payment is an indirect one from a government entity. Revenues are only received provided the project is performing to pre-agreed levels; providing the service as required; and/or producing the goods to be sold.

- Asset type: long life assets with an economic (as opposed to technical) life well beyond the term of debt. Typically, the assets are strategic, and/or are of importance to the public sector.
- Term of the debt: needs to be commensurate with the economic life of the asset and is determined by the structure and nature of the project. LBG is generally involved in projects with a maximum term of 25 years from construction. Certain PFI/PPP projects can have a maximum term of 30 years from construction mainly when government backed or of strategic importance.
- Performance risk: suitable contractual protections, qualified and competent counterparties and independent technical advice is sought to ensure adequate comfort.
- Third parties to transactions: where third parties have significant obligations to the SPV (e.g. in support of the project completion), their credit is assessed and is presented together with the credit approval request to the sanctioning officials. Third parties may include corporates, banks and insurance companies.
- Concentration: concentrations of risk in terms of project types and/or industries.
- Reputational risk: implications should be considered prior to any involvement with a project.
- Documentation: rights and obligations of the various parties involved need to be clearly set out. In respect of PFI/PPP projects, the powers of the public sector body to enter into the documentation need to be investigated.
- Rates of Interest and inflation risk: given the long tenor typical of PFI/PPP loans, changes in interest and inflation rates may materially affect the SPV's cashflow. A hedging strategy is to be put in place and implemented which is to be reflected in the credit submission.
- Insurance: required of the SPV to allow for, among other things, reinstatement of assets, loss of earnings, and third party liabilities. Appropriate professional advice is taken to ensure that risks are acceptably covered at all times.
- Underwriting risk: when underwriting a transaction is considered with a required sell down level of commitment, then LBG Capital Markets' confirmation that this is achievable is to be sought.
- Tax: the risk of changes in tax is not to be taken by the SPV; taxation issues require internal sign off by the appropriate department.

### **Servicing of Loans – Control & Monitoring and Debt Recovery**

The following is a description of LBG's risk assessment and loan servicing processes in relation to PFI/PPP business as at the date of this Prospectus.

#### **Portfolio Monitoring**

Portfolio monitoring within the Project Finance area forms an essential part of the control environment to ensure portfolio and transaction quality. Portfolio and transaction risks are managed using clearly defined monitoring procedures and accountabilities, and effective information and warning systems are in place to ensure independent assessment and monitoring.

The Loan Management – Project Finance (LM-PF) team is responsible for ongoing control and monitoring of all projects to which the LBG is lending and/or is derivative provider, and for the reporting of such exposure to the Project Finance Risk team.



Relationships with the borrowers, agent banks and/or project sponsors are maintained via regular correspondence, delivery of information (in line with contractual agreements) and if appropriate, site visits.

Credit renewals are prepared by the LM-PF team at least annually and submitted to the Project Finance Risk team who provide independent assessment and formal credit approval. Each credit renewal is approved in compliance with the Bank's "Sanctioning Authorities". The purpose of an annual review is:

- To provide an update on the performance of the project over the last 12 months.
- To outline any changes in the credit profile of the borrower or any other significant party to the transaction, together with any actions undertaken or suggested to be undertaken to mitigate any deterioration in the credit profile.
- To validate compliance with financial covenants and comment when there are areas of deterioration or concern.
- To undertake covenant checking. Financial model updates are received on a regular basis (usually semi-annually) for all PFI/PPP projects during the operational phase. These model updates provide revised cover ratio calculations and the LM-PF team reviews these and submits a review paper to the Project Finance Risk Team.
- To reassign PD, LGD and EaD (as defined above) ratings using the internal rating models and to back up the outputs using expert judgment.
- To consider the effect or potential effect of any adverse legislative or other changes (e.g. affecting tax) upon the risk profile of the underlying transaction(s).
- Based upon the above, to assign an asset classification to the transaction (see below).

In respect of the first four points above, it is important to note that these activities should largely be an exercise in confirmation, as any deterioration in the risk profile of a counterparty or a transaction should have been identified during the course of the year as part of the ongoing monitoring process. All credit renewal applications are supported by the Head of the LM-PF team and submitted to Project Finance Risk for sanction.

The following credit risk classifications exist within Project Finance:

- "**Good**" means no undue concerns are noted and the project is performing according to expectations.
- "**Special Mention**" means the project has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the exposure.
- "**Sub-Standard**" means paying capacity of the obligor, or of any collateral pledged, is weak or inadequate. Names so classified will have a well-defined weakness or weaknesses that could jeopardise the orderly repayment of the debt and if there was further deterioration, losses could be incurred. Account is taken of the level of proceeds from the realisation of any collateral held. Some types of collateral may provide more comfort than others (e.g. guarantee from a strong entity versus recovery upon sale of an asset).
- "**Doubtful**" means all the weaknesses inherent in the Sub-Standard classification and that the collection or liquidation in full, on the basis of currently existing facts, conditions, and values is highly questionable and improbable.

Reporting procedures on “concern names” include monthly meetings where members from the LM-PF team, Project Finance Risk team and SF-BSU team attend and review all names classified as Special Mention, Sub-Standard and Doubtful as well as detailed monthly reports for those assets classified as Sub-Standard or Doubtful.

### **Debt Recovery Procedures**

Specialist Finance Business Support Unit (SF-BSU) (comprising of approximately 100 individuals) is the specialist business unit responsible for handling the management of high risk and selected underperforming lending relationships across the Structured Corporate Finance activities of LBG. SF-BSU is an independent and self-contained business unit with a full range of support functions incorporated into its business model. Within SF-BSU, a dedicated team exists for the management of all Project Finance transactions covering the full remit of Project Finance activities – Social Infrastructure PFI/PPP, Economic Infrastructure, Power and Oil & Gas. This core team of four comprise individuals with substantial Project Finance experience and/or Structured Asset experience and is supported in its work by a full range of middle and back office support functions, including a dedicated Credit Risk function. The objective of this team is to support and turnaround underperforming borrowers so as to protect value for the bank, to align remuneration with increased risk and wherever possible to preserve value for stakeholders.

A tripartite working relationship model has been established with regard to close monitoring of the Project Finance portfolio between SF-BSU, Project Finance Risk and Loan Management. Regular interaction between the three teams occurs based on an agreed Service Level Agreement and, as a minimum, monthly discussions are held between stakeholders to monitor and assess both existing doubtful credits and potential doubtful credits.

The key features of the SF-BSU cycle include full and close monitoring of the Project Finance portfolio so as to identify under-performance (various internal and external triggers used for monitoring) and discussed in an appropriate forum by SF-BSU, Project Finance Risk and Loan Management teams. Discussion is also undertaken between key stakeholders as to issues of concern, remedial action necessary, potential for further adverse developments and the long term strategic view of the borrower. In broad terms the recovery strategy is to optimise ‘turnarounds’ back to ‘Good’ as early as practically possible. Depending upon the nature of the underperforming credit, SF-BSU may either perform a shadow role (provide specialist restructuring advice and support) or full transfer of credit to SF-BSU will occur.

LBG’s policy is to promptly seek appropriate action. In general, the earlier under-performance is identified, the greater the number of options available to LBG and the greater the likelihood of a successful solution for LBG being implemented. The Customer Debt Management team takes responsibility for lending relationships where the customer has entered into a formal insolvency process or has ceased trading and LBG needs to recover its exposure through the realisation of collateral.

LM-PF, Project Finance Risk and SF-BSU work closely together in connection with names classified as ‘Special Mention’ or worse with the aim of ensuring that LBG’s position is protected and the situation is managed as effectively as possible. This process involves monthly meetings between senior representatives from the three teams, where existing and potential ‘concern names’ and issues are reviewed. SF-BSU effectively manages deals classified as ‘Sub-Standard’ or ‘Doubtful’. In the case of the ‘Special Mention’ deals (where there are no particular complexities involved) the relationship will continue to be managed by the LM-PF team, reporting regularly to the Project Finance Risk team and SF-BSU team at the monthly meeting.

Losses from the UK PFI/PPP Project Finance portfolio have been limited to one project over the last 5 years.

## THE DECLARATION OF TRUST

*The following section contains a summary of the material terms of the Declaration of Trust (and related provisions in the rest of the Transaction Documents) and is subject to the provisions of the Declaration of Trust and the Transaction Documents.*

### **Creation of the Assets Trust**

Pursuant to the terms of the Declaration of Trust, Lloyds and BoS as Originators will, on the Closing Date, declare a trust for the benefit of the Issuer and itself as Originator Beneficiary (each a “**Beneficiary**”) over the Rights and Collected Proceeds in relation to the Loans and their Related Security originally originated or acquired by it (the “**Trust Assets**”) (together, both trusts declared by the Assets Trustees, being the “**Assets Trust**”). Each Originator will act as Assets Trustee in respect of the Trust Assets originally originated or acquired by it. The beneficial interest of the Issuer under the Assets Trust is referred to as the “**Investor Interest**” and is an undivided interest in each of the Loans and their Related Security subject to the Assets Trust. The beneficial interest of the Originator Beneficiary under the Assets Trust is referred to herein as the “**Originator Interest**” and is an undivided interest in each of the Loans and their Related Security subject to the Assets Trust. The Investor Interest in the Trust Assets with respect to each Loan is set out in “*The Portfolio – The Loans*” and will result in an amount equal to the relevant percentage set out against such Loan therein of the amounts received by the relevant Assets Trustee in respect of the relevant Loan and its Related Security being payable to the Issuer. The Originator Interest in the Trust Assets with respect to each Loan is set out in “*The Portfolio – The Loans*” and will result in an amount equal to the relevant percentage set out against such Loan therein of the amounts received by the Assets Trustee in respect of the relevant Loan and its Related Security being payable to the relevant Originator Beneficiary. For the avoidance of doubt, further advances made under the Loan Agreements relating to the Loans will not form part of the Trust Assets.

### **Issuer Trust Consideration**

As part of the consideration for the declaration of the Assets Trust and the granting of the Investor Interest, the Issuer will have an obligation to pay to each Originator its respective portion of the Issuer Trust Consideration. To the extent that the proceeds of the issue of the Notes (less amounts required to pay initial transaction expenses and pre-fund the General Reserve, as required) exceeds the Issuer Trust Consideration, such excess amount (the “**Closing Date Adjustment Amount**”) shall be transferred by the Cash Manager to the Principal Accounts of the Issuer and treated as Principal Receipts.

### **Re-acquisition of the Investor Interest by the relevant Originator**

Following the declaration of the Assets Trust and prior to service of an Enforcement Notice, an Originator or both Originators (as applicable) has or have (as applicable) the option to re-acquire the Issuer’s interest (i.e. the Investor Interest) in certain Loan(s) and its (or their) Related Security or all Loans and their Related Security (as provided below) which immediately prior to entry into the Declaration of Trust was or were legally and beneficially owned by the relevant Originator (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date), subject to certain applicable notice periods set out in the Declaration of Trust, under the following circumstances:

- in the case of all Loans and their Related Security, both Originators together have such option exercisable on any Business Day from the Closing Date to (but excluding) the Final Maturity Date, provided that the Originators pay to the Issuer (as provided more fully in the Declaration of Trust) an amount equal to the greater of:

- (i) the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of all Loans, together with accrued but unpaid interest and all arrears of interest relating thereto; and
  - (ii) an amount sufficient to repay the Rated Notes (and all items ranking *pari passu* and in priority to them under the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments) in full;
- in the case of any Loan and its Related Security, the relevant Originator has such option exercisable if, in the opinion of the relevant Servicer:
    - (i) there is a significant risk of such Loan being transferred to the relevant Servicer's debt recovery unit; or
    - (ii) such Loan has become a Defaulted Loan,

provided that the relevant Originator pays to the Issuer (as provided more fully in the Declaration of Trust), an amount equal to the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of such Loan, together with accrued but unpaid interest and all arrears of interest relating thereto.

Following the declaration of the Assets Trust, an Originator is obliged to re-acquire the Issuer's interest in a Loan and its Related Security which immediately prior to the Declaration of Trust were legally and beneficially owned by it (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) if any Asset Warranty given by such Originator pursuant to the Declaration of Trust in respect of such Loan was breached at the Closing Date and/or if such Loan did not meet the Eligibility Criteria as at the Cut-off Date and the relevant Originator shall pay to the Issuer an amount equal to the Issuer's interest (being equal to the Investor Interest) in the Aggregate Principal Balance of such Loan, together with accrued but unpaid interest and all arrears of interest relating thereto.

In the above circumstances, the Issuer and the relevant Originator Beneficiary (as Beneficiaries of the Assets Trust) will agree to the relevant Originator re-acquiring their respective beneficial interest in any Loan and its Related Security (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) and thereby cause the whole of the beneficial interest in the relevant Trust Assets to cease to be subject to the Assets Trust and to vest once again exclusively in the relevant Originator.

### **Disposal of Defaulted Loans**

The relevant Originator (acting as Servicer) may sell or dispose of any Defaulted Loans and the proceeds thereof will be Trust Assets, shared between the Beneficiaries according to their respective Trust Interests.

### **Disposal of Originator Interest above Minimum Originator Interest**

The relevant Originator/Originator Beneficiary may at any time transfer by novation a proportion of each Loan and its Related Security forming part of its Originator Interest in any Loan and its Related Security (or all Loans and their Related Security) to a third party, provided that the relevant Originator shall retain the Minimum Originator Interest in each Loan and its Related Security at all times. Upon such transfer, the transferred portion of such Loan and its Related Security shall cease to be a Trust Asset.

## Representations and Warranties

The Declaration of Trust will contain representations and warranties to be given by the Originators to the Issuer on the Closing Date. Neither the Issuer, nor the Security Trustee, has carried out any searches, inquiries or independent investigation of the type which a prudent purchaser would normally be expected to carry out. The asset representations and warranties given by each of the Originators in respect of the Loans are summarised in the section entitled “*The Portfolio — Representations and Warranties*”.

## Originator/Assets Trustee Powers of Attorney

Each Originator (including in its capacity as Assets Trustee) has, in connection with the creation of the Assets Trust, granted to the Issuer an Originator/Assets Trustee Power of Attorney to permit the Issuer (or Security Trustee on its behalf), upon the occurrence of certain Power of Attorney Events described below, to take certain actions in the name of the relevant Originator/Assets Trustee to ensure the performance by such Originator/Asset Trustee of its obligations under the Declaration of Trust, including, among other things:

- (a) to exercise the relevant Originator’s rights, powers and discretions under the Declaration of Trust, in relation to the Trust Assets and/or under the Loans and their Related Security;
- (b) to demand, sue for, enforce and receive all moneys due and payable under the Assets Trust; and
- (c) to open, operate, direct Borrowers to pay into, withdraw from or close any bank account holding or to hold any part of the Trust Assets (including any new account to replace a Collection Account or otherwise in connection with the change or replacement of the relevant Collection Account arrangements).

Under the terms of each Originator/Assets Trustee Power of Attorney, the Issuer may appoint a delegate to exercise its rights, powers and discretions under the relevant Originator/Assets Trustee Power of Attorney.

A “**Power of Attorney Event**” means in respect of an Originator/Assets Trustee:

- (a) a director of the relevant Originator/Assets Trustee admits in writing such Originator/Assets Trustee’s inability to pay its debts as they fall due or such Originator/Assets Trustee suspends making payments on any of its debts; or
- (b) unless such Originator/Assets Trustee has received a Rating Agency Confirmation in relation to such action, a moratorium is declared in respect of any indebtedness of the relevant Originator/Assets Trustee or any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the relevant Originator/Assets Trustee;
  - (ii) a composition, compromise, assignment, assignation or arrangement with any creditor of the relevant Originator/Assets Trustee; or
  - (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the relevant Originator/Assets Trustee or substantially all of its assets,

and (i) such corporate action, legal proceedings or other procedure or step is not frivolous or vexatious and (ii) the relevant proceeding continues to be undismissed or unstayed sixty (60) days after the commencement of such proceeding.

**Governing law**

The Declaration of Trust is governed by English law.

## THE SERVICING AGREEMENT

*The following section contains a summary of the material terms of the Servicing Agreement and is subject to the provisions of the Servicing Agreement. For further information on control, monitoring and debt recovery procedures used by the Servicers in servicing the Loans please see the section entitled “Loan Origination and Servicing — Servicing of Loans — Control & Monitoring and Debt Recovery”.*

### Introduction

On the Closing Date, each of Lloyds and BoS will be appointed by the Issuer, each Originator, each Originator Beneficiary and each Assets Trustee under the Servicing Agreement to service the relevant Loans and their Related Security (each in such capacity, a “**Servicer**”).

The Servicers are required to deal with the Loans and their Related Security, and any obligor thereunder:

- (a) in accordance with the Servicing Agreement; and
- (b) in accordance with the Servicing Standard.

The Servicing Standard is the obligation on each Servicer to deal with the Loans and their Related Security, and any Borrower thereunder, in accordance with their normal business practices, acting in the same manner as a lending bank with the highest credit standing with its principal place of business in the United Kingdom carrying on a commercial lending business in the United Kingdom and following policies and procedures in connection with the origination, servicing and enforcement of commercial loans that are consistent with those of a prudent lender in similar circumstances (such bank, a “**Prudent Lender**”).

The Servicers may, in some circumstances, delegate or sub-contract the performance of any or all of the Loan Services. However, each Servicer remains liable at all times for servicing the relevant Loans and for the acts or omissions of any delegate or sub-contractor.

### Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicers have the power, among other things:

- (a) to exercise the relevant Originator’s rights, powers and discretions under and in relation to the relevant Loans and their Related Security, including such rights, powers and discretions which may only be exercised in the relevant Originator’s name;
- (b) to take, for and on behalf of each of the Beneficiaries, any and all decisions in relation to the Loans, their Related Security or any related finance document (including restructuring and enforcement);
- (c) to do or cause to be done any and all other things they reasonably consider necessary, convenient or incidental to the exercise of the rights, powers and discretions conferred on them under the Servicing Agreement or the performance by them of their obligations under the Servicing Agreement; and
- (d) to sell or otherwise dispose of any of the Defaulted Loans and their Related Security.

## **Undertakings by the Servicers**

Each Servicer has undertaken, among other things, the following:

- (a) to use reasonable endeavours to obtain and keep in force all licences, approvals, authorisations and consents which may be necessary in order for it to perform, or may otherwise be required in connection with, its obligations under the Transaction Documents to which it is a party;
- (b) to calculate, or procure to be calculated, the Aggregate Principal Balance of the relevant Loans;
- (c) to notify the relevant Beneficiaries and the Cash Manager if any of the relevant Loans become Defaulted Loans, promptly after becoming aware of the same;
- (d) to notify the relevant Beneficiaries and the Cash Manager of any missed scheduled payments in respect of any Non-Defaulted Loans;
- (e) to notify the relevant Beneficiaries and the Cash Manager of any Principal Write-off Amounts in respect of the relevant Loans, promptly after becoming aware thereof;
- (f) to maintain full and proper records in respect of each Loan and the other Trust Assets in respect thereof;
- (g) to prepare and deliver to the Issuer, the Cash Manager, the relevant Originator, the relevant Originator Beneficiary and, following service of an Enforcement Notice, the Security Trustee, a duly completed Servicing Report in respect of the immediately preceding Collection Period;
- (h) to take all reasonable steps to recover all sums due to the Beneficiaries under the Loans and the Related Security in respect thereof and to enforce all covenants, undertakings and obligations of each Borrower thereunder, including by the institution of proceedings and/or the enforcement of the Loans and the Related Security, save that the relevant Servicer may exercise such discretion:
  - (i) in accordance with the Servicing Standard; and
  - (ii) in such manner as would not materially prejudice the Beneficiaries' interest in the Loans and the Related Security;
- (i) to take all other action and do all other things which it would be reasonable to expect a Prudent Lender to do in servicing its loans;
- (j) in the event that the rating of a relevant Collection Account Bank is downgraded below the Collection Account Bank Requisite Rating, to designate a Substitute Collection Account and transfer all funds standing to the credit of the relevant Collection Accounts in respect of the relevant Loans to such Substitute Collection Account within 30 days (or within such other period as is consistent with the then applicable criteria of each of the Rating Agencies) and promptly notify the relevant Borrowers to make payments directly into such Substitute Collection Account; and
- (k) to transfer the Investor Interest in all Revenue Receipts and Principal Receipts from the relevant Collection Account to the relevant Issuer Account within two Business Days of the relevant amounts having been received by the relevant Servicer.

## **Loan Amendments**

Acting as a Prudent Lender and in accordance with the Servicing Agreement and the Servicing Standard, the relevant Servicer is under an obligation to take, for and on behalf of each of the relevant Beneficiaries, any



and all decisions in relation to the Loans, their Related Security or any related finance document, including any decision to:

- (a) vote, or otherwise give directions and instructions, on any matter (including restructuring and enforcement);
- (b) seek, grant or withhold any consents or waivers; and
- (c) amend, modify or vary any terms.

Each Servicer may, in accordance with the Servicing Standard, grant its consent (upon such terms as it may consider necessary or reasonable in the circumstances) to any amendment, modification, variation or waiver of the terms of any Loan and its Related Security (either individually if the relevant Originator is the only lender of record with respect to the loan or facility or Loan Agreement which the relevant Loan forms part of or is advanced under, as applicable, or in conjunction with a syndicate of lenders, agent bank, intercreditor party or other party to or relating to the relevant Loan Agreement and/or Related Security Documents) at the request of the relevant Borrower or any other party to the relevant Loan Agreement and Relevant Security Documents (as applicable), if it, acting in accordance with the Servicing Standard, believes that such variation is not material (each such consent being, a “**Permitted Variation**”).

Each Servicer may initiate, participate in or consent to or vote against, any enforcement or any material amendment, modification, variation, waiver or other restructuring of any of the terms of any Loan Agreement (either individually if the relevant Originator is the only lender of record with respect to the loan or facility or Loan Agreement which the relevant Loan forms part of or is advanced under, as applicable, or in conjunction with a syndicate of lenders, agent bank, intercreditor party or other party to or relating to the relevant Loan Agreement and/or Related Security Documents) which it, acting in accordance with the Servicing Standard, determines may have a material adverse effect on the performance of the Loan (including, without limiting the generality of the foregoing, any principal write-off) or may otherwise materially prejudice or alter (a) any credit rating or recovery rating assigned by the Rating Agencies or either of them to such Loan or (b) any credit rating assigned by the Rating Agencies or either of them to any Class of the Rated Notes, if it has obtained internal credit approval therefor (and, if it obtains such approval, such Servicer is acting in accordance with the Servicing Standard) (each, a “**Permitted Restructuring**”).

