

VIRGIL MORTGAGE NO.1 PLC

(incorporated in England and Wales with limited liability under registered number 8382053)

Notes	Initial Principal Amount Outstanding	Issue Price	Reference Rate	Margin / Step-Up Margin	Step- Up Date	Portfolio Option Commencement Date	Redemption Profile	Final Maturity Date	Rating
Class A Notes	£70,600,000	100%	3-Month GBP LIBOR	2.25% per annum / 3.00% per annum	12 Sept- mber 2018	12 March 2016	Sequential pass- through amortisation	12 March 2045	AA (sf) by S&P
Class B Notes	£54,400,000	100%	3-Month GBP LIBOR	3.75% per annum/ n/a	n/a	12 March 2016	Sequential- pass through amortisation	12 March 2045	n/a

Closing Date The Issuer expects to issue the Notes described above on 29 April 2013.

**Standalone/
programme issuance** Stand alone issuance.

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and interest received from a portfolio comprising mortgage loans originated by the Originators to borrowers in the United Kingdom to be acquired by the Issuer from the Sellers on the Closing Date.

See the section entitled "*The Mortgage Portfolio and the Mortgage Loans*" for further details.

**Credit Enhancement
and Liquidity
Support**

- Subordination of the Class B Notes.
- Aggregate Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date will exceed the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date by approximately £47,163,331.
- Global Reserve Fund will be applied to reduce or eliminate any Revenue Shortfall.
- Available Principal Funds will be applied as Available Revenue Funds to reduce or eliminate any Remaining Revenue Shortfall.
- Principal Losses will be applied to the Principal Deficiency Ledger in reverse sequential order to the Classes of Notes.
- Available Revenue Funds will be applied to reduce the debit balance of the Principal Deficiency Ledger.
- Available Revenue Funds will be applied to replenish the Global Reserve Fund up to the Global Reserve Fund Required Amount.
- Available Principal Funds will be applied as Available Revenue Funds to the extent there is any excess having paid items (a) to (c) of the Pre-Enforcement Principal Payments Priorities.
- So long as the Class A Notes remain outstanding, Available Revenue Funds will be applied as Available Principal Funds in accordance with item (j) of the Pre-Enforcement Revenue Payments Priorities and therefore applied in redemption of the Class A Notes.

See the section entitled "*Credit Enhancement and Liquidity Support*" for further details.

Redemption Available Principal Funds will be applied towards repayment of the Class A Notes and

Provisions	<p>the Class B Notes. Available Principal Funds includes principal receipts from any disposal of the Mortgage Portfolio. The redemption of the Notes will occur no later than the Final Maturity Date.</p> <p>See the sections entitled "<i>Transaction Overview</i>", "<i>Summary of the Terms and Conditions of the Notes</i>" and Condition 9 (<i>Final Redemption, Mandatory Redemption in part and Cancellation</i>).</p>
Credit Rating Agencies	<p>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and 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").</p> <p>Each of Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited and Moody's Investors Service Limited is a credit rating agency established and operating in the European Community and registered under the CRA Regulation.</p>
Credit Ratings	<p>A rating is expected to be assigned to the Class A Notes as set out above on or before the Closing Date.</p> <p>The rating assigned by S&P for the Class A Notes addresses the likelihood of: (a) timely payment of interest due to the holders of the Class A Notes on each Interest Payment Date; and (b) full payment of principal due to the holders of the Class A Notes by a date that is not later than the Final Maturity Date.</p> <p>The assignment of a rating to the Class A Notes is not a recommendation to invest in the Class A Notes. Any credit rating assigned to the Class A Notes may be revised or withdrawn at any time.</p>
Listing	<p>This document comprises a prospectus (the "Prospectus"), for the purpose of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent implemented by a relevant Member State of the European Economic Area (the "Prospectus Directive"). The Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland 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 "Stock Exchange") for the Notes to be admitted to the Official List (the "Official List") and trading on its regulated market. The regulated market (the "Main Securities Market") of the Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes.</p> <p>Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets 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.</p>
Obligations	<p>The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any Seller, their affiliates or any other party named in the Prospectus.</p>
Retention Undertaking	<p>Pursuant to Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive ("CRD 2"), the Beneficial Title Seller will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain or ensure the retention of at all times until the redemption of the last of the Notes, a material net economic interest of not less than 5 per cent. of the nominal value of the securitisation by holding an interest in the first loss tranche as contemplated by Article 122a(1)(d) of CRD2. As at the Closing Date, such holding will be achieved by holding a sufficient amount of Class B Notes. Any change to the manner in which such interest is held will be notified to investors.</p>

See the sections entitled "*Regulatory Disclosure*" and "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

Residual Certificates In addition to the Notes, the Issuer will issue the Residual Certificates on the Closing Date as partial consideration for the purchase of the Mortgage Portfolio. See the section entitled "*Terms and Conditions of the Residual Certificates*".

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.

Prospectus dated 26 April 2013

Arranger

Natixis, London Branch

Lead Manager

Natixis

IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Beneficial Title Seller accepts responsibility for the information set out in the sections headed "*The Mortgage Portfolio and the Mortgage Loans*", "*Characteristics of the Provisional Mortgage Portfolio*", "*Description of the Beneficial Title Seller*" and "*Description of the Originators*". To the best of the knowledge and belief of the Beneficial Title Seller (having taken all reasonable care to ensure that such is the case), the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Legal Title Seller accepts responsibility for the information set out in the section headed "*Description of the Servicer and Legal Title Seller*". To the best of the knowledge and belief of the Legal Title Seller (having taken all reasonable care to ensure that such is the case), the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Sellers as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any Transaction Party that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this prospectus as a Prospectus for the purposes of the Prospectus Directive by the Central Bank of Ireland, no action has been or will be taken by any Transaction Party which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Lead Manager and the Arranger to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this document (or any part hereof), see the section entitled "*Subscription and Sale*" below.

Neither the delivery of this Prospectus nor any sale or allotment made in connection with any offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained in this Prospectus since the date of this Prospectus.

None of the Lead Manager, the Arranger or the Trustee makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. None of the Lead Manager, the Arranger, the Trustee, the Cash Manager or any Agent accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Lead Manager, the Arranger, the Trustee, the Cash Manager or any Agent undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to its attention.

The Notes and the Residual Certificates have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons (see the section entitled "*Subscription*"

and Sale" below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of the Issuer, the Trustee, the Lead Manager or the Arranger makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee, any of the Sellers, the directors of the Issuer, the Lead Manager or the Arranger.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Lead Manager or the Arranger other than as set out in the paragraph headed "*Listing*" on page (iii) of this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom and Ireland), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

Each Class of Notes will be represented by a global note certificate (each, a "**Global Note**"), which will be deposited with a common depositary (the "**Common Depositary**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA / NV ("**Euroclear**") on the Closing Date and registered in the name of a nominee of the Common Depositary.

References in this Prospectus to "£" or "**Sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Forward Looking Statements and Statistical Information

Certain matters contained in this Prospectus are forward looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward looking terminology such as "**may**", "**will**", "**could**", "**believes**", "**expects**", "**anticipates**", "**continues**", "**intends**", "**plans**" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Issuer, the Lead Manager, the Arranger, the Trustee, the Cash Manager or any Agent has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward looking statements or Statistical Information. None of the Issuer, the Lead Manager, the Arranger, the Trustee, the Cash Manager or any Agent assumes any obligation to update these forward looking statements or Statistical Information or to update the reasons for which actual

results could differ materially from those anticipated in the forward looking statements or Statistical Information, as applicable.

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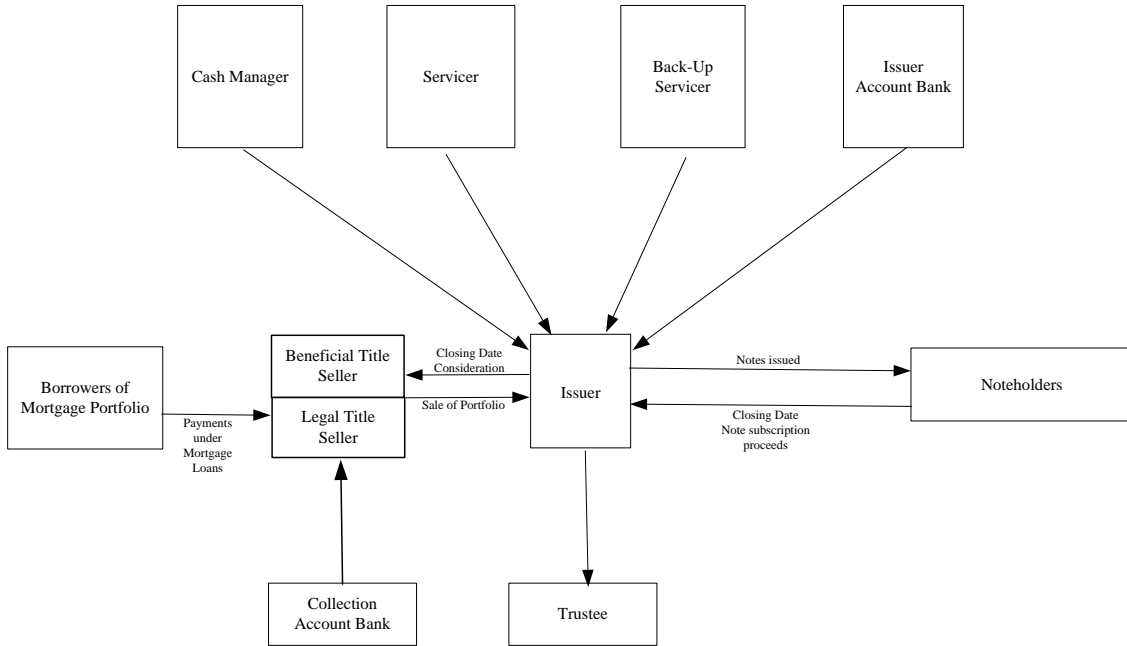
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TRANSACTION OVERVIEW

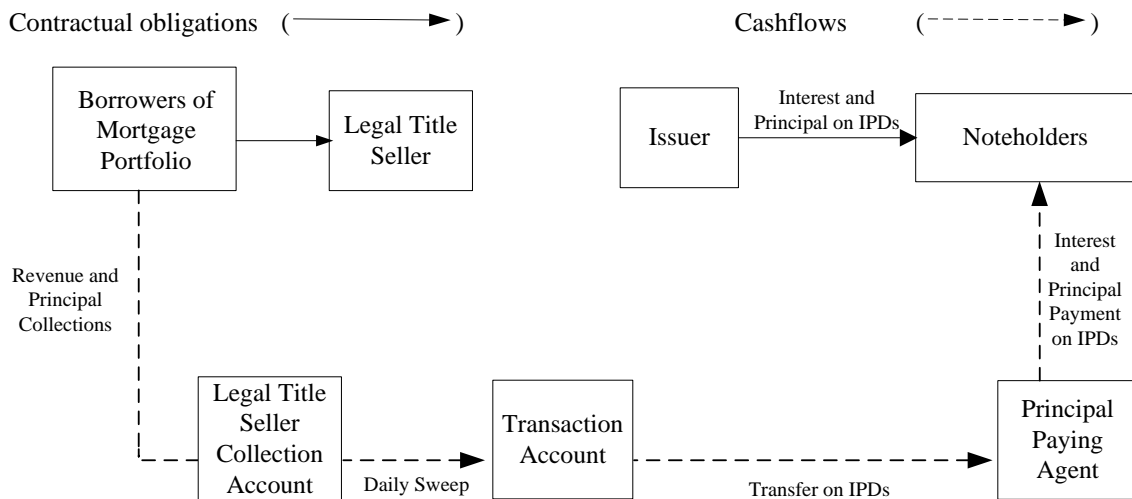
The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

DIAGRAMMATIC OVERVIEWS

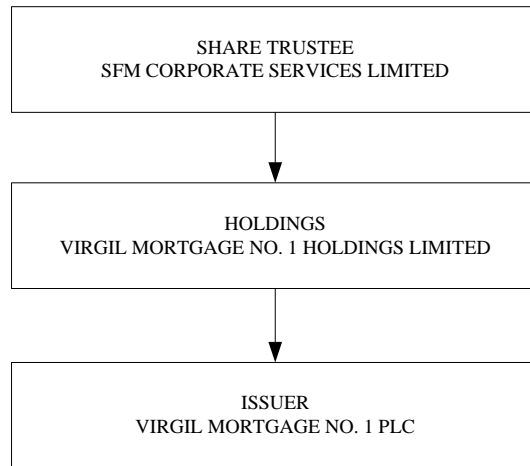
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOW



DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP STRUCTURE



The entire issued share capital of the Issuer is held by Holdings.

The entire issued share capital of Holdings is held on trust by SFM Corporate Services Limited as share trustee under the terms of a discretionary trust.

TRANSACTION PARTIES AND OTHER RELATED PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer	Virgil Mortgage No.1 PLC	35 Great St. Helen's, London EC3A 6AP	N/A See the section entitled " <i>Description of the Issuer</i> "
Holdings	Virgil Mortgage No.1 Holdings Limited	35 Great St. Helen's, London EC3A 6AP	N/A See the section entitled " <i>Holdings</i> "
Sellers	Paratus AMC Limited (as to legal title, the " Legal Title Seller ") and Canellos Investments II Limited (as to beneficial title, the " Beneficial Title Seller ")	In relation to the Legal Title Seller: 5 Arlington Square Downshire Way Bracknell Berkshire RG12 1WA In relation to the Beneficial Title Seller: 5 th Floor 6 St Andrew Street London EC4A 3AE	Mortgage Sale Agreement See the sections entitled " <i>Description of the Beneficial Title Seller</i> " and " <i>Description of the Servicer and the Legal Title Seller</i> "
Originators ("Originators")	GMAC-RFC Limited (currently known as Paratus AMC Limited)	5 Arlington Square Downshire Way Bracknell Berkshire RG12 1WA	N/A See the section entitled " <i>Description of the Originators</i> "
	First Alliance Mortgage Company Limited	n/a	
	Amber Homeloans Limited	The Bailey Skipton North Yorkshire BD23 1DN	
Servicer	Paratus AMC Limited	5 Arlington Square Downshire Way Bracknell Berkshire RG12 1WA	Servicing Agreement See the section entitled " <i>Description of the Servicer and the Legal Title Seller</i> "

Party	Name	Address	<i>Document under which appointed/Further Information</i>
Back-Up Servicer	Crown Mortgage Management Limited	Crown House, Crown Street, Ipswich, Suffolk IP1 3HS	Back-Up Servicing Agreement See the section entitled " <i>Description of the Back-Up Servicer</i> "
Cash Manager	Elavon Financial Services Limited	5 th Floor, 125 Old Broad Street, London EC2N 1AR	Cash Management Agreement See the section entitled " <i>Description of the Cash Manager, the Principal Paying Agent and the Agent Bank</i> "
Collection Account Bank	Barclays Bank PLC	1 Churchill Place London E14 5HP	Collection Account Agreement
Issuer Account Bank	Barclays Bank PLC	1 Churchill Place London E14 5HP	Issuer Account Bank Agreement See the sections entitled " <i>Description of the Issuer Account Bank</i> " and " <i>Credit Enhancement and Liquidity Support</i> "
Trustee	U.S. Bank Trustees Limited	125 Old Broad Street London EC2N 1AR	Trust Deed See the sections entitled " <i>Description of the Trustee</i> " and " <i>The Trust Deed</i> "
Principal Paying Agent / Agent Bank	Elavon Financial Services Limited	5 th Floor, 125 Old Broad Street, London EC2N 1AR	Agency Agreement
Registrar	Elavon Financial Services Limited	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	Agency Agreement
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement See the section entitled " <i>Description of The Issuer</i> "
Arranger	Natixis, London Branch	Cannon Bridge House, 25 Dowgate Hill,	Subscription Agreement

Party	Name	Address	Document under which appointed/Further Information
		London EC4R 2YA United Kingdom	
Lead Manager	Natixis	30, Avenue Pierre-Mendés France 75013 Paris France	Subscription Agreement
Competent Authority and Stock Exchange	Central Bank of Ireland	Iveagh Court Block D Harcourt Road Dublin 2 Ireland	N/A
	Irish Stock Exchange Limited	28 Anglesea Street Dublin 2 Ireland	
Clearing Systems	Euroclear Bank S.A. / N.V.	1, Boulevard du Roi Albert II B - 1210 Brussels Belgium	N/A
	Clearstream Banking, <i>Société anonyme</i>	42 Avenue JF Kennedy L-1855 Luxembourg Luxembourg	
Rating Agency	Standard & Poor's Credit Market Services Europe Limited	20 Canada Square Canary Wharf London E14 5LH	N/A

MORTGAGE PORTFOLIO AND SERVICING

See the sections entitled "*The Mortgage Portfolio and the Mortgage Loans*", "*Characteristics of the Provisional Mortgage Portfolio*", "*Assignment of the Mortgage Loans and Related Security*" and "*Servicing of the Mortgage Portfolio*" for further detail in respect of the characteristics of the Mortgage Portfolio and the sale and the servicing arrangements in respect of the Mortgage Portfolio.

Sale of Portfolio

The Mortgage Portfolio will consist of the Mortgage Loans, the Related Security and (i) all monies derived therefrom other than interest from (and including) the Cut-Off Date to (and excluding) the Closing Date and (ii) all monies derived therefrom from time to time from (and including) the Closing Date, which will be sold to the Issuer on the Closing Date.

Each Mortgage Loan and Related Security, other than the Scottish Mortgage Loans and Scottish Related Security is governed by English law. The Scottish Mortgage Loans and Scottish Related Security are governed by Scots law.

The Mortgage Portfolio comprises Mortgage Loans originated by GMAC-RFC Limited (currently known as Paratus AMC Limited), First Alliance Mortgage Company Limited and Amber Homeloans Limited.

See the sections entitled "*The Mortgage Portfolio and the Mortgage Loans*" and "*Assignment of the Mortgage Loans and Related Security*".

Features of Mortgage Loans

Certain features of the Mortgage Loans as at the Cut-Off Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in "*Characteristics of the Provisional Mortgage Portfolio*".

Type of Borrower	Mainly non-conforming
Type of mortgage	repayment and interest only
Self-certified Mortgage Products	Yes – approximately 33.8 per cent.
First time buyer Mortgage Loans	Yes – approximately 31.6 per cent.
Right to buy Mortgage Loans	Yes – approximately 2.2 per cent.
Buy-to-let Mortgage Loans	Yes – approximately 5.8 per cent.
Number of Mortgage Loans	784 (subject to removals due to repossession, redemption or deceased borrowers)
	<u>Average / Weighted average</u>
Current Balance	£117,763,331
Weighted Average Original Advance / Original Valuation	88.9 per cent.
Weighted Average Current Balance / Original Valuation	90.7 per cent.
Weighted Average	5.5 years

Seasoning

Weighted Average Remaining Term 17.8 years

Consideration

The consideration payable by the Issuer to the Beneficial Title Seller in respect of the sale of the Mortgage Portfolio shall be approximately £117,763,331 plus the issuance of the Residual Certificates.

Representations and Warranties

The Beneficial Title Seller will make certain Asset Warranties regarding the Mortgage Loans and Related Security owned by it to the Issuer on the Closing Date.

In addition to representations and warranties in respect of the legal nature of the Mortgage Loans and their Related Security (e.g. the valid, binding and enforceable nature of the relevant Mortgage Loan and the related Mortgage), there will also be Asset Warranties which will include representations and warranties as to the first ranking security in respect of Properties located in England, Wales and Scotland.

See the section entitled "*Assignment of the Mortgage Loans and Related Security*" for further details.

Repurchase of the Mortgage Loans and Related Security

The Issuer shall sell and the Beneficial Title Seller shall repurchase the relevant Mortgage Loans and their Related Security in each of the following circumstances subject, in each case, to a limited time period for making claims under the Mortgage Sale Agreement:

- following a breach of an Asset Warranty (which is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy it within the applicable grace period); and
- the Legal Title Seller determines that it will accept a request from a Borrower for, or the Servicer or Legal Title Seller determines that it will make an offer to a Borrower of, a Further Advance or a Port; and
- a court of competent jurisdiction, whether on application of a Borrower or of the Office of Fair Trading or otherwise, finds a term of any Mortgage Loan to be an unfair term for the purposes of the UCCTR.

The obligation to repurchase is limited in time.

Consideration for repurchase:

Where the Beneficial Title Seller is required to repurchase any Mortgage Loan, the consideration payable by the Beneficial Title Seller in respect thereof shall be equal to the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest in relation to such Mortgage Loan plus an amount equal to the Issuer's reasonable costs or any other reasonable expenditure in relation to such repurchase.

Purchase of Mortgage Portfolio by Portfolio Option Holder:

Subject to giving not less than 60 days and not more than 180 days written notice to the Issuer, the Portfolio Option Holder may purchase all (but not part) of the Mortgage Loans and their Related Security at any time in the period from the Portfolio Option Commencement Date until the Market Portfolio Purchase Completion Date (the "**Optional Portfolio Purchase**").

Consideration for purchase by Portfolio Option

The purchase price payable by the Portfolio Option Holder in respect of the Optional Portfolio Purchase shall be an amount equal to the aggregate

Holder:	Principal Amount Outstanding of the Class A Notes and the Class B Notes calculated as at the completion date of such Optional Portfolio Purchase (the " Optional Portfolio Purchase Completion Date ") less the credit balance of the Global Reserve Fund plus an amount equal to the estimated amount required to satisfy items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to such Optional Portfolio Purchase, provided that references to items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities above shall be construed as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Optional Portfolio Purchase did not take place on or about such Interest Payment Date.
Market sale of Mortgage Portfolio	In the event that the Optional Portfolio Purchase does not occur by the Market Portfolio Purchase Trigger Date, the Issuer will instruct the Servicer to seek offers to purchase the Mortgage Portfolio (such purchase a " Market Portfolio Purchase ").
Consideration for purchase for market sale:	The purchase price payable in respect of such Market Portfolio Purchase shall not be less than the aggregate Principal Amount Outstanding of the Class A Notes calculated as at the completion date of such Market Portfolio Purchase (the " Market Portfolio Purchase Completion Date ") less the credit balance of the Global Reserve Fund plus an amount equal to the estimated amount required to satisfy items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to such Market Portfolio Purchase, provided that references to items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities above shall be construed as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Market Portfolio Purchase did not take place on or about such Interest Payment Date.
Perfection Events:	<p>Transfer of the legal title to the relevant Mortgage Loans and Related Security will be perfected if certain specified perfection events occur, which will include insolvency of the Legal Title Seller, an Enforcement Notice being issued or the Security or any material part thereof (in the opinion of the Trustee) being in jeopardy.</p> <p>Prior to the completion of the transfer of legal title to the relevant Mortgage Loans and Related Security to the Issuer (or a nominee of the Issuer), the Issuer will hold only the equitable title or (in relation to Scottish Mortgage Loans) a beneficial interest in those Mortgage Loans and the Related Security and will therefore be subject to certain risks as set out in the risk factor entitled "<i>Title of the Issuer</i>" in the Risk Factors section.</p>
Servicing of the Mortgage Portfolio:	The Servicer will be appointed by the Legal Title Seller and the Issuer to service the Mortgage Portfolio on a day-to-day basis. The appointment of the Servicer may be terminated by the Issuer, with the prior written consent of the Trustee, or by the Trustee upon the occurrence of certain events, including: a default by the Servicer (subject to applicable grace periods), the occurrence of certain Insolvency Events in relation to the Servicer, the Servicer ceases to carry on its business or a substantial part of its business or an Enforcement Notice is served by the Trustee and the

appointment of the Servicer is in the opinion of the Trustee materially prejudicial to the interests of the Noteholders.

The Servicer may also resign upon not less than 6 months' notice provided a replacement servicer has first been appointed by the Issuer.

Any termination or resignation will not take effect until a replacement servicer has been appointed.

See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

Delegation:

The Servicer may sub-contract or delegate some of its servicing functions to a third party provided that the Servicer remains responsible for the performance of any functions so sub-contracted or delegated. See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

Back-Up Servicer:

On the occurrence of a Servicer Termination Event, the Servicer's appointment will be terminated and the Back-Up Servicer will be appointed as replacement Servicer by the Issuer and the Legal Title Seller. See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

RISK FACTORS

The following is a summary of certain matters relating to the issue of the Notes about which prospective investors should be aware. It is not intended to be exhaustive as to all the matters about which prospective investors should be aware.

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.

In evaluating whether to purchase the Notes, prospective investors should not only consider the risk factors set out in this summary, but should also ensure that they carefully review this Prospectus in full and seek professional advice as each investor deems necessary.

Risks Related to the Notes

Obligations of Issuer only

The Notes represent obligations of the Issuer, and do not constitute obligations or responsibilities of, or guarantees by, any other person.

Limited source of funds

The ability of the Issuer to meet its obligations to pay (a) amounts under the Notes and (b) its operating and administrative expenses will be dependent solely on the extent of monies received or recovered by or on behalf of the Issuer. Such monies consist solely of (i) monies received or recovered on the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise), (ii) amounts of interest received from the Issuer Account Bank under the Issuer Account Bank Agreement and (iii) amounts available in the Global Reserve Fund. Other than the foregoing, the Issuer will not have any other funds available to it to make payments under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Payments Priorities. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Payments Priorities. Other than as provided in the Mortgage Sale Agreement, the Issuer and the Trustee will have no recourse to any Seller or any other entity (see "*Risks Related to the Mortgage Loans – Warranties and Limitation of Sellers' Liability*" below).

Limited recourse

The Notes will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Payments Priorities, the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders in full for any reason, the amounts will cease to be due and payable by the Issuer.

No additional sources of funds after Step-Up Date

As of the Step-Up Date, the Margin on the Class A Notes will be increased. There will, however, be no additional receipts or other sources of funds available to the Issuer as of the Step-Up Date, nor is it expected that any of the sources of income available to the Issuer prior to the Step-Up Date will be increased.

Deferral of interest payments on Class B Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B Notes after having paid or provided for items of higher priority in accordance with the relevant Payments Priorities, then that amount shall not be due and payable and the Issuer will be entitled under Condition 8.11 (*Interest Deferred*) to defer payment of that amount (to the extent of the insufficiency) until the earlier of (a) the first Interest Payment Date thereafter on which funds are available to the Issuer to make such payments in accordance with the Conditions, (b) the Final Maturity Date, (c) the date on which the Class B Notes are redeemed in full and (d) the date on which amounts cease to be payable by the Issuer following the application of the Post-Enforcement Payments Priorities. Such deferral shall not constitute an Event of Default.

Credit risk

The Issuer is subject to the risk of default in payment by the Borrowers and the risk of failure by the Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Mortgage Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Enhancement and Liquidity Support*". 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.

Liquidity risk

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers after the end of the relevant Calculation Period. This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by the provision of liquidity from alternative sources as described in the section entitled "*Credit Enhancement and Liquidity Support*". 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.

Subordination

Pursuant to the Payments Priorities, the Class B Notes are subordinated in right of payment of principal and interest to the Class A Notes and the Residual Certificates are subordinated in right of any payment to payments of interest and principal on the Class A Notes and the Class B Notes. See the section entitled "*Cashflows*".

To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the lower ranking Notes will be the first to see their claims against the Issuer unfulfilled. However, there is no assurance that these subordination provisions will protect the holders of the Class A Notes from all or any risk of loss.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the extent and timing of payments of principal (including full and partial prepayments, proceeds of disposal of Mortgage Loans, proceeds of enforcement of Mortgage Loans or requests by Borrowers to convert their current Mortgage Loan to one of a different type) on the Mortgage Loans and the price paid by the Noteholders for the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Mortgage Loans (which may require in some cases notification to the Legal Title Seller and in other cases the consent of the Legal Title Seller), a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Mortgage Portfolio will experience. Accelerated prepayments will lead to a reduction in the average weighted life of the Notes. See also the section entitled "*The Mortgage Portfolio and the Mortgage Loans*".

Pursuant to the Deed Poll, the Portfolio Option Holder has the option to purchase the Mortgage Portfolio and its Related Security at any time from 12 March 2016 (the "**Portfolio Option Commencement Date**") until the Market Portfolio Purchase Completion Date (the "**Optional Portfolio Purchase**") for a purchase price equal to the aggregate Principal Amount Outstanding of the Class A Notes and the Class B Notes calculated as at the Optional Portfolio Purchase Completion Date less the credit balance of the Global Reserve Fund plus an amount equal to the estimated amount required to satisfy items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to such Optional Portfolio Purchase, provided that references to items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities above shall be construed

as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Optional Portfolio Purchase did not take place on or about such Interest Payment Date.

If the option referred to above is not exercised by the Portfolio Option Holder prior to the Interest Payment Date falling in September 2018 (the "**Market Portfolio Purchase Trigger Date**"), the Issuer will, subject to conditions, instruct the Servicer to seek offers to purchase the Mortgage Portfolio for a purchase price not less than the aggregate Principal Amount Outstanding under the Class A Notes on the Market Portfolio Purchase Completion Date less the credit balance of the Global Reserve Fund plus an amount equal to the estimated amount required to satisfy items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to Market Portfolio Purchase, provided that references to items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities above shall be construed as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Market Portfolio Purchase did not take place on or about such Interest Payment Date. No such instruction will be given to the Servicer until the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the Mortgage Portfolio to successful bidders, should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006. The occurrence of the Optional Portfolio Purchase and the Market Portfolio Purchase is likely to lead to a reduction in the average weighted life of the Notes. See also the section entitled "*Early redemption of Notes*".

Conflicts between Classes of Noteholders and Noteholders and Residual Certificateholders

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the Classes of Notes as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) and, to the extent of any conflict between the interests of any Classes of Noteholders, requiring the Trustee, other than in relation to a Reserved Matter, to have regard only to the interests of the Most Senior Class. There may be circumstances, however, where the interests of one Class of Noteholders conflict with the interests of another Class or Classes of the Noteholders. In general, the Trustee will give priority to the interests of the holders of the Most Senior Class such that the Trustee is to have regard only to the interests of the Class A Noteholders in the event of a conflict between the interests of the Class A Noteholders on the one hand and the Class B Noteholders on the other hand.

As a result, the Class B Noteholders may not have their interest taken into account by the Trustee when the Trustee is exercising discretion.

In respect of the interests of the Residual Certificateholders, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Residual Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and requiring the Trustee, other than in limited circumstances, to have regard only to the interest of the Noteholders, so long as there are any Notes outstanding.

Interest Rate Mismatch on the Class A Notes

The Issuer is subject to:

- (a) the risk of the contractual interest rates on the Mortgage Loans being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations; and
- (b) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes,

which risks are partially mitigated by the Global Reserve Fund, subordination of the Class B Notes, Available Principal Funds applied as Available Revenue Funds and (so long as the Class A Notes remain outstanding) Available Revenue Funds applied as Available Principal Funds.

Insolvency of Legal Title Seller

The Legal Title Seller currently receives Principal Collections and Revenue Collections which are paid other than by way of direct debit into the Collections Trust Account which is a bank account into which moneys not related to the Mortgage Portfolio are paid. On the Closing Date, the Legal Title Seller (or the Servicer on its behalf) will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer moneys that are identified as being referable to the Mortgage Portfolio from the Collections Trust Account at the end of each Business Day (to the extent that the Collection Account Bank does not undertake such task automatically) into the Collection Account. The Legal Title Seller also currently receives payments of Principal Collections and Revenue Collections which are paid by way of direct debit into the Collection Account, which is a bank account into which moneys relating to the Mortgage Portfolio are paid. On the Closing Date, the Legal Title Seller will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer moneys from the Collection Account at the end of each Business Day (to the extent that the Collection Account Bank does not undertake such task automatically to the Transaction Account). There can be no assurance as to the length of time it will take for payments from Borrowers in respect of the Mortgage Portfolio, whether by direct debit or otherwise, to be transferred by means of the new account mandates. However, it is provided, under both the Servicing Agreement and the Collection Account Agreement, that all amounts credited in relation to the Mortgage Portfolio to the Collection Account and the Collections Trust Account that relate to the Mortgage Portfolio are to be transferred to the Transaction Account at the end of each Business Day during a Calculation Period.

The Legal Title Seller will declare a trust over amounts in the Collection Account in favour of the Issuer and the Issuer will accede as beneficiary (in respect of sums attributable to the Mortgage Portfolio) to the trust arrangements in respect of the Collections Trust Account. In the event of the insolvency of the Legal Title Seller, the Issuer will be treated as an unsecured creditor of the Legal Title Seller in respect of amounts in any other bank accounts over which the trust has not been declared. In order to mitigate this risk, during the time period before all payments by Borrowers in respect of the Mortgage Portfolio have been redirected such that they are being paid directly to the Collection Account, the Legal Title Seller will (a) declare a trust in favour of the Issuer in the Mortgage Sale Agreement over any amounts received in respect of the Mortgage Portfolio and agree to pass over such monies to the Issuer forthwith, (b) provide the Issuer with certain covenants, representations and warranties which effectively limit its activities and (c) on the Closing Date provide a certificate containing certain statements about its solvency at such date.

Where the Beneficial Title Seller fails to honour its obligation to repurchase a Mortgage Loan subject to a Further Advance or a Port or the Legal Title Seller breaches its undertaking not to accept a request from a Borrower for, or issue an offer of, a Further Advance or Port prior to the repurchase of a Mortgage Loan by the Beneficial Title Seller, the Legal Title Seller will not have any recourse for additional funds to be advanced to the relevant Borrower against the Issuer and shall only have recourse to the Beneficial Title Seller. However if the Borrower does not receive those funds and sets-off any payment to the Legal Title Seller against the Legal Title Seller's obligation to advance amounts, the rate of repayment of the Mortgage Portfolio may be affected which in turn may adversely affect the average weighted life of the Notes and their yield to maturity.

Ratings of the Class A Notes

A rating issued by a Rating Agency is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in or unavailability of information or if, in the judgment of the Rating Agency, circumstances so warrant such revision, suspension or withdrawal of the rating of the Class A Notes.

At any time, the Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Class A Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact the market value of the Class A Notes.

Credit rating agencies other than S&P could seek to rate the Class A Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Class A Notes by S&P, those unsolicited ratings could have an adverse effect on the market value of the Class A Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to "ratings" or "rating" in this Prospectus is to the ratings assigned by S&P only.

Ratings confirmation in relation to the Class A Notes in respect of certain actions

The terms of certain Transaction Documents require the Rating Agency to confirm that certain action proposed to be taken by the Issuer and/or the Trustee will not have an adverse effect on the then current rating of the Class A Notes (a "**Ratings Confirmation**").

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

Any such Ratings Confirmation may or may not be given at the sole discretion of the 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 the Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency shall not be responsible for the consequences thereof. A Ratings 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 Ratings 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.

The Rating Agency has indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot 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.

Risks Associated with Rising Mortgage Rates

The Mortgage Rate payable under the Bank of England Repo Rate Linked Mortgage Loans is calculated by reference to the Bank of England repo rate. The Mortgage Rate payable under the 3-Month GBP LIBOR Linked Mortgage Loans is calculated by reference to the London inter-bank offered rate for three month borrowing periods in Sterling ("**3-Month GBP LIBOR**"). Both the Bank of England repo rate and 3-Month GBP LIBOR may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under the Bank of England Repo Rate Linked Mortgage Loans as a result of an increase in the Bank of England repo rate or under the 3-Month GBP LIBOR Linked Mortgage Loans as a result of an increase in 3-Month GBP LIBOR.

Limited Liquidity

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default in relation to the Notes while any of the Mortgage Loans are still outstanding, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes.

There is not, at present, an active and liquid 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. To date, the Lead Manager has not indicated that it intends to establish a secondary market in the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

Moreover, at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary

market for mortgage-backed securities similar to the Notes experiencing limited liquidity. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

There can be no assurance that the market for mortgage-backed securities will continue to recover at all or to the same degree as other recovering global credit market sectors.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 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 facility are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

The Funding for Lending scheme was announced by the Bank of England on 13 July 2012. The scheme allows banks to swap qualifying collateral pre-positioned at the Bank of England for t-bills for a period of four years, in exchange for a fee. Each participant bank will be able to borrow an amount up to 5% of its end of June 2012 stock of existing loans to the UK non-financial sector, plus any expansion of its lending during the reference period from that date until the end of 2013. Banks are able to borrow during the 18 months from 1 August 2012 until 31 January 2014. This scheme could significantly reduce the amount of UK residential mortgage backed security issuances to the primary market, which in turn could affect the level of liquidity in the secondary market for these securities.

Payments Priorities

The validity of contractual payments priorities 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 Court of Appeal in *Perpetual Trustee Co Ltd & Anor v BNY Corporate Trustee Services Ltd & Ors* [2009] EWCA Civ 1160) dismissed this argument and upheld the validity of similar priorities of payment, 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 ("**LBSF**") motion for summary judgment 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 judgment of the English Courts". The English Supreme Court granted leave to appeal the Court of Appeal's decision. In New York, however, whilst leave to appeal was granted, the case was settled before an appeal was heard.

It should be noted that on 8 February 2012, Belmont Park Investments PTY Limited and others commenced proceedings in the U.S. Bankruptcy Court in relation to Lehman Brothers Special Financing Inc. seeking an order recognising and enforcing the English judgment on noteholder priority. Declaratory relief that the noteholder priority is valid and that the collateral can be distributed accordingly and without liability to the trustee, is also being sought. Those proceedings remain pending and are subject to a request to be transferred to the District Court. This is an aspect of cross border insolvency law which remains untested. Therefore, whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will diverge in their approach which, in the case of an unfavourable decision in the U.S., may adversely affect the Issuer's ability to make payments on the Notes.

There remains the issue whether in respect of the foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

Denominations

The Notes are issued in the denominations of £100,000 (or, after the Redenomination Date, €100,000) per Note. However, for so long as the Notes are represented by Global Notes, and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum nominal amounts of £100,000 (or, after the Redenomination Date, €100,000) and integral multiples of £1,000 (or, after the Redenomination Date, €1,000) thereafter. If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 (or, after the Redenomination Date, €100,000) and any amount in excess thereof in integral multiples of £1,000 (or, after the Redenomination Date, €1,000). Accordingly, if Definitive Notes are required to be issued in respect of the Global Notes, a Noteholder holding an interest in a Global Note of less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of the relevant Class of Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued in respect of the Global Notes, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for Book-Entry Interests (in the limited set of circumstances described under Condition 3 (*Form and Denomination*) of the Notes), holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of 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.

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.

Unlike Noteholders, 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 a Note Event of Default, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes 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 participants 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 Security Trustee or the Note Trustee, or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

The lack of Notes in physical form could make it difficult for a Noteholder to pledge such Notes if Notes in physical form are required by the party demanding the pledge and hinder the ability of the Noteholder to resell such Notes because some investors may be unwilling to buy Notes that are not in physical form.

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

Risks Related to the Mortgage Loans

Limitation of Sellers' Liability

None of the Arranger, the Lead Manager, the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their Related Security (including in relation to the purchase of the beneficial title therein by the Beneficial Title Seller and any previous beneficial title holders) and will rely instead on, *inter alia*, the warranties given by the Beneficial Title Seller in relation to the Mortgage Loans beneficially owned by them to the Issuer in the Mortgage Sale Agreement (the "**Asset Warranties**"). The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement and save as described below) of the Issuer in respect of a breach of an Asset Warranty in relation to a Mortgage Loan shall be the requirement that the relevant Beneficial Title Seller repurchase any Mortgage Loan which is the subject of the breach, provided that this shall not limit any other remedies available to the Issuer if the relevant Beneficial Title Seller fails to repurchase a Mortgage Loan when obliged to do so.