Following any Permitted Restructuring being approved, the relevant Servicer is required to promptly notify each of the Rating Agencies and the Issuer thereof.

If, following a Permitted Restructuring, the final repayment date of a Loan has been extended beyond the Final Maturity Date of the Notes, the relevant Servicer shall use commercially reasonable endeavours to sell or otherwise dispose of such Loan and its Related Security in accordance with the Servicing Standard, prior to the Final Maturity Date.

### **Common Related Security**

Some of the Related Security for the Loans constitutes Common Related Security. Common Related Security also secures indebtedness of the relevant Borrower owed to the relevant Originator other than the indebtedness in respect of a Loan and forms part of the security package granted under the relevant Related Security Documents also securing indebtedness to other lenders (where the relevant Loan is advanced under a syndicated Loan Agreement). Such other indebtedness (other than the Loans) forms part of the overall financing framework and intercreditor arrangements applicable to the relevant PFI/PPP Infrastructure Transaction (relating to the relevant Loan). Each of the Loans is a senior drawn debt obligation within such framework. Common Related Security will be enforceable on the occurrence of a default by a Borrower either

under a Loan or other indebtedness of the Borrower to the relevant Originator or other lender (as above) secured by the relevant Related Security Documents.

Pursuant to the Servicing Agreement, the relevant Servicer shall:

- (a) calculate the amount of receipts received into the relevant Collection Account representing the proceeds of enforcement of Common Related Security in respect of the immediately preceding Collection Period (the “**Relevant Amount**”);
- (b) calculate the relevant Originator’s share and the relevant Beneficiaries’ share in respect of such Relevant Amount; and
- (c) allocate such amounts by transferring the relevant Originator’s share to the relevant Originator and the Beneficiaries’ share to the Issuer as to its Investor Interest and to the relevant Originator Beneficiary as to its Originator Interest, respectively.

### **Multi-Advance Borrowers**

The Originators may have granted more than one facility to the relevant Borrower under the relevant Loan Agreement from time to time and may have included some or all of the loans under such facilities in the Assets Trust. In this case, the relevant Originator will retain the legal and beneficial entitlement to the loans which have not been included (and, for completeness, to the facilities). In the event that a Borrower of multiple facilities, makes a payment under the relevant Loan Agreement for so long as the relevant Loan is included in the Assets Trust (which, for the avoidance of doubt, shall not include any enforcement proceeds received by the Assets Trustees in respect of the enforcement of Common Related Security):

- (a) if such Multi-Advance Borrower has the right, pursuant to the relevant Loan Agreement, to designate which facility such payment shall be allocated to and exercises this right or the relevant Loan Agreement has provided for the allocation of such payment, the amount received from such Multi-Advance Borrower shall be allocated in accordance with the instructions of the Multi-Advance Borrower or, as the case may be, in accordance with the terms of the relevant Loan Agreement;
- (b) if such Multi-Advance Borrower does not have the right pursuant to the relevant Loan Agreement, to designate which facility such payment shall be allocated to or has the right but fails to exercise such right, the relevant Originator shall allocate the amount received from such Multi-Advance Borrower in accordance with the Servicing Standard.

### **Compensation of the Servicers**

Each Servicer may receive a fee for servicing the relevant Loans. The Issuer will pay to each Servicer such servicing fee as agreed from time to time. The fee is payable in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds to pay it in accordance with the relevant Priority of Payments. If there are insufficient funds available to the Issuer to pay the fees payable to the Servicers on any given Interest Payment Date, the unpaid fees will be deferred until the next Interest Payment Date upon which funds are available.

### **Removal or resignation of the Servicers**

The Issuer (with the prior written consent of the Security Trustee) or, following enforcement of the Security, the Security Trustee may, upon written notice to a Servicer, terminate that Servicer’s rights and obligations immediately if, among other things, any of the following events (each a “**Servicer Termination Event**”) occurs:

- (a) (unless due to technical or administrative errors or reasons outside the control of the relevant Servicer or due to actions of third parties) the relevant Servicer defaults in making any payment required to be made, or giving any payment instruction required to be given, under the Servicing Agreement and such default continues for a period of 10 Business Days after the earlier of the appropriate department of relevant Servicer becoming actually aware of such default and receipt by the relevant Servicer of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the same to be remedied;
- (b) material default is made by the relevant Servicer in the performance of any of its other obligations under the Servicing Agreement and: (i) the Security Trustee confirms receipt of (i) so long as any Rated Notes remain outstanding, (A) written confirmation from the Note Trustee that such event or circumstance is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes then outstanding or (B) a written direction from the Note Trustee (itself acting with the sanction of an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes then outstanding) that such event or circumstance is materially prejudicial to the interests of such Noteholders, or (ii) if no Rated Notes remain outstanding, direction given in accordance with the Deed of Charge that such event or circumstance is materially prejudicial to the interests of the relevant Secured Creditors; and, in each case, such event or circumstance is not remedied in all material respects within 30 Business Days after the earlier of the appropriate department of the relevant Servicer becoming actually aware of such default and receipt by the relevant Servicer of written notice of such default from the Issuer or, as the case may be, the Security Trustee requiring the same to be remedied;
- (c) an Insolvency Event of the relevant Servicer; or
- (d) it is or will become unlawful for the relevant Servicer to perform any of its obligations under the Servicing Agreement.

Subject to the fulfilment of a number of conditions (including the appointment of a Substitute Servicer), a Servicer may voluntarily resign by giving not less than 6 months' notice to the Issuer and the Security Trustee.

If a Servicer's appointment is terminated following a Servicer Termination Event or if a Servicer gives notice of its resignation, the Issuer shall appoint a Substitute Servicer, subject to receipt of a Rating Agency Confirmation.

Such Substitute Servicer is required to, among other things, have experience of administering commercial loans or be able to demonstrate that it has the capability to do so, have all necessary licences, approvals, authorisations and consents and to enter into a servicing agreement substantially on the same terms as the relevant provisions of the Servicing Agreement.

If a Servicer's appointment is terminated, any costs incurred in connection with the assumption by any Substitute Servicer of the obligations of the departing Servicer under the Servicing Agreement shall be for the account of the departing Servicer.

### **Right of delegation by the Servicers**

Each Servicer may sub-contract or delegate the performance of any or all of the Loan Services to any party whom it reasonably believes is capable of, and experienced in, performing the functions to be sub-contracted or delegated to it, provided that:

- (a) no such sub-contracting or delegation by a Servicer will release or discharge such Servicer from any of its obligations under the Servicing Agreement and such Servicer shall remain liable for any act or

omission of any party to whom it so sub-contracts or delegates, subject to such Servicer being entitled, for a period of 30 Business Days from receipt of any notice of breach in the performance of the Loan Services by such sub-contractor or delegate, to remedy such breach without such breach constituting a breach of the Servicing Agreement; and

- (b) the relevant Servicer shall be solely responsible for any fees and expenses payable to any such sub-contractor or delegate.

### **Liability of the Servicers**

Each Servicer shall indemnify the Issuer against any direct loss, liability, cost, claim, action, demand or expense (including, but not limited to, all reasonable costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) which the Issuer may incur or which may be made against it as a result of the wilful default, gross negligence or bad faith of such Servicer or that of its officers, employees, sub-contractors or delegates (but excluding any loss of profits, goodwill, reputation, business opportunity, anticipated saving or any other consequential loss or special, punitive or consequential damages, whether foreseeable or not and whether advised or not).

Notwithstanding the above, neither Servicer shall be liable for any (direct or indirect) loss, liability, claim, expense or damage suffered or incurred by the Issuer, the Security Trustee or any other person:

- (a) resulting from such Servicer being unable to perform any obligation under the Servicing Agreement if the same results from any law, regulation or requirement (whether or not having the force of law) of any central bank or governmental or other regulatory authority affecting it;
- (b) resulting from such Servicer failing to perform any obligation under the Servicing Agreement by reason of strike, computer failure, power cut or matters beyond its control;
- (c) otherwise arising out of or in connection with the Servicing Agreement, save where such loss, liability, claim, expense or damage is suffered or incurred as a result of the wilful default, gross negligence or bad faith of such Servicer or that of its officers, employees, sub-contractors or delegates; or
- (d) any loss of profits, goodwill, reputation, business opportunity, anticipated saving or any other consequential loss or special, punitive or consequential damages, whether foreseeable or not and whether advised or not.

### **Governing law**

The Servicing Agreement is governed by English law.

## ISSUER

### Introduction

Gable Funding plc, being the Issuer, was incorporated in England and Wales on 25 October 2010 (registered number 7418421) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is 35 Great St Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is + 44 (0) 20 7398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, in each case 49,999 shares of £1 each, partly-paid up in cash of 25p each and 1 fully paid share of £1, all of which are legally and beneficially owned by Gable Holdco Limited ("**Holdco**") (see the section entitled "*Holdco*" below).

The rights of Holdco as shareholder of the Issuer are contained in the articles of association of the Issuer. Holdco will comply with the articles of association of the Issuer and English law in exercising its rights as shareholder.

The Issuer has no subsidiaries. Neither Originator owns, directly or indirectly, any of the share capital of Holdco or the Issuer.

The Issuer was established as a special purpose vehicle solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its memorandum and articles of association and the Transaction Documents and will be limited to the issue of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006, the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and a company secretary. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a public company under the Companies Act 2006 and to the proposed issue of the Notes and the authorisation and implementation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2011.

### Directors

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
SFM Directors Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St Helen's, London EC3A 6AP	Director
Paivi Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St Helen's, London EC3A 6AP	Director

The company secretary of the Issuer is SFM Corporate Services Limited whose registered office is at 35 Great St Helen's, London EC3A 6AP.

There are no conflicts of interest between any duties to the Issuer of its directors and their private interests or duties.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. There has been no material change in the capitalisation, indebtedness or contingent liabilities or guarantees since the date of incorporation of the Issuer.

As at the date of this Prospectus, the Issuer has not commenced operations and no financial statements have been produced by the Issuer.

The Issuer has no employees.

## HOLDCO

### Introduction

Holdco was incorporated in England and Wales on 25 October 2010 (registered number 7418225) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdco is 35 Great St Helen's, London EC3A 6AP. The issued share capital of Holdco comprises 12,501 ordinary shares with a nominal value of £1. SFM Corporate Services Limited (the "**Share Trustee**") holds the issued shares on trust under a discretionary trust for one or more discretionary purposes. Neither Originator, nor any company connected with either Originator can direct the Share Trustee and no such company has any control, direct or indirect, over Holdco or the Issuer. Holdco holds the entire issued share capital of the Issuer.

Holdco has not engaged since its incorporation in any material activities other than changing its name and those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

### Directors

The directors of Holdco and their respective business addresses and occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
SFM Directors Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St Helen's, London EC3A 6AP	Director
Paivi Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St Helen's, London EC3A 6AP	Director

The company secretary of Holdco is SFM Corporate Services Limited whose registered office is at 35 Great St Helen's, London EC3A 6AP.

The accounting reference date of Holdco is 31 December.

Holdco has no employees.

## **USE OF PROCEEDS**

A portion of the net proceeds of the Notes equal to £1,453 million will be applied on the Closing Date to pay the Issuer Trust Consideration for the Investor Interest in the Loans under the Declaration of Trust.

An amount equal to approximately £70,000,000 of the net proceeds of the Notes shall be deposited into the General Reserve Account.

An amount equal to approximately £70,000,000 of the net proceeds of the Notes shall be deposited into the Yield Reserve Account.

The expected expenses of approximately Euro 6,532.40 in connection with the admission of the Rated Notes to the Official List and trading on its regulated market will be paid by the Issuer.



## DESCRIPTION OF SECURITY

### Security Arrangements

Subject to and under the terms of the Deed of Charge, the Issuer with full title guarantee and as continuing security for the payment or discharge of all moneys, debts or liabilities due, owing or incurred by the Issuer to the Secured Creditors under or in connection with any Transaction Document (the “**Secured Liabilities**”) will:

- (a) charge by way of first fixed charge to the Security Trustee all its right, title, interest and benefit, present and future, in, to and under the Assets Trust;
- (b) assign absolutely to the Security Trustee the Issuer’s right, title and interest in, to and under each Transaction Document;
- (c) charge by way of first fixed charge to the Security Trustee all the Issuer’s right, title, interest and benefit present and future in, to and under the Issuer Accounts and any other accounts with any bank or financial institution in which the Issuer as at the date of the Deed of Charge or in the future has an interest and (to the extent of its interest) all balances as at the date of the Deed of Charge or in the future standing to the credit of or accrued or accruing on those accounts;
- (d) charge by way of first fixed charge to the Security Trustee all the Issuer’s right, title, interest and benefit present and future in, to and under any Eligible Investments from time to time acquired; and
- (e) charge by way of first floating charge to the Security Trustee its undertaking and all its assets, both present and future, and without prejudice and in addition to any prior ranking security otherwise created under the Deed of Charge or from time to time granted by the Issuer in favour of the Security Trustee.

The security rights created in favour of the Note Trustee pursuant to the Deed of Charge shall be the “**Security**”.

## LLOYDS BANKING GROUP

### LLOYDS TSB BANK PLC

Lloyds TSB Bank plc (“**Lloyds TSB Bank**”) was incorporated in England and Wales on 20 April 1865 (registration number 2065). Lloyds TSB Bank's registered office is at 25 Gresham Street, London EC2V 7HN. Lloyds TSB Bank is authorised and regulated by the Financial Services Authority.

#### *Overview*

The businesses of Lloyds Banking Group are in or owned by Lloyds TSB Bank. Lloyds Banking Group is a leading UK-based financial services group providing a wide range of banking and financial services, primarily in the UK to personal and corporate customers.

Lloyds Bank plc was incorporated in 1865 and has undertaken a number of mergers and acquisitions, including, in 1995 the merger with TSB Group plc and the acquisition of Cheltenham & Gloucester Building Society and, in 2000, the acquisition of Scottish Widows.

On 18 September 2008, with the support of the UK Government, the boards of Lloyds TSB Group plc and HBOS plc announced that they had reached agreement on the terms of a recommended acquisition by Lloyds TSB Group plc of HBOS plc. The shareholders of Lloyds TSB Group plc approved the acquisition at the company's general meeting on 19 November 2008. On 16 January 2009 the acquisition was completed and Lloyds TSB Group plc changed its name to Lloyds Banking Group plc.

Pursuant to two placing and open offers which were completed by Lloyds Banking Group plc in January and June 2009 and a rights issue completed in December 2009, the UK Government acquired 43.4 per cent. of the issued ordinary share capital of Lloyds Banking Group plc. Following further issues of ordinary shares, the UK Government's holding has been reduced to approximately 40.6 per cent.

On 1 January 2010, Lloyds Banking Group plc transferred its holding in HBOS plc to Lloyds TSB Bank (the “**Group Reorganisation**”). As a result of the Group Reorganisation, Lloyds TSB Bank has become the immediate parent of HBOS plc. Lloyds Banking Group plc continues to own Lloyds TSB Bank directly but, as a result of the Group Reorganisation, owns HBOS plc indirectly, as Lloyds TSB Bank is the immediate parent of HBOS plc.

The short term senior unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of this Prospectus rated P-1 by Moody's, A-1 by S&P and F1+ by Fitch and the long-term senior, unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of this Prospectus rated Aa3 by Moody's, A+ by S&P and AA- by Fitch<sup>5</sup>.

#### *Business and activities*

The Group's activities are organised into four segments: Retail; Wholesale; Wealth and International; and Insurance.

#### *Retail*

Retail operates the largest retail bank in the UK and is the leading provider of current accounts, savings, personal loans, credit cards and mortgages. With its strong stable of brands including Lloyds TSB, Halifax,

<sup>5</sup> The credit ratings by Moody's will be treated for the purposes of the CRA Regulation as having been issued by Moody's Investors Service Ltd. upon registration pursuant to the CRA Regulation. Moody's Investors Service Ltd. is established in the European Union and has applied to be registered under the CRA Regulation, although the result of such application has not yet been determined.

Bank of Scotland, Birmingham Midshires and Cheltenham & Gloucester and one of the largest branch and fee free ATM networks in the UK, at 31 December 2010 Retail served over 30 million customers.

#### *Wholesale*

The Wholesale division serves in excess of a million businesses, ranging from start-ups and small enterprises to global corporations, with a range of propositions fully segmented according to customer need. The division comprises Corporate Markets, Treasury and Trading and Asset Finance.

#### *Wealth and International*

The Wealth business comprises private banking, wealth and asset management business in the UK and overseas. The International business comprises the Lloyds Banking Group's international banking businesses outside the UK, with the exception of corporate business in North America which is managed through the Group's Wholesale division. These largely comprise corporate, commercial and asset finance businesses in Australia and Continental Europe and retail businesses in Germany and the Netherlands.

#### *Insurance*

The Insurance division offers life assurance, pensions, investment products and general insurance.

#### ***Lloyds Banking Group Capital Restructuring***

On 3 November 2009 Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**") announced proposals intended to meet its current and long term capital requirements including a rights issue (the "**Rights Issue**") and two separate exchange offers (the "**Exchange Offers**", and together with the Rights Issue, the "**Proposals**"). The Proposals, which were fully underwritten, were approved by shareholders on 26 November 2009. The Rights Issue, which raised £13.5 billion (£13 billion net of the expenses of the Proposals) was completed on 14 December 2009 with 95.3 per cent. of shares placed with shareholders. The remaining 4.7 per cent. rump was placed with investors and settled on 17 December 2009. The Exchange Offers were substantially completed during December 2009 and generated approximately £7.5 billion in nominal value of contingent core tier 1 capital at that time.

#### ***State Funding and State Aid***

The Lloyds Banking Group has made a number of undertakings to HM Treasury arising from the capital and funding support, including the provision of additional lending to certain mortgage and business sectors, and other matters relating to corporate governance and staff remuneration. However the commitments in respect of lending are subject to normal prudent commercial lending criteria and pricing, the availability of funding to support such lending and sufficient demand from customers and potential customers.

As part of the European Commission's decision approving state aid to the Lloyds Banking Group, Lloyds Banking Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by Lloyds Banking Group. The College of Commissioners announced its formal approval of Lloyds Banking Group's restructuring plan on 18 November 2009.

The restructuring plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent. share of the personal current accounts market in the UK and approximately 19 per cent. of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments not to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid

securities from 31 January 2010 until 31 January 2012, which will prevent Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The business referred to in (i) above will need to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance. The Lloyds Banking Group is working closely with the EU Commission, HM Treasury and the Monitoring Trustee appointed by the EU Commission.

### ***Legal and regulatory proceedings***

#### *Unarranged overdraft charges*

In April 2007, the OFT commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks. On 22 December 2009, the OFT announced that it will not continue its investigation into the fairness of these charges. Lloyds Banking Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipate that most cases in the county courts will be discontinued. Lloyds Banking Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. Lloyds Banking Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on Lloyds Banking Group.

The OFT, however, continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its Market Study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

#### *Interchange fees*

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the General Court). Lloyds TSB Bank plc and Bank of Scotland plc (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Commission competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal.

Meanwhile, the European Commission and the OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or cross-border payment transactions also infringe European Commission and/or UK competition laws. As part of this initiative the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for cross-border debit card transactions to the interim level agreed by MasterCard. The ultimate impact of the investigations on the Lloyds Banking Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

#### *Payment Protection Insurance*

There has been extensive scrutiny of the Payment Protection Insurance ("PPI") market in recent years.

In October 2010, the UK Competition Commission ("**Competition Commission**") confirmed its decision to prohibit the active sale of PPI by a distributor to a customer within 7 days of a sale of credit. This followed the completion of its formal investigation into the supply of PPI services (other than store card PPI) to non-business customers in the UK in January 2009 and a referral of the proposed prohibition to the Competition Appeal Tribunal. Following an earlier decision to stop selling single premium PPI products, Lloyds Banking Group ceased to offer PPI products to its customers in July 2010.

On 1 July 2008, the Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the Financial Services Authority ("**FSA**") as an issue of wider implication. On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling. The FSA proposed new guidance on the fair assessment of a complaint and the calculation of redress and a new rule requiring firms to reassess historically rejected complaints. The FSA published its Policy Statement on 10 August 2010, setting out a new set of rules for PPI complaints handling and redress which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers Association ("**BBA**"), the principal trade association for the UK banking and financial services sector, filed an application for permission to seek judicial review against the FSA and the FOS. The BBA is seeking an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The Judicial Review hearing was held in late January 2011 and the judgment (which may be subject to appeal) is expected shortly.

This legal challenge has affected the implementation of the Policy Statement, since the challenge has called into question the standards to be applied when assessing PPI complaints. As a result of that challenge, a large number of complaints cannot be decided until the outcome of the legal challenge is clear and implemented.

The ultimate impact on Lloyds Banking Group of the FSA's complaints handling policy (if implemented in full) and the FOS's most recent approach to PPI complaints could be material to Lloyds Banking Group's financial position, although the precise effect can only be assessed once the legal proceedings have been finally determined and the steps Lloyds Banking Group may be required to take identified and implemented. In addition, it is not practicable to quantify the potential financial impact of the implementation of the Policy Statement given the material uncertainties around, for example, applicable time periods, the extent of application of root cause analysis, the treatment of evidence and the ultimate emergence period for complaints, driven in large part by the activities of the claims management companies, all of which will significantly affect complaints volumes, uphold rates and redress costs. No provision has been made in the Lloyds Banking Group 2010 accounts to reflect implementation of the FSA's complaints handling policy in its current form.

Following concerns expressed by the FSA, it announced in its statement on 29 September 2009 that several firms had agreed to carry out reviews of past sales of single premium loan protection insurance. Lloyds Banking Group has agreed in principle that it will undertake a review in relation to sales of single premium loan protection insurance made through its branch network since 1 July 2007. The precise details of the review are still being discussed with the FSA. The ultimate impact on Lloyds Banking Group of any review could be material but can only be known at the conclusion of these discussions.