There can be no assurance that the relevant Beneficial Title Seller will honour or have the financial resources to honour such obligations under the Mortgage Sale Agreement or the obligation to repurchase Mortgage Loans where the Legal Title Seller agrees to grant a request from a Borrower or makes an offer for a Further Advance or a Port, and the Beneficial Title Seller is a special purpose entity with limited assets. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the relevant Beneficial Title Seller and neither the Issuer nor the Trustee will have recourse to any other person in the event that the relevant Beneficial Title Seller, for whatever reason, fails to meet such obligations.

Knowledge of matters represented in Asset Warranties

Although the Beneficial Title Seller will give certain representations and warranties in respect of the related Mortgage Loans sold by it to the Issuer, the Beneficial Title Seller was not the originator of any of the Mortgage Loans and has purchased beneficial title to the Mortgage Loans under the relevant mortgage sale agreements. Accordingly the Beneficial Title Seller has no direct knowledge as to whether an Asset Warranty which relates to the origination process is correct or not or (where a warranty is qualified by reference to the awareness of the Beneficial Title Seller) it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. To the extent that an Asset Warranty is not expressed to be limited by reference to the awareness of the Beneficial Title Seller, the Beneficial Title Seller will nevertheless be liable to repurchase a Mortgage Loan in relation to which there has been a breach of warranty subject to any limitations in time set forth in the Mortgage Sale Agreement.

Claims against third parties

Each Seller has assigned its causes and rights of actions against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable. However the Legal Title Seller was not the originator of certain of the related Mortgage Loans, and the said rights may therefore not have been effectually assigned to it by the related Originator or seller of the Mortgage Loan. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the relevant Originator in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Legal Title Seller has undertaken, where appropriate, to either instigate action against such solicitor or valuer or to request that the relevant Originator takes such action, provided that the Issuer first indemnifies the Legal Title Seller for the costs of taking such action, and subject to any limitations or conditions contained in the relevant documentation under which the Legal Title Seller acquired title to the related Mortgage Loan. Such action is not possible in relation to the Compromise Loans as, under the Compromise Arrangements, the Servicer is precluded from making further claims against any solicitors or valuers who, when acting for the relevant Originator in relation to the origination of any Mortgage Loans, may have been negligent or fraudulent.

Enforcement

In relation to enforcement generally, even assuming that the Properties provide adequate security for the Mortgage Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery of the Mortgage Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee will need to obtain possession. In England and Wales, there are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice) and secondly, by applying for, obtaining and enforcing a court order.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower at risk of eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements or may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

The courts in Scotland had, until December 2001, considerably less discretion than those in England and Wales to modify or postpone the mortgagee's rights of enforcement but as a result of legislative changes in Scotland the position is now broadly equivalent in each jurisdiction (and references in this Prospectus to a "mortgagee" or "mortgagees" are to be read as "heritable creditor" or "heritable creditors" (being the Scottish equivalent of mortgagees) in relation to Scottish Mortgages).

Proceedings for the repossession and/or sale of the relevant property are generally initiated between three and four months after the first default of a scheduled monthly payment.

The Trustee has the absolute discretion, at any time, to refrain from taking any action under the Trust Deed or the Deed of Charge or any of the Transaction Documents including becoming a mortgagee in possession in respect of any property contained within the Mortgage Portfolio, unless it is satisfied at that time that it is indemnified and/or secured and/or prefunded to its satisfaction against any liability which it may incur by so acting.

Collection of amounts due under Mortgage Loans

The collection of amounts due under the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally vary in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (including factors which may not affect real estate values) may have an impact on the ability of the Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

In addition, the ability of the Issuer to dispose of a Property, in the event of enforcement against a Borrower at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon a number of factors including the availability of buyers for the Property.

Risks of Losses Associated with Declining Property Values

The Security for the Notes consists of the Charged Property and may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. In recent years, the residential property market in the United Kingdom has experienced an overall decline in property values and further declines are possible. Such declines could in certain circumstances

result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if the Security is required to be enforced.

Prospective investors should be aware that, other than the valuation of Properties undertaken as at origination, no other full revaluation of any Property to a similar standard to that undertaken as at origination has been undertaken by any Seller, the Issuer, the Trustee or any other person in respect of the transactions described in this document.

Lending Criteria

The Mortgage Portfolio will include Mortgage Loans to Borrowers who may previously have been subject to a county court judgment (or the Scottish equivalent), an individual voluntary arrangement or bankruptcy order (or, in Scotland, an award of sequestration), are self-employed, have self-certified their incomes or are otherwise considered by banks and building societies to be non-prime borrowers (such borrowers, "**Non-Conforming Borrowers**"). Mortgage Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

The Mortgage Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Mortgage Portfolio and the Mortgage Loans*" below. Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigating the risks in lending to Non-Conforming Borrowers.

There can also be no assurance that these underwriting standards were applied in all cases or that Mortgage Loans originated under different criteria have not been included in the Mortgage Portfolio.

Risk of Losses Associated with high LTV Mortgage Loans

As of the Cut-Off Date, approximately 10.8 per cent. of the Mortgage Loans by value have a current loan to value ratio (being the current balance made divided by original valuation) in excess of 100 per cent. There can be no assurance that mortgage loans with higher loan to value ratios will not experience higher rates of delinquency, write offs, enforcement and bankruptcy than mortgage loans with lower loan to value ratios.

Risk of Losses Associated with Interest Only Mortgage Loans

As of the Cut-Off Date, approximately 85.6 per cent. of the Mortgage Loans by value constitute Interest Only Mortgage Loans. Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only and, as such, there is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the Principal Outstanding Balance. The ability of such Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower's ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies (the "**Policies**"). No Seller has required, nor has it required that any person which sold it Mortgage Loans represent that it required, that such Policies be established with respect to any Interest Only Mortgage Loans nor has any Seller required that the benefit of any such Policies be assigned to it. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition and payment history of the Borrower, tax laws and general economic conditions at that time. In recent times, mortgage lenders have maintained stricter conditions to the advancing of mortgage loans.

Risk of Losses Associated with Non-Owner Occupied Properties

As of the Cut-Off Date, approximately 5.8 per cent. of the Mortgage Loans by value are secured by non owner occupied freehold or leasehold properties or (if located in Scotland) the heritable or long leasehold property charged as security for the repayment of a Mortgage Loan (each a "**Property**") (such Mortgage Loans, "**Buy-to-Let Mortgage Loans**"). These Properties are generally rented to tenants by the relevant Borrowers.

As such, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales and Scotland and in particular, the condition of the private rental market within the various regional areas in England and Wales and Scotland where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

There can be no guarantee that each Property will be tenanted throughout the life of the Mortgage Loan, that the rental income achievable from the tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Mortgage Loan during the life of such Mortgage Loan, that the tenancies will be on market terms, that a tenant will always be able to pay their rent and that a Borrower will always respect the terms of such tenancy relating to the maintenance of the relevant Property. The obligations of a Borrower to make payments under a Mortgage Loan are without regard to whether the relevant Property is let and without regard to the amount of rent received from the relevant tenant however these factors may affect the Borrower's ability to satisfy its obligations under the Mortgage Loans.

Upon enforcement of a non-owner occupied Mortgage Loan in respect of a related Property, which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the relevant Property as an investment property with one or more sitting tenants, it may affect the amount which may be realised in the sale. However, because the terms of most tenancies are for up to a maximum of twelve months, a tenanted property will often be vacated sooner than an owner occupied property. Additionally, enforcement procedures in relation to Mortgages over such non-owner occupied Properties may, amongst other things, include the ability to appoint a receiver of rent (although not in relation to Properties located in Scotland), in which case such a receiver has a right to collect rents payable in respect of such Property.

Risk of Losses Associated with re-performing Loans

As of the Cut-Off Date, approximately 19.2 per cent. of the Mortgage Loans by value constitute mortgage loans with greater than or equal to three times the Borrower's Monthly Subscription in arrears. Additionally, some Borrowers may have breached other payment or non-payment obligations under the Mortgage Loans during the period since they were originated. While the Issuer will receive a degree of comfort by virtue of the Asset Warranties (see "*Assignment of the Mortgage Loans and Related Security*"), mortgage loans in arrears and subject to historical breaches by borrowers are generally likely to experience higher rates of delinquency, write offs, enforcements and bankruptcy than mortgage loans without such arrears or breaches.

Risk of Losses Associated with Self Certified Loans

As of the Cut-Off Date, approximately 33.8 per cent. of the Mortgage Loans by value constitute mortgage loans where the Borrower applied for a self-certified product. For such products, income and employment details of the Borrower are not substantiated by supporting documentation. The rate of delinquencies, write offs, enforcements and losses on such mortgage loans may be higher from those in respect of mortgage loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Geographic Concentration of Properties

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally.

There are concentrations of Properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See the section entitled "*Characteristics of the Provisional Mortgage Portfolio*".

Realisation of Charged Property and Liquidity Risk

The ability of the Issuer to redeem all the Notes in full and to pay amounts to the Noteholders including after the occurrence of an Event of Default, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes. There is not at present an active and liquid

secondary market in the United Kingdom for loans with characteristics similar to the Mortgage Loans. It may not, therefore, be possible for the Issuer or, as the case may be, the Trustee or a Receiver to sell the Mortgage Loans on appropriate terms should such a course of action be required.

Enforcement

Costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Mortgage Loans with corresponding delays in the receipt of related proceeds by the Issuer. See section entitled "*Servicing of the Mortgage Portfolio – Enforcement Procedures*".

Servicing of the Mortgage Loans and Reliance on Third Parties

If the appointment of the Servicer is terminated under the Servicing Agreement, it would be necessary for the Issuer (with the consent of the Trustee) to appoint a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the Servicing Agreement and the then current ratings of the Class A Notes are not adversely affected thereby. The ability of a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. The Back-Up Servicer has agreed to assume the functions and obligations of the Servicer and be appointed as replacement servicer upon the termination of the appointment of the initial Servicer.

The Servicer has the ability under the Servicing Agreement to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer will remain responsible for the performance of such obligations under the Servicing Agreement.

The Servicer has no obligation themselves to advance payments that Borrowers fail to make in a timely fashion.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Cash Manager under the Cash Management Agreement, the Issuer Account Bank under the Issuer Account Bank Agreement, the Principal Paying Agents, the Agent Bank and the Registrar under the Agency Agreement and the Corporate Services Provider under the Corporate Services Agreement have all agreed to provide services with respect to the Notes. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party or were to resign from their appointment or if their appointment under the agreements to which they are a party were to be terminated (in each case, without being replaced), Noteholders may be adversely affected. However, to an extent this risk is mitigated by provisions in the relevant agreements which stipulate that no resignation or termination of the relevant service provider will be effective unless a replacement service provider is appointed in accordance with the terms of the relevant agreements.

Title of the Issuer

Legal title to all of the Mortgage Loans and (subject to registration or recording at Her Majesty's Land Registry in England and Wales (the "**Land Registry**") or Registers of Scotland) their related Mortgages are currently vested in the Legal Title Seller.

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described in the section entitled "*Assignment of the Mortgage Loans and Related Security*". Prior to the Issuer obtaining legal title to the Mortgage Loans and Mortgages, a bona fide purchaser from the Legal Title Seller for value of any of such Mortgage Loans without notice of any of the interests of the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by the Legal Title Seller of its contractual obligations or fraud, gross negligence or mistake on the part of the Legal Title Seller or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against the Legal Title Seller. Such rights may include the rights of set off which arise in relation to transactions made between certain Borrowers and the Legal Title Seller and the right of the relevant Borrowers to redeem their Mortgage Loans by repaying the relevant Mortgage Loan

directly to the Legal Title Seller. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans. In respect of Scottish Mortgage Loans, references in this Prospectus to 'set-off' are to be read as references to analogous rights in Scotland.

Until the Issuer obtains legal title to the Mortgage Loans and their related Mortgages, the sale of the English Mortgage Loans and their related Mortgages will take effect in equity only. The sale of Scottish Mortgage Loans and their related Mortgages will take effect as a contractual sale only on the Closing Date. The transfer of such Scottish Mortgage Loans and their related Mortgages from the Sellers to the Issuer will be given effect by the Scottish Declaration of Trust (as described in the section entitled "*Assignment of the Mortgage Loans and Related Security*") by which the beneficial interest in such Scottish Mortgage Loans and their related Mortgages will be granted in favour of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described in the paragraph above (namely, the Issuer's interest in the property held on trust may become subject to the interests of bona fide third party purchasers who have completed title to the relevant property). Similarly, prior to notice of the trust being given to a Borrower, there is a risk that the Borrower may exercise certain rights of set-off against the Legal Title Seller.

In all cases, this means that in order for legal title to be transferred to the Issuer, transfers, conveyances, assignments and assignations would have to be registered or recorded at the Land Registry or Registers of Scotland, as the case may be, and notice would have to be given to Borrowers of the transfer.

General Regulatory Considerations

No assurance can be given that any relevant regulatory authority will not in the future take action or that future adverse regulatory developments will not arise with regard to the mortgage market in the United Kingdom generally, the non-conforming mortgage loan market or specifically in relation to the Legal Title Seller. Any such action or developments may have a material adverse effect on the Mortgage Loans, the Legal Title Seller, the Issuer or the Servicer and their respective businesses and operations. In particular, the cost of compliance with any such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Transaction Documents.

Mortgages Regulated under FSMA

In the United Kingdom, regulation of residential mortgage business by the FSA under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the "**Mortgage Regulation Date**"). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation and permission from the FSA.

A credit agreement is a "Regulated Mortgage Contract" under FSMA if, at the time it is entered into on or after the Mortgage Regulation Date (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The Servicer holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not require authorisation to carry on the regulated activity of administering Regulated Mortgage Contracts because the Mortgage Loans are administered pursuant to the Servicing Agreement by the Servicer, which has the required FSA authorisation and permission. If the Servicing Agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSA authorisation and permission.

Given that the Issuer will not itself be an authorised person under the FSMA, in the event that an agreement for a Mortgage Loan is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract then the arrangement of, advice on, administration of and

entering into of such variation would need to be carried out by an entity such as the Legal Title Seller or the Servicer or a replacement servicer (as appropriate) having the required FSA authorisation and permission.

The FSA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FSA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, the mortgage loan will be unenforceable against the relevant borrower except with the approval of a court. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule (including the rules in MCOB), and may set off the amount of the claim (or exercise analogous rights in Scotland) against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such set-off in relation to a loan in the Mortgage Portfolio may adversely affect the Issuer's ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA. Certain regulations made in 2005 and 2008 under FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after the Mortgage Regulation Date and credit agreements made before the Mortgage Regulation Date but subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date and constitutes a separate Regulated Mortgage Contract. Furthermore, a court order under Section 126 of the CCA will still be necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or be treated as such.

Credit agreements that were entered into before the Mortgage Regulation Date, but are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of "Regulated Mortgage Contract".

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the relevant borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA has indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the new rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Mortgage Loans. No assurance can be made that any such actions will not impact adversely on the Issuer's ability to make payments on the Notes, although the impact of this will depend on the number of Mortgage Loans which involve a Borrower who experiences payment difficulties.

Proposed changes to United Kingdom mortgage regulation

In November 2009, the United Kingdom Government launched a consultation on mortgage regulation, which sets out proposals to extend the scope of FSA regulation to include buy-to-let mortgages and introduce a regulated activity of managing Regulated Mortgage Contracts which is intended to protect consumers when mortgage loans are sold. The consultation followed the announcements on mortgage regulation made in the July 2009 "Reforming financial markets" consultation paper, which set out the Government's proposals for reform of the financial system.

In its follow-up paper "Mortgage regulation: summary of responses", published in March 2010, the Treasury acknowledged an industry concern that the proposed regulated activity of managing Regulated Mortgage Contracts was drawn too widely and could potentially extend to include the activities of special purpose vehicles (such as the Issuer) used in the wholesale mortgage markets. On 26 January 2011, the Treasury announced revised proposals on the sale of mortgage books. In a related impact assessment, the Treasury has indicated that rather than creating a new regulated activity of 'managing' a Regulated Mortgage Contract, the definition of the existing regulated activity of 'administering' Regulated Mortgage Contracts will be extended to cover unregulated mortgage holders who exercise specified rights (such as changing interest rates) under mortgage contracts. This is considered to be the most effective way to ensure consumer protection without affecting lenders' ability to securitise their mortgage loans. However, until the Statutory Instruments introducing the Treasury's proposals are published, it is not certain what effect the expansion of the regulated activity of administering Regulated Mortgage Contracts would have on the Legal Title Seller, the Issuer and/or the Servicer and their respective business and operations. The relevant statutory instruments are yet to be published.

The CCA Regime

Certain of the Mortgage Loans fall within the scope of regulation under the FSMA or are regulated credit agreements within the meaning of the Consumer Credit Act 1974 (the "CCA"). The Issuer does not intend to obtain a CCA licence. As a consequence thereof, if a Perfection Event occurs and legal title to the Mortgage Loans transfers to the Issuer (or a nominee of the Issuer) for as long as the Issuer (or such nominee) does not have a CCA licence, such Mortgage Loan would be unenforceable against the relevant Borrower until the Issuer (or, as applicable, such nominee) obtains a CCA licence.

The CCA 2006

The Consumer Credit Act 2006 (the "CCA 2006"), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008. For example, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA, whether or not they are regulated under the CCA. The new test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee (such as the Legal Title Seller or the Beneficial Title Seller).

In applying the "unfair relationship" test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FSA "Principles for Businesses" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary. It is unclear how the "unfair relationship" test will be interpreted by the courts. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

An alternative dispute resolution scheme for consumer credit matters is run by the Ombudsman and was established on 6 April 2007. The scheme is mandatory for all businesses licensed under the CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal whose functions were transferred to the General Regulatory Chamber in September 2009. The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements and except for certain buy-to-let loans made before 31 October 2008.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are

restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies from 11 June 2010. If a Mortgage Loan is a credit agreement which is regulated by the CCA, any failure to comply with the requirements of the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

The Consumer Credit Directive

The Consumer Credit Directive (2008/48/EC) (the "**Consumer Credit Directive**") was adopted in April 2008, took effect in the UK on 1 February 2011 and was amended on 1 January 2013. It regulates consumer credit agreements between EUR 200 and EUR 75,000 between credit providers and consumers entered into on or after 1 February 2011. Notably, however, the Consumer Credit Directive excludes a number of credit agreements from regulation including credit agreements secured by a mortgage (whether first or second mortgage) and credit agreements the purpose of which is to acquire or retain property rights in land.

EU proposal for a directive on credit agreements relating to residential property

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The proposed directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside the Consumer Credit Directive. The proposed directive does not apply to credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The proposed directive requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The proposed directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

Furthermore, the proposal does not appear to distinguish the status of buy-to-let loans made to individual borrowers from residential mortgages. On 23 May 2012, the Presidency of the Council of the European Union announced its compromise proposal for the general approach to its negotiations with the European Parliament on the proposed directive. The European Parliament will consider the proposed directive at its plenary session held between 20 and 23 May 2013. It is currently proposed that Member States will be required to implement the directive into national law within two years after the directive enters into force. Until the proposed directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is not possible to tell what effect the directive and the implementation of the directive into UK law would have on the Legal Title Seller, the Issuer and/or the Servicer and their respective businesses and operations.

EU Initiatives on Mortgage Credit

Whilst loans secured by a mortgage on land or in Scotland, a standard security, have been excluded from the Consumer Credit Directive, the European Commission published a White Paper on mortgage credit in December 2007, setting out its tasks for 2008 to 2010 including, amongst other things, an assessment of the regulation of early repayment charges, pre contract disclosure and interest rate restrictions. At that time, the European Commission had stated that, in its view, it was too early to decide on whether a mortgage directive would be appropriate.

However, more recently, the European Commission published a proposal for a directive on credit agreements relating to residential property on 31 March 2011. The proposal has been submitted to the European Parliament and the Council of Ministers for consideration. At this stage, it remains unclear when the finalized text of the proposed directive can be expected to be published. Until the finalized text of the directive is published, it is not certain what effect the adoption and implementation of any measures resulting from the Commission's proposal for a directive on credit agreements relating to residential property would have on the Mortgage Loans, the Legal Title Seller, the Issuer and their respective

businesses and operations. This may adversely affect the Issuer's ability to make payments under the Notes.

Repossessions policy

A new protocol for mortgage re-possession cases in England and Wales came into force on 19 November 2008 (the "**Pre-Action Protocol**") sets out the steps that judges will expect any lender to take before starting a claim. In response to this, a number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three (or, in the case of some lenders, six) months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. In addition, the Mortgage Repossession (Protection of Tenants etc) Act 2010 (the "**Repossession Act 2010**") came into force in England and Wales in October, 2010. The Repossession Act 2010 introduces new powers for courts hearing a mortgage repossession case where the property is occupied by unauthorised tenants, including powers to delay a repossession order and suspend a warrant of eviction on application by an unauthorised tenant.

As noted above, amendments to Chapter 13 of MCOB, which came into force on 25 June 2010 prevent, in relation to Regulated Mortgage Contracts: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term or a product switch and (b) automatically capitalising a payment shortfall. Formerly, these were the subject of non-binding guidance only.

The Pre-Action Protocol and MCOB requirements for mortgage possession cases and the Repossession Act 2010 may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and lower payments on the Notes.

Consultation Paper on the power of sale and residential property

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled 'Mortgages: power of sale and residential property' (CP55/09)) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the borrower. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of the mortgagee to exercise its power of sale in relation to the English Mortgage Loans may be restricted and this may affect the Issuer's ability to make payments on the Notes. This consultation closed on 28 March 2010 and is yet to publish a response.

Home Owner and Debtor Protection (Scotland) Act 2010

The Scottish Parliament has recently passed the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**2010 Act**"), Part 1 of which came into effect on 30 September 2010 and contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the provisions of the Conveyancing and Feudal Reform (Scotland) Act 1970 which permitted a heritable creditor to proceed to sell the secured property where the notice period specified in a calling up notice or notice of default in respect of the relevant standard security had expired without challenge (or where a challenge had been made). In terms of the 2010 Act the heritable creditor is now required to obtain a court order to exercise its power of sale, unless the borrower and certain other occupiers have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to seek to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the Legal Title Seller as heritable creditor in respect of the Scottish Mortgages to exercise its power of sale and this could affect the Issuer's ability to make payments on the Notes.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts

Regulations 1994 (together with the 1999 Regulations, the "UTCCR"), apply to agreements made on or after 1 July, 1995 and affect all or almost all of the Mortgage Loans.

The UTCCR provide that a consumer (which would include a Borrower under all or almost all of the Mortgage Loans) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

The UTCCR will not affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing mortgage exit administration fees. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

Under concordats agreed between the FSA and the OFT, most recently in November 2009, the division of responsibility for the enforcement of the UTCCR in loan agreements was agreed to be allocated by them, generally, to the FSA in relation to Regulated Mortgage Contracts under FSMA originated by lenders authorised by the FSA and to the OFT in relation to other mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in Borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a Borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it will use its powers under the 1999 Regulations. The FSA published finalised guidance entitled "*Unfair contract terms: improving standards in consumer contracts*" in January 2012.

Whilst the OFT and FSA have powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

The guidance issued by the FSA and OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR, will not have a material adverse effect on the Legal Title Seller, the Issuer and their respective businesses and operations.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May, 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**"). The CPUTRs came into effect on 26 May, 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat most recently in November, 2009 to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPUTRs.

Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Mortgage Loans, the Legal Title Seller or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

The CPUTRs do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Law Commission and the Scottish Law Commission reviewed the current private law in this area and found it to be fragmented and unclear. On 28 March 2012 the two Commissions published a report entitled "*Consumer Redress for Misleading and Aggressive Practices*", which sets out recommendations for reform.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A regulated mortgage contract under the FSMA, if made by a UK originator from an establishment in the UK, will not be cancellable under these regulations. Any other credit agreement will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of the prescribed information. Some of the Mortgage Loans may have been originated on the basis of distance marketing and are therefore subject to the requirements and risks set out in this paragraph.

If the borrower cancels the credit agreement under these regulations, then:

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower's sending notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is to be treated as never having had effect for the cancelled agreement.

If a significant portion of the Mortgage Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of those amounts, affecting the Issuer's ability to make payments on the Notes.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code (the "**CML Code**") issued by the Council of Mortgage Lenders occurring before the Mortgage Regulation Date may be dealt with by the Financial Ombudsman Service. Complaints brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman such decision may have an adverse effect on the Mortgage Loans, the Issuer, the Servicer and their respective businesses and operations and such decision may affect the ability of the Issuer to make payments to Noteholders.

Changes to the UK regulatory structure

The way in which providers of credit and related companies are licensed was recently changed in the United Kingdom. Responsibility for the regulation of consumer credit has transferred from the OFT to a new regulatory body, the Financial Conduct Authority (the "**FCA**"). The FCA is now responsible for the conduct of business and ensuring that business across financial services and markets is conducted in a way which advances the interests of all users and participants.

The Financial Services Act 2012 came into force on 1 April 2013 and the FCA commenced its regulatory responsibilities as the new regulator on that date. The FCA has power to render unenforceable contracts made in contravention of its product intervention rules, and formalises cooperation between the FCA and the Financial Ombudsman Service, particularly where issues identified potentially have wider implications. The Financial Services Act 2012 also provides for the creation of a new Prudential Regulation Authority (the "**PRA**"), which is responsible for the prudential supervision of deposit takers, insurers and a small number of significant investment firms. At such an early stage it is not certain what effect this will have on the Mortgage Loans, the Seller, and the Issuer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Notes when due.

There can be no assurance that the developments described above, in respect of the changing regulatory regime, will not have an effect on the mortgage market in the United Kingdom generally, the non-conforming mortgage loan market or specifically in relation to the Legal Title Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Legal Title Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

Implementation of, and amendments to, the Basel III framework may affect the regulatory capital and liquidity treatment of the Notes

The Basel Committee on Banking Supervision (the "**Basel Committee**") published a regulatory capital framework in 2006 (the "**Basel II Framework**"). 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 at a yet to be determined date in 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The key Basel reforms will be implemented through amendments to the Capital Requirements Directive and the Capital Requirements Regulation (known together as "**CRD IV**"). In December 2012 the European authorities announced that the Basel III implementation schedule set for 1

January 2013 would not be met. Finalised CRD IV implementation measures have yet to be published, but are now expected in 2013. The changes 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. 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.

Additionally, the Basel Committee released on 18 December 2012 a consultative document with a series of proposals to alter the Basel securitisation framework, including the risk weighting approach in relation to securitisation exposures. The consultation period closed on 15 March 2013 and the results are yet to be published.

In general, investors should consult their own advisers as they deem necessary in relation 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.

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 Lead Manager, the Sellers, or any of the 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 the Capital Requirements Directive (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 and consolidated group affiliates thereof 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. Consequently investors which are EU regulated credit institutions should 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, Lead Manager or any Transaction Party 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 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 certain types of investment fund managers, insurance and reinsurance undertakings) in the future.

Article 122a of the Capital Requirements Directive 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.

Potential effects of any additional regulatory changes

No assurance can be given that further changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the United Kingdom generally, the non-conforming mortgage loan market or specifically in relation to the Legal Title Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Legal Title Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

Tax Considerations

UK Special Regime for the Taxation of Securitisation Companies

The Taxation of Securitisation Companies Regulations (the "**Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the 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 considers that it will be taxed under the special taxation regime for which provision is made by the Regulations. Investors should note, however, that the Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Regulations including whether any particular company falls within the regime provided for in the Regulations. Investors should note that if the Issuer did not fall to be taxed under the new regime then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, interest paid on the Notes could well be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in, or certain limited types of entity established in, that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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 in, 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 in, or certain limited types of entity established in, one of those territories.

The European Commission has proposed certain amendments to the 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.

Withholding Tax under the Notes

In the event that withholding taxes are imposed in respect of payments due in respect of the Notes, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts received as a result of the imposition of such withholding taxes.

U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a foreign financial institution, or "**FFI**" (as defined by FATCA)) that (i) does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders or (ii) is not otherwise exempt from or in deemed compliance with FATCA. The new withholding regime will be phased in beginning in 2014 for payments received from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 2017.

After consultation with a number of potential partner countries, the United States released a model intergovernmental agreement ("**model 1 IGA**") to facilitate the implementation of FATCA. Pursuant to FATCA and the model 1 IGA, an FFI in a signatory country could be treated as a deemed-compliant FFI, an exempt FFI or a "Reporting FFI" not subject to FATCA withholding on any payments it receives. It is anticipated that such an FFI would also not be required to withhold on foreign passthru payments that it makes. A Reporting FFI would, however, be required to report certain information on its account holders to its home government. On 12 September 2012, the United States and the United Kingdom entered into an agreement (the "**US-UK IGA**") based largely on the model 1 IGA.

The Issuer may be an FFI, in which case it would expect to be treated as a Reporting FFI pursuant to the US-UK IGA and would not anticipate being obliged to withhold any amounts under FATCA from payments it makes. There can be no assurance, however, that the Issuer would be treated as a Reporting FFI or that it would not be required to withhold under FATCA. The Issuer may be required to withhold amounts under FATCA (if it is not a Reporting FFI and becomes a Participating FFI) if an investor or person through which payments on the Notes is made is not able to receive payments free of withholding under FATCA. This withholding would apply to (i) any Note characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the date that is six months after the date on which final regulations that define "foreign passthru payments" are published or are materially modified after that date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any Paying Agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. If any FATCA withholding is imposed, a beneficial owner of Notes that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return, which may entail significant administrative burden. A beneficial owner of Notes that is a foreign financial institution will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles it to an exemption from, or reduced rate of, tax on the payment that was subject to withholding under FATCA.

If the Issuer is a Reporting FFI, it may be required under UK law implementing the US-UK IGA to collect certain information about Noteholders and report such information to the UK tax authorities. If the Issuer is unable to comply with these obligations because it is unable to obtain information about Noteholders, then it may cease to be treated as a Reporting FFI under the US-UK IGA. In this case, the Issuer could become subject to withholding on US source payments and "foreign passthru payments" received from other FFIs, which would reduce the amount of cash available for distribution to Noteholders.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations, official guidance and the US-UK IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their

own tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

Legal Considerations

Risks relating to the Banking Act

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the United Kingdom Financial Services Authority (the "**FSA**" (which term shall be deemed to refer to when used in relation to a date on or after 1 April 2013, the FCA and/or PRA (as applicable)) 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 United Kingdom-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (such as the Issuer Account Bank and the Collection 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 SRR 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 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 entity to satisfy its 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 and acceleration 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.

As at the date of this Prospectus, 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.

European Monetary Union

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 the euro may become the lawful currency of the United Kingdom. Adoption of the euro by the United Kingdom may have the following consequences: (i) all amounts payable in respect of the Notes may become payable in euro; (ii) applicable provisions of law may allow or require the Notes 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 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 Mortgage Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

Change of Law

The structure of the transaction as described in this Prospectus and, among other things, the issue of the Notes and the ratings which are to be assigned to the Notes are based on English, Scots and Northern Irish law, tax, accounting, regulatory and administrative practice in effect as at the date hereof as it affects the parties to the transaction and the Mortgage 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 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 hereof 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.

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.

On 6 April 2008, Section 176ZA of the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

On this basis and as a result of the changes described above, in a winding up of the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the holders of the Notes will not be adversely affected by such a reduction in floating charge realisations.

Insolvency Act 2000

The Insolvency Act 2000 (the "**IA 2000**") has amended the Insolvency Act 1986 with effect from 1 January 2003 so as to allow certain "small companies", as part of the company voluntary arrangement procedure, to seek court protection from their creditors by way of a moratorium for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period).

The IA 2000 defines a "small company" by reference to whether the company meets certain tests contained in section 247(3) of the Companies Act 1985, relating to a company's balance sheet total, turnover and average number of employees in a particular period. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company". Accordingly, the Issuer may, at any given time, come within the ambit of the "small companies" provisions, such that the Issuer may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that

company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002, which were made on 25 July 2002 and came into force on 1 January 2003. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10,000,000 is incurred and which involves the issue of a capital market investment. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10,000,000 of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Trustee's ability to enforce the Security to the extent that: firstly, if the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

The Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 (the "**Enterprise Act**") came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the "**Insolvency Act**"). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating chargeholder.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involve indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in this Prospectus, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or

provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

The Insolvency Act also contains a new out of court route into administration for a qualifying floating chargeholder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating chargeholder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out of court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced (other than in a limited number of circumstances), no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court or the administrator) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court or the administrator). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the administrator may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security.

The new provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured parties is secondary. No assurance can be given that the primary purpose of the new provisions will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

The Enterprise Act also removes the Crown's preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured parties take the benefits of this change (section 252) (although certain debts, including contributions to occupational and state pension schemes, retain preferential status and are payable in priority to debts owed to floating chargeholders). Under this latter provision the unsecured parties will have recourse to the floating charge assets up to a fixed amount (the "prescribed part") in priority to the holder of the floating charge concerned. The prescribed part will be 50 per cent. of the first £10,000 of net floating charge assets; then 20 per cent. of the remaining net floating charge assets until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realisations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not.

Fixed Charges over Accounts May Take Effect under English Law as Floating Charges

The Issuer will purport to grant, *inter alia*, fixed charges in favour of the Trustee over the Issuer's interest in the Issuer Account and any other bank account in which the Issuer has an interest.

The law in England and Wales relating to the re-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 Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "**fix**" over those assets (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 certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. See the paragraph entitled "*The Enterprise Act 2002*" above.

The Issuer believes that the risks described above are the principal risks for the Noteholders inherent in the transaction, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above stated risk factors are exhaustive. The Issuer believes that the structural elements described elsewhere in this Prospectus go to mitigate a number of these risks for the Noteholders, nevertheless the Issuer cannot give any assurance that those will be sufficient to ensure timely payment of interest, principal or any other amounts on or in connection with the Notes to Noteholders.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

See the sections entitled "Terms and Conditions of the Notes" and "Early Redemption of Notes" for further detail in respect of the terms of the Notes.

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes
Currency	£	£
Initial Principal Amount Outstanding	70,600,000	54,400,000
Note Credit Enhancement	Over-collateralisation, Subordination of Class B Notes, Available Principal Funds	N/A
Reserve Credit Enhancement/Liquidity Support	Global Reserve Fund, Available Principal Funds	Global Reserve Fund
Issue Price	100%	100%
Reference Rate	3-Month GBP LIBOR	3-Month GBP LIBOR
Relevant Margin	2.25% per annum (prior to the Step-Up Date) 3.00% per annum (from and including the Step-Up Date)	3.75% per annum (no Margin step-up from and including the Step-Up Date)
Step-Up Date	12 September 2018	N/A
Interest Accrual Method	ACT/365 (fixed)	ACT/365 (fixed)
Interest Determination Date	Interest Payment Date	Interest Payment Date
Interest Payment Dates	12 th of March, June, September and December	12 th of March, June, September and December
Business Day Convention	Modified following	Modified following
First Interest Payment Date	12 June 2013	12 June 2013
First Interest Period	The period from (and including) the Closing Date to (but excluding) the First Interest Payment Date	
Pre-Enforcement Redemption Profile	Sequential-pass through amortisation on each Interest Payment Date to the extent of Available Principal Funds subject to and in accordance with the Pre-Enforcement Principal Payments Priorities.	
Portfolio Call	If either (a) the Optional Portfolio Purchase or (b) the Market Portfolio Purchase occurs, the Class A Notes will be redeemed on the Interest Payment Date immediately following such event and the Class B Notes may be redeemed in full or in part on such Interest Payment Date.	
Post-Enforcement Redemption Profile	Sequential-pass through amortisation in accordance with the Post-Enforcement Payments Priorities.	
Final Maturity Date	Interest Payment Date falling in March 2045	
Form of the Notes	Registered	Registered
Application for Listing	Main Securities Market of the Irish Stock Exchange	Main Securities Market of the Irish Stock Exchange

	Class A Notes	Class B Notes
ISIN	XS0920834461	XS0920835518
Common Code	092083446	092083551
Clearance/Settlement	Euroclear/ Clearstream, Luxembourg	Euroclear/ Clearstream, Luxembourg
Minimum Denomination	£100,000 and £1,000 increments	£100,000 and £1,000 increments
Retained Amount	N/A	5%
Rating of Notes on Issue	AA(sf) by S&P	N/A

Ranking

The Notes within each Class will each rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and principal at all times.

Payments of principal on the Class A Notes will at all times rank in priority to payments of interest and principal on the Class B Notes in accordance with the applicable Payments Priorities.

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes in accordance with the applicable Payments Priorities and payments of interest on the Class B Notes will at all times rank in priority to Residual Payments to the Residual Certificateholders in each case in accordance with the applicable Payments Priorities.

Security

The Notes are secured and will share the Security with the other Secured Obligations of the Issuer as set out in the Deed of Charge. The security granted by the Issuer includes:

- (a) a first fixed charge over the benefit of the Issuer in each English Mortgage Loan, and the Related Security relating to such English Mortgage Loan comprised in the Portfolio;
- (b) an assignation in security of the Issuer's beneficial interest under the trust declared by the Legal Title Seller pursuant to the Scottish Declaration of Trust;
- (c) an assignment of rights held by the Issuer against certain third parties and insurers;
- (d) a first fixed charge of the benefit of the Transaction Account and any bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- (e) an assignment of the benefit of the Issuer under each relevant Transaction Document (other than the Trust Documents and the Scottish Declaration of Trust); and
- (f) a first floating charge over all the assets and undertakings of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (e) above but extending over all assets and undertakings of the Issuer located in, or otherwise governed by the laws of Scotland.

Some of the other Secured Obligations rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Post-

Enforcement Payments Priorities.

See also the following risk factor under "*Risk Factors – Fixed charges may take effect under English law as floating charges*".

Interest Provisions

See "*Full Capital Structure of the Notes*" as set out above.

Interest Deferral

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the Class B Notes after having paid or provided for items of a higher priority in accordance with the relevant Payments Priorities, this payment shall be deferred and such non-payment shall not constitute an Event of Default. Any amounts of deferred interest will accrue interest as described in Condition 8 (*Interest*) and payment of any such additional interest will also be deferred.

Payment of the shortfall representing deferred interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, **provided that** the payment of such shortfall shall not be deferred beyond the Final Maturity Date, as described in Condition 8.11 (*Interest Deferred*). On such date, any amount which has not by then been paid in full shall become due and payable.

Gross-up

None of the Issuer or any Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.

Redemption

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

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 9.1 (*Final Redemption*);
- (b) mandatory redemption in part on any Interest Payment Date prior to the delivery of an Enforcement Notice, subject to availability of Available Principal Funds, as fully set out in Condition 9.2 (*Mandatory Redemption in part*);
- (c) optional redemption in whole exercisable by the Issuer for tax reasons on any Interest Payment Date, as fully set out in Condition 9.3 (*Optional Redemption in whole for taxation reasons*).

Upon the occurrence of an Optional Portfolio Purchase or a Market Portfolio Purchase, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Payments Priorities with the result that the Class A Notes will be redeemed in full and the Class B Notes may be redeemed in part or in full, in each case in accordance with Condition 9.2 (*Mandatory Redemption in part*).

Subject to the Issuer having sufficient funds available for this purpose, each Note redeemed will be redeemed in an amount equal to the Principal Amount Outstanding of the relevant Note together with any accrued (and unpaid) interest up to (and including) the date of redemption.

Events of Default

As fully set out in Condition 13 (*Events of Default*), which includes (and where relevant will be subject to the applicable grace period):

- non-payment of interest and/or principal;
- breach of contractual obligations by the Issuer under the Transaction Documents or of the Notes;
- unlawfulness; and

- Insolvency Events in relation to the Issuer.