#### *Customer goodwill payments provision*

Lloyds Banking Group has been in discussion with the FSA regarding the application of an interest variation clause in certain Bank of Scotland variable rate mortgage contracts where the wording in the offer documents received by certain customers had the potential to cause confusion. The relevant mortgages were written between 2004 and 2007 by Bank of Scotland under the 'Halifax' brand. In February 2011, Lloyds Banking Group reached agreement with the FSA in relation to initiating a customer review and contact programme and making goodwill payments to affected customers. In order to make these goodwill payments, Bank of Scotland has applied for a Voluntary Variation of Permission to carry out the customer review and contact programme to bring it within section 404F(7) of FSMA 2000. Lloyds Banking Group has made a provision of £500 million in relation to this programme within its 2010 accounts which is expected to fully cover the payments.

#### *Other Legal Actions*

In the course of its business, the Lloyds Banking Group is engaged in discussions with the FSA in relation to a range of conduct of business matters, especially in relation to retail products including packaged bank accounts, mortgages, structured products and pensions. The Lloyds Banking Group is keen to ensure that any regulatory concerns regarding product governance or contract terms are understood and addressed. The ultimate impact on the Lloyds Banking Group of these discussions can only be known at the conclusion of such discussions.

In addition, during the ordinary course of business the Lloyds Banking Group is subject to other threatened and actual legal proceedings (which may include class action lawsuits brought on behalf of customers, shareholders or other third parties), regulatory investigations, regulatory challenges and enforcement actions both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Lloyds Banking Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant balance sheet date. In some cases, it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the matter and no provisions are held against such matters. However the Lloyds Banking Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

## BANK OF SCOTLAND PLC

### *Overview*

Bank of Scotland plc ("**Bank of Scotland**" and, together with its subsidiary undertakings from time to time, "**Bank of Scotland Group**") (incorporated in Scotland with limited liability, registration number SC327000) is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. The registered office of Bank of Scotland is located at The Mound, Edinburgh EH1 1YZ, Scotland and its telephone number is +44 (0) 870 600 5000.

Its main business activities are retail, commercial and corporate banking. It provides a broad range of financial services products including current and savings accounts, personal loans, credit cards and mortgages within the retail market; loans and capital markets products to commercial, corporate and asset finance customers; and private banking.

The short term senior unsecured and unguaranteed obligations of Bank of Scotland are as at the date of this Prospectus rated P-1 by Moody's, A-1 by S&P and F1+ by Fitch and the long-term senior, unsecured and unguaranteed obligations of Bank of Scotland are as at the date of this Prospectus rated Aa3 by Moody's, A+ by S&P and AA- by Fitch<sup>6</sup>. Each of Moody's, S&P and Fitch is established in the European Union and has applied to be registered under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.

### *History and development of Bank of Scotland*

Bank of Scotland was originally established in 1695 as The Governor and Company of the Bank of Scotland by an Act of the Parliament of Scotland. On 17 September 2007, in accordance with the provisions of the HBOS Group Reorganisation Act 2006 (the "**Reorganisation Act**"), The Governor and Company of the Bank of Scotland registered as a public limited company under the Companies Act 1985 and changed its name to Bank of Scotland plc. On the same day, under the Reorganisation Act, the business activities, assets (including investments in subsidiaries) and liabilities of Capital Bank plc, Halifax plc and HBOS Treasury Services plc transferred to Bank of Scotland.

Bank of Scotland is a United Kingdom clearing bank with its headquarters in Edinburgh and an "authorised person" under the Financial Services and Markets Act 2000. It is a member of the British Bankers' Association and the Committee of Scottish Clearing Bankers. Part 6 of the Banking Act 2009 confirmed Bank of Scotland's right to issue bank notes in Scotland.

Following the acquisition of HBOS plc by Lloyds Banking Group plc (formerly Lloyds TSB Group plc) on 16 January 2009 (the "**Acquisition**"), and the subsequent transfer of 100 per cent. of the ordinary share capital of HBOS plc to Lloyds TSB Bank plc by Lloyds Banking Group plc on 1 January 2010, Bank of Scotland is now a directly owned and controlled subsidiary of HBOS plc which in turn is directly owned and controlled by Lloyds TSB Bank plc and is indirectly owned and controlled by Lloyds Banking Group plc.

On 31 December 2010, Bank of Scotland (Ireland) Limited ("**BOSI**") was merged into Bank of Scotland by virtue of a merger by absorption of a wholly-owned subsidiary pursuant to the Companies (Cross-Border Mergers) Regulations 2007. As a consequence of the merger, all the assets and liabilities of BOSI were transferred to Bank of Scotland and BOSI was dissolved without going into liquidation.

<sup>6</sup> The credit ratings by Moody's will be treated for the purposes of the CRA Regulation as having been issued by Moody's Investors Service Ltd. upon registration pursuant to the CRA Regulation. .

Pursuant to two placing and open offers which were completed by Lloyds Banking Group plc in January and June 2009 and a rights issue completed in December 2009, the UK Government acquired 43.4 per cent. of the issued ordinary share capital of Lloyds Banking Group plc. Following further issues of ordinary shares, the UK Government's holding has been reduced to approximately 40.6 per cent.

#### *Lloyds Banking Group Capital Restructuring*

On 3 November 2009 Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**") announced proposals intended to meet its current and long-term capital requirements including a rights issue (the "**Rights Issue**") and two separate exchange offers (the "**Exchange Offers**", and together with the Rights Issue, the "**Proposals**"). The Proposals, which were fully underwritten, were approved by shareholders on 26 November 2009. The Rights Issue, which raised £13.5 billion (£13 billion net of the expenses of the Proposals) was completed on 14 December 2009 with 95.3 per cent. of shares placed with shareholders. The remaining 4.7 per cent. rump was placed with investors and settled on 17 December 2009. The Exchange Offers were substantially completed during December 2009 and generated approximately £7.5 billion in nominal value of contingent core tier 1 capital at that time.

#### *State Funding and State Aid*

The Lloyds Banking Group has made a number of undertakings to HM Treasury arising from the capital and funding support, including the provision of additional lending to certain mortgage and business sectors, and other matters relating to corporate governance and staff remuneration. However the commitments in respect of lending are subject to normal prudent commercial lending criteria and pricing, the availability of funding to support such lending and sufficient demand from customers and potential customers.

As part of the European Commission's decision approving state aid to the Lloyds Banking Group, Lloyds Banking Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by Lloyds Banking Group. The College of Commissioners announced its formal approval of Lloyds Banking Group's restructuring plan on 18 November 2009.

The restructuring plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent. share of the personal current accounts market in the UK and approximately 19 per cent. of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments not to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which will prevent Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The business referred to in (i) above will need to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance. The Lloyds Banking Group is working closely with the EU Commission, HM Treasury and the Monitoring Trustee appointed by the EU Commission.



## ***Legal and regulatory proceedings***

### *Unarranged overdraft charges*

In April 2007, the OFT commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks. On 22 December 2009, the OFT announced that it will not continue its investigation into the fairness of these charges. Bank of Scotland Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipate that most cases in the county courts will be discontinued. Bank of Scotland Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. Bank of Scotland Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on Bank of Scotland Group.

The OFT, however, continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its Market Study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

### *Interchange fees*

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the “**General Court**”). Bank of Scotland (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Commission competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the European Commission and the OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or cross-border payment transactions also infringe European Commission and/or UK competition laws. As part of this initiative the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for cross-border debit card transactions to the interim level agreed by MasterCard. The ultimate impact of the investigations on the Bank of Scotland Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

### *Payment Protection Insurance*

There has been extensive scrutiny of the Payment Protection Insurance ("**PPI**") market in recent years.

In October 2010, the UK Competition Commission ("**Competition Commission**") confirmed its decision to prohibit the active sale of PPI by a distributor to a customer within 7 days of a sale of credit. This followed the completion of its formal investigation into the supply of PPI services (other than store card PPI) to non-business customers in the UK in January 2009 and a referral of the proposed prohibition to the Competition Appeal Tribunal. Following an earlier decision to stop selling single premium PPI products, Lloyds Banking Group ceased to offer PPI products to its customers in July 2010.

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received by certain customers had the potential to cause confusion. The relevant mortgages were written between 2004 and 2007 by Bank of Scotland under the 'Halifax' brand. In February 2011, Lloyds Banking Group reached agreement with the FSA in relation to initiating a customer review and contact programme and making goodwill payments to affected customers. In order to make these goodwill payments, Bank of Scotland has applied for a Voluntary Variation of Permission to carry out the customer review and contact programme to bring it within section 404F(7) of FSMA 2000. Lloyds Banking Group has made a provision of £500 million in relation to this programme within its 2010 accounts which is expected to fully cover the payments.

#### *Other Legal Actions*

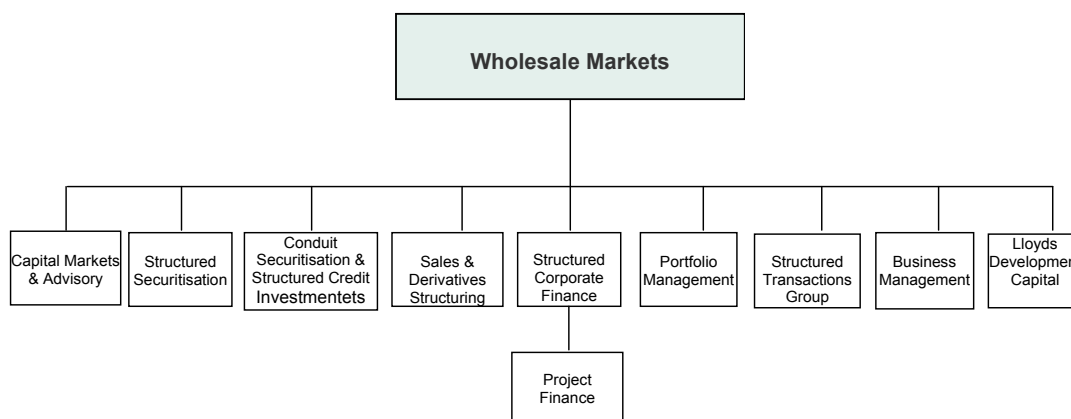
In the course of its business, the Bank of Scotland Group is engaged in discussions with the FSA in relation to a range of conduct of business matters, especially in relation to retail products including packaged bank accounts, mortgages, structured products and pensions. The Bank of Scotland Group is keen to ensure that any regulatory concerns regarding product governance or contract terms are understood and addressed. The ultimate impact on the Bank of Scotland Group of these discussions can only be known at the conclusion of such discussions.

In addition, during the ordinary course of business the Bank of Scotland Group is subject to other threatened and actual legal proceedings (which may include class action lawsuits brought on behalf of customers, shareholders or other third parties), regulatory investigations, regulatory challenges and enforcement actions, both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Bank of Scotland Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant balance sheet date. In some cases it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the matter and no provisions are held against such matters. However the Bank of Scotland Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

## PROJECT FINANCE AT THE LLOYDS BANKING GROUP (“LBG”)

The following is a description of the Project Finance activities of LBG as at the date of this Prospectus.

The Project Finance activities of LBG fall under the Structured Corporate Finance division, part of Wholesale Markets, in turn, part of the Wholesale division at LBG. Please see below for a schematic overview:



Project Finance is the financing of industrial projects and public services or infrastructure projects, often of a long-term nature. PFI (Private Finance Initiative) is a government or public authority initiative to acquire private financing for public sector infrastructure. PPP (Public Private Partnership) (“**PPP**”) regards an agreement between public and private sector parties on the provision of public infrastructure such as delivering and servicing new facilities in schools, hospitals, prisons and roads. The principal vehicle for delivering PPP in the UK is the Private Finance Initiative (“**PFI**”).

LBG has been active in project finance since 1992. The Project Finance team is recognised as a market leader for PFI and PPP funding in the UK. In addition, the team also has considerable experience in large-scale infrastructure, energy and oil & gas transactions in the UK, Western Europe, North America and Middle East.

Project Finance at LBG focuses on four sectors in the debt market:

1. Social Infrastructure PFI/PPP: construction/operation of roads, hospitals, schools, prisons and other assets located in the Western European and US markets under Private Finance Initiative/Public Partnership schemes.
2. Economic Infrastructure: Financing of brownfield infrastructure acquisitions e.g. transport assets (rail including rolling stock and rail lines, ports, airports) and regulated utilities within the UK, Western European and US markets.
3. Power: construction/operation of coal power plant, gas fired plants and Renewable Energy assets (wind farms, solar power, biomass) in the UK, Western European, US and Canadian markets.
4. Oil & Gas: construction/operation of gas pipeline and terminals in the Middle Eastern (Qatar), UK and US markets.

PFI/PPP customers include private sector construction and concession operating companies and infrastructure funds. Borrowers are normally bankruptcy-remote SPVs which enter into concession agreements with the governments or other public authorities, which usually give the project company the right to

construct/maintain/operate public infrastructure assets and earn revenues from it by providing a service either to the public sector (e.g. public building) or directly to the general public (e.g. a toll road).

LBG's Project Finance product offerings include long-term debt, mezzanine and junior debt, equity bridge facilities, hedging/derivative instruments with significant capacity and private placements.

Project Finance has arranged more than £30billion of senior debt in over 200 PFI/PPP transactions and manage a secondary infrastructure equity fund.

The LBG Project Finance team is based in London, Edinburgh, Paris, Madrid and New York.

## **THE NOTE TRUSTEE, THE PRINCIPAL PAYING AGENT AND THE REGISTRAR**

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with company number FC001835 and branch number BR001018.

## YIELD RESERVE ACCOUNT BANK

### Information about NAB

#### *History and development of NAB*

The legal name of NAB is National Australia Bank Limited and it trades commercially as “National Australia Bank” and, particularly within Australia, as “NAB” or “National”.

NAB is registered in the State of Victoria with Australian Business Number 12 004 044 937.

NAB was incorporated on 23 June 1893.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 of Australia. Its registered office is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8634 2345).

### Business overview

#### *Principal activities*

The NAB Group is an international financial services group, providing a comprehensive and integrated range of financial products and services.

The principal activities of the NAB Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance, and custodian, trustee and nominee services.

#### *Organisational structure*

On 12 March 2009, NAB announced a change to its organisational structure, including in relation to the way it conducts its principal activities. While this structure was effective from 12 March 2009, the NAB Group only commenced reporting under the revised structure from 1 October 2009.

The new structure includes the following business units:

- *Business Banking* provides a diverse range of commercial banking services to business customers ranging from small businesses through to Australia's largest businesses, including many of the ASX Top 200 listed companies. Business Banking also provides specialist industry expertise in the Agribusiness, Property, Healthcare, Natural Resources, Education and Government sectors.
- *Personal Banking* includes the retail banking activities of the NAB Group in Australia.
- *Wholesale Banking* whose key lines of business include Global Markets, Treasury, Specialised Finance, Financial Institutions and Asset Servicing. As a global business, it operates in five geographic regions with over 3,000 employees in Australia, New Zealand, Asia, the United Kingdom and the United States.
- *UK Banking* which operates under the Clydesdale Bank and Yorkshire Bank brands and offers a range of banking services for both personal and business customers through retail branches, iFS centres, direct banking and brokers.
- *NZ Banking* which comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises in New Zealand, operating under the BNZ brand. It excludes BNZ's Wholesale Banking operations.

- *MLC & NAB Wealth* which includes the MLC arm of the group in Australia, NAB Private Wealth along with the wealth management businesses of Aviva Australia Holdings Limited and JBWere Pty Limited.
- *Great Western Bank* which offers a range of traditional banking and wealth management products through 197 locations across seven mid west states in the United States. Great Western Bank's strategy is to achieve continued growth in retail banking, with an increased focus on SMEs and agribusiness, particularly in the rural communities where Great Western Bank is based (as at 30 September 2010).
- *Specialised Group Assets*: the Specialised Group Assets (SGA) portfolios comprise nonfranchise assets with \$A20.5 billion of Risk Weighted Assets.

These assets are primarily domiciled in the UK and the U.S. and consist of nine portfolios:

- Structured Asset Management (SAM).
- Private Equity and Real Estate Investment Funds USA.
- Infrastructure Finance USA.
- Corporate Lending USA.
- Corporate and Non Bank Financial Institution (NBFI) Lending UK.
- Commercial Property UK.
- Leverage Finance UK.
- Structured Asset Finance UK.
- Credit Wrapped Bonds.
- *Corporate Functions and Other* which includes our operations in Asia and functions that support all businesses including Group Funding and Other Corporate Functions activities.



## TERMS AND CONDITIONS OF THE NOTES

The issue of £200,000,000 Class A1a Secured Floating Rate Notes due 2041 (the “**Class A1a Notes**”), £200,000,000 Class A1b Secured Floating Rate Notes due 2041 (the “**Class A1b Notes**” and together with the Class A1a Notes, the “**Class A1 Notes**”), £225,000,000 Class A2a Secured Floating Rate Puttable Notes due 2041 (the “**Class A2a Notes**”), £225,000,000 Class A2b Secured Floating Rate Puttable Notes due 2041 (the “**Class A2b Notes**” and together with the Class A2a Notes, the “**Class A2 Notes**”), £150,000,000 Class A3a Secured Floating Rate Notes due 2041 (the “**Class A3a Notes**”), £150,000,000 Class A3b Secured Floating Rate Notes due 2041 (the “**Class A3b Notes**” and together with the Class A3a Notes, the “**Class A3 Notes**”), and the Class A3 Notes together with the Class A1 Notes and the Class A2 Notes, the “**Class A Notes**”), £170,000,000 Class B Secured Deferrable Floating Rate Notes due 2041 (the “**Class B Notes**”) and £274,000,000 Class S Secured Variable Rate Notes due 2041 (the “**Class S Notes**” and, together with the Class A Notes and the Class B Notes, the “**Notes**”) of Gable Funding plc (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 13 April 2011. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated on or about 20 April 2011 (the date of such Trust Deed being the “**Closing Date**”) between the Issuer and Citibank, N.A., London Branch (the “**Note Trustee**” which expression includes its successors or any further or other note trustee under the Trust Deed) as trustee for the Noteholders (as defined in Condition 2(b)). Any reference in these terms and conditions (the “**Conditions**”) to a “**Class**” of Notes or Noteholders shall be a reference to, as the case may be, the Class A1a Notes, Class A1b Notes, Class A2a Notes, Class A2b Notes, Class A3a Notes, Class A3b Notes (or, if the context so requires, (i) the Class A1 Notes, the Class A2 Notes or the Class A3 Notes, or (ii) the Class A Notes, as applicable), the Class B Notes or the Class S Notes or to the respective holders thereof.

These Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Notes, (2) the paying agency agreement (the “**Paying Agency Agreement**”) dated the Closing Date relating to the Notes between the Issuer, the Note Trustee, Citibank, N.A., London Branch as agent bank (the “**Agent Bank**”), Citibank, N.A., London Branch as registrar (the “**Registrar**”), Citibank, N.A., London Branch as transfer agent (the “**Transfer Agent**”), Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”) and the other paying agents named in it (together with the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the “**Paying Agents**”, together with the Registrar and the Transfer Agent, the “**Agents**”), (3) the deed of charge (the “**Deed of Charge**”) dated the Closing Date between, among others, the Issuer and Citibank, N.A., London Branch (the “**Security Trustee**”) and (4) the cash management agreement (the “**Cash Management Agreement**”) dated the Closing Date between, among others, the Issuer and Lloyds TSB Bank plc (the “**Cash Manager**”).

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash Management Agreement, the Master Definitions Agreement and the other Transaction Documents are available for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent and the Note Trustee. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Agreement and the other Transaction Documents.