Enforcement

If an Event of Default has occurred and is continuing, the Trustee may, and for so long as any Notes remain outstanding shall, if so requested: (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or (b) by an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding deliver an Enforcement Notice to the Issuer and institute such proceedings as may be required in order to enforce the Security in accordance with the Trust Documents. The Trustee shall not: (i) deliver an Enforcement Notice unless it has certified in writing that the occurrence of an Event of Default as a result of a breach of contractual obligations by the Issuer under the Transaction Documents or of the Notes; and (ii) be obliged to deliver an Enforcement Notice, unless it shall have been fully indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

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 10 (*Limited Recourse*).

The Residual Certificateholders are only entitled to funds which are available to the Issuer in accordance with the applicable Payments Priorities and therefore the Certificates are limited recourse obligations of the Issuer.

Non petition

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Trust Deed and the Conditions):

- to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security other than when expressly permitted to do so under the Conditions; or
- to take or join any person in any steps against the Issuer to obtain payment of any amount due from the Issuer to it; or
- until the date falling two years after the Final Discharge Date, to initiate or join in initiating any proceeding in relation to an Insolvency Event in relation to the Issuer; or
- to take or join in taking of any steps or proceedings which would result in any of the Payments Priorities not being observed.

Governing Law

English law as to the Notes and the Trust Deed. English and Scots law as to the Deed of Charge.

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

See the sections entitled "Terms and Conditions of the Notes" 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% of the Principal Amount Outstanding of the outstanding Notes of a particular Class are entitled to request the Trustee to convene a Noteholders' Meeting 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 (whether as a result of a direction given by the Trustee or otherwise), 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 Trustee.

Following an Event of Default Following the occurrence of an Event of Default which is continuing, Noteholders of the Most Senior Class then outstanding may, if they pass an Extraordinary Resolution or by way of a request in writing by the holders of at least 25% of the Principal Amount Outstanding, direct the Trustee (provided it has been indemnified and/or secured and/or prefunded to its satisfaction) to deliver an Enforcement Notice to the Issuer.

Noteholders Meeting provisions	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	21 clear days	14 clear days (and not more than 42 clear days)
Quorum for meetings on Extraordinary Resolutions:	One or more persons holding or representing in aggregate a majority of the Principal Amount Outstanding of the relevant Class of Notes (other than a Reserved Matter, which requires 75% of the Principal Amount Outstanding of the relevant Class of Notes)	Any holding (other than a Reserved Matter, which requires 10% of the Principal Amount Outstanding of the relevant Class of Notes)
Required majority:	75% of votes cast for matters requiring Extraordinary Resolution	
Written Resolution:	100% of the Principal Amount Outstanding of the relevant Class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution	

Matters requiring Extraordinary Resolution The following matters (including but not limited to):

- Reserved Matter;
- modification of the Conditions;
- substitution of the Issuer;
- waiving a breach of obligations under the Transaction Documents by the Issuer;

- in the case of the Most Senior Class then outstanding, giving of a direction to the Trustee to deliver an Enforcement Notice;
- in case of the Most Senior Class, removal of the Trustee and approval of the successor trustee; and
- in case of the Most Senior Class then outstanding, giving of a direction to the Trustee to refrain from exercising any powers conferred upon it by Condition 17.2 (*Waiver*).

Relationship between Classes of Noteholders and Residual Certificateholders

Subject to the Provisions for Meetings of Noteholders and the Provisions for Meetings of Residual Certificateholders governing a Reserved Matter, a resolution of Noteholders of the Most Senior Class then outstanding shall be binding on all other holders of Notes and holders of Residual Certificates and the Trustee shall not take into account any resolutions to the contrary passed by such other Noteholders or Residual Certificateholders.

A Reserved Matter requires an Extraordinary Resolution of each Class of Notes then outstanding and of the Residual Certificates then outstanding.

Beneficial Title Seller as Noteholder

For the purpose of, *inter alia*, the right to attend and vote at any Meeting of Noteholders, the right to resolve by Extraordinary Resolution in writing and certain rights to direct, the relevant Notes must be "outstanding". Those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding provided that if all Notes of a particular Class are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Class of Notes**") and no other Classes of Notes exist that rank junior or *pari passu* to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding.

Beneficial Title Seller as Residual Certificateholder

For the purpose of, *inter alia*, the right to attend and vote at any Meeting of Residual Certificateholders, the right to resolve by Extraordinary Resolution in writing and certain rights to direct, the relevant Residual Certificates must be "outstanding". Those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Residual Certificates are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Residual Certificates**"), the relevant Residual Certificates will be deemed to remain outstanding.

Relationship between Noteholders, Residual Certificateholders and other Secured Creditors

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Residual Certificateholders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders only in the exercise of its discretion. So long as any Residual Certificates are outstanding and there is a conflict between the interests of the Residual Certificateholders and the other Secured Creditors (except the Noteholders), the Trustee will take into account the interests of the Residual Certificateholders only in the exercise of its discretion.

**Provision of
Information to the
Noteholders and
Residual
Certificateholders**

The Cash Manager will further provide an investor report on a quarterly basis containing information in relation to the Mortgage Portfolio (based on information provided to the Cash Manager by the Servicer), the Notes and the Residual Certificates including, but not limited to, amounts paid by the Issuer pursuant to the Payments Priorities in respect of the relevant period and required counterparty information.

**Communication with
Noteholders**

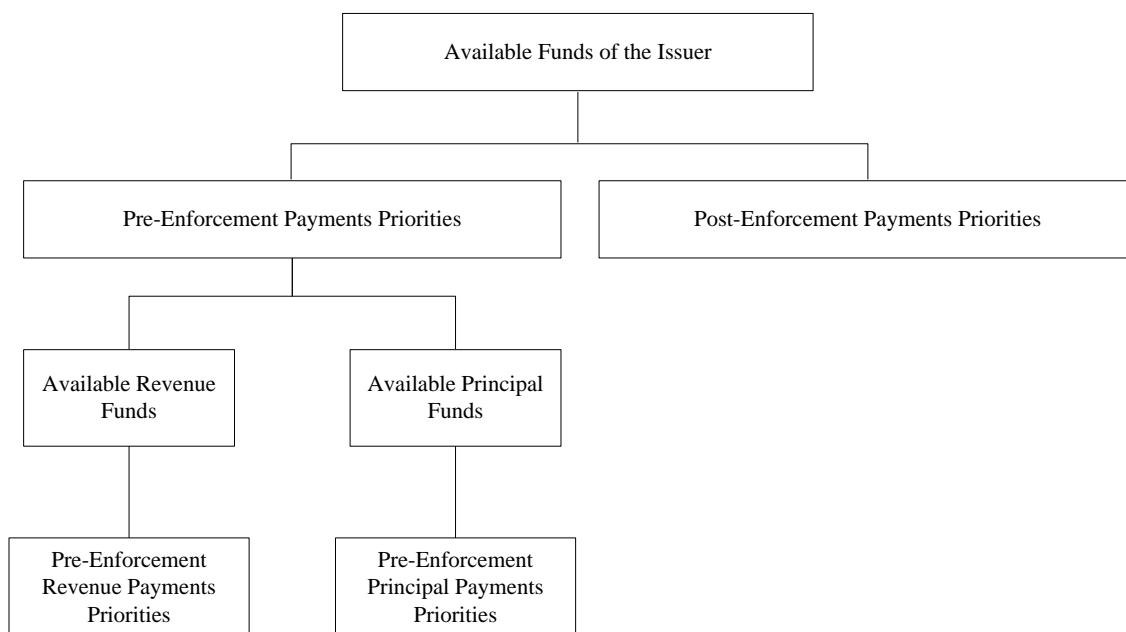
Any notice to be given by the Issuer or Trustee to Noteholders shall be given in the following manner:

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders;
- if the Notes are no longer held in the Clearing Systems any notice to the Noteholders shall be validly given if published in the Financial Times, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Trustee shall approve in advance having a general circulation in the United Kingdom;
- so long as the Notes are listed on a recognised stock exchange, by delivery to them in accordance with the notice requirements of such stock exchange; or
- by publication on the Relevant Screen.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

CREDIT STRUCTURE AND CASHFLOW

See the sections entitled "Cashflows" and "Credit Enhancement and Liquidity Support" for further detail in respect of the credit structure and cash flow of the transaction



Available Funds of the Issuer: The Issuer will use Available Revenue Funds and Available Principal Funds for the purposes of making interest and principal payments under the Notes and Residual Certificates and payments under the Transaction Documents.

Available Revenue Funds will include the following:

- Revenue Receipts received during the immediately preceding Calculation Period;
- interest paid to the Issuer on the amounts standing to the credit of the Transaction Account during the immediately preceding Calculation Period;
- amounts to be drawn from the Global Reserve Fund (as required to reduce or eliminate any Revenue Shortfall) or released from the Global Reserve Fund (where the balance exceeds the required balance);
- Principal Re-Allocation Amount (as required to reduce or eliminate any Remaining Revenue Shortfall);
- any Available Principal Funds applied in accordance with item (d) of the Pre-Enforcement Principal Payments Priorities;

less relevant amounts debited during the Calculation Period, which include the following:

- any Borrower Repayment Amount of a revenue nature;
- any tax payment due otherwise than from the Issuer Profit Amount;
- any Third Party Expenses; and
- amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

Available Principal Funds will include the following:

- Principal Receipts received by the Issuer during the immediately preceding Calculation Period (including consideration paid by the Beneficial Title Seller in respect of the re-purchase of the Mortgage Loans and their Related Security which relates to principal amounts due and receipt of realisation proceeds of the relevant Related Security);
- amounts transferred from the Revenue Ledger (a) to reduce or eliminate debit balances on the Principal Deficiency Ledger or (b) so long as the Class A Notes remain outstanding in accordance with item (j) of the Pre-Enforcement Revenue Payments Priorities; and

less any Borrower Repayment Amount of a principal nature debited during the Calculation Period.

Summary of Payments Priorities

Below is a summary of the relevant payments priorities. Full details of the payments priorities are set out in the section entitled "*Cash Flow*".

<u>Pre-Enforcement Revenue Payments Priorities:</u>	<u>Pre-Enforcement Principal Payments Priorities:</u>	<u>Post-Enforcement Payments Priorities:</u>
(a) Payments due to the Trustee and any appointee pursuant to the Trust Deed	(a) Principal Re-Allocation Amount	(a) Payments due to the Trustee and any appointee pursuant to the Trust Deed
(b) Payments due to the Paying Agents, the Agent Bank and the Registrar	(b) Principal on the Class A Notes (c) Principal on the Class B Notes	(b) Payments due to the Paying Agents, the Agent Bank and the Registrar
(c) Payments due to: (i) the Corporate Services Provider under the Corporate Services Agreement; (ii) the Servicer under the Servicing Agreement; (iii) the Back-Up Servicer under the Back-Up Servicing Agreement; (iv) the Cash Manager under the Cash Management Agreement; (v) the Issuer Account Bank under the Issuer Account Bank Agreement; and (vi) the Collection Account Bank under the Collection Account	(d) Applied as Available Revenue Funds	(c) Payments due to: (i) the Corporate Services Provider under the Corporate Services Agreement; (ii) the Servicer under the Servicing Agreement; (iii) the Back-Up Servicer under the Back-Up Servicing Agreement; (iv) the Cash Manager under the Cash Management Agreement; (v) the Issuer Account Bank under the Issuer Account Bank Agreement; and (vi) the Collection Account Bank under the Collection Account

Agreement	Agreement
(d) Third Party Expenses	(d) Interest on the Class A Notes
(e) Interest on the Class A Notes	(e) Principal on the Class A Notes
(f) Issuer Profit Amount	(f) Interest on the Class B Notes;
(g) Class A Principal Deficiency Ledger	(g) Principal on the Class B Notes
(h) Class B Principal Deficiency Ledger	(h) Issuer Profit Amount
(i) If applicable, to fund the Global Reserve Fund up to the Global Reserve Fund Required Amount	(i) Payments on the Residual Certificates
(j) So long as the Class A Notes remain outstanding, applied as Available Principal Funds	
(k) Interest on the Class B Notes	
(l) Payments on the Residual Certificates	

General Credit Structure

The general credit structure of the transaction includes the following elements:

- Over-collateralisation: the aggregate Principal Outstanding Balance of Mortgage Loans as at the Cut-Off Date exceeds the initial Principal Amount Outstanding of the Class A Notes on the Closing Date by approximately £47,163,331.
- Subordination: Class B Notes rank, in terms of payments of principal and interest to be made to them, lower than Class A Notes thereby providing credit support to the Class A Notes.
- Global Reserve Fund: the Global Reserve Fund, initially funded in an amount of £5,888,167 by the issuance of the Notes, and thereafter replenished from Available Revenue Funds, may be applied to reduce or eliminate any Revenue Shortfall.
- Available Principal Funds applied as Available Revenue Funds: Available Principal Funds may be applied: (a) pursuant to item (a) of the Pre-Enforcement Principal Payments Priorities to reduce or eliminate any Remaining Revenue Shortfall; and (b) as Available Revenue Funds to the extent such funds are available following payment of such items (a) to (c) (inclusive) of the Pre-Enforcement Principal Payments Priorities.
- Available Revenue Funds applied as Available Principal Funds: so long as the Class A Notes remain outstanding, Available Revenue Funds shall be applied as Available Principal Funds in accordance with item (j) of the

Pre-Enforcement Revenue Payments Priorities and therefore applied in redemption of the Class A Notes. Available Revenue Funds may also be applied as Available Principal Funds to reduce or eliminate a debit balance on the Principal Deficiency Ledger.

See the section entitled "*Credit Enhancement and Liquidity Support*".

**Bank Accounts
and Cash
Management**

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Portfolio are received by the Legal Title Seller in the Collection Account. Interest payments and principal repayments are collected throughout the month.

All monies standing to the credit of the Collections Trust Account during a Calculation Period that are identified as being referable to the Mortgage Portfolio are transferred from the Collections Trust Account to the Collection Account by the Collection Account Bank at the end of each Business Day during a Calculation Period.

All monies standing to the credit of the Collection Account during a Calculation Period are automatically transferred from the Collection Account to the Transaction Account by the Collection Account Bank at the end of each Business Day during a Calculation Period.

The Collection Account Bank shall be entitled at any time to deduct from the Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Portfolio, or to pay amounts due or owing to the Collection Account Bank. To the extent there is a shortfall, such amounts may also be debited from the Transaction Account (see "*Cashflows – Payments on Business Days other than Interest Payment Dates*" below).

The Cash Manager shall instruct the Issuer Account Bank to make payments pursuant to the Cash Management Agreement.

TRIGGERS TABLES

Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
Collection Account Bank	<p>(i) at least BBB (long-term) and A-2 (short-term); or</p> <p>(ii) if no S&P short-term rating is available, BBB+ (long-term), or such other rating or ratings as may be agreed by the Rating Agency from time to time as would maintain the then current rating of the Class A Notes.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled "<i>Cash Management</i>".</p>	<ul style="list-style-type: none"> • Replacement of Collection Account Bank • Such other action which would not result in a downgrade of the Class A Notes
Issuer Account Bank:	<p>(i) at least A (long-term) and A-1 (short-term); or</p> <p>(ii) if no S&P short-term rating is available, A+ (long-term); and</p> <p>or such other rating or ratings as may be agreed by the Rating Agency from time to time as would maintain the then current rating of the Class A Notes.</p>	<ul style="list-style-type: none"> • Replacement of the Issuer Account Bank • Such other action which would not result in a downgrade of the Class A Notes

Non-Rating Triggers Table

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none">• an Enforcement Notice is served;• perfection is required by an order of a court or by a change in law occurring after the Closing Date or by a regulatory authority or organisation whose members include mortgage lenders of which the Legal Title Seller is a member or with whose instructions it is customary for the Legal Title Seller to comply;• the Security or any material part thereof (in the opinion of the Trustee) is in jeopardy;• termination of the appointment of the Servicer;• certain insolvency events in respect of the Legal Title Seller.	<p>Upon the Issuer or the Trustee giving notice to the Legal Title Seller of the occurrence of a Perfection Event, a number of events will occur, including Borrowers being notified of the sale to the Issuer (or a nominee of the Issuer) and legal title to the Mortgage Portfolio will be transferred by the Legal Title Seller to the Issuer (or a nominee of the Issuer) by way of registration or recording in the relevant Land Register.</p>
Servicer Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none">• failure to make a payment (subject to any applicable grace period);• non performance of any other covenants or obligations and such non-performance is materially prejudicial to the interests of the Noteholders of any Class (subject to a grace	<p>Termination of appointment of Servicer on notice by the Issuer or the Trustee.</p>

period);

- it becomes unlawful for the Servicer to comply with its obligations; or
- certain insolvency or similar events in respect of the Servicer.

Cash Manager Events	Termination	The occurrence of any of the following:	On the Issuer (with the written consent of the Trustee) or the Trustee delivering a termination notice to the Cash Manager, the Cash Manager's appointment will be terminated
		<ul style="list-style-type: none">• failure to make a payment (subject to any applicable grace period); or• non-compliance with any other covenants or obligations;• unlawfulness in respect of the Cash Manager;• Force Majeure for a period of more than 60 days; or• certain insolvency or similar events in respect of the Cash Manager.	

FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees to Servicer	25 basis points per annum multiplied by the aggregate Principal Outstanding Balance of the Mortgage Loans on the first day of each Interest Payment Date (in each case, exclusive of any VAT)	Ahead of all outstanding Notes and Residual Certificates	quarterly
Other fees and expenses of the Issuer	Estimated at £95,000 each year (inclusive of VAT)	Ahead of all outstanding Notes and Residual Certificates	quarterly

REGULATORY DISCLOSURE

Article 122a of the Capital Requirements Directive

Pursuant to Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive ("**CRD 2**"), the Beneficial Title Seller will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain or ensure retention of, at all times until the redemption of the last of the Notes, a material net economic interest of not less than 5 per cent. in the nominal value of the securitisation by holding an interest in the first loss tranche as contemplated by Article 122a(1)(d) of CRD2. As at the Closing Date, such holding will be achieved by holding a sufficient amount of Class B Notes. The Beneficial Title Seller has provided a corresponding undertaking in the Mortgage Sale Agreement and a representation to the Lead Manager in the Subscription Agreement with respect to the interest to be retained by it. Any change in the manner in which such interest is held will be notified to Noteholders.

The Beneficial Title Seller has undertaken to provide to prospective investors readily available access to the data and information referred to in paragraph 7 of Article 122a of CRD2, subject always to any requirement of law.

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, nor the Arranger or the Lead Manager or the 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 Noteholder 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.

CRA Regulation

The credit ratings included or referred to in this Prospectus have been issued by Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited and Moody's Investors Service Limited, each of which is established in the European Union and registered under the CRA Regulation.

DESCRIPTION OF THE BENEFICIAL TITLE SELLER

Canellos Investments II Limited

The Beneficial Title Seller is a private limited company incorporated under the laws of England and Wales (registration number 08329280) on 13 December 2012, having its registered office at 5th Floor, 6 St. Andrew Street, London EC4A 3AE..

The Beneficial Title Seller is a wholly owned subsidiary of Canellos Holdings Limited, the entire share capital of which is held on discretionary trust.

The Beneficial Title Seller has not engaged in any activity since the date of its formation other than in connection with the acquisition of the beneficial title to residential mortgage loans secured on Property in England, Wales and Scotland, collecting monies from Borrowers, the entry into of financing arrangements in respect of the acquisition of the Mortgage Portfolio and associated activities. It does not have, and has not had, any employees.

DESCRIPTION OF THE ISSUER ACCOUNT BANK

Barclays Bank PLC

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

Barclays Bank PLC and its subsidiary undertakings (taken together, the “**Group**”) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2011, the Group had total assets of £1,563,402 million (2010: £1,490,038 million), total net loans and advances¹ of £478,726 million (2010: £465,741 million), total deposits² of £457,161 million (2010: £423,777 million), and total shareholders' equity of £65,170 million (2010: £62,641 million) (including non-controlling interests of £3,092 million (2010: £3,467 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2011 was £5,974 million (2010: £6,079 million) after credit impairment charges and other provisions of £3,802 million (2010: £5,672 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2011.

Based on the Group's unaudited financial information for the six months ended 30 June 2012, the Group had total assets of £1,631,298 million, total net loans and advances¹ of £503,505 million, total deposits² of £503,099 million, and total shareholders' equity of £63,641 million (including non-controlling interests of £2,957 million). The profit before tax from continuing operations of the Group for the six months ended 30 June 2012 was £604 million after credit impairment charges and other provisions of £1,832 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of Barclays Bank PLC for the six months ended 30 June 2012.

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

DESCRIPTION OF THE TRUSTEE

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination Elavon Financial Services Limited (the legal entity through which European agency and banking appoints are conducted) and U. S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$340 billion in assets as of Dec. 31, 2011, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. The company operates 3,085 banking offices in 25 states and 5,053 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions on a global basis.

DESCRIPTION OF THE ORIGINATORS

GMAC-RFC

GMAC-RFC Limited (currently known as Paratus AMC Limited) ("**GMAC-RFC**") is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998.

GMAC-RFC originated mortgage loans to borrowers in England, Wales and Scotland until 2008 and has also in the past originated mortgage loans to borrowers in Northern Ireland. Following a change of ownership in October 2010, GMAC-RFC Limited has been renamed Paratus AMC Limited and its primary business is to provide mortgage administration services in the United Kingdom.

The registered office of GMAC-RFC is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.

First Alliance Mortgage Company Limited

First Alliance Mortgage Company Limited ("**First Alliance**") was a private limited company with company number 03172536 incorporated in England and Wales under the Companies Act 1985 on 14 March 1996. First Alliance was subject to a Members Voluntary Liquidation and was wound up on 15 December 1999. First Alliance was later dissolved on 27 September 2006.

The registered office of First Alliance was 2 Cornwall Street, Birmingham, West Midlands, B3 2DL.

Amber Homeloans Limited

Amber Homeloans Limited ("**Amber**") is a private limited company with company number 02819645 incorporated in England and Wales under the Companies Act 1985 on 19 May 1993. Amber was originally known as Pinkard Limited, but changed its name to Stroud and Swindon Mortgage Company Limited on 6 September 1993 and to Stroud and Swindon Mortgage Company (No 2) Limited on 9 February 1994. It became known as Amber on 4 June 2001.

The registered office of Amber is The Bailey, Skipton, North Yorkshire, United Kingdom, BD23 1DN.

DESCRIPTION OF THE SERVICER AND THE LEGAL TITLE SELLER

Paratus AMC Limited is a private limited liability company incorporated and registered in England and Wales under company number 03489004 whose registered office is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.

Paratus AMC Limited is a provider of primary and special servicing for UK residential mortgages with approximately £3.6bn of residential mortgage loans under management. Paratus AMC Limited is indirectly owned by funds managed and/or advised by Fortress Investment Group LLC.

Paratus AMC Limited is authorised and regulated by the Financial Services Authority under registration number 301128, and also holds the relevant CCA Licences and is registered under the Data Protection Act 1998.

DESCRIPTION OF THE BACK-UP SERVICER

Crown Mortgage Management Limited is a private limited company incorporated in England and Wales on 3 August 1967 and registered under company number 00912411.

Crown Mortgage Management Limited is one of the mortgage administration industry's longest established organisations and is rated RPS3+ by Fitch Ratings Limited and ranked "Above Average" by S&P, in each case for primary servicing and RSS 3+ and "Average" in each case for special servicing of residential mortgage loans.

Crown Mortgage Management Limited currently services in excess of 50,000 accounts totalling £4.9 billion of mortgage assets and has the experience of being the only back-up mortgage administrator to date to have been called to undertake mortgage servicing in the United Kingdom having been a back-up mortgage administrator.

Crown Mortgage Management Limited has an ISO 9001:2008 certification, is an Associate Member of the Council of Mortgage Lenders and is authorised and regulated by the Financial Services Authority under registration number 306235. It holds all relevant CCA licences and is registered under the Data Protection Act 1998.

The registered office of Crown Mortgage Management Limited is at Crown House, Crown Street, Ipswich, Suffolk IP1 3HS.

DESCRIPTION OF THE CASH MANAGER, THE PRINCIPAL PAYING AGENT AND THE AGENT BANK

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank National Association. U.S. Bank Global Corporate Trust Services conducts business primarily through the UK Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U. S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its UK Branch are also subject to the limited regulation of the UK Financial Services Authority.

U.S. Bank Global Corporate Trust Services in combination with U. S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$340 billion in assets as of Dec. 31, 2011, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. The company operates 3,085 banking offices in 25 states and 5,053 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions on a global basis.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 30 January 2013 with registered number 8382053. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP, telephone number +44 (0)20 7398 6300. The Issuer's issued share capital comprises 50,000 ordinary shares of £1.00 each, of which 1 ordinary share is fully paid up and 49,999 ordinary shares are 25 per cent. paid up, all of which are owned by Holdings.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities. The Issuer has no subsidiaries. None of the Sellers owns, directly or indirectly, any of the share capital of the Issuer.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 2006, its registration under the Data Protection Act 1998, the authorisation and issue of the Notes and the Residual Certificates, the matters contemplated in this Prospectus, the authorisation of the other Transaction Documents referred to in this Prospectus or in connection with the issue of the Notes and the Residual Certificates and other matters which are incidental or ancillary to those activities. The Issuer has no employees. As at the date of this Prospectus no financial statements have been prepared by the Issuer.

The rights of Holdings as a shareholder of the Issuer are contained in the articles of association and the Issuer will be managed in accordance with the provisions of the articles of association and English law.

There is no intention to accumulate surplus cash in the Issuer except in the circumstances set out in the section entitled "*Security for the Issuer's Obligations*".

Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities/Business Occupation</u>
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
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director

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

<u>Name</u>	<u>Business address</u>	<u>Principal activities/business occupation</u>
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
J-P Nowacki	35 Great St Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St Helen's, London EC3A 6AP	Director

<u>Name</u>	<u>Business address</u>	<u>Principal activities/business occupation</u>
Helena Whitaker	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:

<u>Name</u>	<u>Business Address</u>
SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP

The company secretary of the Issuer is not a director of the Issuer.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider as set out in a fee letter to be dated on or about the Closing Date between the Issuer, Holdings, the Corporate Services Provider and the Share Trustee.

The Issuer's activities will principally comprise the issue of the Notes and the Residual Certificates, the entering into of all documents relating to such issue and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

Capitalisation and Borrowings

The following table shows the unaudited capitalisation and borrowings of the Issuer as at 26 April 2013 adjusted for the issue of Notes:

	<u>£</u>
<i>Share Capital</i>	
Issued Share Capital	
50,000 issued ordinary shares of £1 each, (1 fully paid and 49,999 one-quarter paid)	
	<u>12,500.75</u>
	<u>£</u>
<i>Borrowings</i>	
Class A Notes	70,600,000.00
Class B Notes	54,400,000.00
	<u>£125,000,000.00</u>

As at 26 April 2013, save as disclosed in this Prospectus, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

The accounting reference date of the Issuer is 31 March and the current financial period of the Issuer will end on 31 March 2014.

Issuer profit

Pursuant to the Pre-Enforcement Revenue Payments Priorities and the Post-Enforcement Payments Priorities, Available Revenue Funds are to be applied as follows: (a) for the first Accounting Reference Period of the Issuer an aggregate of £20,000, paid in equal instalments on each Interest Payment Date falling within that Accounting Reference Period, and (b) £250 on each Interest Payment Date falling thereafter (the "**Required Profit Amount**") for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any amounts so applied (the "**Issuer**

Profit Amount") shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

Capitalisation loan and repayment thereof

In order to enable Holdings to acquire the shares in the share capital of the Issuer, Holdings has received a loan from SFM Corporate Services Limited in an amount of £12,500.75. It is intended that such loan will be repaid with an amount received by Holdings by way of dividend on the shares it holds in the Issuer which the Issuer is expected to declare and pay with the Issuer Profit Amount.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales as a private company limited by shares under the Companies Act 2006 on 7 November 2012 with registered number 8284206. The registered office of Holdings is at 35 Great St. Helen's, London EC3A 6AP, telephone number +44 (0)20 7398 6300. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the "**Share Trustee**") holds the entire issued share capital on trust pursuant to a declaration of trust dated 8 April 2013 for one or more discretionary purposes. On or about 9 April 2013, Holdings borrowed £12,500.75 from the Share Trustee (the "**Holdings Loan**"). As at the date of this Prospectus, Holdings does not have any borrowings or contingent liabilities other than the Holdings Loan. Holdings is organised as a special purpose company. Other than the Issuer, Holdings has no subsidiaries. None of the Sellers own, directly or indirectly, any of the share capital of Holdings.

Since its incorporation, Holdings has not engaged in any material activity other than those incidental to its incorporation and the incorporation of the Issuer, the authorisation 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 those activities.

Directors and Secretary

The directors of Holdings and their respective business addresses and principal activities or business occupations are:

Name	Business Address	Principal Activities/Business Occupation
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
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director

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

Name	Business address	Principal activities/business occupation
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
J-P Nowacki	35 Great St Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St Helen's, London EC3A 6AP	Director

The company secretary of Holdings is:

Name**Business Address**

SFM Corporate Services Limited

35 Great St. Helen's, London EC3A 6AP

The company secretary of Holdings is not a director of Holdings.

In accordance with the Corporate Services Agreement and the Corporate Services Provider will provide directors and other corporate services for Holdings in consideration for the payment of an annual fee to the Corporate Services Provider.

Holdings' activities will principally comprise the holding of the shares in the Issuer, the entering into of all documents relating thereto and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The current financial period of Holdings will end on 31 March 2014.

THE MORTGAGE PORTFOLIO AND THE MORTGAGE LOANS

Introduction

The following is a description of some characteristics of the Mortgage Loans and includes details of Mortgage Loan types, the underwriting process, lending criteria and selected statistical information.

The Sellers have identified a portfolio of mortgage loans (the "**Provisional Mortgage Portfolio**") to assign to the Issuer.

The portfolio of mortgage loans which the Beneficial Title Seller will transfer the beneficial title to on the Closing Date (the "**Mortgage Portfolio**") may differ from the Provisional Mortgage Portfolio due to any redemptions of mortgage loans occurring, the death of the related Borrower, enforcement procedures being completed or repurchases by the persons who sold the relevant Mortgage Loan to the Beneficial title seller, in each case during the period between 31 January 2013 (the "**Cut-Off Date**") and the Closing Date. As at the Cut-Off Date, the Provisional Mortgage Portfolio had the characteristics shown below. See "*Characteristics of the Provisional Mortgage Portfolio*".

The Provisional Mortgage Portfolio comprises certain of the mortgage loans acquired by the Beneficial Title Seller (as to beneficial title) and acquired or originated by the Legal Title Seller (as to legal title).

The Originators

The Provisional Mortgage Portfolio comprises Mortgage Loans originated by the following Originators:

- | | | |
|----|---|---|
| 1. | Originator: | GMAC-RFC. |
| | Percentage of Provisional Mortgage Portfolio: | 99.7 per cent. |
| 2. | Originator | First Alliance Mortgage Company Limited |
| | Percentage of Provisional Mortgage Portfolio: | 0.1 per cent. |
| 3. | Originator | Amber Homeloans Limited |
| | Percentage of Provisional Mortgage Portfolio: | 0.2 per cent. |

Characteristics of the Mortgage Loans

Repayment Terms

The Mortgage Loans have different repayment methods, as described as follows:

- (a) *Repayment*: a Mortgage Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan (a "**Repayment Mortgage Loan**") the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.
- (b) *Interest Only*: a Mortgage Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Mortgage Loan (an "**Interest Only Mortgage Loan**") with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest Only Mortgage Loan is repayable only upon the maturity of the Mortgage Loan, a life insurance or endowment policy or other repayment vehicle may have been taken out by a Borrower as a means of repayment of the Mortgage Loan. However, the relevant Originator will not have required the Borrower to provide evidence as to the existence of any such policies (to the extent that such a policy was required as a condition of the related Mortgage Loan) and such policies are not charged by way of collateral security.

Of the Mortgage Loans in the Provisional Mortgage Portfolio, approximately 14.4 per cent. by value are Repayment Mortgage Loans and approximately 85.6 per cent. by value are Interest Only Mortgage Loans.

Interest Rate Setting for Mortgage Loans

The applicable rate of interest accruing under each Mortgage Loan is referred to as the "**Mortgage Rate**". The Provisional Mortgage Portfolio consists of:

- (i) 3-Month GBP LIBOR-Linked Mortgage Loans;
- (ii) Bank of England Repo Rate-Linked Mortgage Loans; and
- (iii) SVR Mortgage Loans.

The Provisional Mortgage Portfolio consists of approximately (i) 42.9 per cent. by loan count and 41.5 per cent. by value of Mortgage Loans which are 3-Month GBP LIBOR-linked Mortgage Loans (the "**3-Month GBP LIBOR-Linked Mortgage Loans**") where the applicable Mortgage Rate is calculated by reference to 3-Month GBP LIBOR; (ii) 52.0 per cent. by loan count and 52.4 per cent. by value of Mortgage Loans which are Bank of England repo rate-linked mortgage loans (the "**Bank of England Repo Rate-Linked Mortgage Loans**") where the applicable Mortgage Rate is calculated by reference to the Bank of England repo rate and (iii) 5.1 per cent. by loan count and 6.1 per cent. by value of Mortgage Loans which are subject to the Legal Title Seller's prevailing published standard variable rate ("**SVR**") from time to time ("**SVR Mortgage Loans**").

3-Month GBP LIBOR for the 3-Month GBP LIBOR-linked Mortgage Loans is determined as at 12:00 on the 12th of each of March, June, September and December by the Servicer on behalf of the Issuer. 3-Month GBP LIBOR as established on such date shall be effective as of on the 14th day of each of March, June, September and December.

Right to Buy Mortgage Loans

The Mortgage Portfolio includes right to buy mortgage loans ("**Right to Buy Mortgage Loans**"), each being a loan entered into by a Borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgages) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 and the Housing (Scotland) Act 2010) (in the case of Scottish Mortgages).

Mortgage Payment Dates

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans contained in the relevant Mortgage Documents. The Mortgage Loans have payment dates throughout the month.

Lending Criteria

The following lending criteria (the "**Lending Criteria**") is a summary consolidating each of the lending criteria which have been applied in relation to the Mortgage Loans. Capitalised terms used in this section are used in respect of the Lending Criteria only, unless the context otherwise requires. The Originators took steps to verify that the requirements of the Lending Criteria were met prior to origination subject only to exceptions on a case-by-case basis and in accordance with the relevant Originator's internal policies.

Security

- (a) Each loan is secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 30 years longer than the mortgage term) in England or Wales (an "**English Property**"), secured by a first ranking standard security, (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 30 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") (the Scottish Mortgages and the English Mortgages are collectively defined as the "**Mortgages**" and a Scottish Property and an English Property are each a "**Property**" and are collectively defined as the "**Properties**").

- (b) Only Property intended for use as the owner's principal place of residence or let under (i) an assured shorthold tenancy (in relation to an English Mortgage Loan or (ii) short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to a Scottish Mortgage Loan), in each case with a term of six or twelve months was acceptable, and, if a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice must have been given to the relevant tenant in accordance with Section 32 of that Act.
- (c) Properties under 10 years old had the benefit of an NHBC, Zurich Municipal or Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following are examples of types of property which were deemed unacceptable as security unless the prior written consent of the lender had been obtained:
 - (i) Freehold flats and maisonettes (other than in Scotland);
 - (ii) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985 or the Housing (Scotland) Act 1987;
 - (iii) Properties containing mundic block materials;
 - (iv) Properties of 100 per cent. timber construction;
 - (v) Studio flats;
 - (vi) Grade I listed buildings;
 - (vii) Properties where commercial usage exceeds 40 per cent.; and
 - (viii) Second homes and holiday homes.
- (e) Each Property offered as security will have been valued either (i) by a professionally qualified surveyor (ARICS/FRICS qualification) chosen from a panel of valuation firms approved by the lender or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans.
- (f) Each Property must have been insured by the Borrower.

Loan Amount

A loan will not exceed £1,000,000 at any time during the life of the loan.

Loan to Value

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the loan (exclusive of any arrangement fee which may be added to the loan) (the "**Maximum LTV**") by the valuation of the Property at origination of the loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each loan at the date of the advance was no more than 97.5 per cent. For loans with an LTV above 90%, a higher lending charge of 7.5 per cent. applied. The higher lending charge payable on the amount of the loan in excess of 75% LTV and would have been added to the advance, provided that the total debt did not exceed 97.5% LTV. The higher lending charge was not payable in relation to non-conforming loans.

Term

No loan has had a term of more than 30 years.

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the loan.
- (b) A maximum number of four Borrowers were allowed to be parties to a loan.

- (c) The Borrower's credit and employment history has been assessed with the aid of the following:
 - (i) Search supplied by credit reference agency;
 - (ii) Confirmation of voters roll entries;
 - (iii) References from current employers;
 - (iv) Accountant's certificate;
 - (v) References from current and/or previous lenders; and
 - (vi) Bank statements.
- (d) Applications where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order (or, in Scotland, an award of sequestration) ("**BO**") or individual voluntary arrangement ("**IVA**") or, in Scotland, where a Borrower has entered into a trust deed for the benefit of his or her creditors were acceptable under the Lending Criteria. Generally, a CCJ was ignored if it (i) was registered not less than three years before the Borrower's application for a loan, (ii) was satisfied more than 12 months before the Borrower's application for a loan or (iii) related to a sum of not more than £300.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge (or its Scottish equivalent) and the applicant must have had sufficient income to support the loan. Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate.

"**Borrower**" means, in relation to a loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such loan or any part of it.

Income and Affordability

Owner Occupied Loans

Depending on the loan type, owner occupied loans were tested either by reference to income multiples and affordability.

Income Multiples

- (a) Income was determined by reference to the application form and supporting documentation, where appropriate, and may have consisted of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers, pensions, investments and rental income, and other monies approved by the lender.
- (b) The principal amount of any loans advanced by GMAC-RFC did not exceed, at the time of origination, 5.00 times the assessed income of any single borrower or 4.50 times the combined assessed incomes of joint borrowers.

Affordability

Certain of the owner occupied loans comprising the Provisional Mortgage Portfolio may have been approved using an affordability test. The test provided for up to 55 per cent. of an applicant's gross annual income (including the relevant loan payment) to be required to meet the borrower's then existing financial commitments. If the percentage exceeded 55 per cent., then the application would normally have been declined; however, GMAC-RFC may have approved such applications on a case by case basis.

Existing commitments may have been defined as loans, either secured (including rent) or unsecured, credit card/store card balances, hire purchase commitments, maintenance payments, or any other regular outgoing which was a committed draw upon income.

Buy-to-Let Mortgage Loans

The assessed rental income must have been equivalent to 100 per cent. (or greater) of the assessed monthly interest payment on the loan at the time the loan was underwritten.

Solicitors/Title Insurance Providers

Any firm of solicitors acting on behalf of the lender on the making of each loan must have had (i) at least two practising partners (if the firm is a partnership) and (ii) indemnity insurance in place with minimum cover of £1,000,000; and the relevant solicitor at such firm must have had a valid practising certificate at the time of origination of the relevant loan.

In respect of the loans, either solicitors have carried out usual investigations, searches and other actions and enquiries which a Comparable Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England, Wales, Scotland and Northern Ireland or in each case a certificate of title or report on title relating to such Property, or title insurance has been obtained. If title insurance was obtained, this will have been provided by London & European Title Insurance Services Limited (company number 04459633).

The Issuer will have the benefit of the title insurance in respect of the loans sold by the Beneficial Title Seller to the Issuer pursuant to the Mortgage Sale Agreement.

GMAC-RFC terms and conditions

Further advance

Although the Lending Criteria do not permit the Legal Title Seller to grant advances, a Borrower is eligible to request a further advance 6 months after completion of the original mortgage loan.

Porting

A Borrower will not be eligible to request a port of their existing Mortgage to secure a new property until 3 months after completion of the original loan, or subsequent further advance.