### 1 Definitions

Capitalised terms used but not defined in these Conditions have the meanings given to them in the master definitions agreement dated the Closing Date between, among others, the Issuer, the Note Trustee and the Security Trustee (the “**Master Definitions Agreement**”). These Conditions shall be construed and interpreted

in accordance with the principles of construction and interpretation set out in the Master Definitions Agreement. In addition, unless specified otherwise, the following terms shall have the following meanings:

“**Basic Terms Modification**” means any (A) modification to (i) the maturity of the Notes or the dates on which interest or principal is payable in respect of the Notes, (ii) reduce or cancel the principal amount of, or interest on or to vary the method of calculating the Rate of Interest on, the Notes, (iii) the priority of payment of interest or principal on the Notes, (iv) the currency of payment of the Notes, (v) the definition of Basic Terms Modification, (vi) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution, or (vii) effect the exchange of the Notes for, substitution or the conversion of such debt into cash, shares, securities or other obligations of the Issuer or any other person, other than as contemplated in Condition 14(e) and Clause 11.3 of the Trust Deed, or (B) release of all or part of the Security unless contemplated by the Transaction Documents;

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business in London;

“**Calculation Amount**” means £1,000 in Principal Amount Outstanding upon issue;

“**Class A Trigger Event**” shall occur in respect of an Interest Payment Date if, immediately after the distribution of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date, there would be any outstanding debit balance on the Class A Principal Deficiency Ledger which relates to Principal Losses recorded as debit entries on the Class A Principal Deficiency Ledger prior to (and including) the last day of the immediately preceding Collection Period;

“**Class A2 Loss Calculation Date**” means the day that is three Business Days after and including the Put Option Date;

“**Class A2 Notice to Purchase**” has the meaning given to it in Condition 8(c) (*Class A2 Notice to Purchase*);

“**Class A2 Principal Deficiency Losses**” means the outstanding debit entry on the Class A Principal Deficiency Ledger, attributable to the Class A2 Notes (calculated on a *pro rata* and *pari passu* basis with the other Classes of Class A Notes) on the Class A2 Loss Calculation Date;

“**Class A2 Transfer Date**” means the later of the Scheduled Class A2 Transfer Date and the Deferred Class A2 Transfer Date;

“**Class A2 Transfer Instruction**” means, in relation to Condition 8(d) (*Class A2 Noteholder Put*), the electronic transfer and blocking instruction to be delivered by the Class A2 Noteholders to Euroclear and Clearstream, Luxembourg, in accordance with such clearing systems’ usual procedures;

“**Closing Date**” means the date on or about 20 April 2011;

“**Conditional Note Purchase Deed**” means the deed so named dated the date hereof between, among others, the Issuer and the Put Option Purchaser;

“**Deferred Class A2 Transfer Date**” has the meaning given to it in Condition 8(g) (*Individual Certificates/Cessation of Clearing Systems Settlement Mechanics*);

“**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with this Trust Deed by a majority of at least  $66\frac{2}{3}$  per cent. of the votes cast;

“**Final Maturity Date**” means the Interest Payment Date falling in March 2041 or such earlier date on which the Notes are repaid in full;

“**Fitch**” means Fitch Ratings Limited or any successor thereof;

“**Interest Determination Date**” means, in relation to an Interest Period, the first day of such Interest Period;

“**Interest Payment Date**” has the meaning given to it in Condition 6(a) (*Interest Payment Dates*);

“**Interest Period**” has the meaning given to it in Condition 6(a) (*Interest Payment Dates*);

“**Most Senior Class**” means (for so long as there are any Class A Notes outstanding) the Class A Notes, (once all the Class A Notes have been redeemed in full and for so long as there are any Class B Notes outstanding) the Class B Notes or (once all the Class A Notes and the Class B Notes have been redeemed in full and for so long as there are any Class S Notes outstanding) the Class S Notes;

“**Note Principal Payment**” has the meaning given to it in Condition 7(c) (*Note Principal Payments, Principal Amount Outstanding and Principal Factor*);

“**outstanding**” has, in respect of the Notes, the meaning given to it in the Master Definitions Agreement;

“**Principal Amount Outstanding**” means, at any time and in respect of a Note, the principal amount outstanding of such Note upon issue, less all Note Principal Payments paid in respect of such Note prior to such time;

“**Principal Factor**” means, at any time and in respect of a Class of Notes, the fraction expressed as a decimal to the sixth point of which the numerator is the aggregate Principal Amount Outstanding of such Class of Notes at such time and the denominator is the aggregate Principal Amount Outstanding of such Class of Notes upon issue;

“**Put Option Accrued Interest Payment**” means interest accrued on the Relevant Class A2 Notes from and including the Put Option Date (after taking into account any principal repayments on the Class A2 Notes made by the Issuer on or after the Put Option Date) to but excluding the Class A2 Transfer Date calculated at the Rate of Interest as set out in Condition 6(c);

“**Put Option Date**” means the Interest Payment Date falling in March 2018;

“**Put Option Purchase Price**” means (i) the Principal Amount Outstanding of the Class A2 Notes on the Put Option Date, less (ii) the Class A2 Principal Deficiency Losses, plus (iii) the Put Option Accrued Interest Payment to (but excluding) the Class A2 Transfer Date;

“**Put Option Purchaser**” means Lloyds in its capacity as put option purchaser under the Conditional Note Purchase Deed;

“**Rate of Interest**” has the meaning given to it in Condition 6(c) (*Rate of Interest on the Rated Notes*);

“**Rated Notes**” means the Class A Notes and the Class B Notes;

“**Rating Agencies**” means Fitch and S&P;

“**Rating Agency Confirmation**” means receipt of written confirmation from each Rating Agency that the relevant action, determination or appointment will not result in the reduction or withdrawal of any of the ratings then assigned to the Rated Notes rated by that Rating Agency provided that the Rating Agencies shall not be obliged to issue a Rating Agency Confirmation and in circumstances where a Rating Agency is not willing to issue a Rating Agency Confirmation due to its then prevailing policy regarding the issue of Rating Agency Confirmations, an authorised signatory of the Issuer (or the relevant Servicer on its behalf) has

certified in writing to the Note Trustee that, in its opinion (and where a Rating Agency was prepared to consult with the Issuer (or the relevant Servicer, as applicable) this opinion is based on consultation with that Rating Agency) such amendment would not cause the ratings of the Rated Notes to be reduced or withdrawn by the Rating Agencies and provided further that a Rating Agency Confirmation from Fitch shall not be required but Fitch shall be notified of the proposed action, determination or appointment;

“**Reference Bank**” means four major banks in the London inter-bank market selected by the Agent Bank for the purposes of determining LIBOR;

“**Relevant Class A2 Notes**” means the Class A2 Notes in respect of which a Class A2 Transfer Instruction has been received by the relevant clearing system;

“**Relevant Day-Count Fraction**” means, in relation to an Interest Period, the actual number of days in such Interest Period divided by 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of such Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of such Interest Period falling in a non-leap year divided by 365);

“**Relevant Margin**” means:

- (i) in respect of the Class A1 Notes, 1.75 per cent.;
- (ii) in respect of the Class A2 Notes, 1.85 per cent.;
- (iii) in respect of the Class A3 Notes, 0.1 per cent.; and
- (iv) in respect of the Class B Notes, 0.1 per cent.;

“**S&P**” means Standard & Poor’s Ratings Services, a division of Standard & Poor’s Credit Market Services Europe Ltd;

“**Scheduled Class A2 Transfer Date**” means the date falling 20 Business Days after the Put Option Date;

“**Stock Exchange**” means the Irish Stock Exchange; and

“**Switch Date**” means the Interest Payment Date falling in June 2018.

## **2 Form, Denomination and Title**

### **(a) Form and denomination:**

The Notes are issued in the specified denomination of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000.

The Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 3(a), each Certificate shall represent the entire holding of Notes by the same holder.

### **(b) Title**

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Paying Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

Title to a Class S Note shall only pass by and upon registration in the Register provided that no transferee shall be registered as a new holder of the Class S Note unless such transferee has certified to the Registrar that it is a Qualifying Noteholder. The Class S Note Certificates (in definitive registered form) may be transferred in whole (but not in part) upon the surrender of the relevant individual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of such individual Certificates are subject to any restrictions on transfer set forth on such individual Certificates and the detailed regulations concerning transfers in the Paying Agency Agreement.

“**Qualifying Noteholder**” means:

- (a) a person which is beneficially entitled to interest in respect of the Class S Notes and is:
  - (i) a company resident in the United Kingdom for United Kingdom Tax purposes;
  - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account payments of interest in respect of the Class S Notes in calculating the chargeable profits (within the meaning of section 19 of the Corporation Tax Act 2009 (the “CTA”) of that company; or
  - (iii) a partnership each member of which is:
    - (A) a company resident in the United Kingdom for United Kingdom Tax purposes; or
    - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in calculating its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of a payment of interest in respect of the Class S Notes that is attributable to it because of Part 17 of the CTA; or
- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (“ITA 2007”) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007,

and, in each case, is a person falling in one or more of the categories listed in paragraph 3(1) of Schedule 2A to the Insolvency Act 1986 (as amended).

Registration of an individual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any Tax, stamp duty, stamp duty reserve tax or similar tax or duty or other government charges which may be imposed in relation to it.

In these Conditions, “**Noteholder**” and “**holder**” means the person in whose name a Note is registered.

### **3 Transfer of Notes**

#### **(a) Transfer**

One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one

Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and the principal amount of the balance of Notes not transferred are in, with respect to the Rated Notes, denominations of at least £100,000. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the, Paying Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Note Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

**(b) Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 3(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(c) Transfer or Exercise Free of Charge**

Certificates on transfer shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any Tax, stamp duty, stamp duty reserve tax or similar tax or duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

**(d) Closed Periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer pursuant to Condition 7(d) (*Optional Redemption for Tax Reasons*) and Condition 7(e) (*Optional Redemption for Other Reasons*), or (iii) during the period of seven days ending on (and including) any Record Date.

**4 Status, Priority and Security**

**(a) Status**

The Notes constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 13 (*Enforcement, Limited Recourse and Non-Petition*).

**(b) Priority**

As regards payments of interest, the Class A Notes shall at all times rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class B Notes and the Class S Notes, the Class B Notes shall at all times rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class S Notes and the Class S Notes shall at all times rank *pari passu* and without any preference or priority amongst themselves.

As regards repayments of principal:

- (i) provided that no Class A Trigger Event has occurred and prior to enforcement of the Security:
- the Class A1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class A2 Notes, the Class A3 Notes, the Class B Notes and the Class S Notes;
- (a) prior to (but excluding) the Switch Date, the Class A3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class A2 Notes, the Class B Notes and the Class S Notes, the Class A2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class B Notes and the Class S Notes, or (b) from (and including) the Switch Date, the Class A2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class A3 Notes, the Class B Notes and the Class S Notes, the Class A3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class B Notes and the Class S Notes;
- the Class B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class S Notes;
- and the Class S Notes shall rank *pari passu* and without any preference or priority amongst themselves; and
- (ii) if a Class A Trigger Event has occurred and prior to the enforcement of the Security:
- the Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class B Notes and the Class S Notes;
- the Class B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Class S Notes;
- and the Class S Notes shall rank *pari passu* and without any preference or priority amongst themselves; and
- (iii) upon enforcement of the Security, the provisions of Condition 4(e) (*Application of Security*) shall apply.

**(c) Conflicts between the Classes**

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee to have regard only to the interests of the holders of the Most Senior Class of Notes if, in the Note Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class of Notes and the interests of any of the other Noteholders.

The Trust Deed contains provisions limiting the powers of the holders of those Classes of Notes other than the Most Senior Class, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution depending on the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances set out in Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding on the holders of the other Classes of Notes, irrespective of the effect thereof on their interests.

The Trust Deed and Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*) also contain provisions regarding the resolution of disputes between the holders of more than one Class of Notes where all of such Classes are the Most Senior Class and between the holders of more than one Class of Notes other than the Most Senior Class.

**(d) Security**

The Noteholders and the other Secured Creditors will share in the benefit of the Security. The Security is granted to the Security Trustee, on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms of the Deed of Charge.

**(e) Application of Security**

Upon enforcement of the Security, the proceeds of such enforcement shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments and subject to the other provisions of the Deed of Charge.

If the moneys received by the Security Trustee are not enough to pay in full all amounts to persons whose claims rank rateably, the Security Trustee shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

**5 Covenants**

So long as any Note remains outstanding, the Issuer shall not (save as permitted by, or provided for in, the Transaction Documents or with the prior written consent of the Note Trustee):

**(a) No Security**

Create or permit to subsist, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues;

**(b) Restrictions on Activities**

- (i) Engage in any activity which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) Have or form any subsidiaries or employees or premises or act as a director of any company;
- (iii) Hold any shares or other interests in a company; or
- (iv) Hold any capital assets (other than the beneficial interests under the Asset Trust) save to the extent reasonably incidental to the activities envisaged by the Transaction Documents;

**(c) Disposal of Assets**

Transfer, sell, lend, invest, part with or otherwise dispose of or deal with or grant any option over or any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein or agree or attempt or purport to do any of the foregoing;



**(d) Equitable Interests**

Permit any person, other than the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right title or benefit therein;

**(e) Dividends or Distributions**

Pay any dividend or make any other distribution to its shareholders or issue any further shares or alter any rights attaching to its shares;

**(f) Borrowings**

Incur any indebtedness in respect of borrowed moneys whatsoever or give any guarantee or indemnity in respect of any indebtedness or obligation of any person;

**(g) Merger**

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

**(h) Bank Accounts**

Have an interest in any bank account, other than the Issuer Accounts, unless such account or interest is charged in favour of the Security Trustee so as to form part of the Security on terms acceptable to the Security Trustee;

**(i) Tax Grouping**

- (i) Form or become part of any group of companies for the purposes of value added tax; or
- (ii) Surrender or consent to the surrender of any amounts by way of group relief within the meaning of Part 5 of the Corporation Tax Act 2010;

**(j) Tax Residence**

Do any act or thing, the effect of which would be to make the Issuer resident for tax purposes in any jurisdiction other than the United Kingdom;

**(k) Waiver or Consent:**

- (i) Permit any of the Transaction Documents to which it is a party to become invalid or ineffective or the priority of the Security created thereby to be reduced, amended, terminated or discharged;
- (ii) Consent to any variation or novation of, or exercise any powers of consent or waiver pursuant to, the terms of any of the Transaction Documents to which it is a party; or
- (iii) Permit any party to any of the Transaction Documents to which it is a party, or any other person whose obligations form part of the Secured Property, to be released from its respective obligations; or

**(l) U.S. Activities**

Engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business with the United States as determined under United States income tax principles.

## 6 Interest

### (a) Interest Payment Dates

Each Rated Note will bear interest on its Principal Amount Outstanding from (and including) the Closing Date equal to the Rate of Interest and subject to Condition 6(j) (*Deferral of Interest*). Each Class S Note will bear interest on its Principal Amount Outstanding in accordance with Condition 6(d) (*Interest on the Class S Notes*). Such interest will be payable in arrear on each 20 March, 20 June, 20 September and 20 December or if such day would otherwise fall on a day which is not a Business Day, the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day (each an “**Interest Payment Date**”). The amount of interest payable shall be determined in accordance with Condition 6(i) (*Calculation of Interest in respect of the Rated Notes*) or in accordance with Condition 6(d) (*Interest on the Class S Notes*). In these Conditions, the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”. The first Interest Payment Date will be the Interest Payment Date falling in June 2011.

### (b) Accrual of Interest

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused. In such event, it shall continue to accrue in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day seven days after the Note Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

### (c) Rate of Interest on the Rated Notes

The rate of interest from time to time in respect of the Rated Notes (each a “**Rate of Interest**”) will be determined by the Agent Bank on the following basis:

- (A) On each Interest Determination Date, the Agent Bank will determine the offered rates for three-month deposits in pounds sterling as at 11.00 a.m. (London time) on the Interest Determination Date in question (and on the first Interest Determination Date, the Agent Bank will also determine the offered rates for two-month deposits in pounds sterling as at 11.00 a.m. (London time) on such Interest Determination Date). Such offered rates will be those which appear on the display designated as page “LIBOR01” on the Reuter Monitor Money Rates Service (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in pounds sterling). The Rate of Interest in respect of a Class of Rated Notes for the Interest Period to which such Interest Determination Date relates shall, subject as provided below, be the aggregate of (i) the Relevant Margin in respect of such Class of Rated Notes and (ii) the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with halves being rounded up) of the rates (being at least two) which so appear, as determined by the Agent Bank or, in the case of the first Interest Determination Date only, the rate determined by a linear interpolation of the arithmetic mean of the rates which so appear for two-month deposits in pounds sterling and the arithmetic mean of

the rates which so appear for three-month deposits in pounds sterling, as determined by the Agent Bank.

- (B) If the offered rates so appearing are replaced by a corresponding single composite rate, then Condition 6(c)(A) shall be applied, with any necessary consequential changes, to that composite rate instead of the rates which so appear. If for any other reason fewer than two offered rates so appear, or if the relevant page is unavailable, the Agent Bank will request each of the Reference Banks acting in each case through its principal London office to provide the Agent Bank with its offered quotation to leading banks in the London inter-bank market for three-month deposits in pounds sterling as at 11.00 a.m. (London time) on the Interest Determination Date in question (and on the first Interest Determination Date, the Agent Bank will also request each such Reference Bank to provide the Agent Bank with its offered quotation to leading banks in the London inter-bank market for two-month deposits in pounds sterling as at 11.00 a.m. (London time) on such Interest Determination Date). The Rate of Interest in respect of a Class of Rated Notes for the Interest Period to which such Interest Determination Date relates shall, subject as provided below, be the aggregate of (i) the Relevant Margin in respect of such Class of Rated Notes and (ii) the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with halves being rounded up) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Agent Bank or, in the case of the first Interest Determination Date only, the rate determined by a linear interpolation of the arithmetic mean of such quotations for two-month deposits in pounds sterling and the arithmetic mean of such quotations for three-month deposits in pounds sterling, as determined by the Agent Bank.
- (C) If on any Interest Determination Date one only or none of the Reference Banks provides a quotation referred to in Condition 6(c)(B), the Agent Bank shall select two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation (provided that such bank or banks is or are in the opinion of the Note Trustee and the Issuer suitable for such purpose) and the Rate of Interest in respect of the applicable Class or Classes of Rated Notes for the Interest Period to which such Interest Determination Date relates shall be determined, as in Condition 6(c)(B), on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rate of Interest in respect of such Class or Classes of Rated Notes for the Interest Period in question shall be the Rate of Interest in respect of such Class of Rated Notes in effect for the last preceding Interest Period to which Condition 6(c)(B) shall have applied.

**(d) Interest on the Class S Notes**

Each Class S Note shall receive by way of interest all excess amounts (if any) equal to the Available Revenue Funds remaining after the payment of all items with a higher priority of payment in the Pre-Enforcement Revenue Priority of Payments.

**(e) Determination of Rates of Interest and Amount of Interest**

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, in respect of each Class of Rated Notes determine the Rate of Interest and calculate the amount of interest payable per Calculation Amount for the relevant Interest Period. The determination in respect of each Class of Rated Notes of the Rate of Interest and the amount of interest

payable per Calculation Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

**(f) Publication of Rates of Interest and Amounts of Interest Payable per Calculation Amount**

For each Class of Rated Notes, the Agent Bank will cause the Rate of Interest, the amount of interest payable per Calculation Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Note Trustee, the Cash Manager, each of the Paying Agents and any stock exchange on which the Rated Notes are for the time being listed and to be notified to Noteholders as soon as possible after their determination but in no event later than the fourth Business Day thereafter. For each Class of Rated Notes, the amount of interest payable per Calculation Amount and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Note Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 12 (*Events of Default*), the accrued interest per Calculation Amount and the Rate of Interest payable in respect of each Class of Rated Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 6 but no publication of the Rates of Interest or the amounts of interest payable per Calculation Amount so calculated need be made unless the Note Trustee otherwise requires.

**(g) Determination or Calculation by Note Trustee**

If the Agent Bank does not at any time for any reason in respect of each Class of Rated Notes determine the Rate of Interest or calculate the amount of interest payable per Calculation Amount for an Interest Period, the Note Trustee (or an agent appointed by it) shall do so and such determinations or calculations shall be deemed to have been made by the Agent Bank. In doing so, the Note Trustee (or an agent appointed by it) shall apply the foregoing provisions of this Condition 6, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(h) Agent Bank**

The Issuer will procure that, so long as any Rated Note is outstanding, there shall at all times be an Agent Bank for the purposes of the Rated Notes. If the Agent Bank is unable or unwilling to continue to act as such or if the Agent Bank fails duly in respect of any Class of Rated Notes to establish the Rate of Interest for any Interest Period or to calculate the amount of interest payable per Calculation Amount, the Issuer shall (with the prior approval of the Note Trustee) appoint some other leading bank or investment banking firm engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Agent Bank (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Agent Bank may not resign its duties without a successor having been so appointed.

**(i) Calculation of Interest in respect of the Rated Notes**

Interest in respect of the Rated Notes shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount in respect of a Class of Rated Notes for any period shall be an amount equal to the product of:

$$R \times CA \times PF \times DCF$$

(where R is the Rate of Interest relating to such Class, CA is the Calculation Amount relating to such Class, PF is the Principal Factor relating to such Class on the first day of such period after any repayments of principal made on such day and DCF is the Relevant Day-Count Fraction) rounding the

resulting figure to the nearest £0.01 (£0.005 being rounded upwards). The amount of interest payable per Note of a particular Class for any period shall be an amount equal to the product of:

$$RA \times (D/CA)$$

(where RA is the amount of interest payable per Calculation Amount in respect of such Class of Rated Notes for such period, D is the denomination of such Note and CA is the Calculation Amount in respect of such Class).

**(j) Deferral of Interest**

Provided that the Class B Notes are not the Most Senior Class of Notes, in the event that the amount of Available Revenue Funds calculated in accordance with the Pre-Enforcement Revenue Priority of Payments as being available to the Issuer on an Interest Payment Date for the payment of interest which is, subject to this Condition 6(j), due in respect of the Class B Notes (a “**Class B Available Amount**”), is insufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 6(j), due in respect of the Class B Notes on such Interest Payment Date, there shall be payable by way of interest on the Class B Notes on such Interest Payment Date the Class B Available Amount. The Issuer shall create provisions in its accounts for any shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes in accordance with this Condition 6(j) is less than the aggregate amount of interest payable in respect of the Class B Notes but for this Condition 6(j) (a “**Class B Interest Shortfall Amount**”). The Class B Interest Shortfall Amount shall accrue interest in the same manner as the Class B Notes from (and including) the Interest Payment Date on which it arises to the next Interest Payment Date, when such Class B Interest Shortfall Amount shall be aggregated with the amount of, and treated for the purpose of this Condition 6 as if it were, interest due, subject to this Condition 6(j), on the Class B Notes. This Condition 6(j) shall cease to apply on the date fixed for final redemption of the Class B Notes, at which time all accrued interest shall become due and payable.

## 7 Redemption

**(a) Final Redemption**

Unless previously redeemed in full the Notes of each Class will be redeemed at their Principal Amount Outstanding (together with accrued interest) on the Interest Payment Date falling in March 2041. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

**(b) Mandatory Early Redemption in Part**

Subject to Condition 7(d) (*Optional Redemption for Tax Reasons*) and Condition 7(e) (*Optional Redemption for Other Reasons*), each Note will be redeemed on each Interest Payment Date to the extent of Available Principal Funds after payment of or provision for amounts ranking in priority to such Note in the then applicable Priority of Payments and in accordance with Condition 4(b) (*Priority*) and Condition 7(c) (*Note Principal Payments, Principal Amount Outstanding and Principal Factor*).

**(c) Note Principal Payments, Principal Amount Outstanding and Principal Factor**

The principal amount payable in respect of the Notes of a particular Class on any Interest Payment Date under Condition 7(b) (*Mandatory Early Redemption in Part*) (each a “**Note Principal Payment**”) shall be calculated per Calculation Amount and shall be an amount equal to such proportion of the amount required as at that Interest Payment Date to be applied towards redemption of such Class of Notes equal to the proportion that the Calculation Amount bears to the aggregate Principal Amount Outstanding of all the Notes of such Class upon issue, rounded down to the nearest £0.01, provided

that no amount of principal payable in respect of a Note may exceed the Principal Amount Outstanding of such Note. The amount of principal payable per Note of a particular Class on any Interest Payment Date shall be an amount equal to the product of:

$NPP \times (D/CA)$

(where NPP is the Note Principal Payment payable per Calculation Amount in respect of such Class of Notes on such Interest Payment Date, D is the denomination of such Notes and CA is the Calculation Amount in respect of such Class of Notes).

On each Calculation Date (or as soon as practicable thereafter), the Cash Manager shall determine in respect of each Class of Notes (i) the amount of any Note Principal Payment per Calculation Amount due in respect of such Class of Notes on the next succeeding Interest Payment Date, (ii) the Principal Amount Outstanding per Calculation Amount of such Class of Notes following any Note Principal Payment on such Interest Payment Date and (iii) the Principal Factor following any Note Principal Payment on such Interest Payment Date. The determination in respect of each Class of Notes of the Note Principal Payment per Calculation Amount, the Principal Amount Outstanding per Calculation Amount and the Principal Factor by the Cash Manager shall (in the absence of manifest error) be final and binding upon all parties.

For each Class of Notes, the Cash Manager will cause the Note Principal Payment per Calculation Amount, the Principal Amount Outstanding per Calculation Amount and the Principal Factor determined on each Calculation Date to be notified to the Note Trustee, each of the Paying Agents and (in relation to the Rated Notes only) any stock exchange on which the Rated Notes are for the time being listed and to be notified to Noteholders as soon as possible after their determination but in no event later than the Business Day immediately following such Calculation Date.

**(d) Optional Redemption for Tax Reasons**

If:

- (i) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to Tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, the Issuer has or will on the next Interest Payment Date become obliged to deduct or withhold from any payment of principal or interest on the Notes amounts for any Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to Tax; or
- (ii) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to Tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, the Issuer or a Swap Counterparty has or will on the next Interest Payment Date become obliged to deduct or withhold from any payment under the relevant Swap Agreement amounts for any Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to Tax,

and provided that (1) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the Most Senior Class of Noteholders and (2) the prior written consent of the Secured Creditors (other than the Noteholders) is obtained, the Issuer shall, if the same would avoid the effect

of such event as described in paragraph (i) or, as applicable, paragraph (ii) above, use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes, subject to and in accordance with the terms of the Trust Deed.

If, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, and provided that the Issuer delivers to the Note Trustee (1) a certificate signed by two directors of the Issuer (A) stating that the obligation referred to in paragraph (i) or, as applicable, paragraph (ii) above has arisen and cannot be avoided by the Issuer taking reasonable measures available to it and setting out details of such circumstance and (B) confirming that it will have the necessary funds required to redeem the Notes in full and pay any amounts required under the then applicable Priority of Payments to be paid in priority to or *pari passu* with such redemption and (2) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisors of recognised standing to the effect that the obligation referred to in paragraph (i) or, as applicable, paragraph (ii) above has arisen, the Issuer may redeem the Notes in whole, but not in part, at their Principal Amount Outstanding (together with accrued interest) on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable).

**(e) Optional Redemption for Other Reasons**

Provided that:

- (i) the aggregate Principal Amount Outstanding of the Rated Notes is less than or equal to 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes upon issue;
- (ii) the Issuer delivers to the Note Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds required to:
  - (A) redeem the Notes in full;
  - (B) pay all accrued but unpaid interest in respect of the Notes up to (but excluding) such date; and
  - (C) pay any amounts required under the then applicable Priorities of Payments to be paid in priority to or *pari passu* with such redemption and payment; and
- (iii) no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, at their Principal Amount Outstanding (together with accrued interest) on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable).

**(f) Redemption in Whole or in Part in relation to the Re-acquisition of Investor Interest**

The Issuer shall redeem each Note in whole or in part (as provided below) after payment of or provision for amounts ranking in priority to such Note in the then applicable Priority of Payments and in accordance with Condition 4(b) (*Priority*) and Condition 7(c) (*Note Principal Payments, Principal Amount Outstanding and Principal Factor*) on any Interest Payment Date, upon (or following) an Originator or the Originators (as applicable) exercising its or their (as applicable) option or fulfilling its or their (as applicable) obligation under the Declaration of Trust to re-acquire the Issuer Beneficiary's interest in certain Loan(s) and its (or their) Related Security (as provided below) or all Loans and their Related Security (as provided below) which immediately prior to the entry into the Declaration of Trust was or were legally and beneficially owned by the relevant Originator (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) from

the Issuer Beneficiary. Under and subject to the provisions of the Declaration of Trust and the Cash Management Agreement:

(i) *Optional re-acquisition in whole*

prior to service of an Enforcement Notice, both Originators may re-acquire the Issuer Beneficiary's interest in all Loans and their Related Security (in respect of each Originator, which immediately prior to the entry into the Declaration of Trust were legally and beneficially owned by it) from the Issuer Beneficiary on any Business Day from the Closing Date to the Final Maturity Date. On the applicable Interest Payment Date, the Issuer shall redeem:

(AA) the Rated Notes in whole at their Principal Amount Outstanding (together with accrued interest); and

(BB) the Class S Notes to the extent of Available Principal Funds,

on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable);

(ii) *Optional re-acquisition in part*

prior to service of an Enforcement Notice, the relevant Originator may re-acquire the Issuer Beneficiary's interest in a Loan and its Related Security which immediately prior to the Declaration of Trust was legally and beneficially owned by it (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) from the Issuer Beneficiary, if in the opinion of the relevant Servicer there is a significant risk of such Loan being transferred to the relevant Servicer's debt recovery unit. On the applicable Interest Payment Date, the Issuer shall redeem the Notes to the extent of Available Principal Funds (and, for the avoidance of doubt, the Issuer is not required to give notice thereof to any Noteholder); and

(iii) *Mandatory re-acquisition in part*

the relevant Originator shall re-acquire the Issuer Beneficiary's interest in a Loan and its Related Security which immediately prior to the Declaration of Trust were legally and beneficially owned by it (together with all Trust Assets relating thereto from (and including) the Trust Asset Re-acquisition Date) after becoming aware that:

(A) any Asset Warranty given by the relevant Originator pursuant to the Declaration of Trust in respect of such Loan was breached as at the Closing Date; and/or

(B) such Loan did not meet the Eligibility Criteria as at the Cut-off Date.

On the applicable Interest Payment Date, the Issuer shall redeem the Notes to the extent of Available Principal Funds (and, for the avoidance of doubt, the Issuer is not required to give notice thereof to any Noteholder).

**(g) Redemption of the Class S Notes**

Notwithstanding any other provisions of these Conditions or the Trust Deed, prior to the date on which all of the Trust Assets have been realised and all amounts standing to the credit of the Issuer Accounts are to be finally distributed to the Noteholders and the other Secured Creditors, for the purpose of calculations, all references herein and therein to the Class S Notes being redeemed in full or at their Principal Amount Outstanding or to receiving any payment in accordance with the relevant Priority of Payments or otherwise shall be amended to the effect that the Class S Notes shall be redeemed in an



amount equal to the lower of the funds available for such redemption purposes and the then Principal Amount Outstanding of the Class S Notes less £1, such that in aggregate £1 principal amount of the Class S Notes remains Outstanding at all times after such redemption and thereafter any amounts received which are to be applied in redemption of the Class S Notes pursuant hereto which are in excess of the Principal Amount Outstanding of the Class S Notes minus £1 thereof, shall constitute interest payable in respect of the Class S Notes and shall not be applied in redemption of the Principal Amount Outstanding thereof.

**(h) Notice of Redemption**

All Notes in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date specified in such notice in accordance with this Condition 7.

**(i) Purchase**

The Issuer may not purchase any of the Notes.

**(j) Cancellation**

All Certificates representing Notes redeemed in full shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold.

**8 Transfer of the Class A2 Notes at the Option of the Class A2 Noteholders**

**(a) Agreement to Transfer**

The Class A2 Notes shall, subject to paragraphs (b) and (d) below and the provisions of the Conditional Note Purchase Deed, be transferred in accordance with paragraph (c) below on the Class A2 Transfer Date in exchange for payment of the relevant Put Option Purchase Price by the Put Option Purchaser to the relevant Class A2 Noteholders on the Class A2 Transfer Date.

**(b) No Event of Default**

Subject to the terms of the Conditional Note Purchase Deed, the Put Option Purchaser has agreed to purchase on the Class A2 Transfer Date all, but not only some, of the outstanding Class A2 Notes in respect of which a valid Class A2 Transfer Instruction has been delivered to the relevant Clearing System, provided that no Event of Default has occurred which is continuing on the Class A2 Transfer Date.

**(c) Class A2 Notice to Purchase**

In respect of any Class A2 Notes outstanding following the Put Option Date, the Issuer (with the approval of the Put Option Purchaser) will (i) give notice (which notice shall be irrevocable) on the Business Day following the Class A2 Loss Calculation Date to the Class A2 Noteholders via Euroclear and Clearstream, Luxembourg (provided that the Class A2 Notes are still in global form) of the Put Option Purchaser's intention to purchase such Class A2 Notes on the Class A2 Transfer Date for cash at a price equal to the Put Option Purchase Price (a "**Class A2 Notice to Purchase**") and (ii) make a corresponding announcement via the Stock Exchange and Bloomberg.

**(d) Class A2 Noteholder Put**

Each Class A2 Noteholder has the right (but not the obligation) to elect to have all, but not some only, of its Class A2 Notes purchased by the Put Option Purchaser on the Class A2 Transfer Date. Each Class A2 Noteholder may exercise its right to have all, but not some only, of its such Class A2 Notes

purchased by the Put Option Purchaser on the Class A2 Transfer Date by giving a Class A2 Transfer Instruction via Euroclear or Clearstream, Luxembourg (which notice shall be irrevocable) to the Principal Paying Agent for receipt by it by no later than 4:00 p.m. (London time for Euroclear or Clearstream, Luxembourg (as applicable)) on the Business Day that is five Business Days prior to (but excluding) the Class A2 Transfer Date (or such earlier deadline set by any relevant intermediary of a clearing system).

**(e) Payment**

The Principal Paying Agent shall arrange on the Class A2 Transfer Date for an amount equal to the aggregate Put Option Purchase Price received from the Put Option Purchaser to be credited (via Euroclear and Clearstream, Luxembourg) to the accounts of the Class A2 Noteholders that have delivered a Class A2 Transfer Notice in accordance with paragraph (d) above.

**(f) Class A2 Transfer Date**

Subject to paragraphs (a) and (d) above, all the Class A2 Noteholders' interests in the Class A2 Notes specified in any valid Class A2 Transfer Instruction in accordance with paragraph (d) above shall be transferred on the relevant Class A2 Transfer Date to the account of the Put Option Purchaser or as otherwise notified by the Put Option Purchaser prior to such date.

**(g) Individual Certificates/Cessation of Clearing Systems Settlement Mechanics**

Notwithstanding the provisions of this Condition 8, where individual Certificates have been issued in respect of any Class A2 Notes or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the purchase and settlement of the Class A2 Notes as provided for in this Condition 8, the Put Option Purchaser will purchase the relevant Class A2 Notes on the later of (i) the relevant Scheduled Class A2 Transfer Date and (ii) the date (the "**Deferred Class A2 Transfer Date**") which is the earlier of (A) the date that is 5 Business Days after the date on which the parties to the Conditional Note Purchase Deed agree a procedure by which the purchase can occur and (B) 60 days after the Scheduled Class A2 Transfer Date.

## **9 Payments**

**(a) Method of Payment**

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in pounds sterling by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in pounds sterling maintained by the payee with a bank.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal

amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

**(b) Payments Subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

**(c) Agents**

The initial Paying Agents, the Registrar, the Agent Bank and the Transfer Agent are set out at the beginning of these Conditions. The Issuer reserves the right at any time with the approval of the Note Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, the Agent Bank or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain, a Principal Paying Agent, a Registrar, an Agent Bank and a Transfer Agent. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Noteholders. No termination of the appointment of any of the Agents shall take effect until a relevant new Agent has been appointed and no termination of the appointment of an Agent shall take effect if there would not then be such Agent as required by these Conditions.

**(d) Delay in Payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

**(e) Payments on Business Days**

If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day, nor to any interest or other sum in respect of such postponed payment.

**10 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to Tax, unless such withholding or deduction is required by law. In that event, the Issuer shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction. Any such deduction shall not constitute an Event of Default under Condition 12 (*Events of Default*).

**11 Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 9 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

In this Condition 11, “**Relevant Date**” means in respect of any Note the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on

which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

## 12 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Note Trustee at its discretion may, and if so directed by an Extraordinary Resolution of the Most Senior Class of Notes then outstanding, shall (subject in each case to it being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Principal Amount Outstanding together (if applicable) with accrued interest:

### (a) Non-Payment

The Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 15 days, provided that a deferral of interest in accordance with Condition 6(j) (*Deferral of Interest*) shall not constitute a default in the payment of such interest for the purposes of this Condition 12(a);

### (b) Breach of Other Obligations

The Issuer does not perform or comply with any one or more of its other obligations in the Notes, the Trust Deed or any other Transaction Document which default is incapable of remedy or, if in the opinion of the Note Trustee capable of remedy, is not in the opinion of the Note Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Note Trustee;

### (c) Enforcement Proceedings

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 14 days;

### (d) Insolvency

The Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Note Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment, assignation or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or

### (e) Winding-up

An administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved in writing by the Note Trustee or by an Extraordinary Resolution of the Most Senior Class of Noteholders,

provided that in the case of Condition 12(b) (*Breach of Other Obligations*) and Condition 12(c) (*Enforcement Proceedings*), the Note Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Most Senior Class of Noteholders.

### **13 Enforcement, Limited Recourse and Non-Petition**

#### **(a) Enforcement**

Subject always to the terms of the Deed of Charge, at any time after the Notes become due and payable, the Note Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of or take any action or step in relation to the Trust Deed, the Notes and/or any other Transaction Document, but it need not take any such proceedings, action or step unless (i) it shall have been so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders and (ii) it shall have been indemnified and/or secured to its satisfaction. Only the Note Trustee may pursue the remedies available under the Trust Deed and/or any other Transaction Document to enforce the rights of the Noteholders and no Noteholder shall be entitled to proceed directly against the Issuer unless the Note Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable period and such failure is continuing.

#### **(b) Limited Recourse**

##### **(i) Enforcement of Security**

Only the Security Trustee may enforce the Security over the Secured Property in accordance with, and subject to the terms of, the Deed of Charge.

##### **(ii) Insufficient Recoveries**

If, or to the extent that, after the Secured Property has been as fully as practicable realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments, the amounts recovered on realisation of the Secured Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders in full for any reason, the Issuer will have no liability to pay or otherwise make good any such insufficiency.

#### **(c) Non-Petition**

No Noteholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

### **14 Meetings of Noteholders, Modification, Waiver and Substitution**

#### **(a) Convening Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders of a particular Class to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the other Transaction Documents. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class then outstanding.

The Trust Deed provides that a resolution in writing signed by the holders of at least  $66\frac{2}{3}$  per cent. by Principal Amount Outstanding of a Class of Notes then outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders of such Class duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class.

**(b) Relationship between the Classes**

Any Extraordinary Resolution duly passed by a meeting of the Noteholders of a particular Class shall be binding on all Noteholders of such Class (whether or not they were present at the meeting at which such resolution was passed).

An Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class of Notes shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except an Extraordinary Resolution of the holders of the Most Senior Class of Notes to sanction a Basic Terms Modification, which shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes.

An Extraordinary Resolution passed at a meeting of the Class B Noteholders or the Class S Noteholders shall not be effective for any purpose while any Class A Notes are outstanding unless either (i) in the opinion of the Note Trustee, it would not be prejudicial to the interests of the Class A Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders. An Extraordinary Resolution passed at a meeting of the Class S Noteholders shall not be effective for any purpose while any Class B Notes are outstanding unless either (i) in the opinion of the Note Trustee, it would not be prejudicial to the interests of the Class B Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class B Noteholders.

The Trust Deed provides that:

- (i) meetings of Noteholders of separate Classes will normally be held separately, but the Note Trustee may from time to time determine that meetings of Noteholders of separate Classes shall be held together;
- (ii) an Extraordinary Resolution that in the opinion of the Note Trustee affects one Class alone shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of the Class concerned;
- (iii) an Extraordinary Resolution that in the opinion of the Note Trustee affects the Noteholders of more than one Class but does not give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed if duly passed at a single meeting of the Noteholders of the relevant Classes;
- (iv) subject to paragraph (v) below, an Extraordinary Resolution that in the opinion of the Note Trustee affects the Noteholders of more than one Class and gives or may give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the Noteholders of the relevant Classes; and
- (v) an Extraordinary Resolution that in the opinion of the Note Trustee affects the Noteholders of more than one Class where all of such Classes are the Most Senior Class shall be deemed to have been duly passed only if duly passed at a single meeting of the Noteholders of such Classes (except if such Extraordinary Resolution is a Basic Terms Modification which affects only Noteholders of one of the Classes within the Most Senior Class).

**(c) Quorum**

The quorum for any meeting of Noteholders of a particular Class convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in Principal Amount Outstanding of the Notes of such Class then outstanding, or at any adjourned

meeting two or more persons being or representing Noteholders of such Class whatever the Principal Amount Outstanding of the Notes held or represented, unless the business of such meeting includes consideration of a Basic Terms Modification, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in Principal Amount Outstanding of the Notes then outstanding.

**(d) Modification and Waiver**

The Note Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Note Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Note Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

The Trust Deed provides that if a Rating Agency's rating criteria applicable to a Swap Agreement have been updated, the Note Trustee shall consent to an amendment to such Swap Agreement implementing the updated rating criteria (even if such amendments are, or may be, materially prejudicial to the interests of any of the Noteholders), provided certain conditions are met, including provision of a Rating Agency Confirmation. Any such amendment shall be binding on the Noteholders. The Note Trustee shall not be responsible or liable in damages or otherwise to any person for any loss incurred by reason of the Note Trustee consenting to such amendment.

**(e) Substitution**

The Trust Deed contains provisions permitting the Note Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Note Trustee may otherwise require, but without the consent of the Noteholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Note Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.

**(f) Entitlement of the Note Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 14) the Note Trustee:

- (i) shall have regard to the interests of the Noteholders (or, as applicable, the Noteholders of a particular Class) as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Noteholders; and
- (ii) may, in determining whether or not a proposed action will be materially prejudicial to the Noteholders (or, as applicable, the Noteholders of a particular Class), have regard to, among other things, whether or not a Rating Agency Confirmation is received.

## **15 Replacement of Notes and Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Notes and Certificates must be surrendered before replacements will be issued.

## **16 Indemnification of the Note Trustee**

The Trust Deed contains provisions for the indemnification of the Note Trustee and for its relief from responsibility. The Note Trustee is not obliged or required to take any action under the Trust Deed which may involve it in incurring any personal liability or expense unless indemnified and/or secured to its satisfaction. The Note Trustee and any affiliate are entitled to enter into business transactions with the Issuer, any other party to the Transaction Documents and any entity related to the Issuer or any other party to the Transaction Documents without accounting to the Noteholders for any profit resulting therefrom. The Note Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it shall have actual knowledge to the contrary.

The Note Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Note Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Note Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, Note Trustee and the Noteholders.

The Trust Deed provides that in acting as Note Trustee thereunder, the Note Trustee shall have regard solely to the interests of the Noteholders (or, as applicable, the Noteholders of a particular Class) and shall not assume any duty or responsibility to the other Secured Creditors.

The Note Trustee assumes no responsibility for the validity, sufficiency and enforceability (which the Note Trustee has not investigated) of the Security. The Note Trustee shall be under no obligation to monitor or supervise the functions of any other person under or pursuant to any of the Transaction Documents.

The Note Trustee is under no obligation to monitor or ascertain whether or not an Event of Default, Potential Event of Default, Power of Attorney Event, Account Bank Termination Event, Yield Reserve Account Bank Termination Event, Cash Manager Termination, Class A Trigger Event, Enforcement Event, Insolvency Event, Liquidation Event, Servicer Termination Event or other trigger event shall have occurred or exists. Unless and until the Note Trustee has actual knowledge or express notice to the contrary, it may assume that no such event has occurred or exists.

## **17 Notices**

Notices to the Noteholders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Rated Notes will be valid, for so long as the Rated Notes are admitted to trading on the Stock Exchange, when, such notice is filed in the Companies Announcement Office of the



Stock Exchange. In addition to the foregoing (but not instead of), the Issuer may publish any such notice via the Bloomberg service (or any other similar information service).

#### **18 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

#### **19 Governing Law**

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by English law.

## **SUMMARY OF PROVISIONS RELATING TO THE RATED NOTES IN GLOBAL FORM**

The Global Certificates contain provisions which apply to the Rated Notes while they are in global form, some of which modify the effect of the terms and conditions of the Rated Notes set out in the document. The following is a summary of certain of those provisions:

### **Initial Issue of Certificates**

The Global Certificate will be registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) and may be delivered on or prior to the original Closing Date of the Rated Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Rated Notes equal to the nominal amount thereof for which it has subscribed and paid.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Rated Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Rated Notes for so long as the Rated Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

### **Exchange**

The following will apply in respect of transfers of Rated Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Rated Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Rated Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Rated Notes represented by the Global Certificate pursuant to Condition 3(a) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon or following any failure to pay principal in respect of any Rated Notes when it is due and payable; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the registered holder has given the Registrar not less than 30 days’ notice at its specified office of the registered holder’s intention to effect such transfer. Where the holding of Rated Notes represented by the Global

Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

### **Amendment to Conditions**

The Global Certificate contains provisions that apply to the Rated Notes that it represents, some of which modify the effect of the terms and conditions of the Rated Notes set out in this Prospectus. The following is a summary of certain of those provisions:

#### *Payments*

All payments in respect of Rated Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

#### *Meetings*

For the purposes of any meeting of Noteholders, the holder of the Rated Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Rated Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Rated Notes.

#### *Note Trustee's Powers*

In considering the interests of the holders of the Rated Notes while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Note Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Rated Notes represented by the Global Certificate.

## UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice (each of which are subject to change, possibly with retrospective effect) and are not intended to be exhaustive. Any Noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

### United Kingdom Withholding Tax

While the Rated Notes continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of income tax. The Irish Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the Irish Stock Exchange if they are both admitted to trading on the Irish Stock Exchange and are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in countries in the European Economic Area.

If the Rated Notes cease to be listed or in the case of the Class S Notes (which will not be listed), interest will generally be paid by the Issuer under deduction of income tax at the basic rate unless:

- (i) another relief or exemption applies; or
- (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person who is an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

### EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each member state of the European Union (a “**Member State**”) is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg will instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

## **SUBSCRIPTION AND SALE**

### **Subscription and Sale**

Lloyds in its capacity as Lead Manager, pursuant to a Subscription Agreement dated 15 April 2011, has agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount. In addition, the Issuer has agreed to reimburse the Lead Manager for certain of its expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

### **General**

Neither the Issuer nor of the Lead Manager has made any representation that any action will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. The Lead Manager will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

### **United States**

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States. The Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States, except as permitted by the Subscription Agreement.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

The Lead Manager 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (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.

### **Ireland**

The Lead Manager has represented and agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts, the Central Bank Acts 1942-2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland.