General provisions applicable to the Mortgage Loans

Changes to Mortgage Documents

The Legal Title Seller as lender of record in respect of the Mortgage Loans and Mortgages or the Servicer on behalf of the Legal Title Seller may vary the basis on which consents or approvals are given to Borrowers from time to time and in doing so it must act in a manner consistent with that of a reasonable owner or servicer of mortgage loans of a similar type to the Mortgage Loans with an investment objective of maximising the return from the mortgage loan portfolio (a "**Comparable Mortgage Lender**").

Valuation

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in this section entitled "*The Mortgage Portfolio and the Mortgage Loans*"), no revaluation of any Property has been undertaken by the Beneficial Title Seller, the Legal Title Seller, the Issuer or the Servicer (as the case may be), the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original mortgage loan origination.

Enforcement Procedures

The Servicer has established procedures to adhere to when managing mortgage loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, agreeing payment plans with the relevant Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures as from time to time varied in accordance with the practice of a Comparable Mortgage Lender as dictated by the Servicer will continue to be applied in respect of arrears arising on the Mortgage Loans. In this context, the Enforcement Procedures will be operated by the Servicer.

CHARACTERISTICS OF THE PROVISIONAL MORTGAGE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Mortgage Portfolio of £117,763,331 as the Cut-Off Date and is described further in the section entitled "*The Mortgage Portfolio and the Mortgage Loans - Introduction*" above.

The information contained in this section has not been updated to reflect any decrease in the size of the Mortgage Portfolio from that of the Provisional Mortgage Portfolio.

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

As at the Cut-Off Date, the Provisional Mortgage Portfolio had the following characteristics:

Summary Statistics

Cut-off Date:	31 January 2013
Total Current Balance (£):	117,763,331
Total Advance Made (£):	116,321,296
No. of Accounts:	784
Average Current Balance per Account:	150,208
WA OLTV (Original Advance divided by Original Valuation) %:	88.9
WA CLTV (Current Balance divided by Original Valuation) %:	90.7
WA Coupon %:	3.35
WA Seasoning (years):	5.5
WA Remaining Term (years):	17.8
Interest Only %:	85.6
Buy-to-let %:	5.8
Self-certified Mortgage Product %:	33.8

Current Balance (£)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 75,000	4,256,596	3.6%	71	9.1%
75,000 <=x< 100,000	11,888,977	10.1%	136	17.3%
100,000 <=x< 125,000	15,454,661	13.1%	137	17.5%
125,000 <=x< 150,000	13,396,478	11.4%	98	12.5%
150,000 <=x< 175,000	16,260,740	13.8%	100	12.8%
175,000 <=x< 200,000	12,612,163	10.7%	68	8.7%
200,000 <=x< 225,000	11,921,722	10.1%	56	7.1%
225,000 <=x< 250,000	13,327,231	11.3%	56	7.1%
250,000 <=x< 275,000	7,084,432	6.0%	27	3.4%
275,000 <=x< 300,000	2,876,784	2.4%	10	1.3%
300,000 <=x< 325,000	3,442,012	2.9%	11	1.4%
325,000 <=x< 350,000	1,335,380	1.1%	4	0.5%
350,000 <=x< 375,000	1,796,314	1.5%	5	0.6%
375,000 <=x	2,109,841	1.8%	5	0.6%
Total	117,763,331	100.0%	784	100.0%

Original Advance (£)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 75,000	3,724,407	3.2%	61	7.8%
75,000 <=x< 100,000	12,777,367	10.9%	146	18.6%
100,000 <=x< 125,000	16,024,426	13.6%	141	18.0%
125,000 <=x< 150,000	15,346,101	13.0%	111	14.2%
150,000 <=x< 175,000	15,052,280	12.8%	91	11.6%
175,000 <=x< 200,000	14,596,273	12.4%	76	9.7%
200,000 <=x< 225,000	11,322,993	9.6%	53	6.8%
225,000 <=x< 250,000	11,848,515	10.1%	49	6.3%
250,000 <=x< 275,000	6,372,534	5.4%	24	3.1%
275,000 <=x< 300,000	2,974,487	2.5%	10	1.3%
300,000 <=x< 325,000	3,491,961	3.0%	11	1.4%
325,000 <=x< 350,000	1,030,986	0.9%	3	0.4%
350,000 <=x< 375,000	1,091,159	0.9%	3	0.4%
375,000 <=x	2,109,841	1.8%	5	0.6%
Total	117,763,331	100.0%	784	100.0%

Original LTV	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 70%	3,525,106	3.0%	30	3.8%
70% <=x< 75%	1,230,138	1.0%	12	1.5%
75% <=x< 80%	3,282,361	2.8%	21	2.7%
80% <=x< 85%	4,681,404	4.0%	31	4.0%
85% <=x< 90%	35,563,556	30.2%	229	29.2%
90% <=x< 95%	36,440,834	30.9%	234	29.8%
95% <=x< 100%	33,039,930	28.1%	227	29.0%
Total	117,763,331	100.0%	784	100.0%

Current LTV	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 70%	5,172,848	4.4%	51	6.5%
70% <=x< 75%	1,786,030	1.5%	16	2.0%
75% <=x< 80%	5,228,803	4.4%	42	5.4%
80% <=x< 85%	7,091,311	6.0%	59	7.5%
85% <=x< 90%	26,356,119	22.4%	163	20.8%
90% <=x< 95%	28,497,671	24.2%	175	22.3%
95% <=x< 100%	30,892,952	26.2%	194	24.7%
100% <=x< 105%	11,492,350	9.8%	75	9.6%
105% <=x	1,245,246	1.1%	9	1.1%
Total	117,763,331	100.0%	784	100.0%

Origination Year	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
<=2005	1,611,595	1.4%	16	2.0%
2006	8,497,554	7.2%	47	6.0%
2007	105,491,636	89.6%	703	89.7%
2008	2,162,545	1.8%	18	2.3%
Total	117,763,331	100.0%	784	100.0%

Original Term (y ears)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 15	5,871,419	5.0%	39	5.0%
15 <=x< 17	6,968,802	5.9%	38	4.8%
17 <=x< 19	1,943,235	1.7%	16	2.0%
19 <=x< 21	19,540,654	16.6%	118	15.1%
21 <=x< 23	4,864,168	4.1%	32	4.1%
23 <=x< 25	4,862,385	4.1%	35	4.5%
25 <=x< 27	58,267,303	49.5%	378	48.2%
27 <=x< 29	1,214,904	1.0%	10	1.3%
29 <=x	14,230,461	12.1%	118	15.1%
Total	117,763,331	100.0%	784	100.0%

Remaining Term (years)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 5	2,522,298	2.1%	14	1.8%
5 <=x< 8	2,327,703	2.0%	15	1.9%
8 <=x< 11	7,368,781	6.3%	44	5.6%
11 <=x< 14	4,755,726	4.0%	33	4.2%
14 <=x< 17	22,073,085	18.7%	141	18.0%
17 <=x< 20	60,292,383	51.2%	391	49.9%
20 <=x< 23	2,715,696	2.3%	20	2.6%
23 <=x< 26	15,203,449	12.9%	123	15.7%
26 <=x	504,209	0.4%	3	0.4%
Total	117,763,331	100.0%	784	100.0%

Repayment Type	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Annuity	16,922,994	14.4%	168	21.4%
Interest Only	100,840,337	85.6%	616	78.6%
Total	117,763,331	100.0%	784	100.0%

Interest Rate Index	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
BBR	61,753,245	52.4%	408	52.0%
3 Month Libor	48,852,914	41.5%	336	42.9%
SVR	7,157,172	6.1%	40	5.1%
Total	117,763,331	100.0%	784	100.0%

Current Interest	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0.00% <=x< 2.50%	1,602,106	1.4%	11	1.4%
2.50% <=x< 3.00%	59,772,351	50.8%	386	49.2%
3.00% <=x< 3.25%	5,366,702	4.6%	38	4.8%
3.25% <=x< 3.50%	9,532,026	8.1%	62	7.9%
3.50% <=x< 3.75%	15,393,859	13.1%	106	13.5%
3.75% <=x< 4.00%	4,050,237	3.4%	30	3.8%
4.00% <=x< 4.25%	3,917,840	3.3%	31	4.0%
4.25% <=x< 4.50%	3,408,607	2.9%	24	3.1%
4.50% <=x< 4.75%	1,456,912	1.2%	10	1.3%
4.75% <=x< 5.00%	1,380,197	1.2%	13	1.7%

5.00% <=x	11,882,493	10.1%	73	9.3%
Total	117,763,331	100.0%	784	100.0%

Current Margin Over Relevant Index*	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 2.00%	1,602,106	1.4%	11	1.4%
2.00% <=x< 2.25%	42,653,559	36.2%	282	36.0%
2.25% <=x< 2.50%	17,118,792	14.5%	104	13.3%
2.50% <=x< 2.75%	5,366,702	4.6%	38	4.8%
2.75% <=x< 3.00%	9,532,026	8.1%	62	7.9%
3.00% <=x< 3.25%	15,393,859	13.1%	106	13.5%
3.25% <=x< 3.50%	4,050,237	3.4%	30	3.8%
3.50% <=x< 3.75%	3,917,840	3.3%	31	4.0%
3.75% <=x< 4.00%	3,408,607	2.9%	24	3.1%
4.00% <=x< 4.25%	1,456,912	1.2%	10	1.3%
4.25% <=x	13,262,690	11.3%	86	11.0%
Total	117,763,331	100.0%	784	100.0%

*The relevant index for the 3-Month GBP LIBOR-Linked Mortgage Loans is 3-Month GBP LIBOR and for the Bank of England Repo Rate-Linked Mortgage Loans and SVR Mortgage Loans the Bank of England repo rate

Loan Purpose	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Purchase	71,116,689	60.4%	466	59.4%
Re-Mortgage	46,646,642	39.6%	318	40.6%
Total	117,763,331	100.0%	784	100.0%

Buy-To-Let	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Yes	6,773,833	5.8%	39	5.0%
No	110,989,497	94.2%	745	95.0%
Total	117,763,331	100.0%	784	100.0%

Arrears Multiple	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
x= 0	61,168,084	51.9%	403	51.4%
0 <x< 1	11,337,703	9.6%	74	9.4%
1 <=x< 2	13,231,825	11.2%	96	12.2%
2 <=x<3	9,453,152	8.0%	63	8.0%
3 <=x	22,572,567	19.2%	148	18.9%
Total	117,763,331	100.0%	784	100.0%

Right to Buy	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Yes	2,575,002	2.2%	31	4.0%
No	115,188,329	97.8%	753	96.0%
Total	117,763,331	100.0%	784	100.0%

First Time Buyer	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Yes	37,223,042	31.6%	271	34.6%
No	80,540,289	68.4%	513	65.4%
Total	117,763,331	100.0%	784	100.0%

Self-Certified Product	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Yes	39,847,759	33.8%	244	31.1%
No	77,915,572	66.2%	540	68.9%
Total	117,763,331	100.0%	784	100.0%

Valuation Type	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Automated Valuation Method	12,481,041	10.6%	88	11.2%
Chartered Surveyor	105,282,290	89.4%	696	88.8%
Total	117,763,331	100.0%	784	100.0%

Region	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
East Anglia	2,022,716	1.7%	11	1.4%
East Midlands	9,064,352	7.7%	57	7.3%
Greater London	10,483,889	8.9%	47	6.0%
North	3,381,132	2.9%	35	4.5%
North West	12,786,883	10.9%	110	14.0%
Scotland	11,183,313	9.5%	85	10.8%
South East	18,113,778	15.4%	98	12.5%
South West	7,510,185	6.4%	41	5.2%
Wales	6,918,909	5.9%	57	7.3%
West Midlands	11,180,454	9.5%	89	11.4%
Yorkshire	10,795,225	9.2%	90	11.5%
Outer Metropolitan	14,322,496	12.2%	64	8.2%
Total	117,763,331	100.0%	784	100.0%

Year Built	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
x < 1900	4,038,782	3.4%	26	3.3%
1900 <=x < 1920	16,294,135	13.8%	120	15.3%
1920 <=x < 1940	21,201,503	18.0%	134	17.1%
1940 <=x < 1960	16,332,273	13.9%	126	16.1%
1960 <=x < 1980	20,130,025	17.1%	153	19.5%
1980 <=x < 2000	14,058,621	11.9%	86	11.0%
2000 <=x < 2002	2,294,308	1.9%	13	1.7%
2002 <=x < 2004	2,556,931	2.2%	15	1.9%
2004 <=x < 2006	3,126,310	2.7%	17	2.2%
2006 <=x < 2008	17,730,444	15.1%	94	12.0%
Total	117,763,331	100.0%	784	100.0%

CCJ (at origination or later if known)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
x=0	97,563,760	82.8%	638	81.4%
x=1	14,725,480	12.5%	102	13.0%
2<=x	5,474,091	4.6%	44	5.6%
Total	117,763,331	100.0%	784	100.0%

Seasoning (years)	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 5	1,168,492	1.0%	9	1.1%
5 <=x< 6	104,385,120	88.6%	701	89.4%
6 <=x< 7	10,218,189	8.7%	55	7.0%
7 <=x	1,991,530	1.7%	19	2.4%
Total	117,763,331	100.0%	784	100.0%

Employment Type	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Self Employed	46,877,585	39.8%	258	32.9%
Employed	70,390,086	59.8%	522	66.6%
Other	495,660	0.4%	4	0.5%
Total	117,763,331	100.0%	784	100.0%

Property Type	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
Flat	16,550,790	14.1%	108	13.8%
Terraced House	43,611,840	37.0%	323	41.2%
Semi-Detached House	36,608,026	31.1%	254	32.4%
Detached House	20,992,675	17.8%	99	12.6%
Total	117,763,331	100.0%	784	100.0%

12-Month Payment Velocity*	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 95%	17,135,808	14.6%	121	15.4%
95% <=x< 100%	6,830,974	5.8%	47	6.0%
100% <=x< 105%	42,997,972	36.5%	287	36.6%
105% <=x< 110%	10,920,222	9.3%	66	8.4%
110% <=x< 115%	10,699,951	9.1%	68	8.7%
115% <=x< 120%	6,923,298	5.9%	43	5.5%
120% <=x< 125%	3,607,012	3.1%	26	3.3%
125% <=x< 130%	4,144,447	3.5%	28	3.6%
130% <=x	14,503,647	12.3%	98	12.5%
Total	117,763,331	100.0%	784	100.0%

*Calculated as the sum of the payments made by a Borrower over the last 12 months divided by the sum of the Borrower's Monthly Subscription over the last 12 months

24-Month Payment Velocity*	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 95%	11,620,820	9.9%	76	9.7%
95% <=x< 100%	12,700,168	10.8%	86	11.0%
100% <=x< 105%	37,739,302	32.0%	251	32.0%
105% <=x< 110%	11,640,572	9.9%	73	9.3%
110% <=x< 115%	9,883,458	8.4%	70	8.9%
115% <=x< 120%	6,650,764	5.6%	43	5.5%
120% <=x< 125%	6,235,288	5.3%	39	5.0%
125% <=x< 130%	5,097,254	4.3%	36	4.6%
130% <=x	16,195,707	13.8%	110	14.0%
Total	117,763,331	100.0%	784	100.0%

*Calculated as the sum of the payments made by a Borrower over the last 24 months divided by the sum of the Borrower's Monthly Subscription over the last 24 months

36-Month Payment Velocity*	Current Balance	Current Balance (%)	Number of Accounts	Number of Accounts (%)
0 <=x< 95%	9,850,422	8.4%	62	7.9%
95% <=x< 100%	9,237,661	7.8%	57	7.3%
100% <=x< 105%	35,630,005	30.3%	233	29.7%
105% <=x< 110%	18,926,387	16.1%	131	16.7%
110% <=x< 115%	11,362,158	9.6%	75	9.6%
115% <=x< 120%	8,106,975	6.9%	56	7.1%
120% <=x< 125%	8,278,221	7.0%	55	7.0%
125% <=x< 130%	5,605,309	4.8%	39	5.0%
130% <=x	10,766,194	9.1%	76	9.7%
Total	117,763,331	100.0%	784	100.0%

*Calculated as the sum of the payments made by a Borrower over the last 36 months divided by the sum of the Borrower's Monthly Subscription over the last 36 months

ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

The Legal Title Seller has legal title to, and the Beneficial Title Seller has beneficial title to, each Mortgage Loan and its related Mortgage on the Closing Date, subject to, in the case of the Legal Title Seller, the completion of registration or recording of the transfer of legal title to the Legal Title Seller of any Mortgages in the relevant Land Registries, for which applications have been submitted to the relevant Land Registries. Where any registration or recording of a transfer has not yet been completed for any Mortgages, pending the Legal Title Seller becoming the legal title holder or (in relation to Scottish Mortgages) the heritable creditor of those Mortgages by such registration or recording, the Servicer will service the portfolio on the basis of powers of attorney granted in its favour by the related seller.

The Servicer is required under the terms of the Servicing Agreement to ensure the safe custody of the title deeds.

On the Closing Date, the Issuer will purchase the Mortgage Portfolio pursuant to the Mortgage Sale Agreement.

Under the Mortgage Sale Agreement to be entered into between the Sellers, the Trustee, the Issuer and the Servicer, the Sellers will agree to sell and assign the Mortgage Portfolio, comprising the Mortgage Loans together with all Related Security, to the Issuer on the Closing Date. Pursuant to such sale and assignment, the Issuer will have the right to (i) all monies derived from the Mortgage Loan and their Related Security excluding interest from (and including) the Cut-Off Date to (and excluding) the Closing Date, and (ii) all monies derived from the Mortgage Loans, and their Related Security from (and including) the Closing Date. In addition to providing for the sale and assignment of the Mortgage Portfolio, the Mortgage Sale Agreement also sets out or provides for the following:

- (a) the representations and warranties to be given by the Beneficial Title Seller, including in relation to the Mortgage Loans and the Related Security and the repurchase of the relevant Mortgage Loan and Related Security in case of a breach of a warranty which has not been remedied within applicable grace periods subject to a limitation on the time periods for making claims;
- (b) the undertaking of the Beneficial Title Seller to retain or ensure retention of, in aggregate, a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 122a of CRD 2 by holding a sufficient amount of the Class B Notes;
- (c) the repurchase by the Beneficial Title Seller of Mortgage Loans together with their Related Security upon the occurrence of certain events (including where the Legal Title Seller has determined that it shall accept a request from a Borrower for, or the Servicer or Legal Title Seller has determined that it will issue an offer of, a Further Advance or a Port in respect of the related Mortgage Loan);
- (d) an undertaking by the Legal Title Seller that it will not accept a request from a Borrower for, or issue an offer of, a Further Advance or a Port prior to the repurchase of a Mortgage Loan by the relevant Beneficial Title Seller; and
- (e) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer.

Consideration

The Sellers will contract to sell and assign to the Issuer on the Closing Date a portfolio of English, Welsh and Scottish Mortgage Loans and their associated Mortgages and the Related Security and all monies derived therefrom from time to time comprised in the Mortgage Portfolio. In respect of Mortgage Loans which have the benefit of a first ranking legal mortgage over a freehold or long leasehold residential property (usually at least 30 years longer than the mortgage term) located in England and Wales ("**English Mortgage Loans**"), the assignment will be an assignment which takes effect in equity only. In respect of Mortgage Loans which have the benefit of security over real estate located in Scotland ("**Scottish Mortgage Loans**") and their associated Mortgages (the "**Scottish Mortgages**" and together with the other security for the Scottish Mortgage Loans, the "**Scottish Related Security**"), the Mortgage Sale Agreement provides for the transfer and assignment of the beneficial interest in such Mortgage Loans and their Related Security to be effected by a declaration of trust (the "**Scottish Declaration of Trust**") by the Legal Title Seller in favour of the Issuer (and in relation to Scottish Mortgage Loans,

references in this Prospectus to the "equitable assignment" of Mortgage Loans are to be read as references to the transfer of the beneficial interest therein by the making of such declaration of trust and the terms "assign" and "assigned" shall in that context be construed accordingly) and references in this Prospectus to 'beneficial title' are to be read as references to the beneficial interest of a beneficiary under a declaration of trust). In each case, the transfer of legal title to the Mortgage Loans and their Related Security may not occur or, if it does occur, will not occur until a later date, as described further in the section entitled "*Transfer of legal title to the Issuer*" below.

The consideration payable by the Issuer to the Beneficial Title Seller for the Mortgage Portfolio on the Closing Date will consist of an amount equal to £117,763,331, plus the issue of the Residual Certificates to the Beneficial Title Seller. The Residual Certificates will be issued pursuant to Regulation S, subject to customary representations and warranties. All amounts received prior to that date by the Beneficial Title Seller shall be for its account and all amounts received on and after the Closing Date shall be for the account of the Issuer and the Beneficial Title Seller will undertake to forward any such amount received to the Issuer.

"Related Security" means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to) any Deeds of Consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and any life policies, life policy assignments, priority letters, pension policies, guarantees, the Assigned Policies, assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Mortgage Loan;

Asset Warranties and Breach of Asset Warranties

The Mortgage Sale Agreement contains the asset warranties (the "**Asset Warranties**") given by the Beneficial Title Seller in relation to the Mortgage Loans which are beneficially owned by it. No searches, enquiries or independent investigations have been or will be made by the Issuer or the Trustee, each of whom is relying upon the Asset Warranties.

If, upon the occurrence of a breach of an Asset Warranty under the Mortgage Sale Agreement, such breach is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller has failed to remedy such breach within the applicable grace period starting from the date the Beneficial Title Seller receives written notice of such breach, the Beneficial Title Seller will repurchase the relevant Mortgage Loan as set out in the paragraph "*Repurchase by the Sellers*" below.

The Issuer has no recourse against any Originator for any breach of a representation or warranty given by such Originator to any Seller or any previous purchaser under the relevant original mortgage sale agreements.

The following are certain of the Asset Warranties (or extracts or summaries of certain warranties) given by the Beneficial Title Seller in relation to the Mortgage Loans and the Related Security assigned by it to the Issuer under the Mortgage Sale Agreement on the Closing Date:

- (a) Each Mortgage Loan and the related Mortgage constitute a legal, valid and binding obligation of the relevant Borrower enforceable in accordance with its terms (except that (1) enforceability may be limited by bankruptcy or insolvency of the Borrower or by the application of the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**UTCCR**"), the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**") or the Consumer Credit Act 1974 (the "**CCA**"), (2) no warranty is given in relation to any obligation of the Borrower to pay prepayment charges, mortgage administration exit fees or charges payable in the event of Borrower default and (3) the Compromise Arrangements have limited claims against the relevant Borrowers in respect of any shortfall arising after the enforcement of a Tower Loan) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than in relation to any prepayment charges).
- (b) Immediately prior to transfer of the Mortgage Loans under the Mortgage Sale Agreement, the Beneficial Title Seller was the absolute beneficial owner of all of the Mortgage Loans and the related Mortgages and the Related Security to be sold to the Issuer on the Closing Date, and

(other than the grant of security pursuant to the financing of its purchase of the Mortgage Loans) the Beneficial Title Seller has not assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any of the Mortgage Loans or their related Mortgages, the Related Security or any of the property, rights, title, interest or benefit to be sold or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to the Mortgage Sale Agreement.

- (c) Each Mortgage Loan is secured by a valid and subsisting first legal mortgage (or, in Scotland, first ranking standard security) over the Property to which it relates (subject to completion of any registration or recording requirements at the Land Registry or Registers of Scotland (as applicable) and (in those cases) there is nothing to prevent that registration or recording being effected).
- (d) No lien or right of set-off or counterclaim has been created or arisen between the Borrower and any Seller which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan.
- (e) All things necessary to perfect the vesting of the legal title to each Mortgage Loan and the related Mortgage in the Legal Title Seller have been duly done or are in the process of being done with due diligence.
- (f) The Legal Title Seller holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title Seller as legal title holder of any Mortgages at the Land Registry or heritable creditor at Registers of Scotland (as applicable), legal title to all Mortgage Loans and related Mortgages and the Related Security.
- (g) Each Property is a residential property located in England, Wales or Scotland.
- (h) Each Mortgage Loan and its related Mortgage has been made on materially the same terms as are set out in the standard mortgage documentation, being the documents which were used by the relevant Originator at the relevant time in connection with its activities as residential mortgage lender (and as set out in the Mortgage Sale Agreement) (the "**Standard Mortgage Documentation**") or, where there were any changes to those terms, those changes would have been acceptable to a reasonable owner or servicer of mortgage loans of a similar type.
- (i) Prior to making a Mortgage Loan, steps were taken to verify that the requirements of the relevant Lending Criteria were met in all cases, subject only to exceptions made on a case-by-case basis and in accordance with the relevant Originator's internal policies.
- (j) At the time of origination of the relevant Mortgage Loan, a valuation of the relevant Property was undertaken by (i) a valuer approved by the relevant Originator, or (ii) applying an automated valuation model, in each case in accordance with the relevant Lending Criteria.
- (k) Other than when acting as a reasonable owner or servicer of mortgage loans of a similar type to the Mortgage Loans with an investment objective of maximising the return from the Portfolio (a "**Comparable Mortgage Lender**") or where required to comply with any applicable law, regulation or requirement of any governmental, tax or regulatory body, no Seller has, in writing, waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan or its related Mortgage, other than (1) in relation to any payment default in respect of those Mortgage Loans and (2) pursuant to the Compromise Arrangements.
- (l) Each Borrower is a natural legal person and was aged 18 years or older at the date that he or she executed the relevant Mortgage.
- (m) Each Mortgage Loan was originated in, is denominated, in and all amounts in respect of such Mortgage Loan are payable in, sterling and may not be changed by the relevant Borrower to any other currency.
- (n) The amount of each Mortgage Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of the Servicer to make any Further Advance or a Port.

- (o) In relation to each Mortgage over a Property in England and Wales the Borrower has a good and marketable title to the relevant Property, in relation to each Scottish Mortgage, the Borrower has a valid and marketable title to the relevant Properties and the relevant Property has been registered or recorded or is in the course of registration with such title as would be acceptable to a Comparable Mortgage Lender.
- (p) All the Mortgage Loans in respect of Properties located in (i) England and Wales are governed by English law and (ii) Scotland are governed by Scots law.
- (q) Except in the case of a Mortgage Loan which is the subject of a Title Indemnity Policy to a relevant Property issued by a provider of such policies, at the date of origination of each Mortgage Loan, the relevant Originator received from its solicitors a certificate of title or report on title to the relevant Property addressed to the relevant Originator.
- (r) There is no claim outstanding under any Title Indemnity Policy relating to a Mortgage Loan. Each such policy is in full force and effect, all premiums have been paid and, as far as the Seller is aware, there are no circumstances giving the title insurer under any such Title Indemnity Policy the right to avoid or terminate such policy in so far as it relates to the Properties.
- (s) In respect of the Legal Title Seller's "Financial Interests" Policy, such policy covers each Mortgage Loan, is in full force and effect, all premiums have been paid and, as far as the Legal Title Seller is aware, there are no circumstances giving the insurer under such policy the right to avoid or terminate such policy in so far as it relates to the Mortgage Loans.
- (t) Except for the Compromise Arrangements, neither the Legal Title Seller nor, as far as the Beneficial Title Seller is aware, the relevant Originator nor any other person who has held title in any Mortgage Loan has waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan and the related Mortgage.
- (u) Except for documents which have been submitted with an application for a Mortgage or Related Security and such application is still pending, the customer file, the deed constituting the relevant Mortgage and any documents of title to the relevant Property are held by or to the order of the Servicer.
- (v) No agreement for a Mortgage Loan is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA) and no circumstances exist which are capable of making the relationship between the relevant seller and the customer unfair under section 140A of the CCA. In relation to any Mortgage Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Mortgage Loan (as applicable).
- (w) In relation to any leasehold Property, in any case where the Servicer has received written notice from the relevant landlord that it is or may be taking steps to forfeit or (in respect of leasehold property in Scotland) irritate the lease of that Property, the Servicer has taken such steps (if any) and in such time as would be taken by a Comparable Mortgage Lender to protect its security and Mortgage Loan.
- (x) The Legal Title Seller has not received written notice of any litigation or claim calling into question in any material way the legal and/or beneficial title to any Mortgage Loan and the related Mortgage or Related Security of the Legal Title Seller or its ability to fully and effectively enforce the same.
- (y) Except as specified below, and to the best of the Seller's knowledge information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of any Mortgage Loan by:
 - (i) any person who prepared a valuation of a Property; or
 - (ii) any solicitors who acted for the Servicer in relation to any Mortgage Loan; or

- (iii) any insurance broker or agent in relation to any insurance contract relating to a Mortgage Loan; or
- (iv) any Borrower of any Mortgage Loan; or
- (v) any other party within the knowledge of the Servicer,

which would result in any monies owed by any of the Borrowers not being or being unlikely to be repaid in full under the terms of any of the Mortgage Loans.

In respect of paragraphs (i) and (ii), the Servicer has entered into the Compromise Arrangements in respect of the Compromise Loans.

- (z) Interest on each Mortgage Loan is charged in accordance with the provisions of the Mortgage Loan and its related Mortgage and is payable monthly in arrear.
- (aa) Other than the Beneficial Title Seller, the only third party having an interest in such Mortgage Loan, the related Mortgages and other rights granted to or held for the Beneficial Title Seller and being the subject of the Mortgage Sale Agreement is the Legal Title Holder in its capacity as bare trustee of the legal title to the Mortgage Loans and Mortgages.
- (bb) The information relating to the Mortgage Loans as set out in the relevant schedule to the Mortgage Sale Agreement is, to the best of the Beneficial Title Seller's knowledge, information and belief, true and accurate.
- (cc) The Mortgage Loans (i) constitute financial assets for purposes of UK generally accepted accounting practice and (ii) are not shares.
- (dd) In the case of each Mortgage Loan which is secured over leasehold property which is not the subject of a Title Indemnity Policy, the relevant solicitors who acted for the Servicer or Originator would have been instructed to check that:
 - (i) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Mortgage has been obtained or given (as applicable); and
 - (ii) a copy of the relevant consent or notice has been placed with the title deeds.
- (ee) All Mortgage Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an equitable or beneficial transfer of the Mortgage Loans and Related Security, no notification to any Borrower is required to effect any equitable or beneficial transfer of the Mortgage Loans and Related Security to the Issuer pursuant to the Mortgage Sale Agreement and the Mortgage Loans and Related Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire or dispose of the same or exercise its rights or discharge its obligations under the Transaction Documents.
- (ff) No Borrower is an employee of the Legal Title Seller.
- (gg) No Mortgage Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date.

"**Compromise Arrangements**" means the compromise arrangements entered into by the Servicer in respect of the Compromise Loans with the valuers (and, in the case of the Tower Loans, the solicitors) involved in the origination of such Mortgage Loans which preclude further claims against such valuers (and, in the case of the Tower Loans, against such solicitors) and against the relevant Borrower in respect of any shortfall arising after the enforcement of a Tower Loan.

"**Compromise Loans**" means the Tower Loans and the Other Compromise Loans;

"**Lending Criteria**" means the lending criteria applicable to each Mortgage Loan and its Related Security;

"**Other Compromise Loans**" means 36 Mortgage Loans with an aggregate outstanding balance as at the Cut-Off Date of not more than £6.0 million;

"**Port**" means an offer to secure a Mortgage Loan over a property other than the Property in respect of which the initial Mortgage Loan was granted;

"**Tower Loans**" means 20 Mortgage Loans with an aggregate outstanding balance as at the Cut-Off Date of not more than £3.8 million.

Repurchase by the Beneficial Title Seller

The Beneficial Title Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (including any accrued interest thereon) together with its Related Security and all other Mortgage Loans in the relevant Mortgage Account if a Mortgage Loan or its Related Security does not comply on the Closing Date with the Asset Warranties given by the relevant Beneficial Title Seller under the Mortgage Sale Agreement and such breach is not remedied within the applicable grace period starting from when the relevant Beneficial Title Seller or the Servicer becomes aware of such breach and providing written notice of such breach to any of the Issuer or the Trustee.

The Beneficial Title Seller will have no other liability for breach of an Asset Warranty other than the obligation to repurchase.

In the Servicing Agreement, the Servicer has agreed to notify the Issuer and the Trustee of any material breach of an Asset Warranty as soon as it becomes aware of such breach.

In addition, the Beneficial Title Seller will be required to repurchase Mortgage Loans and their Related Security where the Legal Title Seller has determined that it will accept a request from a Borrower for or that the Servicer or the Legal Title Seller has determined that it will issue an offer of (i) any advance of further money to the relevant Borrower on the security of the relevant Mortgage after the date of completion of such Mortgage or on the security of such other Mortgage (such advance, the "**Further Advance**", or (ii) the Legal Title Seller to secure its Mortgage Loan over a property other than the Property in respect of which the initial Mortgage Loan was granted (such request, a "**Port**") following the repurchase of the relevant Mortgage Loan and the Related Security.

The Beneficial Title Seller will also agree in the Mortgage Sale Agreement that, if a term of any Mortgage Loan sold by it to the Issuer is at any time on or after the Closing Date found by a competent court, whether on application of a borrower or the Office of Fair Trading or otherwise, to be an unfair term for the purposes of the Unfair Terms in Consumer Contracts Regulations 1994 or 1999, it shall repurchase or procure the repurchase of the Mortgage Loan concerned and its Related Security.

The price payable by the relevant Beneficial Title Seller upon the repurchase of any Mortgage Loan and its Related Security (the "**Repurchase Price**") will be the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest in relation to that Mortgage Loan up to but excluding that date plus an amount equal to the Issuer's reasonable costs or any other reasonable expenditure in relation to such repurchase.

Transfer of legal title to the Issuer

In relation to Mortgages of registered land in England and Wales, or over any land in Scotland, beneficial title in respect of which will be transferred to the Issuer on the Closing Date, until such time as transfers of such Mortgages have been completed and registered or recorded at the Land Registry or the Registers of Scotland, the sale to the Issuer will take effect in equity and transfer beneficial title only or, in the case of the Scottish Mortgages, the Issuer will hold the beneficial interests therein under the Scottish Declaration of Trust. In the case of Mortgages of unregistered land in England and Wales, in order for legal title to pass to the Issuer, conveyances of the relevant mortgages would have to be completed in favour of the Issuer. As a result, legal title to the Mortgage Loans and their Related Security will remain with the Legal Title Seller until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers or (in relation to Scottish Mortgage Loans and their Related Security) the execution and registration or recording (as applicable) of assignments by the Legal Title Seller in favour of the Issuer together with notification of the assignment to the Borrowers.

Under the Mortgage Sale Agreement, none of the Sellers or the Issuer will require the execution and completion of such transfers, assignments and conveyances in favour of the Issuer or the registration or recording of such transfers or service of notice on Borrowers in order to effect the transfer of legal title to

the Mortgage Loans and their Related Security (including, where appropriate, their registration or recording), except in the limited circumstances described below.

Transfer upon Perfection Event

The Legal Title Seller shall be obliged to give notice of assignment of the Mortgage Loans to the Borrowers following the occurrence of a Perfection Event (as described below). The execution of transfers or assignments of legal title to the Mortgage Loans and their Related Security to the Issuer (or a nominee of the Issuer) (together with the relevant notices to the Borrowers) will be required to be completed by the Legal Title Seller within 25 Business Days of receipt of written notice from the Issuer or the Trustee upon the occurrence of any of the following (each a "**Perfection Event**"):

- (a) the service of an Enforcement Notice by the Trustee;
- (b) the termination of the appointment of the Servicer under the Servicing Agreement and the failure of any replacement servicer to assume the duties of the Servicer in such capacity;
- (c) the resignation of Paratus AMC Limited as Servicer under the Servicing Agreement;
- (d) the Legal Title Seller being required, by an order of a court of competent jurisdiction, or by a change in law occurring after the Closing Date, or by a regulatory authority or organisation whose members include mortgage lenders of which the Legal Title Seller is a member or with whose instructions it is customary for the Legal Title Seller to comply, to perfect the transfer of legal title to the Mortgage Loans and Related Security in favour of the Issuer;
- (e) the Trustee notifying the Issuer that the Security or any material part (in the opinion of the Trustee) of the Security is in jeopardy;
- (f) the Legal Title Seller calling for perfection by delivering notice in writing to that effect to the Issuer (with a copy to the Trustee); or
- (g) the occurrence of an Insolvency Event in relation to the Legal Title Seller,

provided that in the cases of items (b) (only where Paratus AMC Limited is the Servicer) and (c) above, the execution of transfers or assignments of legal title to the Mortgage Loans and their Related Security to the Issuer (or a nominee of the Issuer) (together with the relevant notices to the Borrowers) will be required to be completed by the Legal Title Seller within 25 Business Days of the occurrence of such Perfection Event, without the need for further notice from the Issuer or Trustee.

The Issuer shall, following the occurrence of a Perfection Event, register or record any transfer or assignment of the legal title to a Mortgage at the Land Registry, Registers of Scotland or the Land Registers of Northern Ireland as soon as possible following receipt (or execution by the Issuer) of such transfer or assignment and shall respond expeditiously to all requisitions raised by the Land Registry or Registers of Scotland.

Third Party Interest

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages and not registering or recording their respective interest in the relevant Land Registry, a *bona fide* purchaser from the Legal Title Seller (or until such registration or recording of the title of the Legal Title Seller is complete or (in the case of Scottish Mortgages) until assignments of any Mortgages transferring legal title to the Legal Title Seller are submitted for registration or recording, a *bona fide* purchaser from any previous owner of the Mortgage Loans) for value of any of such Mortgage Loans without notice of any of the interests of the Legal Title Seller (where registration or recording of the title of the Legal Title Seller to any Mortgages is incomplete or (in the case of Scottish Mortgages) where assignments of any Mortgages transferring legal title to the Legal Title Seller have not yet been submitted for registration or recording), the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Legal Title Seller, the Issuer and the Trustee may be or become subject to equities (for example, rights of set off as between the relevant Borrowers or insurance companies and the Legal Title Seller (or any previous owner of the Mortgage Loans)). However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Legal Title Seller (or any previous owner of the

Mortgage Loans) of its contractual obligations or fraud, negligence or mistake on the part of the Legal Title Seller (or any previous owner of the Mortgage Loans) or the Issuer or their respective personnel or agents.

Limited recourse

The Issuer may not have any direct rights (under general law or in contract) against any solicitors or valuers who, when acting for any of the Originators in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Sellers have, to the extent assignable, assigned their causes and rights of actions against third parties to the Issuer pursuant to the Mortgage Sale Agreement. To the extent that such causes and rights of actions against solicitors and valuers prove to be unassignable or that the assignment is not binding on the relevant solicitors or valuers or that the relevant solicitors or valuers do not owe a duty of care to the Issuer, the Beneficial Title Seller has undertaken to indemnify the Issuer for any losses incurred by it as a result of any negligence or breach of contract by a solicitor or valuer.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with the Mortgage Sale Agreement will be governed by English law although terms thereof particular to Scots law shall be construed in accordance with Scots law.

SERVICING OF THE MORTGAGE PORTFOLIO

Mortgage Loan Servicing

The Servicer and the Services

The Servicer will be appointed by the Legal Title Seller and the Issuer under the terms of the Servicing Agreement as their agent to service the Mortgage Loans.

The duties of the Servicer include:

- (a) maintaining the Mortgage Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage Loan;
- (b) collecting payments of interest and/or interest and principal as agreed between the Borrower and the Legal Title Seller (each a "**Monthly Subscription**") due on the Mortgage Loans. The Monthly Subscriptions are deposited into:
 - (i) in the case of payments by direct debit, the Collection Account and held on trust by the Legal Title Seller pursuant to the Collection Account Declaration of Trust for the Issuer as beneficiary; and
 - (ii) in the case of other payments, the Collections Trust Account and held on trust by the Legal Title Seller pursuant to the Deed of Accession to Declaration of Trust,
and are swept by the Collection Account Bank on a daily basis to the Transaction Account;
- (c) dealing with the administrative aspects of the redemption of a Mortgage Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release of the Mortgage to the relevant Borrower upon receipt of amounts required to pay the Mortgage Loan;
- (d) holding or procuring the holding of deeds relating to the relevant Properties in safe custody;
- (e) determining or setting or procuring setting the interest rate for the Mortgage Loans and notifying the Issuer; and
- (f) undertaking Enforcement Procedures.