#### **Additional restrictions applicable to the Class S Note**

Any holder of the Class S Note may make a transfer of the whole of its Class S Note or create or grant any encumbrance in respect of such Class S Note if all of the following conditions are satisfied:

- (a) the Class S Noteholder making such transfer or subjecting the Class S Note to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the Class S Noteholder or any other person in relation to such transfer or encumbrance; and
- (b) the transferee is a Qualifying Noteholder.

No Paying Agent shall make interest payments in relation to any Class S Note, to the holder of such Class S Note and such holder shall not be entitled to receive such relevant interest amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided (i) to the Principal Paying Agent, details of the account into which such payments should be made and (ii) to the Issuer and the Principal Paying Agent, a tax certificate substantially in the form set out in the Appendix (*Form of Tax Certificate*) to the Paying Agency Agreement (the “**Tax Certificate**”) and the Issuer (or the Cash Manager on its behalf) has confirmed in writing to the Principal Paying Agent and the Registrar that such interest amount in respect of the Class S Note can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The Registrar shall upon receipt of such confirmation make a note of such confirmation in the Register.

*Because of the foregoing restrictions, purchasers of the Class S Note are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

- (1) Application has been made to the Irish Stock Exchange for the Rated Notes to be admitted to the Official List and trading on its regulated market in accordance with the Prospectus Directive.
- (2) Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuers in relation to the Rated Notes and is not itself seeking admission of the Rated Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.
- (3) The creation and issue of the Notes has been authorised by a resolution of the board of directors of the Issuer dated 13 April 2011.
- (4) The Issuer is not involved in any governmental, legal, judicial or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the respective financial position or profitability of the Issuer, nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
- (5) Since the date of incorporation of the Issuer there has been (i) no significant change in the financial or trading position of the Issuer and (ii) no material adverse change in the financial position or prospects of the Issuer.
- (6) The Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created (except pursuant to the Deed of Charge) any mortgages, charges or given any guarantees.
- (7) Copies of the latest audited annual financial statement of the Issuer will be available free of charge at the Issuer's registered office and the specified office of the Principal Paying Agent during normal business hours for as long as any of the Notes are outstanding. The Issuer will not publish interim financial statements. Copies of the Prospectus and the following documents will be available for inspection in electronic form at the specified office of the Principal Paying Agent during normal business hours for as long as any of the Rated Notes are outstanding: (a) the memorandum and articles of association of the Issuer; and (b) the Trust Deed, the Paying Agency Agreement, the Corporate Services Agreement, the Servicing Agreement, the Account Bank Agreement and the Yield Reserve Account Bank Agreement.
- (8) The Issuer will make available further information in relation to each Loan, which will be accessible via the following website, on the terms set out thereon: <https://services.intralinks.com/login/> (access details available from [LBG\\_Gablefunding@lloydsbanking.com](mailto:LBG_Gablefunding@lloydsbanking.com)). For the avoidance of doubt, the contents of this website are for information purposes only and do not form part of this Prospectus.
- (9) The Issuer will provide post issuance transaction information in the form of Investor Reports produced by the Cash Manager on behalf of the Issuer. The Investor Reports will contain information as set out in the Cash Management Agreement, including but not limited to information relating to the Notes and the Trust Assets. The Investor Reports will be accessible via each of the following websites on the terms set out thereon: [www.sf.citidirect.com](http://www.sf.citidirect.com) and [http://www.lloydsbankinggroup.com/investors/debt\\_investors/securitisation\\_terms.asp](http://www.lloydsbankinggroup.com/investors/debt_investors/securitisation_terms.asp). For the avoidance of doubt, the contents of this website are for information purposes only and do not form part of this Prospectus.
- (10) The Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirement imposed under

Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Rated Notes to be admitted to listing and trading on its regulated market. The Listing Agent is acting solely in its capacity as listing agent for the Issuer in connection with the listing of the Rated Notes and is not itself seeking admission of the Rated Notes to the official list of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

- (11) Any website referred to in this document does not form part of the Prospectus.



## GLOSSARY OF DEFINED TERMS

<b>Acceleration Notice</b>	means a notice given by the Note Trustee to the Issuer pursuant to Condition 12 ( <i>Events of Default</i> ) that the Notes are due and payable.
<b>Account Bank</b>	means each of Lloyds and BoS in its capacity as account bank, together the “ <b>Account Banks</b> ”.
<b>Account Bank Agreement</b>	means the agreement so named dated the date of the Master Definitions Agreement between the Issuer and the Account Banks.
<b>Account Bank Termination Event</b>	has the meaning given to it in Clause 12.4 ( <i>Account Bank Termination Events</i> ) in the Account Bank Agreement.
<b>Accrued Interest</b>	means, in respect of a Loan, any interest or other amounts accrued but unpaid in respect of such Loan as at the Closing Date.
<b>Administrative Expenses Cap</b>	means £200,000 per annum.
<b>Affiliate</b>	means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.
<b>Agent Bank</b>	means Citibank, N.A., London Branch.
<b>Agents</b>	means the Paying Agents, Registrar, Transfer Agent, Replacement Agent and Agent Bank or any of them.
<b>Aggregate Principal Balance</b>	means, in respect of a Loan, as at any given date: (a) the aggregate of: (i) the original principal amount advanced to the relevant Borrower; and (ii) any other amount not included in (i) above which is due or has accrued (whether or not due) and which has not been paid by the relevant Borrower but which is owed by the Borrower under such Loan Agreement (other than accrued and unpaid interest),  as at the end of the relevant Business Day immediately preceding that given date; less (b) (i) any repayment or prepayment of any of the foregoing; and (ii) any Principal Write-off Amount(s),  in each case, made on or before the end of the Business Day immediately preceding that given date.

<b>Alternative Clearing System</b>	has the meaning given to it in Schedule 1 Part A ( <i>Form of Class A1a Global Certificate</i> ), Schedule 2 Part A ( <i>Form of Class A1b Global Certificate</i> ), Schedule 3 Part A ( <i>Form of Class A2a Global Certificate</i> ), Schedule 4 Part A ( <i>Form of Class A2b Global Certificate</i> ), Schedule 5 Part A ( <i>Form of Class A3a Global Certificate</i> ), Schedule 6 Part A ( <i>Form of Class A3b Global Certificate</i> ) and Schedule 7 Part A ( <i>Form of Class B Global Certificate</i> ) of the Trust Deed.
<b>Arranger</b>	means Lloyds in its capacity as arranger.
<b>Assets Trust</b>	means the Lloyds Assets Trust and the BoS Assets Trust.
<b>Assets Trustee</b>	means Lloyds as assets trustee or BoS as assets trustee under the Declaration of Trust, together the “ <b>Assets Trustees</b> ”.
<b>Asset Warranty</b>	means each of the asset warranties, as set out in Clause 9 ( <i>Representations and Warranties</i> ) and Appendix 2 ( <i>Originator Representations and Warranties</i> ) to the Declaration of Trust.
<b>Authorised Entity</b>	means an institution authorised to carry on banking business (including accepting deposits) under the FSMA.
<b>Authority Direct Agreements</b>	means each of the direct agreements entered into by or on behalf of the relevant Originator in relation to each Loan Agreement.
<b>Available Principal Funds</b>	means, in respect of an Interest Payment Date, the aggregate of: <ul style="list-style-type: none"> <li>(a) any Principal Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Principal Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;</li> <li>(b) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments (to the extent not relating to interest and income) invested in using funds withdrawn from a Principal Account during the immediately preceding Collection Period;</li> <li>(c) any Deemed Principal Receipts in respect of such Interest Payment Date;</li> <li>(d) an amount equal to the Permitted Principal General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date;</li> <li>(e) following the Issuer's entry into a Swap Replacement Transaction and the payment of any Swap Replacement Payment or Swap Settlement Payment, all amounts remaining in the Swap Termination Account transferred to the Principal Accounts; and</li> <li>(f) after the Issuer has made the payments required to be</li> </ul>

made by it out of the Note Proceeds Account on the Closing Date, all amounts remaining in the Note Proceeds Account transferred to the Principal Accounts.

**Available Revenue Funds**

means, in respect of an Interest Payment Date, the aggregate of:

- (a) any Revenue Receipts received by the Issuer during the immediately preceding Collection Period less any Mistaken Payments and any Reconciliation Amount in respect of Revenue Receipts transferred to the Collection Accounts in respect of the immediately preceding Collection Period;
- (b) any interest credited to any of the Interest Accounts, Principal Accounts, General Reserve Account, Yield Reserve Account and Note Proceeds Account during the immediately preceding Collection Period;
- (c) principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account during the immediately preceding Collection Period;
- (d) interest and income in respect of any Eligible Investments invested in using funds withdrawn from an Interest Account, a Principal Account and the General Reserve Account during the immediately preceding Collection Period;
- (e) any amount (other than any Swap Collateral) received by the Issuer from a Swap Counterparty on the relevant Interest Payment Date under the relevant Swap Agreement;
- (f) the applicable Permitted Revenue General Reserve Drawing from the General Reserve Account in respect of such Interest Payment Date; and
- (g) to the extent there are Available Revenue Funds under paragraphs (a) to (f) of this definition available for payments under paragraph 4.2.1(v) of the Pre-Enforcement Revenue Priority of Payments, the amount of the applicable Class A Permitted Yield Reserve Drawing in respect of such Interest Payment Date towards making payment under paragraph 4.2.1(v) of the Pre-Enforcement Revenue Priority of Payments only,

but, for the avoidance of any doubt, shall not include any amounts standing to the credit of the Issuer Profit Ledger.

**Bank of Scotland Group**

means Bank of Scotland plc together with its subsidiary undertakings from time to time.

<b>Basic Terms Modification</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Basis Swap Fixed Payments</b>	means the relevant payment by the Issuer to the relevant Swap Counterparty under the relevant Basis Swap Transaction on each Interest Payment Date and in respect of the relevant Collection Period, being the amount of interest actually received by the Issuer in respect of the relevant Non-Defaulted Loans and in respect of which there have been no missed interest payments during the immediately preceding Collection Period, unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period (which, for the avoidance of doubt, in respect of the first Interest Payment Date includes all amounts of Accrued Interest allocable to the Investor Interest).
<b>Basis Swap Floating Payments</b>	means an amount equal to the product of (i) the relevant Basis Swap Notional Amount, (ii) the sum of LIBOR and the Swap Floating Rate Margin and (iii) the Relevant Day-Count Fraction.
<b>Basis Swap Notional Amount</b>	means in relation to the relevant Basis Swap Transaction an amount equal to the sum of the Investor Interest in the Aggregate Principal Balances of Non-Defaulted Loans (in relation to the Lloyds Basis Swap Transaction, originally originated or acquired by Lloyds or, in relation to the BoS Basis Swap Transaction, originally originated or acquired by BoS) in respect of which there have been no missed interest payments unless such have been remedied or waived or otherwise cured on each day of the relevant Interest Period (save that for each day of the Flatline Period the Aggregate Principal Balances of shall be deemed to remain constant at the amount thereof on the relevant Flatline Date), divided by the number of days in such Interest Period.
<b>Basis Swap Transactions</b>	means the Lloyds Basis Swap Transaction and the BoS Basis Swap Transaction.
<b>Beneficiaries Amount</b>	has the meaning given to it in the Servicing Agreement.
<b>Beneficiary</b>	means, in respect of the Lloyds Assets Trust and the BoS Assets Trust, the Issuer Beneficiary or the relevant Originator Beneficiary, together the “ <b>relevant Beneficiaries</b> ”; or in respect of all trusts under the Assets Trust, the “ <b>Beneficiaries</b> ”.
<b>Borrower(s)</b>	means the borrower(s) and, where applicable, any other obligor(s) under the Loan Agreement(s) and Related Security Document(s).

<b>BoS</b>	means Bank of Scotland plc, a company incorporated in Scotland with limited liability (registered number SC327000) having its registered office at The Mound, Edinburgh, EH1 1YZ.
<b>BoS Assets Trust</b>	means the trusts constituted by BoS as Originator over the BoS Trust Assets in accordance with the Declaration of Trust.
<b>BoS Basis Swap Transaction</b>	means the basis swap transaction under the BoS Swap Agreement.
<b>BoS Loans</b>	means the Loans in relation to which BoS is the Originator, as set out in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust.
<b>BoS Originator Interest</b>	means, in respect of the BoS Trust Assets relating to a relevant Loan and its Related Security, the relevant percentage of undivided beneficial interest of BoS as Originator Beneficiary therein, as set out in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust, as adjusted pursuant to Clause 7.7.3 of the Declaration of Trust.
<b>BoS Swap Agreement</b>	means the 1992 ISDA Master Agreement, schedule, confirmation (in respect of the BoS Basis Swap Transaction) and the relevant Swap Credit Support Annex dated the date of the Master Definitions Agreement between the Issuer and BoS as Swap Counterparty.
<b>BoS Trust Assets</b>	means the Trust Assets legally and beneficially owned by BoS as Originator immediately prior to the Declaration of Trust coming into effect.
<b>Business Day</b>	means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business in London.
<b>Calculation Amount</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Calculation Date</b>	means the date falling five (5) Business Days prior to each Interest Payment Date.
<b>Cash Management Agreement</b>	means the agreement so named dated the date of the Master Definitions Agreement between, among others, the Issuer and the Cash Manager.
<b>Cash Management Services</b>	means the obligations of the Cash Manager set out in Schedule 1 ( <i>Cash Management Services</i> ) to the Cash Management Agreement.
<b>Cash Manager</b>	means Lloyds or any successor thereto.
<b>Cash Manager Termination Event</b>	has the meaning given to it in Clause 13.4 ( <i>Cash Manager Termination Events</i> ) in the Cash Management Agreement.
<b>Certificate</b>	means a certificate representing one or more Notes and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Notes and, save in the case of Global Certificates, being substantially in the form set out in Schedule

1 Part B (*Form of Class A1a Certificate*), Schedule 2 Part B (*Form of Class A1b Certificate*), Schedule 3 Part B (*Form of Class A2a Certificate*), Schedule 4 Part B (*Form of Class A2b Certificate*), Schedule 5 Part B (*Form of Class A3a Certificate*), Schedule 6 Part B (*Form of Class A3b Certificate*), Schedule 7 Part B (*Form of Class B Certificate*) and Schedule 8 (*Form of Class S Certificate*) to the Trust Deed.

<b>Class</b>	has the meaning given to it in the recital to the Conditions.
<b>Class A Notes</b>	means the Class A1 Notes, Class A2 Notes and Class A3 Notes together.
<b>Class A1 Notes</b>	means the Class A1a Notes and Class A1b Notes.
<b>Class A1a Notes</b>	means the £200,000,000 Class A1a Secured Floating Rate Notes due 2041.
<b>Class A1b Notes</b>	means the £200,000,000 Class A1b Secured Floating Rate Notes due 2041.
<b>Class A2 Liquidated Damages Amount</b>	has the meaning given to it in Clause 4.2 of the Conditional Note Purchase Deed.
<b>Class A2 Loss Calculation Date</b>	means the day that is three Business Days after and including the Put Option Date.
<b>Class A2 Notes</b>	means the Class A2a Notes and Class A2b Notes.
<b>Class A2a Notes</b>	means the £225,000,000 Class A2a Secured Floating Rate Puttable Notes due 2041.
<b>Class A2b Notes</b>	means the £225,000,000 Class A2b Secured Floating Rate Puttable Notes due 2041.
<b>Class A2 Notice to Purchase</b>	has the meaning given to it in Condition 8(c) ( <i>Class A2 Notice to Purchase</i> ).
<b>Class A2 Principal Deficiency Losses</b>	means the outstanding debit entry on the Class A Principal Deficiency Ledger, attributable to the Class A2 Notes (calculated on a <i>pro rata</i> and <i>pari passu</i> basis with the other Classes of Class A Notes) on the Class A2 Loss Calculation Date
<b>Class A2 Purchase Commitment</b>	has the meaning given in Clause 2.1.1 of the Conditional Note Purchase Deed.
<b>Class A2 Transfer Date</b>	means the later of the Scheduled Class A2 Transfer Date and the Deferred Class A2 Transfer Date.
<b>Class A2 Transfer Instruction</b>	means, in relation to Condition 8(d) ( <i>Class A2 Noteholder Put</i> ), the electronic transfer and blocking instruction to be delivered by the Class A2 Noteholders to Euroclear and Clearstream, Luxembourg, in accordance with such clearing systems' usual procedures.
<b>Class A3 Notes</b>	means the Class A3a Notes and Class A3b Notes.
<b>Class A3a Notes</b>	means the £150,000,000 Class A3a Secured Floating Rate Notes due 2041.

**Class A3b Notes**

means the £150,000,000 Class A3b Secured Floating Rate Notes due 2041.

**Class A Permitted Yield Reserve Drawing**

means, in respect of an Interest Payment Date up to (and including) the Yield Reserve Release Date:

- (a) If B is greater than or equal to A, the Class A Yield Reserve Amount; or
- (b) If A is greater than B, an amount equal to:

$$(B / A) \times C$$

where:

**A** = the aggregate interest payable on the Class A Notes less the Class A Yield Reserve Amount, in each case with respect to such Interest Payment Date;

**B** = the Available Revenue Funds (excluding, for the avoidance of doubt, any Class A Permitted Yield Reserve Drawing) available for the payment of the aggregate interest on the Class A Notes in accordance with paragraph 4.2.1(v) of the Pre-Enforcement Revenue Priority of Payments in respect of such Interest Payment Date; and

**C** = the Class A Yield Reserve Amount in respect of such Interest Payment Date.

From (but excluding) the Yield Reserve Release Date, the Class A Permitted Yield Reserve Drawing shall be deemed to be zero.

**Class A Principal Deficiency Ledger**

has the meaning given to it in paragraph 3.1 (*Principal Deficiency Ledgers*) in Schedule 1 (*Cash Management Services*) of the Cash Management Agreement.

**Class A Trigger Event**

shall occur in respect of an Interest Payment Date if, immediately after the distribution of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date, there would be any outstanding debit balance on the Class A Principal Deficiency Ledger which relates to Principal Losses recorded as debit entries on the Class A Principal Deficiency Ledger prior to (and including) the last day of the immediately preceding Collection Period.

**Class A Yield Reserve Amount**

means, in respect of an Interest Payment Date (for the avoidance of doubt, prior to any redemption of any Notes on such Interest Payment Date), a positive amount equal to:

$$(((B - A) \times C) + ((D - A) \times E)) \times \text{Relevant Day-Count Fraction}$$

where:

**A** = the Swap Floating Rate Margin to be received by the

Issuer under the Basis Swap Transactions;

**B** = the Relevant Margin on the Class A1 Notes;

**C** = the aggregate Principal Amount Outstanding of the Class A1 Notes;

**D** = the Relevant Margin on the Class A2 Notes; and

**E** = the aggregate Principal Amount Outstanding of the Class A2 Notes.

<b>Class B Notes</b>	means the £170,000,000 Class B Secured Deferrable Floating Rate Notes due 2041.
<b>Class B Principal Deficiency Ledger</b>	has the meaning given to it in paragraph 3.1 ( <i>Principal Deficiency Ledgers</i> ) in Schedule 1 ( <i>Cash Management Services</i> ) of the Cash Management Agreement.
<b>Class S Certificate</b>	means the individual Certificate in relation to the Class S Notes substantially in the form of Schedule 8 ( <i>Form of Class S Certificate</i> ) of the Trust Deed.
<b>Class S Notes</b>	means the £274,000,000 Class S Secured Variable Rate Notes due 2041.
<b>Clearstream, Luxembourg</b>	means Clearstream Banking, <i>société anonyme</i> .
<b>Closing Date</b>	means the date on or about 20 April 2011.
<b>Closing Date Adjustment Amount</b>	has the meaning given to it in the Cash Management Agreement.
<b>Closing Solvency Certificate</b>	means a solvency certificate of the relevant Originator in the form set out in Schedule 4 Part A ( <i>Closing Solvency Certificate</i> ) or Schedule 4 Part B ( <i>Closing Solvency Certificate</i> ) (as applicable) in the Declaration of Trust.
<b>Collected Proceeds</b>	means, to the extent relating to the Loans and their Related Security, all of the relevant Originator's right, title, interest and benefit (present and future) in and to: <ul style="list-style-type: none"><li>(a) all payments and transfers received by the relevant Originator from the Borrower(s) under the Loan Agreements and the Related Security Documents after the Cut-off Date, including but not limited to:<ul style="list-style-type: none"><li>(i) all amounts of principal and interest (accrued from and including the Cut-off Date);</li><li>(ii) all arrears in respect of such Loans after the Cut-off Date; and</li><li>(iii) all income deriving from (i) and (ii) above;</li></ul></li><li>(b) all property representing such payments and transfers;</li><li>(c) all proceeds from the enforcement of the Loans and their Related Security;</li><li>(d) any amounts representing the above which are received</li></ul>



from other creditors in respect of such Loans pursuant to any applicable turnover or similar provisions in the relevant Loan Agreement or Related Security Documents; and

- (e) the proceeds of sale of any Defaulted Loans and their Related Security in accordance with the Servicing Agreement,

(in each case, whether on deposit in the Collection Accounts, or otherwise).

**Collection Account Bank**

means each of Lloyds and BoS or any successor collection account bank (together, the “**Collection Account Banks**”).

**Collection Account Bank Requisite Rating**

means in respect of any person,

- (a) (i) such person’s long-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least BBB by S&P and such person’s short-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least A-2 by S&P or (ii), where no such short-term rating has been assigned by S&P, such person’s long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least BBB+ by S&P; and
- (b) such person has been assigned a short-term issuer default rating of at least F1 by Fitch and, if such person has been assigned a long-term issuer default rating by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level); or
- (c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.

**Collection Accounts**

means the account or accounts operated by each Collection Account Bank into which amounts received by each Originator as Servicer, respectively from the Borrowers in relation to the Loans, are deposited.

**Collection Period**

means:

- (a) in respect of the first Collection Period, the period from (and including) the Closing Date to and including 31 May 2011; and
- (b) thereafter, each period from:
  - (i) 1 June in each year to 31 August each year;
  - (ii) 1 September in each year to 30 November each

year;

(iii) 1 December in each year to 28 February the following year; or

(iv) 1 March in each year to 31 May each year,

as applicable.

<b>Common Related Security</b>	means security and other rights and benefits created or documented under the Related Security Documents which also secure or support indebtedness of the relevant Borrower owed to the relevant Originator (otherwise than as trustee or agent), other than the indebtedness in respect of a Loan.
<b>Common Depository</b>	means a bank depository common to Euroclear and Clearstream, Luxembourg.
<b>Conditional Note Purchase Deed</b>	means the deed so named dated the date of the Master Definitions Agreement between, among others, the Issuer and the Put Option Purchaser.
<b>Conditions</b>	means the terms and conditions set out in Schedule 9 ( <i>Terms and Conditions of the Notes</i> ) of the Trust Deed as from time to time modified in accordance with the Trust Deed.
<b>Contractual Currency</b>	means, in relation to any payment obligation arising under any transaction, the currency in which that payment obligation is expressed and, in relation to Clause 19 ( <i>Remuneration and Indemnification of the Security Trustee</i> ) of the Deed Charge, pounds sterling or such other currency as may be agreed between the Issuer and the Security Trustee from time to time.
<b>Corporate Services Agreement</b>	means the agreement so named dated the date of the Master Definitions Agreement between the Issuer and the Corporate Services Provider.
<b>Corporate Services Provider</b>	means Structured Finance Management Limited.
<b>Creditor Direction</b>	means, when there are no Notes outstanding and sums are due to a Secured Creditor, a direction in writing by any such Secured Creditor.
<b>Criteria Affected Swap Agreement</b>	has the meaning given to it in the Trust Deed.
<b>Criteria Amended Swap Agreement</b>	has the meaning given to it in the Trust Deed.
<b>Cut-off Date</b>	means 10 January 2011.
<b>Declaration of Trust</b>	means the deed dated the date of the Master Definitions Agreement under which the Originators declared the Assets Trust as amended or supplemented from time to time.
<b>Deed of Charge</b>	means the deed so named dated the date of the Master Definitions Agreement between, among others, the Issuer and the Security Trustee.
<b>Deemed Principal Receipts</b>	means, in relation to an Interest Payment Date, any amounts to be credited to the Principal Deficiency Ledgers by the Cash

Manager on such date pursuant to paragraph 4.2.1(vi) or (viii) of the Pre-Enforcement Revenue Priority of Payments.

**Defaulted Loan**

means any Loan, in relation to which the relevant Servicer notifies the relevant Beneficiaries and the Cash Manager, that there has occurred an event or circumstance which constitutes an event of default in relation to the Loan in accordance with the terms of the related Loan Agreement and in respect of which the agent (or similar) for the lenders in relation to that Loan has formally notified the relevant Borrower in accordance with the Loan Agreement that all or any part of the Loan is immediately due and payable or payable on demand.

**Deferred Class A2 Transfer Date**

has the meaning given to it in Condition 8(g) (*Individual Certificates/Cessation of Clearing Systems Settlement Mechanics*).

**EEA Regulated Market**

means a market which complies with the requirements set out in Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

**Eligible Investments**

means (i) sterling-denominated government securities paying a fixed rate of interest or (ii) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) for the relevant time period at that time provided that in all cases (in each case, as applicable):

- (a) the relevant investment has been assigned (i) at least A-1+ by S&P, and (ii) a short-term rating of at least F1+ by Fitch and, if the relevant investment has been assigned a long-term rating by Fitch, a long-term rating of at least AA- by Fitch, or (iii) such other ratings that are consistent with the published criteria of the relevant Rating Agency;
- (b) (i) the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity (if available) or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) is rated at least A-1+ by S&P and (ii) the short-term issuer default rating of the issuing or guaranteeing entity (if available) or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) is rated at least F1+ by Fitch (and, if the issuing or guaranteeing entity has been assigned a long-term issuer default rating by Fitch, a long-term issuer default rating of AA- by Fitch), or (iii) such other ratings that are consistent with the published criteria of the relevant Rating Agency;
- (c) such investment (i) has a maturity date of 60 days or less or (ii) has a maturity longer than 60 days (but no longer than 365 days) if such investment can be broken or

demanded by the Issuer (at no cost to the Issuer) within 60 days of its downgrade below the ratings referred to in paragraph (a) or (b) above;

- (d) such investment is due to mature, or may be broken or demanded by the Issuer (at no cost to the Issuer), prior to the last day of the Collection Period in which it was made; and
- (e) no investments will be acquired if they would be subject to withholding or deduction for or on account of any tax whilst held in the name of the Issuer.

For the purposes of this definition, where a person's long-term issuer default rating or a security rating has been put on "Rating Watch Negative" by Fitch, the applicable long-term issuer default rating or security rating is deemed to be one notch lower than its actual level.

<b>Eligibility Criteria</b>	means the criteria as set out in Appendix 1 ( <i>Eligibility Criteria</i> ) to the Declaration of Trust.
<b>Enforcement Event</b>	means (i) while any Note remains outstanding, the occurrence of an Event of Default and (ii) if there are no Notes outstanding, a default in payment of any other Secured Liability on its due date.
<b>Enforcement Notice</b>	means the notice given in writing by the Security Trustee promptly upon any enforcement of the Security to the Issuer of such enforcement.
<b>EU Insolvency Regulation</b>	means Council Regulation (EC) No. 1346/2000 of 29 May 2000.
<b>Euroclear</b>	means Euroclear Bank S.A./N.V.
<b>Event of Default</b>	has the meaning given to it in Condition 12 ( <i>Events of Default</i> ).
<b>Excess Swap Collateral</b>	means any amount of cash or securities required to be transferred to a Swap Counterparty in accordance with the relevant Swap Credit Support Annex.
<b>Extraordinary Resolution</b>	means a resolution passed at a meeting duly convened and held in accordance with this Trust Deed by a majority of at least 66 $\frac{2}{3}$ per cent. of the votes cast.
<b>Final Maturity Date</b>	means the Interest Payment Date falling in March 2041 or such earlier date on which the Notes are repaid in full.
<b>Fitch</b>	means Fitch Ratings Limited or any successor thereof.
<b>Flatline Date</b>	means the day that is eight (8) Business Days prior to the last day of the relevant Interest Period.
<b>Flatline Period</b>	means the period from (and including) the Flatline Date to (but excluding the last day of the relevant Interest Period.
<b>Floating Charge</b>	means the floating charge created by Clause 3.6 ( <i>Floating Charge</i> ) of the Deed of Charge.

<b>FSA</b>	means the Financial Services Authority.
<b>FSMA</b>	means the Financial Services and Markets Act 2000.
<b>General Reserve</b>	has the meaning given to it in the section entitled “ <i>Key Structural Features</i> ” in the Prospectus.
<b>General Reserve Account</b>	means the account of such name in the name of the Issuer held at Lloyds as Account Bank, or such account held with such Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at such Account Bank as may be designated as such by the Issuer and the Security Trustee.
<b>General Reserve Account Mandate</b>	means the bank account mandate relating to the operation of the General Reserve Account and substantially in the form set out in Schedule 4 ( <i>Form of General Reserve Account Mandate</i> ) of the Account Bank Agreement.
<b>General Reserve Amount</b>	means £70,000,000.
<b>General Reserve Required Amount</b>	means an amount equal to £70,000,000.
<b>Global Certificate</b>	means a Certificate substantially in the form set out in Schedule 1 Part A ( <i>Form of Class A1a Global Certificate</i> ), Schedule 2 Part A ( <i>Form of Class A1b Global Certificate</i> ), Schedule 3 Part A ( <i>Form of Class A2a Global Certificate</i> ), Schedule 4 Part A ( <i>Form of Class A2b Global Certificate</i> ), Schedule 5 Part A ( <i>Form of Class A3a Global Certificate</i> ), Schedule 6 Part A ( <i>Form of Class A3b Global Certificate</i> ) and Schedule 7 Part A ( <i>Form of Class B Global Certificate</i> ) of the Trust Deed representing Notes that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg and/or any other clearing system.
<b>Holding Company</b>	means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.
<b>Holdco</b>	means Gable Holdco Limited.
<b>Independent Director</b>	means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Originator or any of its Affiliates (excluding <i>de minimis</i> ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Originator or its Affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) the Originator or its Affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the Issuer or its Affiliates.
<b>Initial Swap Counterparty Payment</b>	means each amount payable by a Swap Counterparty under a Basis Swap Transaction on the Closing Date in an amount equal to the relevant proportion (as described therein) of the

Accrued Interest allocable to the Investor Interest in respect of the BoS Loans or Lloyds Loans (as relevant) as at the Closing Date.

**Insolvency Act**

means the Insolvency Act 1986.

**Insolvency Event**

in respect of a company means:

- (i) a director of such company admits in writing such company's inability to pay its debts as they fall due or such company suspends making payments on any of its debts;
- (ii) unless such company has received a Rating Agency Confirmation in relation to such action, a moratorium is declared in respect of any indebtedness of such company or any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of such company;
  - (b) a composition, compromise, assignment, assignation or arrangement with any creditor of such company; or
  - (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of such company or substantially all of its assets,

and (i) such corporate action, legal proceedings or other procedure or step is not frivolous or vexatious and (ii) the relevant proceeding continues to be undismissed or unstayed sixty (60) days after the commencement of such proceeding.

**Intercreditor Agreements**

means each of the intercreditor agreements or security trust and intercreditor deeds entered into by or on behalf of the relevant Originator in relation to each Loan Agreement.

**Interest Account**

means each account of such name in the name of the Issuer held at the relevant Account Bank, or such account held with the relevant Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at the relevant Account Bank as may be designated as such by the Issuer and the Security Trustee, together the "**Interest Accounts**".

**Interest Account Mandate**

means each bank account mandate relating to the operation of the relevant Interest Account and substantially in the form set

	out in Schedule 1 ( <i>Form of Interest Account Mandate</i> ) of the Account Bank Agreement, together the “ <b>Interest Account Mandates</b> ”.
<b>Interest Determination Date</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Interest Payment Date</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Interest Period</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Investor Interest</b>	means, in respect of the Trust Assets relating to each Loan and its Related Security, the relevant percentage of undivided beneficial interest of the Issuer Beneficiary therein, as set out in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust, as adjusted pursuant to Clause 7.7.3 of the Declaration of Trust.
<b>Investor Report</b>	means a report prepared by the Cash Manager pursuant to paragraph 2.1 ( <i>Investor Reports</i> ) of Schedule 1 ( <i>Cash Management Services</i> ), substantially in the form set out in Schedule 2 ( <i>Form of Investor Report</i> ) of the Cash Management Agreement.
<b>Issuer</b>	means Gable Funding plc.
<b>Issuer Accounts</b>	means the Interest Accounts, Principal Accounts, General Reserve Account, Yield Reserve Account, Note Proceeds Account, Swap Collateral Account and Swap Termination Account.
<b>Issuer Beneficiary</b>	means Gable Funding plc.
<b>Issuer Profit Amount</b>	means £4,000 per annum.
<b>Issuer Profit Ledger</b>	has the meaning given to it in the Cash Management Agreement.
<b>Issuer Trust Consideration</b>	means the aggregate sum of the Investor Interest in the Aggregate Principal Balance of all Loans on the Closing Date (expressed as an amount in Sterling), plus the Investor Interest in all Accrued Interest (the latter being paid by the relevant Swap Counterparty on the Closing Date).
<b>Lead Manager</b>	means Lloyds.
<b>Legal Opinions</b>	means: <ul style="list-style-type: none"> <li>(a) the transaction legal opinion of Linklaters LLP dated on or about the date of the Master Definitions Agreement;</li> <li>(b) the capacity and authority legal opinion of Linklaters LLP dated on or about the date of the Master Definitions Agreement;</li> <li>(c) the tax opinion of Linklaters LLP dated on or about the date of the Master Definitions Agreement; and</li> <li>(d) the capacity, authority and transaction legal opinion of Dundas &amp; Wilson CS LLP dated on or about the date of the Master Definitions Agreement.</li> </ul>
<b>Liquidation Event</b>	has the meaning given to it in Clause 10.3 ( <i>Operations in the</i>

	<i>Ordinary Course of Business</i> ) of the Declaration of Trust.
<b>Lloyds or LTSB</b>	means Lloyds TSB Bank plc, a company incorporated in England and Wales with limited liability (registered number 00002065) with its registered office at 25 Gresham Street, London EC2V 7HN.
<b>Lloyds Assets Trust</b>	means the trusts constituted by Lloyds as Originator over the Lloyds Trust Assets in accordance with the Declaration of Trust.
<b>Lloyds Banking Group</b>	means Lloyds Banking Group plc together with its subsidiary undertakings from time to time.
<b>Lloyds Basis Swap Transaction</b>	means the basis swap transaction under the Lloyds Swap Agreement.
<b>Lloyds Loans or LTSB Loans</b>	means the Loans in relation to which Lloyds is the Originator, as set out in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust.
<b>Lloyds Originator Interest</b>	means, in respect of the Lloyds Trust Assets relating to a relevant Loan and its Related Security, the relevant percentage of undivided beneficial interest of Lloyds as Originator Beneficiary therein, as set out in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust, as adjusted pursuant to Clause 7.7.3 of the Declaration of Trust.
<b>Lloyds Swap Agreement</b>	means the 1992 ISDA Master Agreement, schedule, confirmation (in respect of the Lloyds Basis Swap Transaction) and the relevant Swap Credit Support Annex dated the date of the Master Definitions Agreement between the Issuer and Lloyds as Swap Counterparty.
<b>Lloyds Trust Assets</b>	means the Trust Assets legally and beneficially owned by Lloyds as Originator immediately prior to the Declaration of Trust coming into effect.
<b>Loan or Loans</b>	means the loan or loans, advanced (or acquired) by the relevant Originator(s) under a specific tranche (if applicable) of a specific facility under a Loan Agreement prior to the Cut-off Date, subject to the Assets Trust, as identified in Appendix 3 ( <i>The Loan Pool</i> ) to the Declaration of Trust.
<b>Loan Agreement</b>	means each loan or facility agreement entered into by the relevant Originator or to which the relevant Originator has become a party, relating to a Loan and, together, the “ <b>Loan Agreements</b> ”.
<b>Loan Services</b>	means the obligations of the Servicers set out in Schedule 1 ( <i>Loan Services</i> ) to the Servicing Agreement.
<b>Long Stop Date</b>	has the meaning given to it in Clause 18 ( <i>Termination</i> ) in the Declaration of Trust.
<b>LPA</b>	means the Law of Property Act 1925.
<b>Mandates</b>	means the Interest Account Mandates, Principal Account



	Mandates, General Reserve Account Mandate, Yield Reserve Account Mandate, Note Proceeds Account Mandate, Swap Collateral Account Mandate and Swap Termination Account Mandate.
<b>Market</b>	means the EEA Regulated Market of the Stock Exchange.
<b>Master Definitions Agreement</b>	means the agreement so named dated the Closing Date between all the parties to the Transaction Documents.
<b>Memorandum of Release</b>	means a document, substantially in the form set out in Schedule 5 ( <i>Form of Memorandum of Release</i> ) to the Declaration of Trust.
<b>Minimum Originator Interest</b>	means, in respect of the Trust Assets relating to a relevant Loan and its Related Security as at any date, 1 per cent. fixed undivided beneficial interest of the Originator Beneficiary.
<b>Mistaken Payment</b>	means any amount paid to the Issuer by or on behalf of the Originator or a Servicer in error.
<b>Most Senior Class</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Multi-Advance Borrower</b>	means a Borrower of multiple loans or facilities under the same Loan Agreement relating to a Loan.
<b>NAB</b>	means National Australia Bank Limited, a public limited company incorporated in the Commonwealth of Australia (Australian Business Number 12 004 044 937), acting through its office at 88 Wood Street, London EC2V 7QQ.
<b>New Rating Criteria</b>	has the meaning given to it in the Trust Deed.
<b>Non-Defaulted Loan</b>	means each Loan which is not a Defaulted Loan, together the “ <b>Non-Defaulted Loans</b> ”.
<b>Noteholder</b>	has the meaning given to it in the Conditions.
<b>Note Principal Payment</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> );
<b>Note Proceeds Account</b>	means the account of such name in the name of the Issuer held at Lloyds as Account Bank, or such account held with such Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at such Account Bank as may be designated as such by the Issuer and the Security Trustee.
<b>Note Proceeds Account Mandate</b>	means the bank account mandate relating to the operation of the Note Proceeds Account and substantially in the form set out in Schedule 5 ( <i>Form of Note Proceeds Account Mandate</i> ) of the Account Bank Agreement.
<b>Note Trustee</b>	means Citibank, N.A., London Branch in its capacity as trustee under the Trust Deed.
<b>Notes</b>	means the Class A Notes, the Class B Notes and the Class S Notes.
<b>Originator Amount</b>	means an amount equal to the Relevant Amount less the

	Beneficiaries Amount.
<b>Originator/Assets Trustee Powers of Attorney</b>	means the powers of attorney granted by the Originators in the form as set out in Schedule 2 ( <i>Form of Originator/Asset Trustee Power of Attorney</i> ) to the Declaration of Trust, each an “ <b>Originator/Assets Trustee Power of Attorney</b> ”.
<b>Originator Beneficiary</b>	means each of the Originators in its capacity as beneficiary of the relevant trust under the Assets Trust, together the “ <b>Originator Beneficiaries</b> ”.
<b>Originator Interests</b>	means the Lloyds Originator Interest and the BoS Originator Interest, each an “ <b>Originator Interest</b> ”.
<b>Originator Trust Consideration</b>	means the aggregate sum of the relevant Originator Interest in the Aggregate Principal Balance of, in relation to Lloyds as Originator and Originator Beneficiary, all Lloyds Loans plus the relevant Originator Interest in all Accrued Interest thereon and, in relation to BoS as Originator and Originator Beneficiary, all BoS Loans plus the relevant Originator Interest in all Accrued Interest thereon, in each case on the Closing Date.
<b>Originators</b>	means Lloyds and BoS, each in its capacity as originator.
<b>outstanding</b>	means, in relation to the Notes, all the Notes issued except (a) those which have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption in full has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under the Conditions after such date) have been duly paid to the Note Trustee or to the Principal Paying Agent as provided in Clause 2 ( <i>Amount of the Notes and Covenant to Pay</i> ) of the Trust Deed and remain available for payment against presentation and surrender of Notes, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes, (e) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, and (f) the Global Certificate to the extent that it shall have been exchanged for definitive Notes pursuant to its provisions provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Noteholders, (2) the determination of how many Notes are outstanding for the purposes of Conditions 10 and 13 and Schedule 9 ( <i>Terms and Conditions of the Notes</i> ) of the Trust Deed and (3) the exercise of any discretion, power or authority whether contained in the Trust Deed or provided by law, which the Trustee is required, expressly or impliedly, to

	exercise in or by reference to the interests of the Noteholders, those Notes which are beneficially held by or on behalf of the Issuer or any of its Subsidiaries and not cancelled shall (unless no longer so held) be deemed not to remain outstanding.
<b>Party</b>	means, when used in an agreement, deed or other document, a party to that agreement, deed or other document.
<b>Paying Agency Agreement</b>	means the agreement so named dated the date of the Master Definitions Agreement between the Issuer, the Note Trustee and the Agents.
<b>Paying Agents</b>	means the Principal Paying Agent and any additional Paying Agent appointed pursuant to the Paying Agency Agreement or any of them in each case at their respective specified offices.
<b>Permitted Revenue General Reserve Drawing</b>	means, in respect of an Interest Payment Date: <ul style="list-style-type: none"> <li>(a) prior to the Rated Notes being repaid in full, the lesser of <ul style="list-style-type: none"> <li>(i) the amount required to satisfy the payments under paragraphs 4.2.1(i) to (viii) (inclusive) of the Pre-Enforcement Revenue Priority of Payments in full, and (ii) the amount standing to the credit of the General Reserve Account; and</li> </ul> </li> <li>(b) after the Rated Notes have been repaid in full, the lesser of <ul style="list-style-type: none"> <li>(i) the amount required to satisfy the payments under paragraphs 4.2.1(x) and (xi) of the Pre-Enforcement Revenue Priority of Payments in full, and (ii) the amount standing to the credit of the General Reserve Account.</li> </ul> </li> </ul>
<b>Permitted Principal General Reserve Drawing</b>	means, in respect of an Interest Payment Date after the Rated Notes have been repaid in full and after payment or satisfaction of all amounts due under paragraphs 4.2.1(i) to (xi) of the Pre-Enforcement Revenue Priority of Payments, the amount standing to the credit of the General Reserve Account.
<b>Permitted Restructuring</b>	has the meaning given to it in the Servicing Agreement.
<b>Permitted Variation</b>	has the meaning given to it in the Servicing Agreement.
<b>Portfolio</b>	means the Loans and their Related Security.
<b>Post-Enforcement Priority of Payments</b>	has the meaning given to it in Clause 6.2 ( <i>Post-Enforcement Priority of Payments</i> ) of the Deed of Charge.
<b>Potential Event of Default</b>	means an event or circumstance which could, with the giving of notice, the passage of time, the issue of a certificate or the fulfilment of any other requirement provided for in Condition 12 ( <i>Events of Default</i> ), become an Event of Default.
<b>Power of Attorney Event</b>	means, in respect of an Originator/Assets Trustee: <ul style="list-style-type: none"> <li>(a) a director of the relevant Originator/Assets Trustee admits in writing such Originator/Assets Trustee's inability to pay its debts as they fall due or such Originator/Assets Trustee suspends making payments on any of its debts; or</li> <li>(b) unless such Originator/Assets Trustee has received a</li> </ul>

Rating Agency Confirmation in relation to such action, a moratorium is declared in respect of any indebtedness of the relevant Originator/Assets Trustee or any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the relevant Originator/Assets Trustee;
- (ii) a composition, compromise, assignment, assignation or arrangement with any creditor of the relevant Originator/Assets Trustee; or
- (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the relevant Originator/Assets Trustee or substantially all of its assets,

and (i) such corporate action, legal proceedings or other procedure or step is not frivolous or vexatious and (ii) the relevant proceeding continues to be undismissed or unstayed sixty (60) days after the commencement of such proceeding.

**Pre-Enforcement Principal Priority of Payments**

has the meaning given to it in paragraph 4.2.2 (*Pre-Enforcement Principal Priority of Payments*) of Schedule 1 (*Cash Management Services*) to the Cash Management Agreement.

**Pre-Enforcement Revenue Priority of Payments**

has the meaning given to it in paragraph 4.2.1 (*Pre-Enforcement Revenue Priority of Payments*) of Schedule 1 (*Cash Management Services*) to the Cash Management Agreement.