Termination of appointment

The appointment of the Servicer may be terminated by either (i) the Issuer, with the prior written consent of the Trustee or (ii) the Trustee, on the occurrence of a Servicer Termination Event. Additionally, the Servicer may resign upon 6 months' written notice to the Issuer, the Trustee and the Legal Title Seller. If the appointment of the Servicer is terminated or the Servicer resigns under the Servicing Agreement, it would be necessary for the Issuer and the Legal Title Seller to appoint a replacement servicer with experience of servicing residential property mortgage loans in the United Kingdom, **provided that** such appointment is on substantially the same terms as those set out in the Servicing Agreement and the then current ratings of the Class A Notes are not adversely affected thereby, unless otherwise agreed by an Extraordinary Resolution of the Noteholders. The Servicer is not released from its obligations under the Servicing Agreement and no termination or resignation will take effect until a replacement servicer has been appointed and in case of a resignation of the Servicer at its request, the Issuer has provided its written consent to such termination. The ability of a replacement servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. The Back-Up Servicer as agreed to be appointed as replacement servicer upon the termination of the appointment of the initial Servicer (see "*Back-Up Servicer*" below).

A replacement servicer will have a business establishment (for the purposes of Section 9 of VATA) in the United Kingdom which is either its sole business establishment (with no other fixed establishment anywhere else in the world) or is its business (or other fixed) establishment which is most directly concerned with the services it supplies under such substitute servicing agreement.

Under the Servicing Agreement, the Servicer will be responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised by the Trustee and the Issuer to release the relevant Mortgage Loan documents to the person or persons entitled thereto upon redemption.

Information and Reporting by Servicer

Pursuant to the Servicing Agreement, the Servicer is responsible for keeping and maintaining records, on a Mortgage Loan by Mortgage Loan basis, for the purposes of identifying at any time any amount due by a Borrower, any amount received from or on behalf of a Borrower and the principal balance and (if different) the total balance for the time being and from time to time outstanding on a Borrower's account.

The Servicer shall, for each Calculation Period, report to the Cash Manager no later than 4 Business Days prior to the related Interest Payment Date (the "**Servicer Reporting Date**") as to such principal and total balances of the Mortgage Loans and related reconciliations and other information which is required by the Cash Manager for the purposes of it preparing the Quarterly Investor Report.

Fees and Expenses of the Servicer

The Servicer is entitled to charge a quarterly fee for its mortgage settlement and related administration services under the Servicing Agreement which shall be calculated, in relation to each Interest Period, on the basis of 25 basis points per annum multiplied by the Principal Outstanding Balance of the Mortgage Loans as of the first day of that Interest Period (exclusive of any VAT) (payable on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Payments Priorities or the Post-Enforcement Payments Priorities).

The costs and expenses for which the Servicer shall be entitled to reimbursement from the Issuer shall include the cost of complying with any regulatory obligations to which the Servicer becomes subject due to any change of law occurring after the Closing Date and which relate directly to the Servicer's obligations under the Servicing Agreement. Where such cost also relates to other activities of the Servicer, the cost shall only be borne by the Issuer proportionately to the manner in which the cost on the Servicer is calculated.

The Servicer shall be reimbursed for properly documented costs and expenses incurred by it in connection with the administration of the Mortgage Loans including, but not limited to, insurance premia incurred in connection with certain contingency and other insurances.

Sub-Contracting by the Servicer

The Servicer is permitted in specified circumstances and subject to certain conditions with the prior written consent of the Issuer and the Trustee, to sub-contract or delegate its obligations under the Servicing Agreement. If the Servicer sub-contracts or delegates its obligations under the Servicing Agreement, it shall nevertheless remain primarily liable for the performance of such obligations.

Back-Up Servicer

The Servicer's appointment will be terminated upon the occurrence of the events set out below (each a "**Servicer Termination Event**"):

- (a) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Legal Title Seller or, following the delivery of an Enforcement Notice, the Trustee requiring the default to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and in the opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Trustee (after the delivery of an Enforcement Notice) such default is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the

Issuer, the Legal Title Seller or, following the delivery of an Enforcement Notice, the Trustee requiring the default to be remedied;

- (c) it is or will become unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement; or
- (d) the occurrence of an Insolvency Event in respect of the Servicer (other than any frivolous or vexatious corporate action or any other corporate action, legal proceedings or other procedure or step referred to in paragraph (e) of the definition of "Insolvency Event" which is disputed in good faith with a reasonable prospect of success by the Servicer and dismissed or otherwise discharged within 30 days of being commenced).

If the Servicer's appointment is terminated upon the occurrence of a Servicer Termination Event or the Servicer resigns, the Back-Up Servicer shall be appointed as replacement Servicer and shall assume the role of the Servicer.

Forthwith upon the appointment of the Back-Up Servicer as replacement Servicer, the outgoing Servicer shall:

- (a) deliver the title deeds, the mortgage loan files and all books of account and other records maintained by the Servicer relating to the Mortgage Loans and/or the Related Security to the Back-Up Servicer; and
- (b) take such further action as the Issuer or, after the delivery of an Enforcement Notice, the Trustee shall reasonably direct to enable the services due to be performed by the Servicer under the Servicing Agreement to be performed by the Back-Up Servicer as replacement Servicer.

Enforcement Procedures

The Servicer has agreed certain procedures with the Issuer that the Servicer is required to adhere to for managing Mortgage Loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, agreeing payment plans with the related Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures, as from time to time varied in accordance with the practice of a Comparable Mortgage Lender, will continue to be applied in respect of arrears arising on the Mortgage Loans. In this context, the Enforcement Procedures will be operated by the Servicer. In the Mortgage Sale Agreement, the Legal Title Seller has agreed to, at the expense of the Servicer, assist the Servicer in exercising all rights and remedies under and in connection with the Mortgage Loans, provided such assistance is in accordance with the legal and regulatory requirements applicable to the Legal Title Seller.

Governing Law

The Servicing Agreement and the Back-Up Servicing Agreement and any non-contractual obligations arising out of or in connection with the Servicing Agreement and the Back-Up Servicing Agreement shall be governed by English law although terms of the Servicing Agreement particular to Scots law shall be governed by Scots law.

CASH MANAGEMENT

On the Closing Date, the Issuer will appoint Elavon Financial Services Limited as the cash manager (the "**Cash Manager**") to provide cash management services to the Issuer pursuant to a cash management agreement (the "**Cash Management Agreement**").

Cash Management Services

The primary obligation of the Cash Manager is to effect the transfer of monies between the relevant parties and accounts. The Cash Manager's duties will include, but are not limited to:

- (a) determining, and calculating, on each Calculation Date, amounts to be paid in respect of each item in the relevant Payments Priorities;
- (b) applying Available Revenue Funds and Available Principal Funds in accordance with the order of payments set forth in the relevant Payments Priorities;
- (c) maintaining the Principal Ledger, the Revenue Ledger, the Global Reserve Ledger, the Issuer Profit Ledger and the Principal Deficiency Ledger; and
- (d) preparing the quarterly investor report in accordance with the Cash Management Agreement (the "**Quarterly Investor Report**").

Collection Account

The Collection Account is a bank account held by the Legal Title Seller at the Collection Account Bank, to which the Servicer directs direct debit payments of Principal Collections and Revenue Collections. On the Closing Date, the Legal Title Seller will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer moneys from the Collection Account from time to time (to the extent that the Collection Account Bank does not undertake such task automatically). Pursuant to the Servicing Agreement, the Servicer will be obliged to procure that the Collection Account Bank transfers and, pursuant to the Collection Account Agreement, the Collection Account Bank will be obliged to transfer, at the end of each Business Day during a Calculation Period, all amounts standing to the credit of the Collection Account to the Transaction Account.

Collections Trust Account

The Collections Trust Account is a bank account held by the Legal Title Seller at the Collection Account Bank, into which Borrowers make payments of Principal Collections and Revenue Collections if paying by means other than direct debit. On the Closing Date, the Legal Title Seller will provide the Collection Account Bank with a new account mandate authorising the Servicer to transfer moneys from the Collections Trust Account from time to time (to the extent that the Collection Account Bank does not undertake such task automatically). Pursuant to the Servicing Agreement, the Servicer will be obliged to procure that the Collection Account Bank transfers and, pursuant to the Collection Account Agreement, the Collection Account Bank will be obliged to transfer, at the end of each Business Day during a Calculation Period, all amounts standing to the credit of the Collections Trust Account that are identified as being referable to the Mortgage Loans into the Collection Account.

Issuer Accounts

General

Transaction Account

Pursuant to the Issuer Account Bank Agreement, the Issuer will maintain the Transaction Account. The Issuer Account Bank will agree to apply a guaranteed variable rate of interest on funds standing to the credit of the Transaction Account in accordance with the Issuer Account Bank Agreement. The Issuer may, with the prior written consent of the Trustee, open additional or replacement bank accounts on terms as agreed between the parties at the time.

Ledgers

The Cash Manager shall maintain the following ledgers in respect of amounts standing to the credit of the Transaction Account:

- (a) the Principal Ledger: Amounts credited to this ledger during a Calculation Period (such as Principal Receipts and Available Revenue Funds applied as Available Principal Funds) will be available on the following Interest Payment Date for application in accordance with the Pre-Enforcement Principal Payments Priorities;
- (b) the Revenue Ledger: Amounts credited to this ledger during a Calculation Period (such as Revenue Receipts, interest earned on the Transaction Account and Available Principal Funds reapplied as Available Revenue Funds) will be available on the following Interest Payment Date for application in accordance with the Pre-Enforcement Revenue Payments Priorities;
- (c) Issuer Profit Ledger: Amounts credited to this ledger on each Interest Payment Date will be applied in the satisfaction of the Issuer's corporation tax obligations and for payment to the shareholders of the Issuer by way of dividend; and
- (d) the Global Reserve Ledger: Amounts standing to the credit of this ledger may be credited to the Revenue Ledger for application on an Interest Payment Date in accordance with the relevant Payments Priorities.

A further ledger, the Principal Deficiency Ledger, will be maintained by the Cash Manager. That ledger does not relate to amounts standing to the credit of the Transaction Account but rather records Principal Losses (which are debited to the Principal Deficiency Ledger).

Ratings of Collection Account Bank and Issuer Account Bank

If at any time the Issuer Account Bank or the Collection Account Bank (as applicable) ceases to be an Eligible Institution, the Issuer shall, within 14 (fourteen) Business Days of becoming aware of such circumstance, give notice of such event to the Noteholders and to the Trustee and, without prejudice to any provision or remedy contained in any Transaction Document,

- (A) the Issuer shall use commercially reasonable efforts to, and the Issuer Account Bank or Collection Account Bank (as applicable and at the request of the Issuer) shall use commercially reasonable efforts to assist the Issuer to:
 - (i) replace the Issuer Account Bank or Collection Account Bank (as applicable) with an entity which is an Eligible Institution within 30 (thirty) calendar days as from the date on which the Issuer Account Bank or the Collection Account Bank (as applicable) has ceased to be an Eligible Institution;
 - (ii) transfer the amounts standing to the credit of the Transaction Account or Collection Account (as applicable) to that entity; and
 - (iii) procure such entity establishes arrangements substantially similar to those contained in the Issuer Account Bank Agreement or Collection Account Agreement (as applicable); and
- (B) notwithstanding the provisions of (A) above, the Issuer shall, within that 30 (thirty) calendar days from the date on which the Issuer Account Bank or the Collection Account Bank (as applicable) has ceased to be an Eligible Institution, replace such bank with an entity which is an Eligible Institution and, as a result, transfer the amounts standing to the credit of the Transaction Account or Collection Account (as applicable) to that entity and procure that such entity establishes arrangements substantially similar to those contained in the Issuer Account Agreement or Collection Account Agreement (as applicable).

"Eligible Institution" means:

- (a) in respect of the Issuer Account Bank, any depository institution, the long-term unsecured and unsubordinated debt obligations of which are rated at least A by S&P (provided that, at such time

the short-term unsecured and unsubordinated debt obligations of which are rated at least A-1 by S&P) or if no S&P short-term rating is available the long-term unsecured and unsubordinated debt obligations of which are rated at least A+ by S&P

- (b) in respect of the Collection Account Bank, any depository institution, the long-term unsecured and unsubordinated debt obligations of which are rated at least BBB by S&P (provided that, at such time the short-term unsecured and unsubordinated debt obligations of which are rated at least A-2 by S&P) or if no S&P short-term rating is available the long-term unsecured and unsubordinated debt obligations of which are rated at least BBB+ by S&P,

or such other rating or ratings as may be agreed by S&P from time to time as would maintain the then current rating of the Class A Notes.

Remuneration of Cash Manager

The Cash Manager will be paid at a rate as agreed between the Cash Manager and the Issuer.

Resignation of Cash Manager

The Cash Manager may resign only on giving not less than 60 days notice in writing to the Trustee and the Issuer (with a copy to the Issuer Account Bank) **provided that** (i) a replacement cash manager acceptable to the Trustee has been appointed and a new issuer cash management agreement is entered into on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer and (ii) the Rating Agency has been notified in writing of such resignation and appointment.

Termination of Appointment of Cash Manager

The Issuer may, with the written consent of the Trustee, or (following the delivery of an Enforcement Notice) the Trustee may itself upon written notice to the Cash Manager with a copy to the Issuer Account Bank, the Issuer and the Trustee (as applicable), terminate the Cash Manager's rights and obligations immediately if any of the following events occur:

- (a) either (i) default is made by the Cash Manager in ensuring the payment on the due date of any payment required to be made under the Cash Management Agreement (other than a payment required to be made on any Business Day (other than an Interest Payment Date) in accordance with the Cash Management Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of the default and receipt by the Cash Manager of written notice from the Issuer or the Trustee requiring the default to be remedied or (ii) any default is made by the Cash Manager in the performance of its obligations to effect payments on the relevant Interest Payment Date in accordance with the applicable Payments Priorities;
- (b) without prejudice to paragraph (a) above:
 - (i) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement;
 - (ii) any representation or warranty made by the Cash Manager pursuant to Clause 7 (*Representations and Warranties*) of the Cash Management Agreement proves to be untrue, incomplete or inaccurate; or
 - (iii) any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, incomplete or inaccurate,

and (if such default is capable of remedy) such default continues unremedied for a period of twenty Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or the Trustee requiring the same to be remedied; or

- (c) it is or will become unlawful for the Cash Manager to perform or comply with any of its obligations under the Cash Management Agreement;
- (d) if the Cash Manager is prevented or severely hindered from complying with its obligations under the Cash Management Agreement as a result of a Force Majeure Event;
- (e) any Insolvency Event occurs in relation to the Cash Manager.

Upon termination of the appointment of the Cash Manager, the Issuer will use its reasonable endeavours to appoint a replacement cash manager (and give notice of such appointment to the Rating Agency). Any such replacement cash manager will be required to enter into an agreement on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer.

If the appointment of the Cash Manager is terminated or the Cash Manager resigns, the Cash Manager must deliver its books of account relating to the Notes and the Residual Certificates to or at the direction of the Trustee. The Cash Management Agreement will terminate automatically on the Interest Payment Date following the Realisation of Charged Property.

Governing Law

The Cash Management Agreement and any non-contractual obligations arising in or out of or in relation to the Cash Management Agreement will be governed by English law.

CASHFLOWS

Payments on Business Days other than Interest Payment Dates

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Revenue Ledger of the amounts due and payable by the Issuer on such Business Day in relation to the following matters in the amounts required (provided that payments to be made from and including a Calculation Date to and including the following Interest Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls) (but in no order of priority):

- (a) any amount payable by the Issuer to any Borrower who is a party to such Mortgage Documents under the terms of such Mortgage Documents or by operation of law (but subject to any right to refuse or withhold payment of such amount or any right of set off that has arisen by reason of such Borrower's breach of the terms of such Mortgage Documents) (a "**Borrower Repayment Amount**") of a revenue nature, to be paid into the Collection Account;
- (b) any tax payment (to be paid, as far as possible, from amounts standing to the credit of the Issuer Profit Ledger) and any amount due in respect of VAT at the rate applicable from time to time;
- (c) any Third Party Expenses; and
- (d) any amount necessary to be paid to the Collection Account to remedy an overdraft in relation to the Collection Accounts caused by a payment from the Collection Account by the Collection Account Bank to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Loans, or to pay any amounts due or owing to the Collection Account Bank.

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Principal Ledger of the amounts due and payable by the Issuer on such Business Day in relation to any Borrower Repayment Amount of a principal nature, to be paid to the Collection Account in the amounts required (provided that payments to be made from and including a Cash Manager Determination Date to and including the following Interest Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls).

"**Direct Debit**" means a written instruction of a Borrower authorising its bank to honour a request of the Legal Title Seller to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the Legal Title Seller;

"**Direct Debiting Scheme**" means the system for the manual or automated debiting of bank accounts by Direct Debit operated in accordance with the principal rules of certain members of the Association for Payment Clearing Services.

"**Third Party Expenses**" means any amounts due and payable by the Issuer to third parties (other than Secured Creditors) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (f) of the Pre-Enforcement Revenue Payments Priorities).

Pre-Enforcement Revenue Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Revenue Funds in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Payments Priorities**"):

- (a) *first*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Trustee and any Appointee under the provisions of the Trust Deed, the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (iii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (iv) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
 - (v) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Issuer Account Bank in the immediately succeeding Interest Period under the provisions of the Issuer Account Bank Agreement, together with VAT (if payable) thereon as provided therein; and
 - (vi) any amounts then due and payable by the Issuer to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable by the Issuer to the Collection Account Bank in the immediately succeeding Interest Period under the provisions of the Collection Account Bank Agreement, together with VAT (if payable) thereon as provided therein;
- (d) *fourth*, only to the extent such amounts have not already been paid pursuant to Paragraphs 11 or 12 of Schedule 1 of the Cash Management Agreement, in or towards payment of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (f) below));
- (e) *fifth*, in or towards payment of any interest due and payable on the Class A Notes to the Principal Paying Agent;

- (f) *sixth*, in or towards payment to the Issuer of the Issuer Profit Amount to be credited to the Issuer Profit Ledger and to be retained by the Issuer as profit in respect of the business of the Issuer;
- (g) *seventh*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied as Available Principal Funds on such Interest Payment Date);
- (h) *eighth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied as Available Principal Funds on such Interest Payment Date);
- (i) *ninth*, for so long as the Class A Notes remain outstanding following such Interest Payment Date, towards crediting the Global Reserve Fund up to the Global Reserve Fund Required Amount;
- (j) *tenth*, for so long as the Class A Notes remain outstanding following such Interest Payment Date, to apply as Available Principal Funds on such Interest Payment Date;
- (k) *eleventh*, in or towards payment of any interest due and payable (including any Deferred Interest due and payable) on the Class B Notes to the Principal Paying Agent; and
- (l) *twelfth*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

Pre-Enforcement Principal Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Principal Funds in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Principal Payments Priorities**"):

- (a) *first*, to fund any Remaining Revenue Shortfall on such Interest Payment Date (such amounts to be applied as Available Revenue Funds);
- (b) *second*, in redeeming the Class A Notes, until the Principal Amount Outstanding thereof has been reduced to zero, such payment to be made to the Principal Paying Agent; and
- (c) *third*, following redemption in full of the Class A Notes, to pay principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero, such payment to be made to the Principal Paying Agent; and
- (d) *fourth*, following redemption in full of the Class B Notes, to be applied as Available Revenue Funds.

Post-Enforcement Payments Priorities

After an Enforcement Notice is delivered by the Trustee, all monies held in the Issuer Accounts (other than monies received or recovered by the Trustee which do not constitute Trust Proceeds) and which shall be paid to the persons entitled to such monies (except that Borrower Repayment Amounts shall be paid to the Collection Account and not to the Borrowers directly) and the Trust Proceeds (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) shall be held by the Trustee upon trust to be applied in payment, in the amounts required, each in the following order of priority (the "**Post-Enforcement Payments Priorities**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Trustee and any Appointee under the provisions of the Trust Deed, the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them

under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Issuer Account Bank in the immediately succeeding Interest Period under the provisions of the Issuer Account Bank Agreement, together with VAT (if payable) thereon as provided therein; and
 - (vi) any amounts then due and payable by the Issuer to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable by the Issuer to the Collection Account Bank in the immediately succeeding Interest Period under the provisions of the Collection Account Bank Agreement, together with VAT (if payable) thereon as provided therein;
- (d) *fourth*, to pay interest due and payable on the Class A Notes, such payment to be made to the Principal Paying Agent;
- (e) *fifth*, to redeem the Class A Notes until the Principal Amount Outstanding thereof has been reduced to zero, such payment to be made to the Principal Paying Agent;
- (f) *sixth*, to pay interest due and payable on the Class B Notes, any Deferred Interest and any Additional Interest relating thereto, such payment to be made to the Principal Paying Agent;
- (g) *seventh*, principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero, such payment to be made to the Principal Paying Agent;
- (h) *eighth*, in or towards payment to the Issuer of the Issuer Profit Amount; and
- (i) *ninth*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

"Trust Proceeds" means all recoveries, receipts and benefits received by the Trustee by virtue of the Trust Property save for monies or other assets which it is entitled to retain for its own account or which are earmarked for receipt by a third party other than as part of the Trust Property; and

"Trust Property" means the Covenant to Pay, the Issuer Covenants, the Seller Covenants, the Issuer Warranties, the Seller Warranties, the Security and all proceeds of the Security.

CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

The Notes and the Residual Certificates 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 relevant Classes of the Noteholders, as follows:

- Receipts are applied on each Interest Payment Date in sequential order to the Classes of Notes.
- The Principal Outstanding Balance of Mortgage Loans as at the Cut-Off Date is expected to be approximately £47,163,331 higher than the Principal Amount Outstanding Balance under the Class A Notes on the Closing Date.
- A Revenue Shortfall on any Interest Payment Date may be reduced or eliminated by applying amounts standing to the credit of the Global Reserve Fund.
- Available Principal Funds will be applied to reduce or eliminate any Remaining Revenue Shortfall.
- Principal Losses will be allocated to the sub-ledgers of the Principal Deficiency Ledger first to the Class B Principal Deficiency Ledger and then to the Class A Principal Deficiency Ledger.
- Available Revenue Funds will be applied to replenish the Global Reserve Fund.
- To the extent that Available Principal Funds remain available having been applied in payment of items (a) to (c) of the Pre-Enforcement Principal Payments Priorities, such amounts will be applied as Available Revenue Funds.
- So long as the Class A Notes remain outstanding, Available Revenue Funds shall be applied as Available Principal Funds in accordance with item (j) of the Pre-Enforcement Revenue Payments Priorities and therefore applied in redemption of the Class A Notes.

Each of these factors and certain other factors relating to credit enhancement and/or liquidity support are considered in more detail below.

Payments under the Notes in sequential order

Payments on the Classes of Notes will be paid in sequential order, so that payments of interest and principal under the Class B Notes will be subordinated to payments of interest and principal under the Class A Notes in accordance with the Pre-Enforcement Revenue Payments Priorities, the Pre-Enforcement Principal Payments Priorities and the Post-Enforcement Payments Priorities (as applicable).

Overcollateralisation/Subordination

The Mortgage Loans supporting the Notes are non-conforming mortgage loans. However, the Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date is expected to be approximately £117,763,331, while the Principal Amount Outstanding of the Class A Notes on the Closing Date will be £70,600,000.

On the basis of the Issuer's performance expectations for the Mortgage Loans it is anticipated that, during the life of the Class A Notes, the interest to be paid by Borrowers on the Mortgage Loans will be sufficient so that the Available Revenue Funds (excluding Global Reserve Drawings and Principal Re-Allocation Amounts) will be available to pay the amounts payable under items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities. The actual amount of any excess will vary during the life of the Class A Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio (and the performance of the Mortgage Portfolio).

Liquidity support provided by use of Global Reserve Fund

On each Calculation Date, the Cash Manager will, to the extent such information is available to it, determine whether Available Revenue Funds (excluding Global Reserve Drawings and Principal Re-Allocation Amounts) are sufficient to pay or provide for payment of items (a) to (h) of the Pre-

Enforcement Revenue Payments Priorities. To the extent that such Available Revenue Funds (excluding Global Reserve Drawings and Principal Re-Allocation Amounts) are insufficient for this purpose, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Global Reserve Ledger by the lower of the amount of such shortfall and the credit balance of the Global Reserve Ledger and (ii) credit the Revenue Ledger to reduce or eliminate such shortfall.

Principal Losses allocated to the Principal Deficiency Ledger

On each Calculation Date, the Servicer will determine the amount of Principal Losses on the Mortgage Portfolio and the Cash Manager will be required to allocate such Principal Losses to the Principal Deficiency Ledger.

A principal deficiency ledger (the "**Principal Deficiency Ledger**"), comprising two sub-ledgers (one relating to the Class A Notes (the "**Class A Principal Deficiency Ledger**") and one 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 the Mortgage Portfolio.

Principal Losses will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the Class B Principal Deficiency Ledger up to a maximum of an amount equal to: (a) the Principal Amount Outstanding of the Class B Notes, less (b) the Global Reserve Fund Balance as at the Closing Date, less (c) the costs and expenses paid by the Issuer on the Closing Date in connection with the issue of the Notes; and
- (b) *second*, to the Class A Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Available Revenue Funds on each Interest Payment Date will be applied to the extent of funds available for such purpose pursuant to:

- (a) item (g) of the Pre-Enforcement Revenue Payments Priorities to credit the Class A Principal Deficiency Ledger to reduce the debit balance to zero; and
- (b) item (h) of the Pre-Enforcement Revenue Payments Priorities to credit the Class B Principal Deficiency Ledger to reduce the debit balance to zero.

Available Revenue Funds allocated as described above will be applied in or towards redemption of the relevant Class of Notes as Available Principal Funds on the relevant Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities.

Source of funds to establish and replenish the Global Reserve Fund

The Global Reserve Fund will be funded on the Closing Date from the net proceeds of the issuance of the Notes.

The Global Reserve Fund will be funded in an amount equal to £5,888,167 which is approximately 5.0 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Loans in the Mortgage Portfolio on the Cut-Off Date.

The Cash Manager will maintain the Global Reserve Ledger to record the balance from time to time of the Global Reserve Fund and the moneys representing the Global Reserve Fund will be held in the Transaction Account.

The amount of the Global Reserve Fund, which is represented by the credit balance of the Global Reserve Ledger, may increase and decrease over time.

The amount of the Global Reserve Fund may decrease by virtue of debit entries to the Global Reserve Ledger to increase Available Revenue Funds to reduce or, as applicable, eliminate any Revenue Shortfall. The amount of the Global Reserve Fund may also decrease by virtue of a decrease in the prescribed target amount therefor (referred to elsewhere in this Prospectus as the Global Reserve Fund Required Amount).

For details of the required balance of the Global Reserve Fund, see the definition of "Global Reserve Fund Required Amount" in the section entitled "*Terms and Conditions of the Notes*" below.

On any Interest Payment Date, the amount standing to the credit of the Global Reserve Ledger which is in excess of the Global Reserve Fund Required Amount, as reduced from time to time (such amounts being in each case a "**Global Reserve Fund Release Amount**") shall be debited from the Global Reserve Ledger and credited to the Revenue Ledger to form part of the Available Revenue Funds.

The amount of the Global Reserve Fund may increase on each Interest Payment Date to the extent of Available Revenue Funds for such purpose at item (i) of the Pre-Enforcement Revenue Payments Priorities but only to the extent necessary to bring the credit balance of, the Global Reserve Ledger up to an amount equal to the Global Reserve Fund Required Amount.

Available Principal Funds applied as Available Revenue Funds

On each Calculation Date, the Cash Manager will determine whether Available Revenue Funds (including for this purpose Global Reserve Fund Drawings but excluding Principal Re-Allocation Amounts) are sufficient to pay or provide for payment of items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities. To the extent that such Available Revenue Funds are insufficient for this purpose (such insufficiency, the "**Remaining Revenue Shortfall**"), the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (a) debit the Principal Ledger by the lower of (i) the amount of the Remaining Revenue Shortfall and (ii) the credit balance of the Principal Ledger; and (b) credit the Revenue Ledger with a corresponding amount to reduce or eliminate the Remaining Revenue Shortfall.

Additionally, to the extent that there remains excess Available Principal Funds following payment of items (a) to (c) of the Pre-Enforcement Principal Payments Priorities, such amounts will be applied as Available Revenue Funds.

Available Revenue Funds applied as Available Principal Funds

So long as the Class A Notes remain outstanding, Available Revenue Funds shall be applied as Available Principal Funds in accordance with item (j) of the Pre-Enforcement Revenue Payments Priorities and therefore applied in redemption of the Class A Notes.

MATURITY AND PREPAYMENT CONSIDERATIONS

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Mortgage Loans in the Mortgage Portfolio.

The model used in this Prospectus for the Mortgage Loans represents an assumed constant per annum rate of prepayment ("CPR") each month relative to the then current principal balance of a pool of mortgages. CPR does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Mortgage Loans, including the Mortgage Loans to be included in the Mortgage Portfolio.

The following tables were prepared based on the characteristics of the Mortgage Loans included in the Mortgage Portfolio and the following additional assumptions (the "**Modelling Assumptions**"):

- (a) the aggregate of the Principal Outstanding Balances of the Mortgage Loans entering into arrears is two times the aggregate of the Principal Outstanding Balances of the Mortgage Loans entering into default;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) the constant per annum rate of default ("**CDR**") is equal to 2.0 per cent;
- (d) the recovery rate is equal to 70 per cent;
- (e) the period between the default of a Mortgage Loan and the receipt of the Recoveries associated with such default is equal to 12 months;
- (f) the delinquent Mortgage Loans stop making any payment for a period equal to 7 months;
- (g) all Revenue Collections from the delinquent Mortgage Loans are fully recovered at the time they re-perform;
- (h) none of the Sellers is in breach of the terms of the Mortgage Sale Agreement;
- (i) no Mortgage Loan is repurchased by the Sellers;
- (j) no Further Advance or Ports are made in respect of the Mortgage Portfolio;
- (k) no interest is earned on amounts in the Transaction Account;
- (l) each Interest Period (including the first Interest Period) lasts 3 months;
- (m) the 3-Month GBP Libor is equal to 0.52 per cent per annum;
- (n) the Bank of England repo rate is equal to 0.50 per cent per annum;
- (o) the SVR applied to the SVR Mortgage Loans is the same than the SVR as at the Cut-Off Date;
- (p) in the case of the table stating "With Early Redemption on Portfolio Option Commencement Date", the Class A Notes are redeemed at their Principal Amount Outstanding on the Portfolio Option Commencement Date;
- (q) in the case of the table stating "With Early Redemption on Market Portfolio Purchase Trigger Date", the Class A Notes are redeemed at their Principal Amount Outstanding on the Market Portfolio Purchase Trigger Date;
- (r) the Notes are redeemed in accordance with the Conditions;
- (s) no Security is enforced;

- (t) the assets of the Issuer are not sold by the Issuer;
- (u) no Enforcement Notice is delivered to the Issuer and no Event of Default has occurred;
- (v) the amortisation of any repayment Mortgage Loan is calculated as an annuity loan;
- (w) the amortisation of any Mortgage Loan which is not a repayment Mortgage Loan is calculated as an interest only loans; and
- (x) the aggregate of the amounts due under items (a) to (d) (inclusive) of the Pre-Enforcement Revenue Payments Priorities is as set out in the section entitled "*Fees*" above.

The actual characteristics and performance of the Mortgage Loans may differ from the Modelling Assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Loans will prepay at a constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that the CDR will be constant until maturity. Moreover, the diverse remaining terms to maturity and mortgage rates of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Mortgage Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans, or actual prepayment of loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of the Class A Notes by the number of years from the date of issuance of the Class A Notes to the related Interest Payment Date and (ii) adding the results and dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Class A Notes.

CPR	With Early Redemption on the Portfolio Option Commencement Date
0.0%	2.8
1.0%	2.8
2.0%	2.7
3.0%	2.6
4.0%	2.6
5.0%	2.5
6.0%	2.5
7.0%	2.4
8.0%	2.3
9.0%	2.3
10.0%	2.2

CPR	With Early Redemption on the Market Portfolio Purchase Trigger Date
0.0%	4.8
1.0%	4.6
2.0%	4.4
3.0%	4.2
4.0%	4.0
5.0%	3.8
6.0%	3.6
7.0%	3.4
8.0%	3.2
9.0%	3.1
10.0%	2.9

CPR	Without any Early Redemption
0.0%	8.6
1.0%	7.3
2.0%	6.3
3.0%	5.5
4.0%	4.9
5.0%	4.4
6.0%	4.0
7.0%	3.7
8.0%	3.4
9.0%	3.1
10.0%	2.9

EARLY REDEMPTION OF NOTES

Portfolio Option

The Issuer will, by the Deed Poll, grant to (a) the majority holder of the Class B Notes or (b) where two or more persons separately hold the highest amount of Class B Notes, the first person who exercises the Portfolio Option (the "**Portfolio Option Holder**") an option (the "**Portfolio Option**") to require the Issuer to (a) sell to the Portfolio Option Holder the beneficial title to all Mortgage Loans and Related Security in the Mortgage Portfolio and (b) transfer to the Portfolio Option Holder the right to have the legal title to all Mortgage Loans and Related Security in the Mortgage Portfolio transferred to it.

The Portfolio Option may be exercised by not less than 60 days and not more than 180 days written notice to the Issuer with a copy to the Trustee at any time in the period from the Portfolio Option Commencement Date until the Market Portfolio Purchase Completion Date. The Issuer shall notify Noteholders promptly on receipt of such notice. The right of the Portfolio Option Holder shall be suspended in the period from the date on which the Issuer has entered into an agreement to sell and transfer the Mortgage Portfolio in relation to a Market Portfolio Purchase to the date on which either (i) the beneficial title of the Mortgage Loans is so transferred or (ii) the Issuer is no longer required to sell the Mortgage Portfolio to any other party. Completion of the purchase by the Portfolio Option Holder will occur on the Calculation Date prior to the next Interest Payment Date to occur after the exercise date, provided that if the Portfolio Option is exercised later than 10 Business Days prior to the next Interest Payment Date, the Optional Portfolio Purchase Completion Date shall occur on the Calculation Date prior to the second Interest Payment Date to occur after the date of exercise.

The purchase price for the Mortgage Portfolio under the Portfolio Option shall be an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes and the Class B Notes as at the Optional Portfolio Purchase Completion Date less the credit balance of the Global Reserve Fund plus an amount equal to the estimated amount required to satisfy items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to such Optional Portfolio Purchase, provided that references to items (a) to (k), excluding items (g) to (j) of the Pre-Enforcement Revenue Payments Priorities above shall be construed as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Optional Portfolio Purchase did not take place on or about such Interest Payment Date.

Sale of Portfolio

In the event that the Portfolio Option Holder has not acquired the Mortgage Portfolio by the Market Portfolio Purchase Trigger Date, the Issuer will instruct the Servicer to seek offers to purchase the Mortgage Portfolio for a price not less than the aggregate Principal Amount Outstanding of the Class A Notes on the Market Portfolio Purchase Completion Date less the credit balance of the Global Reserve Fund plus an amount equal to the amount required to satisfy items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Market Portfolio Purchase Completion Date plus any costs incurred by the Issuer in relation to such Market Portfolio Purchase, provided that references to items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities above shall be construed as references to the full amounts payable under those items of the Pre-Enforcement Revenue Payments Priorities without taking into account the Available Revenue Funds that would be available on the relevant Interest Payment Date if the Market Portfolio Purchase did not take place on or about such Interest Payment Date.

Any instruction will only be given to the Servicer after the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006.

Redemption of Notes

Upon sale of the Mortgage Portfolio, that part of the purchase price constituting Revenue Receipts shall be applied in accordance with the Pre-Enforcement Revenue Payments Priorities on the relevant Interest Payment Date. That part of the purchase price constituting Principal Receipts shall be applied in

accordance with the Pre-Enforcement Principal Payments Priorities on the relevant Interest Payment Date. On such Interest Payment Date, the entire credit balance of the Global Reserve Ledger shall constitute the Global Reserve Fund Release Amount and form part of the Available Revenue Funds. The application of the purchase price of the Mortgage Portfolio and the Global Reserve Fund Release Amount on the Interest Payment Date following the Optional Portfolio Purchase Completion Date or the Market Portfolio Completion Date as described in this paragraph will result in the Class A Notes being redeemed in full and the Class B Notes being redeemed in full or (potentially in the case of a Market Portfolio Purchase) in part. Any funds remaining may (subject to payment of any amounts senior to the Residual Payments) be paid to the Residual Certificateholders in accordance with the Pre-Enforcement Revenue Payments Priorities.

SECURITY FOR THE ISSUER'S OBLIGATIONS

Deed of Charge

The Issuer will grant the following security to be held by the Trustee for itself and on trust for the benefit of the other Secured Creditors (which definition includes the Noteholders and the Residual Certificateholders):

- (a) a first fixed charge over the benefit of the Issuer in each English Mortgage Loan and the Related Security relating to such English Mortgage Loan comprised in the Mortgage Portfolio;
- (b) an assignation in security of the Issuer's beneficial interest under the trust declared by the Legal Title Seller pursuant to the Scottish Declaration of Trust;
- (c) an assignment of rights held by the Issuer against certain third parties and insurers;
- (d) a first fixed charge of the benefit of the Transaction Account and any bank or other accounts of the Issuer in which the Issuer may at any time have or acquire any benefit;
- (e) assignment of the benefit of the Issuer under each relevant Transaction Document to which the Issuer is a party (other than the Trust Documents and the Scottish Declaration of Trust), including:
 - (i) the Agency Agreement;
 - (ii) the Back-Up Servicing Agreement;
 - (iii) the Cash Management Agreement;
 - (iv) the Collection Account Declaration of Trust;
 - (v) the Collection Account Agreement;
 - (vi) the Corporate Services Agreement;
 - (vii) the Deed of Accession to Declaration of Trust;
 - (viii) the Deed Poll
 - (ix) the Issuer Account Bank Agreement;
 - (x) the Mortgage Sale Agreement;
 - (xi) the Servicing Agreement;
 - (xii) the Subscription Agreement; and
 - (xiii) the Trust Deed; and
- (f) a first floating charge over all the assets and undertakings of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (e) above but extending over all assets and undertakings of the Issuer situated in, or otherwise governed by the laws of Scotland.

Post-Enforcement Payments Priorities

The Deed of Charge sets out the order of priority for the application of cash following the service of an Enforcement Notice by or on behalf of the Trustee (or a receiver of the Issuer appointed by the Trustee pursuant to the Deed of Charge). This order of priority is described in the section entitled "*Cashflows – Post-Enforcement Payments Priorities*".

Enforcement

The Security shall only become enforceable on the service of an Enforcement Notice pursuant to Condition 13 (*Events of Default*) or, following the redemption in full of the Notes, Residual Certificate Condition 10 (*Events of Default*). The Deed of Charge will set out the procedures by which the Trustee may take steps to enforce the Security.

Collection Account Declaration of Trust

The Collection Account is a bank account held by the Legal Title Seller with the Collection Account Bank and it is the bank account to which the Servicer directs direct debit payment of Principal Collections and Revenue Collections. The Legal Title Seller will, on or about the Closing Date, declare a trust over the Collection Account in favour of the Issuer pursuant to the Collection Account Declaration of Trust.

Deed of Accession to Declaration of Trust

The Collections Trust Account is a bank account held by the Legal Title Seller with the Collection Account Bank and it is the bank account to which the Servicer directs payment of Principal Collections and Revenue Collections by means other than direct debit. The Issuer will, on or about the Closing Date, accede to the trust arrangements in respect of the Collections Trust Account as beneficiary in respect of amounts standing to the credit thereof that are referable to the Mortgage Loans.

Governing Law

The Deed of Charge and any non-contractual obligations arising in or out of or in relation to the Deed of Charge will be governed by English law although provisions thereof and security documents supplemental thereto which relate to Scottish Mortgage Loans shall be governed by and construed in accordance with Scots law.

The Collection Account Declaration of Trust and the Deed of Accession to the Declaration of Trust are governed by English law.

THE TRUST DEED

The Issuer and the Trustee will enter into a Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes of each Class and the form of the Residual Certificates. Under the Trust Deed, the Issuer will covenant to the Trustee to pay all amounts due under the Notes and the Residual Certificates. The Trustee will hold the benefit of the Issuer's covenant to pay on trust for the Noteholders and the Residual Certificateholders.

Conflicts / Relationship with Noteholders and Residual Certificateholders

The Trust Deed will provide that, except where expressly provided otherwise, where the Trustee is required to have regard to the interests of the Noteholders, the Trustee shall have regard to the interests of all the Noteholders equally as a Class, **provided that** to the extent of any conflict between the interests between any Classes of Noteholders, the Trustee shall have regard only to the interests of the holders of the Most Senior Class.

The Trust Deed contains provisions limiting the powers of:

- (a) the Class B Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders; and
- (b) the Residual Certificateholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders and/or the Class B Noteholders.

Except with regard to Reserved Matters, the Trust Deed imposes no such limitations on the powers of:

- (a) the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Residual Certificateholders; and
- (b) the Class B Noteholders, the exercise of which will be binding on the Residual Certificateholders.

Other than with regard to Reserved Matters, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Residual Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and the Trustee may only be directed by the Residual Certificateholders and any Extraordinary Resolution of the Residual Certificateholders will only be effective (i) if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any Class of Noteholders or (ii) the Trustee's action is sanctioned by an Extraordinary Resolution of each Class of Noteholders.

The Trustee shall not be bound to take any action in relation to the Notes, the Residual Certificates or the Transaction Documents, including delivering an Enforcement Notice, unless it has been directed to do so either by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or in writing by the holders of more than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding. If there are no Notes outstanding, the Trustee shall not be bound to take any action in relation to the Residual Certificates or the Transaction Documents, unless it has been directed to do so by an Extraordinary Resolution of the Residual Certificateholders.

The Trustee is not obliged to take any action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all liabilities, proceedings, claims, demands, costs, charges and expenses to which it may thereby become liable or which may be incurred by it in connection therewith.

Modification and waiver

The Trust Deed provides that, without the consent or sanction of the Noteholders, the Residual Certificateholders or any of the other Secured Creditors, the Trustee may at any time and from time to time:

- (a) agree with the Issuer and any other relevant parties in making any modification to the Conditions, the Residual Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter),

the Notes, the Residual Certificates or the Transaction Documents in relation to which its consent is required:

- (i) which in the opinion of the Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or
 - (ii) which, in the opinion of the Trustee, may be proper to make and will not be materially prejudicial to the interests of the holders of the Most Senior Class;
- (b) in its sole discretion concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of the covenants or provisions contained in the Trust Documents, the Notes, the Residual Certificates or any other Transaction Documents, if in the Trustee's sole opinion, the interests of the Most Senior Class will not be materially prejudiced thereby; and
- (c) in its sole discretion determine that any Event of Default or Potential Event of Default shall not be treated as such, if in the Trustee's sole opinion, the interests of the Most Senior Class will not be materially prejudiced thereby,

provided always that the Trustee shall not exercise any powers under paragraphs (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding (but no such direction or request (a) shall affect any modification, waiver, authorisation or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each Class of outstanding Notes and the Residual Certificateholders have, by Extraordinary Resolution, so authorised its exercise).

Unless the Trustee otherwise agrees, the Issuer shall cause any such modification, waiver, authorisation or determination to be notified to the Noteholders, the Residual Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents as soon as practicable thereafter.

Fees and expenses

The Issuer will reimburse the Trustee for all costs and expenses incurred in acting as Trustee. In addition, the Issuer shall pay to the Trustee a fee of such amount as will be agreed by the Trustee and the Issuer.

Retirement and removal

The Trustee may retire after giving not less than 60 calendar days' notice in writing to the Issuer. Further, the Most Senior Class then outstanding may, by an Extraordinary Resolution, remove the Trustee.

The retirement or removal of the Trustee shall not become effective unless there remains at least one trustee under the Trust Deed and the Issuer will covenant in the Trust Deed to use all reasonable endeavours to procure the appointment of a new Trustee after the resignation or removal of the existing Trustee. If the Issuer has failed to appoint a replacement Trustee prior to the expiry of the notice period given by the Trustee, the outgoing Trustee will be entitled to nominate a successor which shall be approved by an Extraordinary Resolution of the Most Senior Class then outstanding. The Rating Agency shall be notified of such appointment.

Governing Law

The Trust Deed and any non-contractual obligations arising in or out of or in relation to the Trust Deed will be governed by English law.

DESCRIPTION OF THE GLOBAL NOTES

General

The Notes of each class or sub-class, as at the Closing Date, will be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be deposited on the Closing Date with a Common Depository.

The Global Notes will be registered in the name of the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of each Global Note.

Upon confirmation by the Common Depository that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in such Global Notes (the "**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000 (each an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Depository is the registered holder of each Global Note underlying the Book-Entry Interests, the nominee for the Common Depository will be considered the sole Noteholder of the Global Notes for all purposes under the Trust Deed. Except as set forth under "*Description of the Global Notes – Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and each Indirect Participant must rely on the procedures of the Participants or Indirect Participants through which such a person holds its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See the section entitled "*Description of the Global Notes – Action in Respect of the Global Note and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, the Participants or Indirect Participants through which such person holds its interest in such Book-Entry Interests. 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 under any Global Note, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. 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.

Each Global Note held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

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 Arranger, the Lead Manager, the Trustee or any of their respective 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.

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Elavon Financial Services Limited, as the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee, as the registered holder of the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary, or to the Participants or Indirect Participants through which such person owns its interest in such Book-Entry Interests. All payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent by the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date and the identity of the Noteholders shall be determined as at the close of business on the Record Date. The Issuer expects that payments by Participants and Indirect Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Lead Manager, the Trustee, the Paying Agents, the Agent Bank, the Cash Manager or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's, or an Indirect Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's or an Indirect Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of

Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if either of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depositary, and the nominee of the Common Depositary, upon final payment, will surrender such Global Note to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount redeemed.

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*Description of the Global Notes - General*", above.

Beneficial interests in the Global Notes may be held only through Euroclear or Clearstream, Luxembourg. The Global Notes will bear a legend substantially identical to that appearing under "*Transfer Restrictions and Investor Representations*", below and neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

Issuance of Definitive Notes

Holders of Book-Entry Interests in the Global Notes will be entitled to receive definitive notes in registered form ("**Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if: (a) either or both of Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days either or both of (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Trustee is available; or (b) as a result of any amendment to, or change in, the

laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of a Global Note which would not be required if the Global Note were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee.

Any Definitive Notes issued in exchange for Book-Entry Interests in the Global Notes will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in the Global Notes will not be entitled to exchange such Definitive Note for Book-Entry Interests in such Global Notes. Any Notes issued in definitive form will be issued in registered form only within 30 days of the occurrence of the relevant event (but not earlier than the Exchange Date) and will be subject to the provisions set forth under "*Description of the Global Notes - Transfers and Transfer Restrictions*" above provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment of interest or principal in respect of a Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum Authorised Denomination.

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of a Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing: (a) such information as is contained in the notice received by the Issuer; (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note; and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions received in response to such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. In addition, notices regarding the Notes will be published in the Financial Times (or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such other English language newspaper(s) having a general circulation in the United Kingdom as the Trustee shall approve), or through Euroclear and/or Clearstream, or on the Relevant Screen. See also Condition 23 (*Notices*) of the Notes.

DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of a nominee for a common depositary (the "**Common Depositary**") for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Residual Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Lead Manager. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Residual Certificate underlying the Book-Entry Interests, it will be considered the sole Residual Certificateholder of the Residual Certificates represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set forth under "*Description of the Global Residual Certificate – Issuance of Definitive Residual Certificates*", below, Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See "*Description of the Global Residual Certificate – Action in Respect of the Global Residual Certificate and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Residual Certificates, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Residual Certificateholders. 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 or Clearstream, Luxembourg unless and until Definitive Residual Certificates are issued in accordance with the Residual Certificate Conditions. 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.

Unless and until Book-Entry Interests are exchanged for Definitive Residual Certificates, the Residual Certificates held by the nominee for the Common Depositary may not be transferred except as a whole by

that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Residual Certificate will hold Book-Entry Interests in the Residual Certificates relating thereto. Investors may hold their Book-Entry Interests in respect of a Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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 Lead Manager, the Trustee or any of their respective 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.

Issuance of Definitive Residual Certificates

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a Clearing System with respect to the Residual Certificates (the "**Exchange Event**").

Any Definitive Residual Certificates issued in exchange for Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

Payments on Global Residual Certificate

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling (until the Redenomination Date) or Euros (on and after the Redenomination Date) by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Residual Certificates. The Record Date in respect of the Residual Certificates shall

be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Lead Manager or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of Residual Certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section entitled "*Description of the Global Residual Certificate – General*" above).

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under "Transfer Restrictions and Investor Representations" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Residual Certificate.

Action in Respect of the Global Residual Certificate and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the Residual Certificates or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Residual Certificates, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Residual Certificates and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Residual Certificates in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "*Description of the Global Residual Certificate – General*" above, with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Residual Certificates or the Book-Entry Interests and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificate Condition 20 (*Notices*)).

Meetings of Residual Certificateholders

The holder of the Global Residual Certificate will be deemed to be two persons for the purpose of forming a quorum at a meeting of Residual Certificateholders.

TERMS AND CONDITIONS OF THE NOTES

1. General

- 1.1 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed.
- 1.2 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.
- 1.4 The Noteholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents (excluding any schedule containing personal information) are available for inspection by Noteholders during normal business hours at the registered office of the Issuer, the initial registered office of which is set out below.

2. Definitions

- 2.1 In these Conditions the following defined terms have the meanings set out below:

"**Account Details**" means the details of each of the Accounts which are set out in Schedule 10 (*Account Details*) of the Incorporated Terms Memorandum;

"**Accounts**" means, together or in combination, the Collection Account and each Issuer Account, each an "**Account**";

"**Additional Interest**" has the meaning given to it in Condition 8.11;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Elavon Financial Services Limited in its capacity as agent bank in accordance with the terms of the Agency Agreement;

"**Agents**" means the Agent Bank, the Paying Agents and the Registrar and "**Agent**" means any one of them;

"**Arranger**" means Natixis, London Branch;

"**Assigned Policies**" means the Buildings Policies, the Mortgage Protection Policies, the Title Indemnity Policies, the Local Search Indemnity Policies, the Financial Interest Policy and the Freedom of Agency Policy;

"**Available Principal Funds**" means in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:
 - (i) the Principal Receipts received by the Issuer during the related Calculation Period;
 - (ii) an amount equal to the Collections (but excluding any Collections in respect of interest) in respect of the Mortgage Loans from (and including) the Cut-Off Date to (but excluding) the Closing Date;
 - (iii) any amounts of Available Revenue Funds to be applied on that Interest Payment Date, pursuant to the Pre-Enforcement Revenue Payments Priorities, in reducing the debit balance of the Principal Deficiency Ledger; and

- (iv) so long as the Class A Notes remain outstanding, any Available Revenue Funds to be applied on that Interest Payment Date as Available Principal Funds in accordance with item (j) of the Pre-Enforcement Revenue Priorities; and
- (b) is an amount equal to the aggregate of any amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period pursuant to Paragraph 12 (*Payments from Principal Ledger on any Business Day*) of Schedule 1 of the Cash Management Agreement;

"**Available Revenue Funds**" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) the Global Reserve Fund Release Amount (if any) to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (c) any interest paid to the Issuer during such Calculation Period on amounts standing to the credit of the Transaction Account; and
- (d) any Available Principal Funds applied in accordance with item (d) of the Pre-Enforcement Principal Payments Priorities;

plus

- (e) if a Revenue Shortfall occurs (as a result of the aggregate of items (a) to (d) above being insufficient to pay or provide for items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities), the amount then standing to the credit of the Global Reserve Ledger to the extent necessary to cover such Revenue Shortfall;

plus

- (f) if a Remaining Revenue Shortfall occurs (as a result of the aggregate of items (a) to (e) above being insufficient to pay or provide for items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities), any Principal Re-Allocation Amount;

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period pursuant to Paragraph 11 (*Payments from Revenue Ledger on any Business Day*) of Schedule 1 of the Cash Management Agreement;

"**Beneficial Title Seller**" means Canellos Investments II Limited;

"**Beneficial Title Seller Security Power of Attorney**" means the deed so named dated on or about the Closing Date granted by the Beneficial Title Seller in favour of the Issuer and the Trustee substantially in the form set out in Schedule 4 of the Mortgage Sale Agreement;

"**Borrower**" means, in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage Documents together with the individual or individuals (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it;

"**Breach of Duty**" means:

- (a) in relation to any person other than the Trustee, Cash Manager, Agents or Registrar a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person; and
- (b) in relation to the Trustee, Cash Manager, Agents or Registrar, gross negligence, wilful default or fraud by the Trustee, Cash Manager, Agents or Registrar (as applicable);

"**Buildings Policy**" means any individual or block buildings insurance policy relating to a Property which has been taken out either in the joint names of the relevant Borrower and the Legal Title Seller or in the name of the relevant Borrower with the interest of the Legal Title Seller (as mortgagee or heritable creditor) endorsed or otherwise noted thereon and any landlord's individual or block buildings insurance policy relating to leasehold Property with the

interest of the Legal Title Seller (as the relevant Borrower's mortgagee or heritable creditor) endorsed or otherwise noted thereon;

"Business Day" means:

- (a) in relation to any day falling prior to the Redenomination Date, a day on which commercial banks and foreign exchange markets settle payments in London; and
- (b) in relation to any day falling on or after the Redenomination Date, a day on which the TARGET2 system is operating;

"Calculation Date" means in relation to an Interest Payment Date, the day falling four Business Days prior to such Interest Payment Date; and in relation to any Interest Payment Date; the **"related Calculation Date"** means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

"Calculation Period" means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from the Closing Date) to (but excluding) the next Calculation Date (or, in respect of the first Calculation Period, the first Calculation Date) and, in relation to an Interest Payment Date, the **"related Calculation Period"** means, unless the context otherwise requires, the Calculation Period ending on the Business Day immediately preceding the related Calculation Date;

"Cash Management Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee;

"Cash Manager" means Elavon Financial Services Limited in its capacity as cash manager under the Cash Management Agreement;

"Cash Manager Determination Date" means the business day falling two Business Days prior to the related Interest Payment Date;

"Charged Property" means all the property, rights and assets of the Issuer which is subject to the Security;

"Class A Noteholders" means the persons who for the time being are holders of the Class A Notes;

"Class A Notes" means the £70,600,000 Class A Mortgage Backed Floating Rate Notes due 2045 issued or due to be issued by the Issuer on the Closing Date;

"Class A Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A Notes created in accordance with Paragraph 8.3 (*Principal Deficiency sub-Ledgers*) of Schedule 1 of the Cash Management Agreement;

"Class B Noteholders" means the persons who for the time being are holders of the Class B Notes;

"Class B Notes" means the £54,400,000 Class B Mortgage Backed Floating Rate Notes due 2045 issued or due to be issued by the Issuer on the Closing Date;

"Class B Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B Notes created in accordance with Paragraph 8.3 (*Principal Deficiency sub-Ledgers*) of Schedule 1 of the Cash Management Agreement;

"Clearing Systems" means Euroclear Bank S.A. / N.V. and Clearstream Banking, Société anonyme;

"Closing Date" means 29 April 2013 or such other date as the Issuer and the Lead Manager may agree pursuant to the Subscription Agreement;

"Collection Account" means the Legal Title Seller's account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Collection Account(s);

"Collection Account Agreement" means the agreement so named dated on or about the Closing Date between the Legal Title Seller, the Collection Account Bank, the Issuer and the Trustee;

"Collection Account Bank" means Barclays Bank PLC in its capacity as collection account bank in accordance with the terms of the Collection Account Agreement;

"Collection Account Declaration of Trust" means the declaration of trust so named in relation to the Collection Account dated on or about the Closing Date;

"Collections Trust Account" means the Legal Title Seller's account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Collections Trust Account(s);

"Conditions" means the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

"Consideration" means the amount payable by the Issuer to the Beneficial Title Seller on the Closing Date pursuant to clause 3 of the Mortgage Sale Agreement.

"Corporate Services Agreement" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings, the Issuer and the Trustee;

"Corporate Services Provider" means Structured Finance Management Limited or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings under the Corporate Services Agreement;

"Cut-Off Date" means 31 January 2013;

"Day Count Fraction" means in respect of an Interest Period:

- (a) prior to the Redenomination Date, the actual number of days in such period divided by 365; or
- (b) on or after the Redenomination Date the actual number of days in such period divided by 360;

"Deed of Accession to Declaration of Trust" means the deed of accession to the declaration of trust in relation to the Collections Trust Account dated on or about the Closing Date;

"Deed of Charge" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee (including any security documents supplemental thereto);

"Deed of Consent" means a deed substantially in the form of the relevant pro forma contained in the Standard Documentation whereby the signatory agreed to postpone his interest (if any) in the relevant Property to that created by a Mortgage by declaring that he will not assert any right to an overriding interest by occupation adverse to a mortgagee's rights under such Mortgage;

"Deed Poll" means the deed poll dated on or about the Closing Date and executed by the Issuer in favour of the Portfolio Option Holder, from time to time;

"Deferred Interest" has the meaning given to it in Condition 8.11;

"Definitive Notes" has the meaning ascribed to it in Condition 3.3;

"Definitive Residual Certificate" means any Residual Certificate issued in definitive registered form in, or substantially in, the form set out in Schedule 4 of the Trust Deed;

"Encumbrance" means:

- (a) a mortgage, Standard Security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"Enforcement Notice" means:

- (a) in relation to the Notes, a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*); and
- (b) in relation to the Residual Certificates, a notice delivered by the Trustee to the Issuer in accordance with Residual Certificate Condition 10 (*Events of Default*);

"Enforcement Procedures" means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his Mortgage Loan or Related Security in accordance with the procedures adopted by the Servicer and for the avoidance of doubt, in accordance with the procedures that could reasonably be expected of a Comparable Mortgage Lender and "completion of the Enforcement Procedures" shall be deemed to have occurred in respect of a particular Mortgage Loan and its Related Security when the Servicer has determined that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic;

"euro", **"EUR"** or **"€"** means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;

"Euro Commencement Date" means the date on which the United Kingdom becomes a Participating Member State;

"Euro Reference Rate" means, on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Euro Screen Rate on such date or if, on such date, the Euro Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11:00 a.m. (Brussels time) on that date, of the Reference Banks to major banks in the Euro-zone interbank market for euro deposits for the Relevant Period in the London interbank market in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or
- (b) if, on such date, two or three only of the Reference Banks provide such quotations the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Euro Reserve Reference Rate;

"Euro Reserve Reference Rate" means on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11:00 a.m. (Brussels time) on the first day

of the relevant Interest Period for loans in euro to major European banks) for the Relevant Period and in the Representative Amount; or

- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Euro Reference Rate in effect for the immediately preceding Interest Period;

"Euro Screen Rate" means, in relation to an Interest Determination Date, the rate for euro deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (Brussels "time) on that date;

"Euro-zone" means the region comprised of member states of the European Union which adopt the euro in accordance with the Treaty.

"Event of Default" means:

- (a) in relation to the Notes, any one of the events specified in Condition 13 (*Events of Default*); and
- (b) in relation to the Residual Certificates, any one of the events specified in Residual Certificate Condition 10 (*Events of Default*);

"Extraordinary Resolution" means:

- (a) in relation to the Notes, a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast; and
- (b) in relation to the Residual Certificates, a resolution passed at a Meeting of Residual Certificateholders duly convened and held in accordance with the Provisions for Meetings of Residual Certificateholders by a majority of not less than three quarters of the votes cast;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Obligations and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling in March 2045;

"Financial Interest Policy" means the insurance policy taken out by the Legal Title Seller with Legal and General Insurance Limited in respect of the Legal Title Seller's financial interest in the Properties;

"First Interest Payment Date" means the Interest Payment Date falling in June 2013;

"Freedom of Agency Policy" means the insurance policy taken out by the Legal Title Seller with Legal and General Insurance Limited to cover the Legal Title Seller's financial loss incurred subsequent to the Legal Title Seller taking possession of a Borrower's Property but in relation to an insurable event that occurred prior to the taking of such possession and due to the Borrower failing to have: (i) an insurance policy in place to cover such financial loss; or (ii) notified the Legal Title Seller of such insurable event;

"Global Notes" has the meaning ascribed to it in Condition 3.2;

"Global Reserve Drawing" means a drawing from the Global Reserve Fund, which, for an Interest Payment Date, shall be the lower of (a) the credit balance of the Global Reserve Ledger and (b) the Revenue Shortfall for that Interest Payment Date;

"Global Reserve Fund" means the credit balance from time to time of the Global Reserve Ledger;

"Global Reserve Fund Release Amount" means on any Interest Payment Date, the amount standing to the credit of the Global Reserve Ledger which is in excess of the Global Reserve Fund Required Amount;

"Global Reserve Fund Required Amount" means an amount equal to:

- (a) prior to the occurrence of an Optional Portfolio Purchase or a Market Portfolio Purchase or the redemption in full of the Class A Notes, 5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date; and
- (b) on and after the Interest Payment Date on which the Class A Notes are redeemed in full, zero;

"Global Reserve Ledger" means the ledger in the books of the Issuer so named;

"Global Residual Certificate" means any global residual certificate representing any Residual Certificate in, or substantially in, the form set out in Schedule 2 to the Trust Deed;

"holder" means the registered holder of a Note or Residual Certificate as entered in the Register in respect of that Note or Residual Certificate and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

"Holdings" means Virgil Mortgage No.1 Holdings Limited (registered number 8284206);

"Incorporated Terms Memorandum" means the document so named which is dated on or about the Closing Date between each of the Transaction Parties;

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Event" in respect of a company means:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or
- (c) a moratorium is declared in respect of any indebtedness of such company; or
- (d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or
- (e) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
 - (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or
 - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors

of such company generally other than in connection with any refinancing in the ordinary course of business; or

- (iv) any distress, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (e) above, in any jurisdiction.

"Insolvency Official" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Interest Amount" means in respect of a Note, for any Interest Period, the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

- (a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and
- (g) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure down to the nearest Minimum Amount;

"Interest Determination Date" means each Interest Payment Date or, in the case of the First Interest Period, the Closing Date and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

"Interest Payment Date" means the 12th day of March, June, September and December in each year commencing on the First Interest Payment Date, **provided that** if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

"Interest Period" means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next (or in respect of the first Interest Period, the First) Interest Payment Date and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

"Instruments" means the Notes and the Residual Certificates;

"Issuer" means Virgil Mortgage No.1 PLC, a public limited company incorporated in England and Wales with registered number 8382053 as issuer of the Notes and the Residual Certificates;

"Issuer Account" means the Transaction Account;

"Issuer Account Bank" means Barclays Bank PLC;

"Issuer Account Bank Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Issuer Account Bank and the Trustee;

"Issuer Account Bank Fees" means the fees, costs and expenses of the Issuer Account Bank for the operation of the Transaction Account as determined in accordance with the Issuer Account Bank Agreement;

"Issuer Covenants" means the covenants of the Issuer set out in Schedule 7 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

"Issuer Jurisdiction" means England and Wales (or, in respect of tax, the United Kingdom) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 22 (*Substitution of Issuer*) and Residual Certificate Condition 19 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"Issuer Profit Ledger" means the ledger in the books of the Issuer so named;

"Issuer Security Power of Attorney" means the power of attorney contained in Clause 25 of the Deed of Charge;

"Issuer Warranties" means the representations and warranties of the Issuer set out in Schedule 4 (*Issuer's Representations and Warranties*) of the Incorporated Terms Memorandum;

"Lead Manager" means Natixis;

"Legal Title Seller" means Paratus AMC Limited;

"Legal Title Seller Security Power of Attorney" means the deed so named dated on or about the Closing Date granted by the Legal Title Seller in favour of the Issuer and the Trustee substantially in the form set out in Schedule 3 of the Mortgage Sale Agreement;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including reasonable legal fees and any Taxes and penalties incurred by that person;

"Local Search Indemnity Policies" means policies of insurance in respect of local searches (howsoever described) which have been taken out in the name of the relevant Borrower and/or the Legal Title Seller (as mortgagee or heritable creditor);

"Market Portfolio Purchase" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by a party other than the Portfolio Option Holder;

"Meeting" means a meeting of Noteholders of any Class or Classes or a meeting of Residual Certificateholders (whether originally convened or resumed following an adjournment);

"MHA/CPA Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Scottish Property to which it relates;

"Minimum Amount" means, prior to the Redenomination Date, one penny and thereafter 0.01 euro;

"Minimum Denomination" means

- (a) prior to the Redenomination Date, £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000; and
- (b) on and after the Redenomination Date, €100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of €1,000;

"Mortgage" means in respect of any Mortgage Loan, each first fixed charge by way of legal mortgage, first legal charge or first ranking Standard Security which is sold by the Sellers to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant

Mortgage Loan, including the Mortgage Documents applicable to it, and, together, the "**Mortgages**";

"**Mortgage Document**" means any agreement (including a Mortgage) in relation to a Mortgage Loan between the relevant lender and a Borrower and "**Mortgage Documents**" means all or some of them as the context may require;

"**Mortgage Loan**" means a residential mortgage loan, secured by a Mortgage and its Related Security, sold or to be sold to the Issuer on the Closing Date (and at any time thereafter pursuant to the Mortgage Sale Agreement) but excluding (for the avoidance of doubt) a Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"**Mortgage Portfolio**" means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Sellers on the Closing Date but excluding (for the avoidance of doubt) any Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller, in each case pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"**Mortgage Protection Policies**" means all mortgage protection insurance policies and life assurance policies which have been taken out in the name of the relevant Borrower and assigned to the Legal Title Seller or with the interest of the Legal Title Seller (as mortgagee or heritable creditor) endorsed or noted thereon;

"**Mortgage Sale Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Sellers, the Trustee and the Servicer;

"**Most Senior Class**" means the Class A Notes whilst they remain outstanding, thereafter the Class B Notes whilst they remain outstanding and thereafter the Residual Certificates;

"**Note Interest**" means, in respect of a Note for any Interest Period, the amount of interest determined in respect of such Note for such Interest Period by, in the case of each Class, (i) multiplying (a) the Principal Amount Outstanding of such Note at the open of business on the Interest Payment Date coinciding with such Interest Determination Date by (b) the relevant Note Rate and (ii) multiplying (x) the amount so calculated by (y) the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

"**Note Principal Payment**" means, on any Interest Payment Date:

- (a) in the case of each Class A Note, an amount equal to the lesser of the amount of Available Principal Funds available to be applied in or towards redeeming the Class A Notes in accordance with the Pre-Enforcement Principal Payments Priorities or Post-Enforcement Payments Priorities and the Principal Amount Outstanding of the Class A Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class A Notes; and
- (b) in the case of each Class B Note, an amount equal to the lesser of the amount of Available Principal Funds available to be applied in or towards redeeming the Class B Notes in accordance with the Pre-Enforcement Principal Payments Priorities or Post-Enforcement Payments Priorities and the Principal Amount Outstanding of the Class B Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class B Notes;

"**Note Rate**" for each Interest Period means in respect of each Class of Notes, the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class;

"**Noteholders**" means the Class A Noteholders and the Class B Noteholders or, where the context otherwise requires, the holders of Notes of a particular Class or Classes;

"**Notes**" means the Class A Notes and the Class B Notes;

"Notices Condition" means:

- (a) in relation to the Notes, Condition 23 (*Notices*); and
- (b) in relation to the Residual Certificates, Residual Certificate Condition 20 (*Notices*);

"Notices Details" means, in relation to any Agent, the provisions set out in Schedule 9 (*Notice Details*) of the Incorporated Terms Memorandum;

"Optional Portfolio Purchase" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by the Portfolio Option Holder;

"outstanding" means:

- (a) In relation to the Notes, all Notes other than:
 - (A) those which have been redeemed in full and cancelled in accordance with the Conditions;
 - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
 - (iii) those which have become void under the Conditions;
 - (iv) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
 - (v) any Global Note, to the extent that it shall have been exchanged for Definitive Notes pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

- (A) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;
- (B) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 15 (*Waiver*), Clause 16 (*Modifications*), Clause 19 (*Proceedings and Actions by the Trustee*), Clause 28 (*Appointment of Trustees*) and Clause 29 (*Notice of a New Trustee*) of the Trust Deed and Condition 12 (*Events of Default*), Condition 14 (*Enforcement*) and Condition 16 (*Meetings of Noteholders and Certificateholders*) and the Provisions for Meetings of Noteholders; and
- (C) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Notes of a particular Class are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Class of Notes**") and no

other Classes of Notes exist that rank junior or pari passu to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding; and

- (b) in relation to the Residual Certificates, all the Residual Certificates other than any Global Residual Certificate, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Residual Certificate Conditions, **provided that** for each of the following purposes, namely:
- (i) the right to attend and vote at any meeting of Residual Certificateholders and resolve by Extraordinary Resolution;
 - (ii) the determination of how many and which Residual Certificates are for the time being outstanding for the purposes of Clause 15 (*Waiver*), Clause 16 (*Modifications*), Clause 19 (*Proceedings and Actions by the Trustee*), Clause 28 (*Appointment of Trustees*) and Clause 29 (*Notice of a New Trustee*) of the Trust Deed and Residual Certificate Condition 10 (*Events of Default*), Residual Certificate Condition 11 (*Enforcement*) and Residual Certificate Condition 13 (*Meetings of Residual Certificateholders*) and the Provisions for Meetings of Residual Certificateholders; and
 - (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Residual Certificateholders or any of them,

those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Residual Certificates are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Residual Certificates**"), the relevant Residual Certificates will be deemed to remain outstanding;

"**Participant**" means an accountholder with Euroclear or Clearstream, Luxembourg;

"**Participating Member State**" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"**Paying Agents**" means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes and the Residual Certificates under the Agency Agreement;

"**Payments Priorities**" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"**Portfolio Option**" means the option granted to the Portfolio Option Holder documented in the Deed Poll;

"**Portfolio Option Holder**" means:

- (a) the majority holder of the Class B Notes; or
- (b) where two or more persons fulfil the requirements of paragraph (a), the first of such persons to exercise the Portfolio Option;

"**Post-Enforcement Amounts**" means all amounts received or recovered in respect of the Charged Property, such amounts including (for the avoidance of doubt) amounts received on the enforcement or realisation of the Security;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of priority of payments from the Issuer Accounts, set out in Clause 15 (*Post-Enforcement Payments Priorities*) of the Deed of Charge;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"Pre-Enforcement Principal Payments Priorities" means the provision relating to the order of priority of payments from the Principal Ledger set out in Paragraph 14 (*Payments from Principal Ledger on an Interest Payment Date*) of Schedule 1 of the Cash Management Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 13 (*Payments from Revenue Ledger on an Interest Payment Date*) of Schedule 1 of the Cash Management Agreement;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day; and
- (b) in relation to a Class, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding in such Class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding, regardless of Class; and
- (d) in relation to the Residual Certificates, the number of Residual Certificates outstanding;

"Principal Collections" means all amounts received in respect of Principal Receivables;

"Principal Deficiency Ledger" means the ledger in the books of the Issuer so named;

"Principal Ledger" means the ledger in the books of the Issuer so named;

"Principal Loss" means, in relation to any Mortgage Loan on an Interest Payment Date, the amount (if any) determined in good faith by the Servicer on the related Calculation Date in respect of the related Calculation Period as being the amount of a principal nature due in respect of such Mortgage Loan after the Servicer has completed the Enforcement Procedures;

"Principal Outstanding Balance" means:

- (a) in relation to any Mortgage Loan and on any day, the aggregate of:
 - (i) the original principal amount advanced to any relevant Borrower pursuant to the related Mortgage Documents; plus
 - (ii) any disbursement, legal expense, fee, charge or premium in respect of such Mortgage Loan; plus
 - (iii) any further advance of principal to such Borrower pursuant to the related Mortgage Documents; minus
 - (iv) any repayments or reduction of the amounts specified in (i) to (iii) (inclusive) above;

but after completion of any Enforcement Procedures in relation to a Mortgage Loan, the Principal Outstanding Balance of such Mortgage Loan will be deemed to be zero;

- (b) in relation to the Mortgage Portfolio and any day, the aggregate of the Principal Outstanding Balances in respect of the Mortgage Loans comprised in that Mortgage Portfolio;

"Principal Paying Agent" means Elavon Financial Services Limited in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

"Principal Re-Allocation Amount" means, on any Interest Payment Date, the amount of Available Principal Funds applied as Available Revenue Funds in accordance with item (a) of the Pre-Enforcement Principal Payments Priorities, being the lesser of (a) the Remaining Revenue Shortfall in respect of such Interest Payment Date and (b) the credit balance of the Principal Ledger;

"Principal Receipts" means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) the amount of all Principal Collections received by the Issuer during such Calculation Period;
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds or receipts constitute principal; and
- (c) any Recoveries received during such Calculation Period;

"Principal Receivables" means, on any day, the principal payments (whether or not yet due) which remain to be paid by the relevant Borrowers under the Mortgage Documents and any payments thereunder which have been capitalised, but excludes all Recoveries;

"Property" means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property or (if located in Scotland) the heritable or long leasehold property charged as security for the repayment of such Mortgage Loan;

"Prospectus" means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes and the Residual Certificates;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 7 of the Trust Deed;

"Provisions for Meetings of Residual Certificateholders" means the provisions contained in Schedule 8 of the Trust Deed;

"Rating Agency" means S&P;

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents;

"Receiver" means any receiver, manager, receiver or manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 17.2 (*Appointment of a Receiver*) of the Deed of Charge;

"Record Date":

- (a) in respect of the Notes has the meaning given to it in Condition 11.3 (*Record Date*); and
- (b) in respect of the Residual Certificates, means such date as is determined in accordance with Paragraph 3 of the Provisions of Meetings for Residual Certificateholders in Schedule 8 of the Trust Deed;

"Recoveries" means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan and a Principal Loss in respect of such Mortgage Loan has been debited from the Principal Deficiency Ledger;

"Redenomination Date" means an Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to (or does) redenominate the currency of the Notes into euro;

"Reference Banks" means, prior to the Redenomination Date, the principal London office of four major banks in the London interbank market and after the Redenomination Date, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in either case, selected by the Agent Bank at the relevant time;

"Reference Rate" means, on any (save for the final) Interest Determination Date prior to the Redenomination Date, the Sterling Reference Rate and, for the final Interest Determination Date prior to the Redenomination Date and, after the Euro Commencement Date, the Euro Reference Rate;

"Register" means the register on which the names and addresses of the holders of the Notes and the Residual Certificates and the particulars of the Notes and the Residual Certificates shall be entered and kept by the Issuer at the Specified Office of the Registrar;

"Registrar" means the party responsible for maintaining the Register, which at the Closing Date is Elavon Financial Services Limited acting in such capacity pursuant to the Agency Agreement;

"Regular Period" means, in relation to a Day Count Fraction, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls;

"Related Security" means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to) any Deeds of Consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and any life policies, life policy assignments, priority letters, pension policies, guarantees, the Assigned Policies, assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Mortgage Loan;

"Relevant Date" means, in respect of any payment in relation to the Notes or the Residual Certificates, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition;

"Relevant Margin" means in respect of an Interest Period:

- (a) for the Class A Notes, 2.25 per cent. per annum for each Interest Period up to and excluding the Interest Period commencing on the Step-Up Date and thereafter 3.00 per cent. per annum; and
- (b) for the Class B Notes, 3.75 per cent. per annum for each Interest Period;

"Relevant Period" means in relation to an Interest Determination Date, the length in months of the related Interest Period;

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the

Trustee and as has been notified to the Noteholders and Residual Certificateholders in accordance with the Notices Condition;

"Remaining Revenue Shortfall" means for each Calculation Date, the extent, if any, by which Available Revenue Funds (excluding for these purposes any Principal Re-Allocation Amount) is insufficient to pay items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Required Paying Agent" means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its Specified Office in any city where a stock exchange on which the Notes are listed requires there to be a Paying Agent;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes of any Class or the Residual Certificates, to change the amount of principal or interest or any other amount due on any date in respect of the Notes of any Class or the Residual Certificates or to alter the method of calculating the amount of any payment in respect of the Notes of any Class or the Residual Certificates on redemption or maturity;
- (b) (except in accordance with Condition 22 (*Substitution of Issuer*)) to effect the exchange, conversion or substitution of the Notes of any Class or the Residual Certificates, or the conversion of such Notes or Residual Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Residual Certificates are payable (other than pursuant to redenomination into euro);
- (d) to alter the Payments Priorities or any other amounts in respect of the Notes or the Residual Certificates;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Residual Certificate Conditions" means the terms and conditions to be endorsed on the Residual Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Residual Certificate Condition shall be construed accordingly;

"Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the Residual Certificates;

"Residual Certificates" means the 100 residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Residual Payment" means:

- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceeds the amounts required to satisfy items (a) to (k) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Payments Priorities, the amount by which amounts available for payment in accordance with the Post-Enforcement Payments Priorities exceeds the amounts required to satisfy items (a) to (h) of the Post-Enforcement Payments Priorities on that date;

"Residual Payment Amount" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Payments Priorities, the Residual Payment for that date, divided by 100;

"Revenue Collections" means all amounts received in respect of Revenue Receivables;

"Revenue Ledger" means the ledger in the books of the Issuer so named;

"Revenue Receipts" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Collections received during such Calculation Period; and
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;

"Revenue Receivables" means all payments (whether or not yet due) which remain to be paid by the relevant Borrower under the relevant Mortgage Documents, other than Principal Receivables and Recoveries;

"Revenue Shortfall" means for each Calculation Date, the extent, if any, by which Available Revenue Funds (excluding for these purposes any Principal Re-Allocation Amount and any Global Reserve Fund Drawing on the related Interest Payment Date) is insufficient to pay items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"S&P" means Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Limited;

"Scottish Declaration of Trust" means the declaration of trust dated the Closing Date granted by the Legal Title Seller (with the consent of the Beneficial Title Seller) in favour of the Issuer substantially in the form set forth in the Schedule 9 of the Mortgage Sale Agreement entitled "Form of Scottish Declaration of Trust";

"Scottish Mortgage" means a Standard Security over a Scottish Property securing a Scottish Mortgage Loan and all principal sums, interest, costs and other amounts secured or intended to be secured by that Standard Security;

"Scottish Mortgage Loan" means a Mortgage Loan secured by an Encumbrance over a Scottish Property;

"Scottish Property" means a Property located in Scotland;

"Screen" means, in relation to Sterling, the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Reuters page LIBOR03 and, in relation to euro, the display as quoted on the Reuters page EURIBOR03; or

- (a) such other page as may replace Reuters page LIBOR03 or, as the case may be, Reuters page EURIBOR03 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

"Secured Creditors" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 15 (*Post-Enforcement Payments Priorities*) of the Deed of Charge;

"**Secured Obligations**" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Residual Certificates or the Transaction Documents;

"**Security**" means the security created in favour of the Trustee pursuant to the Deed of Charge;

"**Security Powers of Attorney**" means the Issuer Security Power of Attorney, the Beneficial Title Seller Security Power of Attorney and the Legal Title Seller Security Power of Attorney;

"**Sellers**" means the Beneficial Title Seller and the Legal Title Seller;

"**Servicer**" means Paratus AMC Limited in its capacity as servicer in accordance with the terms of the Servicing Agreement;

"**Servicing Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Legal Title Seller and the Trustee;

"**Share Trust Deed**" means the deed so named dated 8 April 2013 and executed by the Share Trustee;

"**Share Trustee**" means SFM Corporate Services Limited as share trustee of one share in Holdings or the trustee or trustees for the time being of the Share Trust Deed;

"**Signing Date**" means 26 April 2013;

"**Specified Office**" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 14.8 (*Changes in Specified Offices*) of the Agency Agreement;

"**SPV Criteria**" means the criteria established from time to time by the Rating Agency for a single purpose company in the Issuer Jurisdiction;

"**Standard Documentation**" means the documents listed in Exhibit 1 of the Mortgage Sale Agreement which have been used by the relevant Originator or, as the case may be, the relevant Seller from time to time in connection with its activities as lender and on which each Mortgage Loan and its Related Security comprised in the Mortgage Portfolio has been granted or is outstanding, and/or those documents not listed in Exhibit 1 of the Mortgage Sale Agreement but which:

- (a) are in the same form as those used by the relevant Originator but are jointly branded with remote mortgage processors or, as the case may be, the relevant Seller;
- (b) are copies of mortgage application forms which originate from mortgage introducers to the relevant Originator or, as the case may be, the relevant Seller;
- (c) are special mortgage conditions appropriate for the relevant Product Specification or are not related to a particular Product Specification but are such as would be required by the relevant Originator or, as the case may be, the relevant Seller in the circumstances of the particular Mortgage Loan; or
- (d) to the extent a document used by an Originator is not listed in Exhibit 1 of the Mortgage Sale Agreement, documents entered into on materially the same terms as are set out in the documents which were used by the relevant Originator at the relevant time in connection with its activities as a residential mortgage lender which would be acceptable to a Comparable Mortgage Lender,

and, for the purposes of "**Standard Documentation**" will all be included in such definition;

"**Standard Security**" means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"Step-Up Date" means the Interest Payment Date falling in September 2018;

"Sterling" and **"£"** denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"Sterling Reference Rate" means, on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of the principal London office of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

"Sterling Reserve Reference Rate" means on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank in its absolute discretion for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or
- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Sterling Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the related Interest Determination Date;

"Sterling Screen Rate" means:

- (a) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of one month and for a period of two months;
- (b) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period,

in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date;

"Stock Exchange" means the Irish Stock Exchange;

"Subscription Agreement" means the agreement so named dated on or about the Signing Date between the Issuer, the Sellers and the Lead Manager;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"TARGET2 Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"TARGET2 system" means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"**Tax Deduction**" means any deduction or withholding on account of Tax;

"**Title Indemnity Policies**" means the policies of insurance in respect of title (howsoever described) to any Property which have been taken out in the name of the relevant Borrower and/or the Legal Title Seller (as mortgagee or heritable creditor);

"**Transaction Account**" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"**Transaction Account Mandate**" means the resolutions, instructions and signature authorities relating to the Transaction Account in the form of the document set out in Schedule 1 of the Issuer Account Bank Agreement;

"**Transaction Documents**" means the Agency Agreement, the Back-Up Servicing Agreement, the Cash Management Agreement, the Collection Account Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Accession to Declaration of Trust, the Deed Poll, the Issuer Account Bank Agreement, the Mortgage Sale Agreement, the Scottish Declaration of Trust, the Deed of Charge, the Servicing Agreement, the Security Powers of Attorney and the Trust Deed;

"**Transaction Party**" means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them;

"**Treaty**" means the Treaty on the Functioning of the European Union;

"**Trust Deed**" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

"**Trust Documents**" means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

"**Trustee**" means U.S. Bank Trustees Limited in its capacity as trustee under the Trust Deed;

"**VAT**" means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere;

"**VATA**" means the Value Added Tax Act 1994; and

"**Written Resolution**" means:

- (a) in the case of a Class of Notes, a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class for the time being outstanding who for the time

being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes; and

- (b) in the case of the Residual Certificates, a resolution in writing signed by or on behalf of all holders of the Residual Certificates for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Residual Certificateholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Residual Certificates.