**Principal Account**

means each account of such name in the name of the Issuer held at the relevant Account Bank, or such account held with the relevant Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at the relevant Account Bank as may be designated as such by the Issuer and the Security Trustee, together the “**Principal Accounts**”.

**Principal Account Mandate**

means each bank account mandate relating to the operation of the relevant Principal Account and substantially in the form set out in Schedule 2 (*Form of Principal Account Mandate*) to the Account Bank Agreement, together the “**Principal Account Mandates**”.

<b>Principal Amount Outstanding</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Principal Deficiency Ledgers</b>	means the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger.
<b>Principal Factor</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Principal Losses</b>	means: <ul style="list-style-type: none"> <li>(a) the Investor Interest in the Aggregate Principal Balance of any Loan which has become a Defaulted Loan (taken as of the date on which such Loan becomes a Defaulted Loan); or</li> <li>(b) the Investor Interest in any Principal Write-off Amount, in each case, which has not yet been recorded as a Principal Loss. There shall be no double-counting between (a) and (b).</li> </ul>
<b>Principal Paying Agent</b>	means Citibank, N.A., London Branch.
<b>Principal Receipts</b>	means amounts received by the Issuer representing: <ul style="list-style-type: none"> <li>(a) the Investor Interest in all principal payments, repayments and recoveries under the Loans (including capitalised interest and arrears) (and amounts otherwise received in connection with or proceeds of sale of a Loan to the extent such amounts relate to principal amounts), excluding amounts recovered in respect of a Defaulted Loan and its Related Security or from the proceeds of any enforcement action taken in connection with a Defaulted Loan or its Related Security;</li> <li>(b) all proceeds of the re-acquisition of the Investor Interest in any Loan and its Related Security by an Originator from the Issuer pursuant to the Declaration of Trust to the extent such proceeds are attributable to sums of the type referred to in paragraph (a) above (but excluding any proceeds under paragraph (e) of the definition of Revenue Receipts);</li> <li>(c) any Reconciliation Amount in respect of Principal Receipts paid to the Issuer;</li> <li>(d) any Closing Date Adjustment Amount; and</li> <li>(e) the Yield Reserve Release Amount after having been credited to the Principal Accounts for application under the Pre-Enforcement Principal Priority of Payments on the Interest Payment Date immediately following the Yield Reserve Release Date.</li> </ul>
<b>Principal Write-off Amount</b>	means any reduction in the principal amount outstanding of a Loan resulting from any Permitted Restructuring or other restructuring of a Loan (whether or not implemented with the agreement of the relevant Servicer), and otherwise than through any repayment or prepayment.
<b>Priority of Payments</b>	means each of the Pre-Enforcement Revenue Priority of

	Payments, Pre-Enforcement Principal Priority of Payments and Post-Enforcement Priority of Payments, together the “ <b>Priorities of Payments</b> ”.
<b>Prospectus</b>	means the prospectus of the Issuer dated 15 April 2011 for use in connection with the issue of the Notes.
<b>Prudent Lender</b>	means a lending bank with the highest credit standing with its principal place of business in the United Kingdom carrying on a commercial lending business in the United Kingdom and following policies and procedures in connection with the origination, servicing and enforcement of commercial loans that are consistent with those of a prudent lender in similar circumstances.
<b>Put Option Accrued Interest Payment</b>	means interest accrued on the Relevant Class A2 Notes from and including the Put Option Date (after taking into account any principal repayments on the Class A2 Notes made by the Issuer on or after the Put Option Date) to but excluding the Class A2 Transfer Date calculated at the Rate of Interest as set out in Condition 6(c).
<b>Put Option Date</b>	means the Interest Payment Date falling in March 2018.
<b>Put Option Purchase Price</b>	means (i) the Principal Amount Outstanding of the Class A2 Notes on the Put Option Date, less (ii) the Class A2 Principal Deficiency Losses, plus (iii) the Put Option Accrued Interest Payment to (but excluding) the Class A2 Transfer Date.
<b>Put Option Purchaser</b>	means Lloyds in its capacity as put option purchaser under the Conditional Note Purchase Deed.
<b>Qualifying Noteholder</b>	has the meaning given to it in Condition 2(b) ( <i>Title</i> ).
<b>Rate of Interest</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Rated Notes</b>	has the meaning given to it in Condition 1 ( <i>Definitions</i> ).
<b>Rating Agencies</b>	means Fitch and S&P.
<b>Rating Agency Confirmation</b>	means receipt of written confirmation from each Rating Agency that the relevant action, determination or appointment will not result in the reduction or withdrawal of any of the ratings then assigned to the Rated Notes rated by that Rating Agency provided that the Rating Agencies shall not be obliged to issue a Rating Agency Confirmation and in circumstances where a Rating Agency is not willing to issue a Rating Agency Confirmation due to its then prevailing policy regarding the issue of Rating Agency Confirmations, an authorised signatory of the Issuer (or the relevant Servicer on its behalf) has certified in writing to the Note Trustee that, in its opinion (and where a Rating Agency was prepared to consult with the Issuer (or the relevant Servicer, as applicable) this opinion is based on consultation with that Rating Agency) such amendment would not cause the ratings of the Rated Notes to be reduced or

withdrawn by the Rating Agencies and provided further that a Rating Agency Confirmation from Fitch shall not be required but Fitch shall be notified of the proposed action, determination or appointment.

**Re-acquisition Price**

has the meaning given to it in the Declaration of Trust.

**Receiver**

means a receiver and manager or other receiver appointed in respect of the Secured Property and shall, if allowed by law, include an administrative receiver.

**Reconciliation Amount**

means:

- (a) the difference, if any, between (A) the amounts transferred from the Collection Accounts held at Lloyds to the Interest Account held at Lloyds and/or the Principal Account held at Lloyds during a Collection Period and (B) the amounts (in respect of Revenue Receipts and Principal Receipts) actually received from the Borrowers during such Collection Period allocable to the Investor Interest in the Loans originally originated or acquired by Lloyds, expressed as a positive number; or
- (b) the difference, if any, between (A) the amounts transferred from the Collection Accounts held at BoS to the Interest Account held at BoS and/or the Principal Account held at BoS during a Collection Period and (B) the amounts (in respect of Revenue Receipts and Principal Receipts) actually received from the Borrowers during such Collection Period allocable to the Investor Interest in the Loans originally originated or acquired by BoS, expressed as a positive number.

**Reconciliation Date**

means in respect of a Collection Period, the fifth (5th) day of the calendar month immediately following such Collection Period.

**Record Date**

has the meaning given to it in Condition 9(a)(ii).

**Reference Bank**

has the meaning given to it in Condition 1 (*Definitions*).

**Register**

has the meaning given to it in Condition 2(b) (*Title*).

**Registrar**

means the institution named as such in the Conditions acting through its specified office, or any successor Registrar.

**Related Security**

means, to the extent relating to a Loan, all of the relevant Originator's right, title, interest and benefit in and to any security, and other rights and benefits, under the Related Security Documents.

**Related Security Documents**

means the documents and agreements documenting, or creating (as applicable):

- (a) any security granted by a Borrower in respect of, among other things, a Loan Agreement, as applicable (including any mortgage or standard security, charge, lien, pledge,

guarantee, letter of credit, cash reserve, assignment or assignation or other security document or interest, deed of priority, subordination deed, the Intercreditor Agreements and the Authority Direct Agreements); and

(b) any other rights under the foregoing,

each a “**Related Security Document**”.

**Released Assets**

has the meaning given to it in Schedule 5 (*Form of Memorandum of Release*) to the Declaration of Trust.

**Relevant Amount**

has the meaning given to it in paragraph 1.1 of Schedule 3 (*Common Related Security Enforcement Proceeds Allocation*) of the Servicing Agreement.

**Relevant Class A2 Notes**

means the Class A2 Notes in respect of which a Class A2 Transfer Instruction has been received by the relevant clearing system.

**Relevant Day-Count Fraction**

has the meaning given to it in Condition 1 (*Definitions*).

**Relevant Margin**

has the meaning given to it in Condition 1 (*Definitions*).

**Replacement Agent**

means the Registrar who in such capacity issues replacement Certificates in accordance with the Conditions.

**Requisite Ratings**

means in respect of any person,

- (a) (i) such person’s long-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least A by S&P and such person’s short-term unsecured, unsubordinated and unguaranteed debt obligations being rated at least A-1 by S&P or (ii), where no such short-term rating has been assigned by S&P, such person’s long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A+ by S&P; and
- (b) such person has been assigned a short-term issuer default rating of at least F1 by Fitch and, if such person has been assigned a long-term issuer default rating by Fitch, a long-term issuer default rating of at least A by Fitch (provided that where a person’s long-term issuer default rating has been put on “Rating Watch Negative” by Fitch, its Fitch long-term issuer default rating is deemed to be one notch lower than its actual level); or
- (c) such other ratings as are, from time to time, consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings required to support the then current ratings of the Rated Notes.

**Revenue Receipts**

means amounts received by the Issuer representing:

- (a) the Investor Interest in all payments or recoveries of interest under or in connection with the Loans;
- (b) the Investor Interest in all amounts (whether interest, principal or otherwise) recovered in respect of a Defaulted



Loan and its Related Security or from the proceeds of any enforcement action taken in connection with a Defaulted Loan and its Related Security;

- (c) all proceeds of the sale of the Investor Interest in a Defaulted Loan and its Related Security pursuant to the Servicing Agreement;
- (d) subject to (e) below, all proceeds of the re-acquisition of the Investor Interest in any Loan and its Related Security by an Originator from the Issuer pursuant to the Declaration of Trust to the extent such proceeds are attributable to sums of the type referred to in paragraph (a) above;
- (e) all proceeds of the re-acquisition of the Investor Interest in any Defaulted Loan and its Related Security pursuant to the Declaration of Trust; and
- (f) any Reconciliation Amount in respect of Revenue Receipts paid to the Issuer.

**Rights**

means (i) all rights, title, interest and benefit (present and future) of each Originator under the Loan Agreements and the Related Security Documents, to the extent relating to the Loans and their Related Security (including, but not limited to, any rights to direct the agent or security agent or similar thereunder) and (ii) the Accrued Interest in respect of the Loans.

**S&P**

means Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Ltd.

**Scheduled Class A2 Transfer Date**

means the date falling 20 Business Days after the Put Option Date.

**Scottish Trust Supplement**

means each supplemental declaration of trust, substantially in the form set out in Schedule 6 (*Form of Scottish Trust Supplement*) to the Declaration of Trust.

**Secured Creditors**

means each of the following:

- (a) the Noteholders;
- (b) the Note Trustee;
- (c) the Security Trustee;
- (d) the Agents;
- (e) the Cash Manager;
- (f) each Servicer;
- (g) each Account Bank;
- (h) the Yield Reserve Account Bank;
- (i) each Swap Counterparty;
- (j) the Corporate Services Provider; and
- (k) the Originators.

<b>Secured Liabilities</b>	means all present and future moneys, debts and liabilities due, owing or incurred by the Issuer to the Secured Creditors under or in connection with any Transaction Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise).
<b>Secured Property</b>	means the assets from time to time subject, or expressed to be subject, to the Security or any part of those assets.
<b>Security</b>	means all or any of the Security Interests created or expressed to be created by or pursuant to the Deed of Charge.
<b>Security Interest</b>	means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.
<b>Security Power of Attorney</b>	means the power of attorney granted by the Issuer to the Security Trustee pursuant to Clause 14 ( <i>Power of Attorney</i> ) of the Deed of Charge.
<b>Security Trustee</b>	means Citibank, N.A., London Branch in its capacity as security trustee under the Deed of Charge.
<b>Senior Expenses Cap</b>	means £150,000 per annum.
<b>Servicer</b>	means each of Lloyds and BoS in its capacity as servicer, together the “ <b>Servicers</b> ”.
<b>Servicer Termination Event</b>	has the meaning given to it in Clause 14.4 ( <i>Servicer Termination Events</i> ) of the Servicing Agreement.
<b>Servicing Agreement</b>	means the agreement so named dated the date of the Master Definitions Agreement between the Issuer, the Servicers and the Security Trustee.
<b>Servicing Report</b>	means each report by a Servicer, substantially in the form set out in Schedule 2 ( <i>Form of Servicing Report</i> ) to the Servicing Agreement.
<b>Servicing Standard</b>	means the obligation on each Originator to deal with the Loans and any Borrower thereunder in accordance with its normal business practices, acting as a Prudent Lender.
<b>special quorum resolution</b>	has the meaning given to it in the Trust Deed.
<b>specified office</b>	means, in relation to an Agent, the office identified with its name at the end of the Conditions or any other office approved by the Note Trustee and notified to Noteholders pursuant to the Trust Deed and the Conditions.
<b>Stock Exchange</b>	means the Irish Stock Exchange.
<b>Subscription Agreement</b>	means the agreement so named between, among others, the Issuer and the Lead Manager.
<b>Subsidiary</b>	means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.
<b>Substitute Account Bank</b>	has the meaning given to it in the Account Bank Agreement.

<b>Substitute Cash Manager</b>	has the meaning given to it in the Cash Management Agreement.
<b>Substitute Collection Account</b>	means an account at an account bank rated at least the Collection Account Bank Requisite Rating designated by the relevant Servicer as a substitute collection account upon the rating of a Collection Account Bank being downgraded by Fitch or S&P to below the Collection Account Bank Requisite Rating.
<b>Substitute Servicer</b>	has the meaning given to it in the Servicing Agreement.
<b>Substitute Yield Reserve Account Bank</b>	has the meaning given to it in the Yield Reserve Account Bank Agreement.
<b>Substituted Obligor</b>	has the meaning given to it in the Trust Deed.
<b>Supplemental Trust Security</b>	means each supplemental trust security, substantially in the form set out in Schedule 3 ( <i>Form of Supplemental Trust Security</i> ) to the Deed of Charge.
<b>Surrendering Party</b>	has the meaning given to it in the Paying Agency Agreement.
<b>Swap Agreement</b>	means each of the Lloyds Swap Agreement and the BoS Swap Agreement, together the “ <b>Swap Agreements</b> ”.
<b>Swap Collateral</b>	means the collateral transferred to the Issuer by a Swap Counterparty in accordance with the relevant Swap Credit Support Annex in relation to the relevant Swap Agreement.
<b>Swap Collateral Account</b>	means the account of such name in the name of the Issuer held at Lloyds as Account Bank, or such account held with such Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at such Account Bank as may be designated as such by the Issuer and the Security Trustee.
<b>Swap Collateral Account Mandate</b>	means the bank account mandate relating to the operation of the Swap Collateral Account and substantially in the form set out in Schedule 3 ( <i>Form of Swap Collateral Account Mandate</i> ) to the Account Bank Agreement.
<b>Swap Counterparty</b>	means each of Lloyds as swap counterparty under the Lloyds Swap Agreement and BoS as swap counterparty under the BoS Swap Agreement, together the “ <b>Swap Counterparties</b> ”.
<b>Swap Counterparty Termination Payment</b>	means any amount payable by a Swap Counterparty to the Issuer under the relevant Swap Agreement upon termination of such Swap Agreement.
<b>Swap Credit Support Annex</b>	means each of (i) the 1995 ISDA Credit Support Annex to the Lloyds Swap Agreement and, (ii) the 1995 ISDA Credit Support Annex to the BoS Swap Agreement, together the “ <b>Swap Credit Support Annexes</b> ”.
<b>Swap Floating Rate Margin</b>	means the Spread as defined in the confirmations relating to the Basis Swap Transactions.

<b>Swap Replacement Payment</b>	means any amount payable by the Issuer to a replacement swap counterparty (if any) upon entry into a Swap Replacement Transaction which is replacing a Swap Agreement and the transactions thereunder.
<b>Swap Replacement Receipt</b>	means any amount payable to the Issuer by a replacement swap counterparty (if any) upon entry into a Swap Replacement Transaction which is replacing any Swap Agreement and the transactions thereunder.
<b>Swap Replacement Transaction</b>	means a 1992 ISDA Master Agreement (together with the schedule, confirmation and credit support annex thereto) entered into by the Issuer in accordance with the provisions of the Cash Management Agreement upon termination of a Swap Agreement.
<b>Swap Settlement Payment</b>	means any unscheduled amount payable by the Issuer to a Swap Counterparty under the relevant Swap Agreement (including any termination or modification payment) excluding any Swap Subordinated Amounts and, for the avoidance of doubt, any return of Swap Collateral payable by the Issuer to such Swap Counterparty under the relevant Swap Agreement prior to the termination of the relevant Swap Agreement.
<b>Swap Subordinated Amounts</b>	means any termination amount due and payable by the Issuer to a Swap Counterparty under the relevant Swap Agreement where: <ul style="list-style-type: none"> <li>(a) the Defaulting Party (as defined in the relevant Swap Agreement) is such Swap Counterparty; and/or</li> <li>(b) an Additional Termination Event (as defined in the relevant Swap Agreement) has occurred as a result of a failure by such Swap Counterparty to take remedial action in accordance with the terms of the relevant Swap Agreement following the downgrade or withdrawal of a rating of such Swap Counterparty (other than pursuant to Part 5(f)(v)(C) of the Schedule to the relevant Swap Agreement).</li> </ul>
<b>Swap Termination Account</b>	means the account of such name in the name of the Issuer held at Lloyds as Account Bank, or such account held with such Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at such Account Bank as may be designated as such by the Issuer and the Security Trustee.
<b>Swap Termination Account Mandate</b>	means the bank account mandate relating to the operation of the Swap Termination Account and substantially in the form set out in Schedule 6 ( <i>Form of Swap Termination Account Mandate</i> ) of the Account Bank Agreement.
<b>Switch Date</b>	means the Interest Payment Date falling in June 2018.

<b>Tax</b>	means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).
<b>Tax Authority</b>	means any taxing or other authority competent to impose any liability in respect of Tax or responsible for the administration and/or collection of Tax or enforcement of any law in relation to Tax.
<b>Tax Certificate</b>	means a tax certificate substantially in the form set out in the Appendix ( <i>Form of Tax Certificate</i> ) of the Paying Agency Agreement.
<b>Total Consideration</b>	means in respect of an Originator, the aggregate of its portion of the Issuer Trust Consideration and the relevant Originator Trust Consideration to be received by such Originator pursuant to the Declaration of Trust.
<b>Transaction Documents</b>	means the Subscription Agreement, the Trust Deed, the Global Certificates, the Class S Certificate, the Declaration of Trust, the Scottish Trust Supplements, the Paying Agency Agreement, the Deed of Charge, each Supplemental Trust Security, the Swap Agreements, the Cash Management Agreement, the Servicing Agreement, the Account Bank Agreement, the Yield Reserve Account Bank Agreement, the Conditional Note Purchase Deed, the Corporate Services Agreement, the Master Definitions Agreement, the Originator/Assets Trustee Powers of Attorney and the Security Power of Attorney.
<b>Transfer Agents</b>	means the transfer agents appointed under the Paying Agency Agreement.
<b>Transferee</b>	means a person to whom an Assets Trustee transfers any of its right, title, interest and benefit in and to the Trust Assets or under the Declaration of Trust.
<b>Trust Asset Re-acquisition Date</b>	has the meaning given to it in Clause 7.3.2 of the Declaration of Trust.
<b>Trust Asset Re-acquisition Notice</b>	has the meaning given to it in Clause 7.1 and Clause 7.2 of the Declaration of Trust and is in the form set out in Schedule 3 ( <i>Trust Asset Re-acquisition Notice</i> ) to the Declaration of Trust.
<b>Trust Assets</b>	means the Rights and the Collected Proceeds relating to the Loans.
<b>trust corporation</b>	means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees.
<b>Trust Deed</b>	means the deed so named dated the date of the Master Definitions Agreement between the Issuer and the Note Trustee.
<b>Trust Interests</b>	means in respect of a trust under the Asset Trust, the Investor Interest and the relevant Originator Interest, as applicable, each

	a “ <b>Trust Interest</b> ”.
<b>UNCITRAL Regulations</b>	means the Cross-Border Insolvency Regulations 2006, SI2006/1030.
<b>United Kingdom or UK</b>	means the United Kingdom of Great Britain and Northern Ireland.
<b>VAT or Value Added Tax</b>	means, within the European Union, such tax as may be levied in accordance with (but subject to derogations from) Directive 2006/112/EC and, outside the European Union, any taxation levied by reference to added value or sales or similar tax.
<b>VATA 1994</b>	means the Value Added Tax Act 1994.
<b>Yield Reserve</b>	has the meaning given to it in the section entitled “ <i>Key Structural Features</i> ” in the Prospectus.
<b>Yield Reserve Account</b>	means the account of such name in the name of the Issuer held at the Yield Reserve Account Bank, or such account held with the Yield Reserve Account Bank (and of such name) as may replace the former (or to which the former is transferred) as part of internal systems migration(s), or such other account of the Issuer held at the Yield Reserve Account Bank as may be designated as such by the Issuer and the Security Trustee.
<b>Yield Reserve Account Bank</b>	means NAB in its capacity as yield reserve account bank.
<b>Yield Reserve Account Bank Agreement</b>	means the yield reserve account bank agreement dated the date of the Master Definitions Agreement between, among others, the Issuer and NAB in its capacity as Yield Reserve Account Bank.
<b>Yield Reserve Account Bank Termination Event</b>	has the meaning given to it in Clause 12.4 ( <i>Yield Reserve Account Bank Termination Events</i> ) of the Yield Reserve Account Bank Agreement.
<b>Yield Reserve Account Mandate</b>	means the bank account mandate relating to the operation of the Yield Reserve Account and substantially in the form set out in the Schedule ( <i>Form of Yield Reserve Account Mandate</i> ) of the Yield Reserve Account Bank Agreement.
<b>Yield Reserve Amount</b>	means £70,000,000.
<b>Yield Reserve Release Amount</b>	means all amounts standing to the credit of the Yield Reserve Account on the Yield Reserve Release Date (excluding any interest amounts on the amounts standing to the credit of the Yield Reserve Account).
<b>Yield Reserve Release Date</b>	means the earlier of (i) the Interest Payment Date on which all amounts outstanding in respect of (prior to the occurrence of a Class A Trigger Event) the Class A2 Notes, or (after the occurrence of a Class A Trigger Event (irrespective whether such Class A Trigger Event is continuing)) the Class A Notes, will be repaid in full; and (ii) the Interest Payment Date immediately following the date on which the Aggregate Principal Balance of all Loans has been reduced to zero and no

further recoveries are expected in respect of any of the Loans or their Related Security.

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