2.2 **Interpretation:** Any reference in the Conditions to:

"**continuing**", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in writing in accordance with the terms of the Conditions or, as the case may be, the relevant Transaction Document or which has not been remedied;

a "**Class**" shall be a reference to a class of the Notes being the Class A Notes or the Class B Notes and "**Classes**" shall be construed accordingly;

"**including**" shall be construed as a reference to "**including without limitation**", so that any list of items or matters appearing after the word "**including**" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "**including**";

"**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a "**law**" shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"**principal**" shall, where applicable, include premium;

"**redeem**" and "**pay**" shall each include both of the others and "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly;

a reference to any person defined as a "**Transaction Party**" in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and

"**set-off**" includes equivalent or analogous rights under jurisdictions other than England and Wales;

a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.3 **Transaction Documents and other agreements:** Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

- 2.4 **Statutes and Treaties:** Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.
- 2.5 **Schedules:** Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.
- 2.6 **Headings:** Condition headings are for ease of reference only.
- 2.7 **Sections:** Except as otherwise specified in the Condition, reference in the Conditions to:
- (a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
 - (b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
 - (c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
 - (d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
 - (e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 **Number**

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Denomination**

- 3.1 The Notes are in fully registered form and serially numbered in the Minimum Denomination for the Notes. Notes in registered form are issued without coupons attached. The expression "**Notes**" means and includes co-ownership under a permanent global note and the expression "**Noteholder**" shall mean and include any person entitled to co-ownership and benefit under a permanent global note.
- 3.2 The Principal Amount Outstanding of the Notes of each Class initially offered and sold outside the United States to non U.S. Persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented by one or more global notes in fully registered form (each a "**Global Note**") without coupons attached.
- 3.3 Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of each Global Note (the "**Definitive Notes**") will be issued in registered form and serially numbered in the circumstances referred to Condition 3.4 below.
- 3.4 If, while any Notes are represented by a Global Note:
- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does so cease business and no alternative clearing system satisfactory to the Trustee is available; or
 - (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be

required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee,

the Issuer will issue Definitive Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. Definitive Notes, if issued, will be issued in the applicable Minimum Denomination for the Notes. The Global Note will not be exchangeable for Definitive Notes in any other circumstances.

4. **Title and Transfer**

- 4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons will be treated as the absolute owner of such Note.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and any entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes, the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, new Definitive Notes in respect of both the balance transferred and the balance remaining will be issued to each of the transferee and the transferor by or by order of the Registrar (subject to the relevant new Definitive Notes each being issued in an amount equal to the applicable Minimum Denomination for the Notes in accordance with Condition 3.4 above).
- 4.6 Each new Definitive Note to be issued upon a transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note to such address as may be specified in such request.
- 4.7 Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any Tax or other governmental charges which may be imposed in relation to it.

No holder of a Definitive Note may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

5. **Status and Ranking**

- 5.1 **Status:** The Notes of each class constitute direct, secured, limited recourse and unconditional obligations of the Issuer.
- 5.2 **Ranking:** The Class A Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class B Notes will at all times rank without preference or priority *pari passu* amongst themselves.
- 5.3 **Sole Obligations:** The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.
- 5.4 **Priority of Interest Payments:** Payments of interest on the Class A Notes will rank in priority to payments of interest on the Class B Notes and payments of interest on the Class B Notes will rank in priority to Residual Payments to the Residual Certificateholders in accordance with the Pre-Enforcement Revenue Payments Priorities and the Post-Enforcement Payments Priorities.
- 5.5 **Priority of Principal Payments:** Payments of principal on the Class A Notes will rank in priority to payments of principal on the Class B Notes in accordance with the Pre-Enforcement Principal Payments Priorities and the Post-Enforcement Payments Priorities.
- 5.6 **Payments Priorities:** Prior to the delivery of an Enforcement Notice, on each Interest Payment Date, the Issuer is required to apply an amount equal to the Available Revenue Funds and an amount equal to the Available Principal Funds in accordance with the Pre-Enforcement Revenue Payments Priorities and the Pre-Enforcement Principal Payments Priorities, respectively. Following service of an Enforcement Notice, the Issuer is required to apply the Post-Enforcement Amounts in accordance with the Post-Enforcement Payments Priorities.

6. **Security**

- 6.1 **Security:** The Notes are secured by the Security.
- 6.2 **Enforceability:** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*).

7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

8. **Interest**

- 8.1 **Accrual of Interest:** Each Note bears interest on its Principal Amount Outstanding from the Closing Date.
- 8.2 **Cessation of Interest:** Each Class of Notes shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:
- (a) 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
 - (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

- 8.3 **Calculation Period of less than 1 year:** Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.
- 8.4 **Interest Payments:** Interest on each Class of Notes is payable in Sterling (or, after the Redenomination Date, in euro) in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.
- 8.5 **Calculation of Interest Amount:** Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Class of Notes for the related Interest Period.
- 8.6 **Notification of Note Rate, Interest Amount and Interest Payment Date:** As soon as practicable after each Interest Determination Date, the Agent Bank will cause:
- (a) the Note Rate for each Class of Notes for the related Interest Period;
 - (b) the Interest Amount for each Class of Notes for the related Interest Period; and
 - (c) the Interest Payment Date next following the related Interest Period,
- to be notified to the Issuer, the Cash Manager, the Trustee, the Principal Paying Agent, and, for so long as the relevant Notes are listed on the Stock Exchange, the Stock Exchange.
- 8.7 **Publication of Note Rate, Interest Amount and Interest Payment Date:** As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 8.6 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rate for each Class of Notes, the Interest Amount for each Class of Notes and the next following Interest Payment Date to be published in accordance with the Notices Condition.
- 8.8 **Amendments to Publications:** The Note Rate and the Interest Amount for each Class of Notes and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.
- 8.9 **Determination or Calculation by Trustee:** If neither the Issuer, the Cash Manager nor the Agent Bank (as applicable) at any time for any reason determines the Note Rate or the Interest Amount for each Class of Notes in accordance with this Condition, the Trustee may (but without any liability accruing to the Trustee as a result):
- (a) determine the Note Rate for such Class at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or
 - (b) calculate the Interest Amount for such Class in the manner specified in this Condition,
- and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.
- 8.10 **Reference Banks and Agents:** The Issuer shall ensure that, so long as any of the Notes remain outstanding there shall at all times be a Registrar, an Agent Bank, a Transfer Agent, a Paying Agent and a Principal Paying Agent. In the event of an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other person as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor agent bank is appointed in accordance with the Agency Agreement. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders in accordance with the Notices Condition.

8.11 ***Interest Deferred:***

- (a) To the extent that funds available to the Issuer to pay Interest Amounts due and payable on the Class B Notes on an Interest Payment Date are insufficient to pay the full amount of such Interest Amounts, payment of the shortfall in respect of such Interest Amounts ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of some or all of the Deferred Interest, and will fall due on such Interest Payment Date to the extent of such available funds.
- (b) Deferred Interest or any other amounts which are due and payable in respect of the Class B Notes and not paid on the relevant Interest Payment Date will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes. Payment of Additional Interest will also be deferred until the first Interest Payment Date after such Additional Interest is accrued on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay some or all of such Additional Interest, to the extent of such available funds.
- (c) Payment of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which the Class B Notes fall to be redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part and Cancellation*). Any amounts of Deferred Interest or Additional Interest which have not then been paid shall thereupon become due and payable in full.

9. **Final Redemption, Mandatory Redemption in part and Cancellation**

9.1 ***Final Redemption:*** Unless previously redeemed and cancelled as provided in this Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Maturity Date together with any accrued (and unpaid) interest up to (and including) the Final Maturity Date.

9.2 ***Mandatory Redemption in part:*** On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply an amount equal to the Available Principal Funds which is available for such purposes in accordance with the Pre-Enforcement Principal Payments Priorities in and towards redemption of the Notes.

On the occurrence of an Optional Portfolio Purchase or a Market Portfolio Purchase, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Payments Priorities on the immediately succeeding Interest Payment Date with the result that the Class A Notes will be redeemed in full and the Class B Notes will be redeemed in full or in part in accordance with this Condition 9.2 (*Mandatory Redemption in part*).

9.3 ***Optional Redemption in whole for taxation reasons:*** The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding, on any Interest Payment Date together with any accrued (and unpaid) interest up to (and including) such Interest Payment Date, after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law):

- (a) the Issuer is to make any payment in respect of the Notes and the Issuer would be required to make a Tax Deduction in respect of such payment; or
- (b) the Issuer would be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period;

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee prior to such Interest Payment Date;

- (ii) the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
 - (iii) a certificate signed by the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities.
- 9.4 **Calculation of Note Principal Payment and Principal Amount Outstanding:** Not later than the Cash Manager Determination Date, the Issuer shall calculate (or cause the Cash Manager to calculate):
- (a) the aggregate of any Note Principal Payment due in relation to each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date; and
 - (b) the Principal Amount Outstanding of each Note in each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Class).
- 9.5 **Calculations final and binding:** Each calculation by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note of each Class shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.
- 9.6 **Trustee to determine amounts in case of Issuer default:** If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) any Note Principal Payment, the Principal Amount Outstanding in relation to each Class in accordance with this Condition, such amounts may be calculated by the Trustee (without any liability accruing to the Trustee as a result) in accordance with this Condition (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer.
- 9.7 **Notice of Calculation:** The Issuer will cause each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each Class to be notified immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each Class to be published in accordance with the Notices Condition by not later than three Business Days prior to each Interest Payment Date.
- 9.8 **Notice of no Note Principal Payment:** If no Note Principal Payment is due to be made on the Notes in relation to any Class on any Interest Payment Date, a notice to this effect will be given to the Noteholders in accordance with the Notices Condition by not later than three Business Days prior to such Interest Payment Date.
- 9.9 **Notice irrevocable:** Any such notice as is referred to in Condition 9.8 (*Notice of Calculation*) shall be irrevocable and the Issuer shall be bound to redeem the Notes to which such notice relates in an amount equal to the Note Principal Payment in respect of each Note calculated in respect of the relevant Interest Payment Date if effected pursuant to Condition 9.2 (*Mandatory Redemption in part*).
- 9.10 **Cancellation of Class B Notes following Market Portfolio Purchase:** If, following the application of the proceeds of a Market Portfolio Purchase together with the Global Reserve Fund Release Amount in accordance with the Payments Priorities on the Interest Payment Date following such Market Portfolio Purchase, the Class B Notes are not redeemed in full, the Class B Notes shall be cancelled and will no longer constitute a claim against the Issuer (in respect of interest or principal) and may not be reissued or resold. The Issuer shall give notice to the Trustee of such cancellation.

9.11 **Cancellation of redeemed Notes:** All Notes purchased by the Issuer or redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold. The Issuer shall give notice to the Trustee of such cancellation.

10. **Limited Recourse**

10.1 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 Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payments Priorities, 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.

11. **Payments**

11.1 **Principal and interest:** Payments of principal and interest shall be made by cheque drawn in Sterling or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling, maintained by the payee with a bank in London and (and in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

11.2 **Cheques:** Cheques sent to the nominated address of a Noteholder will be taken to have been received by the Noteholder on the relevant payment date and no further amount will be payable by the Issuer in respect of the Notes as a result of the Noteholder not receiving payment on the due date.

11.3 **Record date:** Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office as at the close of the Business Day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the obligations of the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

11.4 **Payments subject to fiscal laws:** All payments in respect of the Notes are subject to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments. Neither the Issuer, the Registrar, nor the Principal Paying Agent shall be liable to any Noteholder or any other person for any commissions, costs, losses or expenses in relation to or resulting from such payments.

11.5 **Partial Payments:** If the Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

11.6 **Payments on Business Days:** If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding

Business Day and no payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note as a result.

11.7 **Payment after due date:** If any payment of principal or interest in respect of the Notes is made after the due date, payment shall be deemed not to have been made until the earlier of:

- (a) the date on which the full amount is paid to the relevant Noteholders; and
- (b) the seventh day after notice has been given to the relevant Noteholders in accordance with the Notices Condition that the full amount (together with interest accrued to that date) has been received by the relevant Paying Agent or the Trustee except to the extent there is a default in the subsequent payment thereof to the Noteholders (as the case may be) under the Conditions.

11.8 **Payments to Noteholders:**

Subject to Condition 11.7 (*Payment after due date*), every payment of principal or interest in respect of the Notes made to the Principal Paying Agent in the manner provided in the Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in the Trust Deed, except, in the case of payment to the Principal Paying Agent, to the extent that there is a default in the subsequent payment thereof to the Noteholders under the Conditions.

12. **Taxation**

12.1 **Payments free of Tax:** (Subject to Condition 12.3 below) all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer or the Paying Agents (as the case may be) are required by law to make any payment in respect of the Notes subject to any Tax Deduction. In that event, the Issuer or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

12.2 **No payment of additional amounts:** Neither the Issuer nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

12.3 **FATCA:** Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any FATCA withholding deducted or withheld by the Issuer, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

12.4 **Tax Deduction and FATCA withholding not Event of Default:** Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction or that the Issuer is required to make a FATCA withholding, making such deduction or withholding shall not constitute an Event of Default.

13. **Events of Default**

13.1 **Events of Default:** Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Notes (other than any amounts of Interest which may be deferred in accordance with Condition 8.11 (*Interest Deferred*)) within ten days of the due date for payment of such interest; or

- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or under the Transaction Documents and the Trustee certifies in writing that such default is, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders of the Most Senior Class and is either: (a) in the opinion of the Trustee, incapable of remedy or (b) in the opinion of the Trustee, capable of remedy but remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or
- (c) *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer; or
- (d) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Documents.

13.2 ***Delivery of Enforcement Notice***: If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or
- (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding,

deliver an Enforcement Notice to the Issuer with a copy to the Servicer, provided that the Trustee shall not exercise any discretion conferred upon it pursuant to Condition 13.2 or 13.3 in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or a request or direction in writing made by the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class then outstanding.

13.3 ***Conditions to delivery of Enforcement Notice***: Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may become liable or which it may incur by so doing.

13.4 ***Consequences of delivery of Enforcement Notice***: Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued Deferred Interest.

14. **Enforcement**

14.1 ***Proceedings***: At any time after the delivery of an Enforcement Notice the Trustee may, at its discretion and without notice, institute such proceedings or take such other steps or actions as it thinks fit to enforce and/or to exercise its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Residual Certificates, the Deed of Charge or under the other Transaction Documents, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class then outstanding; or
- (b) so directed by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 **Directions to the Trustee:** If the Trustee shall take any action described in Condition 14.1 (*Proceedings*) it may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, **provided that** so long as any of the Most Senior Class are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the Classes of Notes ranking senior to such other Class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes ranking senior to such other Class.

14.3 **Restrictions on disposal of Issuer's assets:** If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

- (a) a sufficient amount would be realised to allow payment in full of all amounts owing to the Class A Notes after payment of all other claims ranking in priority to the Class A Notes in accordance with the Post-Enforcement Payments Priorities; or
- (b) the Trustee has received advice (which shall be binding on the Noteholders and the other Secured Creditors) from an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made efforts to do so this Condition 14.3(b) shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Class A Notes after payment of all other claims ranking in priority to the Class A Notes in accordance with the Post-Enforcement Payments Priorities and the resulting shortfall would be greater than the shortfall arising upon disposal of the Charged Property.

The Trustee shall not be bound to make the determination contained in Condition 14.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.4 **Third Party Rights:** No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

15. **No action by Noteholders or any other Secured Creditor**

15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors; or
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

16. **Meetings of Noteholders**

16.1 **Convening:** The Trust Deed contains "Provisions for Meetings of Noteholders" for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.

16.2 **Separate and combined meetings:** The Trust Deed provides that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes shall be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes of Notes as the Trustee shall determine in its absolute discretion; and
- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

16.3 **Request from Noteholders:** A meeting of Noteholders of a particular Class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

16.4 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes will be one or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that Class or those Classes or, at any adjourned meeting, two or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such Class or Classes; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each Class of Noteholders) will be one or more persons holding or representing in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 10 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes.

16.5 **Relationship between Classes of Notes and Residual Certificates**

In relation to each Class of Notes and the Residual Certificates:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes or the holders of the Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes (to the extent that there are outstanding Notes in each such other Classes) and the holders of the Residual Certificates;
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes ranking senior to such Class (to the extent that there are outstanding Notes ranking senior to such Class) unless the Trustee

considers that none of the holders of each of the other Classes of Notes ranking senior to such Class would be materially prejudiced by the absence of such sanction; and

- (c) any resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class then outstanding duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes.

16.6 **Resolutions in writing:** A Written Resolution shall take effect as if it were an Extraordinary Resolution.

17. **Modification and Waiver**

17.1 **Modification:** The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders, the Residual Certificateholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Residual Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes, the Residual Certificates or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, it may be proper to make and will not be materially prejudicial to the holders of the Most Senior Class; or
- (b) any modification to Trust Documents, the Notes, the Residual Certificates, the Conditions, the Residual Certificate Conditions or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

17.2 **Waiver:** In addition, the Trustee may, at any time and from time to time at its sole discretion without the consent of the Noteholders, the Residual Certificateholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of any of the covenants or provisions contained in the Notes, the Residual Certificates, the Trust Documents or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class will not be materially prejudiced by such authorisation or waiver.

17.3 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Condition 17.1 (*Modification*) or 17.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding, but so that no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each Class of outstanding Notes and the holders of the outstanding Residual Certificates have, by Extraordinary Resolution, so authorised its exercise.

17.4 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders, the Residual Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

17.5 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Condition 17.1 (*Modification*) or Condition 17.2 (*Waiver*) shall be binding on the Noteholders, the Residual Certificateholders and the other Secured Creditors.

18. **Redenomination, Renominalisation and Reconventioning**

18.1 **Notice of Redenomination:** If the United Kingdom becomes, or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate an Interest Payment Date as the Redenomination Date.

18.2 **Redenomination:** Notwithstanding the other provisions of these Conditions with effect from the Redenomination Date:

- (a) the Notes in each Class shall be deemed to be redenominated into euro in the denomination of euro 0.01 with the Principal Amount Outstanding of each Note in each Class being equal to the Principal Amount Outstanding of that Note in such Class in Sterling, converted into euro at the rate for conversion of Sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (b) notwithstanding Condition 18.2(a), if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Stock Exchange and the Paying Agents of such deemed amendments in accordance with the Notices Condition.

18.3 **Notice of Redenomination Date:** The Issuer will notify the Noteholders of the intended Redenomination Date in accordance with the Notices Condition.

18.4 **Effect of Redenomination:** With effect from the Redenomination Date:

- (a) if Definitive Notes have been issued by the Issuer, all unmatured Coupons denominated in Sterling (whether or not attached to the Notes) will become void and no payments will be made in respect of such Coupons;
- (b) the payment obligations contained in all Definitive Notes denominated in Sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition) shall remain in full force and effect;
- (c) if Definitive Notes have been issued by the Issuer, new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in accordance with the Notices Condition; and
- (d) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

19. **Prescription**

19.1 **Principal:** Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.

19.2 **Interest:** Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.

20. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange

requirements, upon payment by the holder of such Note of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

21. **Trustee and Agents**

21.1 ***Trustee's right to Indemnity:*** Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

21.2 ***Trustee not responsible for loss or for monitoring:*** The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

21.3 ***Regard to Classes of Noteholders:*** In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:

- (a) have regard to the interests of each Class of Noteholders as a Class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) have regard only to the holders of the Most Senior Class and will not have regard to any lower ranking Class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

21.4 ***Paying Agents solely agents of Issuer:*** In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

21.5 ***Initial Paying Agents and Agent Bank:*** The initial Paying Agents and the Agent Bank and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.

22. **Substitution of Issuer**

22.1 ***Substitution of Issuer:*** The Trustee may, without the consent of the Noteholders, the Residual Certificateholders or any other Secured Creditor, subject to:

- (a) the consent of the Issuer; and
- (b) such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Transaction Documents, the Notes, the Residual Certificates and the Secured Obligations.

22.2 ***Notice of Substitution of Issuer:*** Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders, the Residual Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

- 22.3 **Change of Law:** In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class, **provided that** the Rating Agency is notified.
- 22.4 **No indemnity:** No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.
23. **Notices**
- 23.1 **Valid Notices:** Any notice to Noteholders shall be validly given if such notice is either:
- (a) prior to the issue of any Definitive Notes and so long as the Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg upon delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders;
 - (b) if the Notes are no longer held in Euroclear and/or Clearstream any notice to Noteholders shall be validly given if published in the Financial Times, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom;
 - (c) so long as the Notes are listed on a recognised stock exchange by delivery in accordance with the notice requirements of that exchange; or
 - (d) published on the Relevant Screen.
- 23.2 **Date of publication:** Any notice so sent or published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if delivered or published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen or on the first date of delivery of the relevant notice to Euroclear and Clearstream, Luxembourg (as applicable).
- 23.3 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the Stock Exchange on which the Notes are then listed and the clearing system through which the Notes are cleared and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.
24. **Governing Law and Jurisdiction**
- 24.1 **Governing law:** The Transaction Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by and shall be construed in accordance with English law except that to the extent that the provisions of the Deed of Charge and any security documents supplemental thereto relate to Scottish Mortgage Loans, such provisions and documents shall be governed by Scots law.
- 24.2 **Jurisdiction:** The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents shall be brought in such Courts. The Issuer has in each of the Transaction Documents irrevocably submitted to the jurisdiction of the Courts of England.

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

1. General

- 1.1 The Issuer has agreed to issue the Residual Certificates subject to and with the benefit of the terms of the Trust Deed.
- 1.2 The Agency Agreement records certain arrangements in relation to the payment of Residual Payments in respect of the Residual Certificates.
- 1.3 Certain provisions of these Residual Certificate Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.
- 1.4 The Residual Certificateholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents (excluding any schedule containing personal information) are available for inspection by Residual Certificateholders during normal business hours at the registered office of the Issuer, the initial registered office of which is set out below.

2. Definitions

- 2.1 In these Residual Certificate Conditions the following defined terms have the meanings set out below:

"**Account Details**" means the details of each of the Accounts which are set out in Schedule 10 (*Account Details*) of the Incorporated Terms Memorandum;

"**Accounts**" means, together or in combination, the Collection Account and each Issuer Account, each an "**Account**";

"**Additional Interest**" has the meaning given to it in Condition 8.11;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Elavon Financial Services Limited in its capacity as agent bank in accordance with the terms of the Agency Agreement;

"**Agents**" means the Agent Bank, the Paying Agents and the Registrar and "**Agent**" means any one of them;

"**Arranger**" means Natixis, London Branch;

"**Assigned Policies**" means the Buildings Policies, the Mortgage Protection Policies, the Title Indemnity Policies, the Local Search Indemnity Policies, the Financial Interest Policy and the Freedom of Agency Policy;

"**Available Principal Funds**" means in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:
 - (i) the Principal Receipts received by the Issuer during the related Calculation Period;
 - (ii) an amount equal to the Collections (but excluding any Collections in respect of interest) in respect of the Mortgage Loans from (and including) the Cut-Off Date to (but excluding) the Closing Date;
 - (iii) any amounts of Available Revenue Funds to be applied on that Interest Payment Date, pursuant to the Pre-Enforcement Revenue Payments Priorities, in reducing the debit balance of the Principal Deficiency Ledger; and

- (iv) so long as the Class A Notes remain outstanding, any Available Revenue Funds to be applied on that Interest Payment Date as Available Principal Funds in accordance with item (j) of the Pre-Enforcement Revenue Priorities; and
- (b) is an amount equal to the aggregate of any amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period pursuant to Paragraph 12 (*Payments from Principal Ledger on any Business Day*) of Schedule 1 of the Cash Management Agreement;

"Available Revenue Funds" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) the Global Reserve Fund Release Amount (if any) to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (c) any interest paid to the Issuer during such Calculation Period on amounts standing to the credit of the Transaction Account; and
- (d) any Available Principal Funds applied in accordance with item (d) of the Pre-Enforcement Principal Payments Priorities;

plus

- (e) if a Revenue Shortfall occurs (as a result of the aggregate of items (a) to (d) above being insufficient to pay or provide for items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities), the amount then standing to the credit of the Global Reserve Ledger to the extent necessary to cover such Revenue Shortfall;

plus

- (f) if a Remaining Revenue Shortfall occurs (as a result of the aggregate of items (a) to (e) above being insufficient to pay or provide for items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities), any Principal Re-Allocation Amount;

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period pursuant to Paragraph 11 (*Payments from Revenue Ledger on any Business Day*) of Schedule 1 of the Cash Management Agreement;

"Beneficial Title Seller" means Canellos Investments II Limited;

"Beneficial Title Seller Security Power of Attorney" means the deed so named dated on or about the Closing Date granted by the Beneficial Title Seller in favour of the Issuer and the Trustee substantially in the form set out in Schedule 4 of the Mortgage Sale Agreement;

"Borrower" means, in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage Documents together with the individual or individuals (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it;

"Breach of Duty" means:

- (a) in relation to any person other than the Trustee, Cash Manager, Agents or Registrar a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person; and
- (b) in relation to the Trustee, Cash Manager, Agents or Registrar, gross negligence, wilful default or fraud by the Trustee, Cash Manager, Agents or Registrar (as applicable);

"Buildings Policy" means any individual or block buildings insurance policy relating to a Property which has been taken out either in the joint names of the relevant Borrower and the Legal Title Seller or in the name of the relevant Borrower with the interest of the Legal Title Seller (as mortgagee or heritable creditor) endorsed or otherwise noted thereon and any landlord's individual or block buildings insurance policy relating to leasehold Property with the

interest of the Legal Title Seller (as the relevant Borrower's mortgagee or heritable creditor) endorsed or otherwise noted thereon;

"Business Day" means:

- (a) in relation to any day falling prior to the Redenomination Date, a day on which commercial banks and foreign exchange markets settle payments in London; and
- (b) in relation to any day falling on or after the Redenomination Date, a day on which the TARGET2 system is operating;

"Calculation Date" means in relation to an Interest Payment Date, the day falling four Business Days prior to such Interest Payment Date; and in relation to any Interest Payment Date; the **"related Calculation Date"** means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

"Calculation Period" means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from the Closing Date) to (but excluding) the next Calculation Date (or, in respect of the first Calculation Period, the first Calculation Date) and, in relation to an Interest Payment Date, the **"related Calculation Period"** means, unless the context otherwise requires, the Calculation Period ending on the Business Day immediately preceding the related Calculation Date;

"Cash Management Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee;

"Cash Manager" means Elavon Financial Services Limited in its capacity as cash manager under the Cash Management Agreement;

"Cash Manager Determination Date" means the business day falling two Business Days prior to the related Interest Payment Date;

"Charged Property" means all the property, rights and assets of the Issuer which is subject to the Security;

"Class A Noteholders" means the persons who for the time being are holders of the Class A Notes;

"Class A Notes" means the £70,600,000 Class A Mortgage Backed Floating Rate Notes due 2045 issued or due to be issued by the Issuer on the Closing Date;

"Class A Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A Notes created in accordance with Paragraph 8.3 (*Principal Deficiency sub-Ledgers*) of Schedule 1 of the Cash Management Agreement;

"Class B Noteholders" means the persons who for the time being are holders of the Class B Notes;

"Class B Notes" means the £54,400,000 Class B Mortgage Backed Floating Rate Notes due 2045 issued or due to be issued by the Issuer on the Closing Date;

"Class B Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B Notes created in accordance with Paragraph 8.3 (*Principal Deficiency sub-Ledgers*) of Schedule 1 of the Cash Management Agreement;

"Clearing Systems" means Euroclear Bank S.A. / N.V. and Clearstream Banking, Société anonyme;

"Closing Date" means 29 April 2013 or such other date as the Issuer and the Lead Manager may agree pursuant to the Subscription Agreement;

"**Collection Account**" means the Legal Title Seller's account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Collection Account(s);

"**Collection Account Agreement**" means the agreement so named dated on or about the Closing Date between the Legal Title Seller, the Collection Account Bank, the Issuer and the Trustee;

"**Collection Account Bank**" means Barclays Bank PLC in its capacity as collection account bank in accordance with the terms of the Collection Account Agreement;

"**Collection Account Declaration of Trust**" means the declaration of trust so named in relation to the Collection Account dated on or about the Closing Date;

"**Collections Trust Account**" means the Legal Title Seller's account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Collections Trust Account(s);

"**Conditions**" means the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

"**Consideration**" means the amount payable by the Issuer to the Beneficial Title Seller on the Closing Date pursuant to clause 3 of the Mortgage Sale Agreement.

"**Corporate Services Agreement**" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings, the Issuer and the Trustee;

"**Corporate Services Provider**" means Structured Finance Management Limited or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings under the Corporate Services Agreement;

"**Cut-Off Date**" means 31 January 2013;

"**Day Count Fraction**" means in respect of an Interest Period:

- (a) prior to the Redenomination Date, the actual number of days in such period divided by 365; or
- (b) on or after the Redenomination Date the actual number of days in such period divided by 360;

"**Deed of Accession to Declaration of Trust**" means the deed of accession to the declaration of trust in relation to the Collections Trust Account dated on or about the Closing Date;

"**Deed of Charge**" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee (including any security documents supplemental thereto);

"**Deed of Consent**" means a deed substantially in the form of the relevant pro forma contained in the Standard Documentation whereby the signatory agreed to postpone his interest (if any) in the relevant Property to that created by a Mortgage by declaring that he will not assert any right to an overriding interest by occupation adverse to a mortgagee's rights under such Mortgage;

"**Deed Poll**" means the deed poll dated on or about the Closing Date and executed by the Issuer in favour of the Portfolio Option Holder, from time to time;

"**Deferred Interest**" has the meaning given to it in Condition 8.11;

"**Definitive Notes**" has the meaning ascribed to it in Condition 3.3;

"**Definitive Residual Certificate**" means any Residual Certificate issued in definitive registered form in, or substantially in, the form set out in Schedule 4 of the Trust Deed;

"Encumbrance" means:

- (a) a mortgage, Standard Security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"Enforcement Notice" means:

- (d) in relation to the Notes, a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*); and
- (e) in relation to the Residual Certificates, a notice delivered by the Trustee to the Issuer in accordance with Residual Certificate Condition 10 (*Events of Default*);

"Enforcement Procedures" means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his Mortgage Loan or Related Security in accordance with the procedures adopted by the Servicer and for the avoidance of doubt, in accordance with the procedures that could reasonably be expected of a Comparable Mortgage Lender and "completion of the Enforcement Procedures" shall be deemed to have occurred in respect of a particular Mortgage Loan and its Related Security when the Servicer has determined that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic;

"euro", "EUR" or "€" means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;

"Euro Commencement Date" means the date on which the United Kingdom becomes a Participating Member State;

"Euro Reference Rate" means, on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Euro Screen Rate on such date or if, on such date, the Euro Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11:00 a.m. (Brussels time) on that date, of the Reference Banks to major banks in the Euro-zone interbank market for euro deposits for the Relevant Period in the London interbank market in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or
- (b) if, on such date, two or three only of the Reference Banks provide such quotations the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Euro Reserve Reference Rate;

"Euro Reserve Reference Rate" means on any Interest Determination Date falling on, after or immediately prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11:00 a.m. (Brussels time) on the first day

of the relevant Interest Period for loans in euro to major European banks) for the Relevant Period and in the Representative Amount; or

- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Euro Reference Rate in effect for the immediately preceding Interest Period;

"Euro Screen Rate" means, in relation to an Interest Determination Date, the rate for euro deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (Brussels "time) on that date;

"Euro-zone" means the region comprised of member states of the European Union which adopt the euro in accordance with the Treaty.

"Event of Default" means:

- (a) in relation to the Notes, any one of the events specified in Condition 13 (*Events of Default*); and
- (b) in relation to the Residual Certificates, any one of the events specified in Residual Certificate Condition 10 (*Events of Default*);

"Extraordinary Resolution" means:

- (a) in relation to the Notes, a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast; and
- (b) in relation to the Residual Certificates, a resolution passed at a Meeting of Residual Certificateholders duly convened and held in accordance with the Provisions for Meetings of Residual Certificateholders by a majority of not less than three quarters of the votes cast;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Obligations and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling in March 2045;

"Financial Interest Policy" means the insurance policy taken out by the Legal Title Seller with Legal and General Insurance Limited in respect of the Legal Title Seller's financial interest in the Properties;

"First Interest Payment Date" means the Interest Payment Date falling in June 2013;

"Freedom of Agency Policy" means the insurance policy taken out by the Legal Title Seller with Legal and General Insurance Limited to cover the Legal Title Seller's financial loss incurred subsequent to the Legal Title Seller taking possession of a Borrower's Property but in relation to an insurable event that occurred prior to the taking of such possession and due to the Borrower failing to have: (i) an insurance policy in place to cover such financial loss; or (ii) notified the Legal Title Seller of such insurable event;

"Global Notes" has the meaning ascribed to it in Condition 3.2;

"Global Reserve Drawing" means a drawing from the Global Reserve Fund, which, for an Interest Payment Date, shall be the lower of (a) the credit balance of the Global Reserve Ledger and (b) the Revenue Shortfall for that Interest Payment Date;

"Global Reserve Fund" means the credit balance from time to time of the Global Reserve Ledger;

"Global Reserve Fund Release Amount" means on any Interest Payment Date, the amount standing to the credit of the Global Reserve Ledger which is in excess of the Global Reserve Fund Required Amount;

"Global Reserve Fund Required Amount" means an amount equal to:

- (a) prior to the occurrence of an Optional Portfolio Purchase or a Market Portfolio Purchase or the redemption in full of the Class A Notes, 5 per cent. of the aggregate Principal Outstanding Balance of the Mortgage Loans as at the Cut-Off Date; and
- (b) on and after the Interest Payment Date on which the Class A Notes are redeemed in full, zero;

"Global Reserve Ledger" means the ledger in the books of the Issuer so named;

"Global Residual Certificate" means any global residual certificate representing any Residual Certificate in, or substantially in, the form set out in Schedule 2 to the Trust Deed;

"holder" means the registered holder of a Note or Residual Certificate as entered in the Register in respect of that Note or Residual Certificate and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

"Holdings" means Virgil Mortgage No.1 Holdings Limited (registered number 8284206);

"Incorporated Terms Memorandum" means the document so named which is dated on or about the Closing Date between each of the Transaction Parties;

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Event" in respect of a company means:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or
- (c) a moratorium is declared in respect of any indebtedness of such company; or
- (d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or
- (e) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
 - (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or
 - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors

of such company generally other than in connection with any refinancing in the ordinary course of business; or

- (iv) any distress, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (e) above, in any jurisdiction.

"Insolvency Official" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Interest Amount" means in respect of a Note, for any Interest Period, the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

- (a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and
- (g) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure down to the nearest Minimum Amount;

"Interest Determination Date" means each Interest Payment Date or, in the case of the First Interest Period, the Closing Date and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

"Interest Payment Date" means the 12th day of March, June, September and December in each year commencing on the First Interest Payment Date, **provided that** if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

"Interest Period" means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next (or in respect of the first Interest Period, the First) Interest Payment Date and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

"Instruments" means the Notes and the Residual Certificates;

"Issuer" means Virgil Mortgage No.1 PLC, a public limited company incorporated in England and Wales with registered number 8382053 as issuer of the Notes and the Residual Certificates;

"Issuer Account" means the Transaction Account;

"Issuer Account Bank" means Barclays Bank PLC;

"Issuer Account Bank Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Issuer Account Bank and the Trustee;

"Issuer Account Bank Fees" means the fees, costs and expenses of the Issuer Account Bank for the operation of the Transaction Account as determined in accordance with the Issuer Account Bank Agreement;

"Issuer Covenants" means the covenants of the Issuer set out in Schedule 7 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

"Issuer Jurisdiction" means England and Wales (or, in respect of tax, the United Kingdom) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 22 (*Substitution of Issuer*) and Residual Certificate Condition 19 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"Issuer Profit Ledger" means the ledger in the books of the Issuer so named;

"Issuer Security Power of Attorney" means the power of attorney contained in Clause 25 of the Deed of Charge;

"Issuer Warranties" means the representations and warranties of the Issuer set out in Schedule 4 (*Issuer's Representations and Warranties*) of the Incorporated Terms Memorandum;

"Lead Manager" means Natixis;

"Legal Title Seller" means Paratus AMC Limited;

"Legal Title Seller Security Power of Attorney" means the deed so named dated on or about the Closing Date granted by the Legal Title Seller in favour of the Issuer and the Trustee substantially in the form set out in Schedule 3 of the Mortgage Sale Agreement;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including reasonable legal fees and any Taxes and penalties incurred by that person;

"Local Search Indemnity Policies" means policies of insurance in respect of local searches (howsoever described) which have been taken out in the name of the relevant Borrower and/or the Legal Title Seller (as mortgagee or heritable creditor);

"Market Portfolio Purchase" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by a party other than the Portfolio Option Holder;

"Meeting" means a meeting of Noteholders of any Class or Classes or a meeting of Residual Certificateholders (whether originally convened or resumed following an adjournment);

"MHA/CPA Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Scottish Property to which it relates;

"Minimum Amount" means, prior to the Redenomination Date, one penny and thereafter 0.01 euro;

"Minimum Denomination" means

- (a) prior to the Redenomination Date, £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000; and
- (b) on and after the Redenomination Date, €100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of €1,000;

"Mortgage" means in respect of any Mortgage Loan, each first fixed charge by way of legal mortgage, first legal charge or first ranking Standard Security which is sold by the Sellers to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant

Mortgage Loan, including the Mortgage Documents applicable to it, and, together, the "**Mortgages**";

"**Mortgage Document**" means any agreement (including a Mortgage) in relation to a Mortgage Loan between the relevant lender and a Borrower and "**Mortgage Documents**" means all or some of them as the context may require;

"**Mortgage Loan**" means a residential mortgage loan, secured by a Mortgage and its Related Security, sold or to be sold to the Issuer on the Closing Date (and at any time thereafter pursuant to the Mortgage Sale Agreement) but excluding (for the avoidance of doubt) a Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"**Mortgage Portfolio**" means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Sellers on the Closing Date but excluding (for the avoidance of doubt) any Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller, in each case pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"**Mortgage Protection Policies**" means all mortgage protection insurance policies and life assurance policies which have been taken out in the name of the relevant Borrower and assigned to the Legal Title Seller or with the interest of the Legal Title Seller (as mortgagee or heritable creditor) endorsed or noted thereon;

"**Mortgage Sale Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Sellers, the Trustee and the Servicer;

"**Most Senior Class**" means the Class A Notes whilst they remain outstanding, thereafter the Class B Notes whilst they remain outstanding and thereafter the Residual Certificates;

"**Note Interest**" means, in respect of a Note for any Interest Period, the amount of interest determined in respect of such Note for such Interest Period by, in the case of each Class, (i) multiplying (a) the Principal Amount Outstanding of such Note at the open of business on the Interest Payment Date coinciding with such Interest Determination Date by (b) the relevant Note Rate and (ii) multiplying (x) the amount so calculated by (y) the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

"**Note Principal Payment**" means, on any Interest Payment Date:

- (a) in the case of each Class A Note, an amount equal to the lesser of the amount of Available Principal Funds available to be applied in or towards redeeming the Class A Notes in accordance with the Pre-Enforcement Principal Payments Priorities or Post-Enforcement Payments Priorities and the Principal Amount Outstanding of the Class A Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class A Notes; and
- (b) in the case of each Class B Note, an amount equal to the lesser of the amount of Available Principal Funds available to be applied in or towards redeeming the Class B Notes in accordance with the Pre-Enforcement Principal Payments Priorities or Post-Enforcement Payments Priorities and the Principal Amount Outstanding of the Class B Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class B Notes;

"**Note Rate**" for each Interest Period means in respect of each Class of Notes, the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class;

"**Noteholders**" means the Class A Noteholders and the Class B Noteholders or, where the context otherwise requires, the holders of Notes of a particular Class or Classes;

"**Notes**" means the Class A Notes and the Class B Notes;

"Notices Condition" means:

- (a) in relation to the Notes, Condition 23 (*Notices*); and
- (b) in relation to the Residual Certificates, Residual Certificate Condition 20 (*Notices*);

"Notices Details" means, in relation to any Agent, the provisions set out in Schedule 9 (*Notice Details*) of the Incorporated Terms Memorandum;

"Optional Portfolio Purchase" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by the Portfolio Option Holder;

"outstanding" means:

- (a) In relation to the Notes, all Notes other than:
 - (A) those which have been redeemed in full and cancelled in accordance with the Conditions;
 - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
 - (iii) those which have become void under the Conditions;
 - (iv) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
 - (v) any Global Note, to the extent that it shall have been exchanged for Definitive Notes pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

- (A) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;
- (B) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 15 (*Waiver*), Clause 16 (*Modifications*), Clause 19 (*Proceedings and Actions by the Trustee*), Clause 28 (*Appointment of Trustees*) and Clause 29 (*Notice of a New Trustee*) of the Trust Deed and Condition 12 (*Events of Default*), Condition 14 (*Enforcement*) and Condition 16 (*Meetings of Noteholders and Certificateholders*) and the Provisions for Meetings of Noteholders; and
- (C) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Notes of a particular Class are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Class of Notes**") and no

other Classes of Notes exist that rank junior or pari passu to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding; and

- (b) in relation to the Residual Certificates, all the Residual Certificates other than any Global Residual Certificate, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Residual Certificate Conditions, **provided that** for each of the following purposes, namely:
- (i) the right to attend and vote at any meeting of Residual Certificateholders and resolve by Extraordinary Resolution;
 - (ii) the determination of how many and which Residual Certificates are for the time being outstanding for the purposes of Clause 15 (*Waiver*), Clause 16 (*Modifications*), Clause 19 (*Proceedings and Actions by the Trustee*), Clause 28 (*Appointment of Trustees*) and Clause 29 (*Notice of a New Trustee*) of the Trust Deed and Residual Certificate Condition 10 (*Events of Default*), Residual Certificate Condition 11 (*Enforcement*) and Residual Certificate Condition 13 (*Meetings of Residual Certificateholders*) and the Provisions for Meetings of Residual Certificateholders; and
 - (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Residual Certificateholders or any of them,

those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or any holding company of the Beneficial Title Seller or any other subsidiary of such holding company shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Residual Certificates are held by the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**relevant Residual Certificates**"), the relevant Residual Certificates will be deemed to remain outstanding;

"**Participant**" means an accountholder with Euroclear or Clearstream, Luxembourg;

"**Participating Member State**" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"**Paying Agents**" means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes and the Residual Certificates under the Agency Agreement;

"**Payments Priorities**" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"**Portfolio Option**" means the option granted to the Portfolio Option Holder documented in the Deed Poll;

"**Portfolio Option Holder**" means:

- (a) the majority holder of the Class B Notes; or
- (b) where two or more persons fulfil the requirements of paragraph (a), the first of such persons to exercise the Portfolio Option;

"**Post-Enforcement Amounts**" means all amounts received or recovered in respect of the Charged Property, such amounts including (for the avoidance of doubt) amounts received on the enforcement or realisation of the Security;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of priority of payments from the Issuer Accounts, set out in Clause 15 (*Post-Enforcement Payments Priorities*) of the Deed of Charge;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"Pre-Enforcement Principal Payments Priorities" means the provision relating to the order of priority of payments from the Principal Ledger set out in Paragraph 14 (*Payments from Principal Ledger on an Interest Payment Date*) of Schedule 1 of the Cash Management Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 13 (*Payments from Revenue Ledger on an Interest Payment Date*) of Schedule 1 of the Cash Management Agreement;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day; and
- (b) in relation to a Class, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding in such Class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding, regardless of Class; and
- (d) in relation to the Residual Certificates, the number of Residual Certificates outstanding;

"Principal Collections" means all amounts received in respect of Principal Receivables;

"Principal Deficiency Ledger" means the ledger in the books of the Issuer so named;

"Principal Ledger" means the ledger in the books of the Issuer so named;

"Principal Loss" means, in relation to any Mortgage Loan on an Interest Payment Date, the amount (if any) determined in good faith by the Servicer on the related Calculation Date in respect of the related Calculation Period as being the amount of a principal nature due in respect of such Mortgage Loan after the Servicer has completed the Enforcement Procedures;

"Principal Outstanding Balance" means:

- (a) in relation to any Mortgage Loan and on any day, the aggregate of:
 - (i) the original principal amount advanced to any relevant Borrower pursuant to the related Mortgage Documents; plus
 - (ii) any disbursement, legal expense, fee, charge or premium in respect of such Mortgage Loan; plus
 - (iii) any further advance of principal to such Borrower pursuant to the related Mortgage Documents; minus
 - (iv) any repayments or reduction of the amounts specified in (i) to (iii) (inclusive) above;

but after completion of any Enforcement Procedures in relation to a Mortgage Loan, the Principal Outstanding Balance of such Mortgage Loan will be deemed to be zero;

- (b) in relation to the Mortgage Portfolio and any day, the aggregate of the Principal Outstanding Balances in respect of the Mortgage Loans comprised in that Mortgage Portfolio;

"Principal Paying Agent" means Elavon Financial Services Limited in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

"Principal Re-Allocation Amount" means, on any Interest Payment Date, the amount of Available Principal Funds applied as Available Revenue Funds in accordance with item (a) of the Pre-Enforcement Principal Payments Priorities, being the lesser of (a) the Remaining Revenue Shortfall in respect of such Interest Payment Date and (b) the credit balance of the Principal Ledger;

"Principal Receipts" means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) the amount of all Principal Collections received by the Issuer during such Calculation Period;
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds or receipts constitute principal; and
- (c) any Recoveries received during such Calculation Period;

"Principal Receivables" means, on any day, the principal payments (whether or not yet due) which remain to be paid by the relevant Borrowers under the Mortgage Documents and any payments thereunder which have been capitalised, but excludes all Recoveries;

"Property" means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property or (if located in Scotland) the heritable or long leasehold property charged as security for the repayment of such Mortgage Loan;

"Prospectus" means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes and the Residual Certificates;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 7 of the Trust Deed;

"Provisions for Meetings of Residual Certificateholders" means the provisions contained in Schedule 8 of the Trust Deed;

"Rating Agency" means S&P;

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents;

"Receiver" means any receiver, manager, receiver or manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 17.2 (*Appointment of a Receiver*) of the Deed of Charge;

"Record Date":

- (a) in respect of the Notes has the meaning given to it in Condition 11.3 (*Record Date*); and
- (b) in respect of the Residual Certificates, means such date as is determined in accordance with Paragraph 3 of the Provisions of Meetings for Residual Certificateholders in Schedule 8 of the Trust Deed;

"Recoveries" means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan and a Principal Loss in respect of such Mortgage Loan has been debited from the Principal Deficiency Ledger;

"Redenomination Date" means an Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to (or does) redenominate the currency of the Notes into euro;

"Reference Banks" means, prior to the Redenomination Date, the principal London office of four major banks in the London interbank market and after the Redenomination Date, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in either case, selected by the Agent Bank at the relevant time;

"Reference Rate" means, on any (save for the final) Interest Determination Date prior to the Redenomination Date, the Sterling Reference Rate and, for the final Interest Determination Date prior to the Redenomination Date and, after the Euro Commencement Date, the Euro Reference Rate;

"Register" means the register on which the names and addresses of the holders of the Notes and the Residual Certificates and the particulars of the Notes and the Residual Certificates shall be entered and kept by the Issuer at the Specified Office of the Registrar;

"Registrar" means the party responsible for maintaining the Register, which at the Closing Date is Elavon Financial Services Limited acting in such capacity pursuant to the Agency Agreement;

"Regular Period" means, in relation to a Day Count Fraction, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls;

"Related Security" means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to) any Deeds of Consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and any life policies, life policy assignments, priority letters, pension policies, guarantees, the Assigned Policies, assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Mortgage Loan;

"Relevant Date" means, in respect of any payment in relation to the Notes or the Residual Certificates, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition;

"Relevant Margin" means in respect of an Interest Period:

- (a) for the Class A Notes, 2.25 per cent. per annum for each Interest Period up to and excluding the Interest Period commencing on the Step-Up Date and thereafter 3.00 per cent. per annum; and
- (b) for the Class B Notes, 3.75 per cent. per annum for each Interest Period;

"Relevant Period" means in relation to an Interest Determination Date, the length in months of the related Interest Period;

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the

Trustee and as has been notified to the Noteholders and Residual Certificateholders in accordance with the Notices Condition;

"Remaining Revenue Shortfall" means for each Calculation Date, the extent, if any, by which Available Revenue Funds (excluding for these purposes any Principal Re-Allocation Amount) is insufficient to pay items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Required Paying Agent" means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its Specified Office in any city where a stock exchange on which the Notes are listed requires there to be a Paying Agent;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes of any Class or the Residual Certificates, to change the amount of principal or interest or any other amount due on any date in respect of the Notes of any Class or the Residual Certificates or to alter the method of calculating the amount of any payment in respect of the Notes of any Class or the Residual Certificates on redemption or maturity;
- (b) (except in accordance with Condition 22 (*Substitution of Issuer*)) to effect the exchange, conversion or substitution of the Notes of any Class or the Residual Certificates, or the conversion of such Notes or Residual Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Residual Certificates are payable (other than pursuant to redenomination into euro);
- (d) to alter the Payments Priorities or any other amounts in respect of the Notes or the Residual Certificates;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Residual Certificate Conditions" means the terms and conditions to be endorsed on the Residual Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Residual Certificate Condition shall be construed accordingly;

"Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the Residual Certificates;

"Residual Certificates" means the 100 residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Residual Payment" means:

- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceeds the amounts required to satisfy items (a) to (k) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Payments Priorities, the amount by which amounts available for payment in accordance with the Post-Enforcement Payments Priorities exceeds the amounts required to satisfy items (a) to (h) of the Post-Enforcement Payments Priorities on that date;

"Residual Payment Amount" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Payments Priorities, the Residual Payment for that date, divided by 100;

"Revenue Collections" means all amounts received in respect of Revenue Receivables;

"Revenue Ledger" means the ledger in the books of the Issuer so named;

"Revenue Receipts" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Collections received during such Calculation Period; and
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;

"Revenue Receivables" means all payments (whether or not yet due) which remain to be paid by the relevant Borrower under the relevant Mortgage Documents, other than Principal Receivables and Recoveries;

"Revenue Shortfall" means for each Calculation Date, the extent, if any, by which Available Revenue Funds (excluding for these purposes any Principal Re-Allocation Amount and any Global Reserve Fund Drawing on the related Interest Payment Date) is insufficient to pay items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"S&P" means Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Limited;

"Scottish Declaration of Trust" means the declaration of trust dated the Closing Date granted by the Legal Title Seller (with the consent of the Beneficial Title Seller) in favour of the Issuer substantially in the form set forth in the Schedule 9 of the Mortgage Sale Agreement entitled "Form of Scottish Declaration of Trust";

"Scottish Mortgage" means a Standard Security over a Scottish Property securing a Scottish Mortgage Loan and all principal sums, interest, costs and other amounts secured or intended to be secured by that Standard Security;

"Scottish Mortgage Loan" means a Mortgage Loan secured by an Encumbrance over a Scottish Property;

"Scottish Property" means a Property located in Scotland;

"Screen" means, in relation to Sterling, the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Reuters page LIBOR03 and, in relation to euro, the display as quoted on the Reuters page EURIBOR03; or

- (a) such other page as may replace Reuters page LIBOR03 or, as the case may be, Reuters page EURIBOR03 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

"Secured Creditors" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 15 (*Post-Enforcement Payments Priorities*) of the Deed of Charge;

"Secured Obligations" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Residual Certificates or the Transaction Documents;

"Security" means the security created in favour of the Trustee pursuant to the Deed of Charge;

"Security Powers of Attorney" means the Issuer Security Power of Attorney, the Beneficial Title Seller Security Power of Attorney and the Legal Title Seller Security Power of Attorney;

"Sellers" means the Beneficial Title Seller and the Legal Title Seller;

"Servicer" means Paratus AMC Limited in its capacity as servicer in accordance with the terms of the Servicing Agreement;

"Servicing Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Legal Title Seller and the Trustee;

"Share Trust Deed" means the deed so named dated 8 April 2013 and executed by the Share Trustee;

"Share Trustee" means SFM Corporate Services Limited as share trustee of one share in Holdings or the trustee or trustees for the time being of the Share Trust Deed;

"Signing Date" means 26 April 2013;

"Specified Office" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 14.8 (*Changes in Specified Offices*) of the Agency Agreement;

"SPV Criteria" means the criteria established from time to time by the Rating Agency for a single purpose company in the Issuer Jurisdiction;

"Standard Documentation" means the documents listed in Exhibit 1 of the Mortgage Sale Agreement which have been used by the relevant Originator or, as the case may be, the relevant Seller from time to time in connection with its activities as lender and on which each Mortgage Loan and its Related Security comprised in the Mortgage Portfolio has been granted or is outstanding, and/or those documents not listed in Exhibit 1 of the Mortgage Sale Agreement but which:

- (c) are in the same form as those used by the relevant Originator but are jointly branded with remote mortgage processors or, as the case may be, the relevant Seller;
- (d) are copies of mortgage application forms which originate from mortgage introducers to the relevant Originator or, as the case may be, the relevant Seller;
- (e) are special mortgage conditions appropriate for the relevant Product Specification or are not related to a particular Product Specification but are such as would be required by the relevant Originator or, as the case may be, the relevant Seller in the circumstances of the particular Mortgage Loan; or
- (f) to the extent a document used by an Originator is not listed in Exhibit 1 of the Mortgage Sale Agreement, documents entered into on materially the same terms as are set out in the documents which were used by the relevant Originator at the relevant time in connection with its activities as a residential mortgage lender which would be acceptable to a Comparable Mortgage Lender,

and, for the purposes of **"Standard Documentation"** will all be included in such definition;

"Standard Security" means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"Step-Up Date" means the Interest Payment Date falling in September 2018;

"Sterling" and **"£"** denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"Sterling Reference Rate" means, on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of the principal London office of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

"Sterling Reserve Reference Rate" means on any Interest Determination Date falling more than two Business Days prior to the Redenomination Date:

- (a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank in its absolute discretion for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or
- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Sterling Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the related Interest Determination Date;

"Sterling Screen Rate" means:

- (c) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of one month and for a period of two months;
- (d) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period,

in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date;

"Stock Exchange" means the Irish Stock Exchange;

"Subscription Agreement" means the agreement so named dated on or about the Signing Date between the Issuer, the Sellers and the Lead Manager;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"TARGET2 Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"TARGET2 system" means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"**Tax Deduction**" means any deduction or withholding on account of Tax;

"**Title Indemnity Policies**" means the policies of insurance in respect of title (howsoever described) to any Property which have been taken out in the name of the relevant Borrower and/or the Legal Title Seller (as mortgagee or heritable creditor);

"**Transaction Account**" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"**Transaction Account Mandate**" means the resolutions, instructions and signature authorities relating to the Transaction Account in the form of the document set out in Schedule 1 of the Issuer Account Bank Agreement;

"**Transaction Documents**" means the Agency Agreement, the Back-Up Servicing Agreement, the Cash Management Agreement, the Collection Account Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Accession to Declaration of Trust, the Deed Poll, the Issuer Account Bank Agreement, the Mortgage Sale Agreement, the Scottish Declaration of Trust, the Deed of Charge, the Servicing Agreement, the Security Powers of Attorney and the Trust Deed;

"**Transaction Party**" means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them;

"**Treaty**" means the Treaty on the Functioning of the European Union;

"**Trust Deed**" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

"**Trust Documents**" means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

"**Trustee**" means U.S. Bank Trustees Limited in its capacity as trustee under the Trust Deed;

"**VAT**" means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere;

"**VATA**" means the Value Added Tax Act 1994; and

"**Written Resolution**" means:

- (a) in the case of a Class of Notes, a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class for the time being outstanding who for the time

being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes; and

- (b) in the case of the Residual Certificates, a resolution in writing signed by or on behalf of all holders of the Residual Certificates for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Residual Certificateholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Residual Certificates.

2.2 **Interpretation:** Any reference in the Residual Certificate Conditions to:

"**continuing**", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in writing in accordance with the terms of the Residual Certificate Conditions or, as the case may be, the relevant Transaction Document or which has not been remedied;

a "**Class**" shall be a reference to a class of the Notes being the Class A Notes or the Class B Notes and "**Classes**" shall be construed accordingly;

"**including**" shall be construed as a reference to "**including without limitation**", so that any list of items or matters appearing after the word "**including**" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "**including**";

"**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a "**law**" shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"**principal**" shall, where applicable, include premium;

"**redeem**" and "**pay**" shall each include both of the others and "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly;

a reference to any person defined as a "**Transaction Party**" in the Residual Certificate Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and

"**set-off**" includes equivalent or analogous rights under jurisdictions other than England and Wales;

a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.3 **Transaction Documents and other agreements:** Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

- 2.4 **Statutes and Treaties:** Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.
- 2.5 **Schedules:** Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.
- 2.6 **Headings:** Residual Certificate Condition headings are for ease of reference only.
- 2.7 **Sections:** Except as otherwise specified in the Residual Certificate Condition, reference in the Residual Certificate Conditions to:
- (a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
 - (b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
 - (c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
 - (d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
 - (e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 **Number**

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Title**

- 3.1 **Form:** The Residual Certificates are in registered form.
- 3.2 **Title:** The person registered in the Register as the holder of any Global Residual Certificate or Definitive Residual Certificate shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

4. **Status and Ranking**

- 4.1 **Status:** The Residual Certificates constitute secured obligations of the Issuer.
- 4.2 **Ranking:** The Residual Certificates will at all times rank without preference or priority *pari passu* and rateably amongst themselves.
- 4.3 **Sole Obligations:** The Residual Certificates are obligations solely of the Issuer and are not obligations of, or guaranteed by any of the other Transaction Parties.
- 4.4 **Payments Priorities:** Residual Payments are made, prior to the delivery of an Enforcement Notice, in accordance with the Pre-Enforcement Revenue Payments Priorities and thereafter in accordance with the Post-Enforcement Payments Priorities. Under the Payments Priorities, payments of interest and principal on the Notes will at all times rank in priority to payments on the Residual Certificates.

5. **Security**

- 5.1 **Security:** The Residual Certificates are secured by the Security.

- 5.2 **Enforceability:** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) (as the term "Enforcement Notice" is defined in such Conditions), or Residual Certificate Condition 10 (*Events of Default*) and subject to the matters referred to in, respectively, Condition 14 (*Enforcement*) and Residual Certificate Condition 11 (*Enforcement*).
6. **Issuer Covenants**
- The Issuer makes the Issuer Covenants in favour of the Trustee from the Issuer which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Residual Certificates remain outstanding, the Issuer shall comply with the Issuer Covenants.
7. **Residual Payments**
- 7.1 **Right to Residual Payments:** Each Residual Certificate bears a *pro rata* entitlement to receive a Residual Payment.
- 7.2 **Payment:** Residual Payments are payable in Sterling (or, after the Redenomination Date, in euro) on each Interest Payment Date commencing on the First Interest Payment Date.
- 7.3 **Calculation of Residual Payment Amount:** Upon or as soon as practicable prior to any Interest Payment Date, the Issuer shall calculate (or shall cause the Cash Manager to calculate) the Residual Payment Amount payable on each Residual Certificate for the related Interest Payment Date.
- 7.4 **Notification of Residual Payment Amount and Interest Payment Date:** As soon as practicable:
- (a) prior to each Interest Payment Date, the Cash Manager will cause the Residual Payment Amount for the related Interest Payment Date; and
 - (b) after each Interest Determination Date, the Agent Bank will cause the Interest Payment Date next following the related Interest Period,
- to be notified to the Issuer, the Cash Manager (as applicable), the Trustee, the Principal Paying Agent.
- 7.5 **Publication of Residual Payment Amount and Interest Payment Date:** As soon as practicable after receiving each notification of the Residual Payment Amount and the Interest Payment Date in accordance with Residual Certificate Condition 7.4 (*Notification of Residual Payment Amount and Interest Payment Date*) the Issuer will cause such Residual Payment Amount and the next following Interest Payment Date to be published in accordance with the Notices Condition.
- 7.6 **Amendments to Publications:** The Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of the date for such Interest Payment Date changes in accordance with the definition of such term.
- 7.7 **Determination or Calculation by Trustee:** If neither the Issuer nor Cash Manager (as applicable) does not at any time for any reason determine the Residual Payment Amount in accordance with this Residual Certificate Condition, the Trustee may (but without any liability accruing to the Trustee as a result) calculate the Residual Payment Amount in the manner specified in this Residual Certificate Condition and any such determination and/or calculation shall be deemed to have been made by the Cash Manager.
- 7.8 **Termination of Payments:** Following Realisation of the Charged Property and payment of the proceeds thereof in accordance with the Payments Priorities, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

8. **Payments**

- 8.1 **Residual Payments:** Payments of Residual Payments prior to the Redenomination Date shall be by cheque drawn in Sterling, or by transfer to an account in Sterling maintained by the payee with a bank in London or, after the Redenomination Date, by cheque drawn in euro or by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET2 system.
- 8.2 **Record date:** Each payment in respect of a Residual Certificate will be made to the person shown as the Residual Certificateholder in the Register at the opening of business in the place of the Registrar's Specified Office on the Record Date. Where payment in respect of a Residual Certificate is to be made by cheque, the cheque will be mailed to the address shown as the address of the Residual Certificateholder in the Register at the opening of business on the relevant Record Date. The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Residual Certificate shall be the only person entitled to receive payments in respect of any Residual Certificate represented by such Global Residual Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.
- 8.3 **Payments subject to fiscal laws:** All payments in respect of the Residual Certificates are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Residual Certificates in respect of such payments.
- 8.4 **Payments on business days:** If the due date for payment of any amount in respect of any Residual Certificate is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts shall be due in respect of such Residual Certificate.
- 8.5 **Notifications to be final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Residual Certificate Condition, whether by the Cash Manager, the Paying Agents, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Residual Certificateholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee or the Residual Certificateholders shall attach to the Cash Manager, the Agents, or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Residual Certificate Condition 8.

9. **Taxation**

- 9.1 **Payments free of Tax:** All payments in respect of the Residual Certificates shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.
- 9.2 **No payment of additional amounts:** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Residual Certificateholders as a result of any such Tax Deduction.
- 9.3 **FATCA:** Notwithstanding any other provision in these Residual Certificate Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any FATCA withholding deducted or withheld by the Issuer, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
- 9.4 **Tax Deduction and FATCA withholding not Event of Default:** Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction or that the Issuer

is required to make a FATCA withholding, making such deduction or withholding shall not constitute an Event of Default.

10. **Events of Default**

10.1 **Events of Default:** Subject to the other provisions of this Residual Certificate Condition, each of the following events shall be treated as an "**Event of Default**":

- (a) *Non-payment:* the Issuer fails to pay any Residual Payment within ten days of the due date for payment; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Residual Certificates or in respect of the Transaction Documents and the Trustee certifies in writing that such default is, in the opinion of the Trustee, materially prejudicial to the interests of the Residual Certificateholders and such default: (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or
- (c) *Insolvency Event:* an Insolvency Event occurs in relation to the Issuer; or
- (d) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Residual Certificates or the Trust Documents.

10.2 **Delivery of Enforcement Notice:** Following the redemption in full of all Notes, if an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. of the Residual Certificates; or
- (b) if so directed by an Extraordinary Resolution of the Residual Certificates,

deliver an Enforcement Notice to the Issuer with a copy to the Servicer, provided that the Trustee shall not exercise any discretion conferred upon it pursuant to Residual Certificate Condition 10.1 or 10.2 in contravention of any express direction by an Extraordinary Resolution of the holders of Most Senior Class then outstanding or a request or direction in writing made by the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class then outstanding.

10.3 **Conditions to delivery of Enforcement Notice:** Notwithstanding Residual Certificate Condition 10.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

11. **Enforcement**

11.1 **Proceedings:** The Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each Class and the Residual Certificates and under the other Primary Transaction Documents, but it shall not be bound to do so unless:

- (a) all Notes have been redeemed in full; and
- (b) so requested in writing by the holders of at least 25 per cent. of the Residual Certificates; or
- (c) so directed by an Extraordinary Resolution of the Residual Certificateholders,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

11.2 **Directions to the Trustee:** If the Trustee shall take any action described in Condition 14.1 (*Proceedings*) it may take such action without having regard to the effect of such action on individual Noteholders, Residual Certificateholders or any other Secured Creditor, **provided that** so long as any Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Residual Certificateholders unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of any Class of Noteholders as a Class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of each Class of Noteholders.

11.3 **Third Party Rights:** No person shall have any right to enforce any Residual Certificate Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

12. **No action by Residual Certificateholders or any other Secured Creditor**

12.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Residual Certificateholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Residual Certificateholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Residual Certificate Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Residual Certificateholders or any other Secured Creditors; or
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

13. **Meetings of Residual Certificateholders**

13.1 **Convening:** The Trust Deed contains "Provisions for Meetings of Residual Certificateholders" for convening meetings of Residual Certificateholders to consider matters relating to the Residual Certificates, including the modification of any provision of these Residual Certificate Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.

13.2 **Request from Residual Certificateholders:** A meeting of Residual Certificateholders may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Residual Certificateholders holding not less than ten per cent. of the Residual Certificates.

13.3 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, will be one or more persons holding or representing a majority of the Residual Certificates or, at any adjourned meeting, two or more persons being or representing Residual Certificateholders, whatever the number of Residual Certificates so held or represented; and

- (b) an Extraordinary Resolution relating to a Reserved Matter will be one or more persons holding or representing in the aggregate 75 per cent. of the Residual Certificates or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 10 per cent. of the Residual Certificates.

13.4 **Relationship between Notes and Residual Certificates**

In relation to the Notes and Residual Certificates:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of the Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the Classes of Notes (to the extent that there are outstanding Notes in each such other Classes);
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter by the holders of the Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the Classes of Notes (to the extent that such Classes of Notes are outstanding) unless the Trustee considers that none of the holders of each of the Classes of Notes would be materially prejudiced by the absence of such sanction:
- (c) except in the case of a meeting relating to a Reserved Matter, any resolution passed at a Meeting of Noteholders of one or more Classes of Notes and any resolution passed at a Meeting of Residual Certificateholders duly convened and held in accordance with the Trust Deed shall be binding upon all Residual Certificateholders, whether or not present at such Meeting and whether or not voting.

13.5 **Resolutions in writing:** A Written Resolution shall take effect as if it were an Extraordinary Resolution.

14. **Modification and Waiver**

14.1 **Modification:** The Trustee may at any time and from time to time, without the consent or sanction of the Residual Certificateholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to the Conditions, these Residual Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes, the Residual Certificates, any Instrument or other Transaction Documents or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class; or
- (b) any modification to these Trust Documents, the Notes, the Conditions, the Residual Certificates, the Residual Certificate Conditions, any Instrument or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

14.2 **Waiver:** In addition, the Trustee may, at any time and from time to time at its sole discretion without the consent of the Residual Certificateholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of any of the covenants or provisions contained in the Trust Documents, the Instruments or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class will not be materially prejudiced by such authorisation or waiver.

14.3 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Residual Certificate Condition 14.1 (*Modification*) or 14.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class then outstanding, but so

that no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each Class of outstanding Notes and the holders of the outstanding Residual Certificates has, by Extraordinary Resolution, so authorised its exercise.

14.4 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Residual Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

14.5 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Residual Certificate Condition 14.1 (*Modification*) or Residual Certificate Condition 14.2 (*Waiver*) shall be binding on the Instrumentholders and the other Secured Creditors.

15. **Redenomination, Renominalisation and Reconventioning**

15.1 **Notice of Redenomination:** If the United Kingdom becomes, or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Residual Certificateholders, on giving at least 30 days' prior notice to the Residual Certificateholders and the Paying Agents, designate an Interest Payment Date as the Redenomination Date.

15.2 **Notice of Redenomination Date:** The Issuer will notify the Residual Certificateholders of the intended Redenomination Date in accordance with the Notices Condition.

15.3 **Effect of Redenomination:** With effect from the Redenomination Date all payments in respect of the Residual Certificates (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro.

16. **Prescription**

Claims for Residual Payments in respect of Residual Certificates shall become void unless made within a period of five years from the date on which the final Residual Payment first became due and payable.

17. **Replacement of Global Residual Certificate, Definitive Residual Certificates**

If any Global Residual Certificate or Definitive Residual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Global Residual Certificates and Definitive Residual Certificates must be surrendered before replacements will be issued.

18. **Trustee and Agents**

18.1 **Trustee's right to Indemnity:** Under the Primary Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Residual Certificateholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

18.2 **Trustee not responsible for loss or for monitoring:** The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Primary Transaction Documents.

- 18.3 ***Regard to Classes of Noteholders and to Residual Certificateholders:*** In the exercise of its powers and discretions under these Residual Certificate Conditions and the Trust Deed, the Trustee will:
- (a) have regard to the interests of the Residual Certificateholders as a class and will not be responsible for any consequence for individual Residual Certificateholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
 - (b) have regard only to the holders of the Most Senior Class and will not have regard to any lower ranking Class of Notes or to Residual Certificates nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.
- 18.4 ***Paying Agents solely agents of Issuer:*** In acting under the Agency Agreement and in connection with the Residual Certificates, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Residual Certificateholders.
- 18.5 ***Initial Paying Agents:*** The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.
- 18.6 ***Maintenance of Agents:*** The Issuer shall at all times maintain a Paying Agent, a principal paying agent, a registrar and an agent bank which, in the case of any Paying Agent, shall make payments from an office in a member state of the European Union which does not require amounts payable under these Residual Certificate Conditions to be withheld pursuant to the EU Savings Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Residual Certificateholders in accordance with the Notices Condition.
19. **Substitution of Issuer**
- 19.1 ***Substitution of Issuer:*** The Trustee may, without the consent of the Residual Certificateholders or any other Secured Creditor, subject to:
- (a) the consent of the Issuer; and
 - (b) such further conditions as are specified in the Trust Deed,
- agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Notes, the Residual Certificates and the Secured Amounts.
- 19.2 ***Notice of Substitution of Issuer:*** Not later than fourteen days after any substitution of the Issuer in accordance with this Residual Certificate Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Residual Certificateholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Primary Transaction Documents.
- 19.3 ***Change of Law:*** In the case of a substitution pursuant to this Residual Certificate Condition, the Trustee may in its absolute discretion agree, without the consent of the Residual Certificateholders or the other Secured Creditors to a change of the law governing the Notes and/or the Residual Certificates and/or any of the Primary Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class, **provided that** (if any Rated Notes remain outstanding) the Rating Agency is notified.
- 19.4 ***No indemnity:*** No Residual Certificateholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Residual Certificateholders.

20. **Notices**

20.1 **Valid Notices:** Any notice to Residual Certificateholders shall be validly given if such notice is either:

20.1.1 in respect of Residual Certificates represented by the Global Residual Certificate, sent to the Clearing Systems for delivery to their accountholders; or

20.1.2 published on the Relevant Screen.

20.2 **Date of publication:** Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen.

20.3 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Residual Certificateholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and **provided that** notice of such other method is given to the Residual Certificateholders in such manner as the Trustee shall require.

21. **Governing Law and Jurisdiction**

21.1 **Governing law:** The Trust Documents and the Residual Certificates and all non-contractual obligations arising from or connected with them are governed by and shall be construed in accordance with English law except that to the extent that the provisions of the Deed of Charge and any security documents supplemental thereto relate to Scottish Mortgage Loans, such provisions and documents shall be governed by Scots law.

21.2 **Jurisdiction:** The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Primary Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Primary Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Primary Transaction Documents may be brought in such Courts.

USE OF PROCEEDS

The net proceeds from the issue of the Class A Notes and the Class B Notes, after deducting fees, expenses and commissions, will be equal to approximately £123,651,498 and will be used by the Issuer to fund the Global Reserve Fund in an amount equal to the Global Reserve Fund Required Amount on the Closing Date and to pay the cash element of the purchase price for purchase of the Mortgage Portfolio in accordance with the Mortgage Sale Agreement.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and payments in respect of the Residual Certificates. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes or Residual Certificates (other than in relation to the comments below concerning stamp duty). The comments relate only to the position of persons who are absolute beneficial owners of the Notes or the Residual Certificates. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders or Residual Certificateholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders or Residual Certificateholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes or the Residual Certificates are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes and the Residual Certificates and the stamp duty position of the Notes and the Residual Certificates. In particular, Noteholders and Residual Certificateholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes and the Residual Certificates even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom withholding tax in respect of the Notes

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of that Exchange are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

United Kingdom withholding tax in respect of the Residual Certificates

Payments under the Residual Certificates may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available.

Provision of Information

Noteholders should note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in, or certain limited types of entity established in, that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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 in, 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 in, or certain limited types of entity established in, one of those territories.

The European Commission has proposed certain amendments to the 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.

Other Rules Relating to United Kingdom Withholding Tax

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**interest**" above mean "**interest**" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 22 or otherwise and does not consider the tax consequences of any such substitution.

Stamp Duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Notes or the Residual Certificates.

United Kingdom stamp duty may be chargeable on any instruments transferring a Residual Certificate (including where such Residual Certificates are in definitive form) and Residual Certificateholders are advised to consult with their professional advisors in respect of matters relating to the acquisition and holding of the Residual Certificates.

SUBSCRIPTION AND SALE

Natixis (the "**Lead Manager**") has, pursuant to a subscription agreement dated on or about the Closing Date amongst the Lead Manager, the Beneficial Title Seller, Canellos Holdings Limited, the Legal Title Seller and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class A Notes at the issue price of (i) 100 per cent. of the aggregate principal amount of the Class A Notes.

The Beneficial Title Seller has, pursuant to the Subscription Agreement, agreed with the Issuer (subject to certain conditions) to subscribe and pay for a sufficient principal amount of Class B Notes so as to hold a material net economic interest of 5 per cent. in the Transaction in accordance with Article 122A of CRD2 at the issue price of 100 per cent.. The consideration owed by the Issuer to the Beneficial Title Seller in respect of the sale of the Mortgage Portfolio will be set off against the cash consideration payable by the Beneficial Title Seller for such Class B Notes.

Canellos Holdings Limited has, pursuant to the Subscription Agreement, agreed with the Issuer, (subject to certain conditions), to subscribe and pay for the remaining Class B Notes at an issue price of 100 per cent. and the Issuer will direct Canellos Holdings Limited to pay the consideration for such Class B Notes to the Beneficial Title Seller as partial satisfaction of the cash consideration payable by the Issuer to the Beneficial Title Seller for the sale of the Mortgage Portfolio.

As part consideration for the sale of the Mortgage Portfolio to the Issuer by the Beneficial Title Seller the Beneficial Title Seller will also acquire the Residual Certificates from the Issuer pursuant to the Subscription Agreement.

The Issuer has agreed to indemnify the Lead Manager against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes and the Residual Certificates.

Other than admission of the Notes to Main Securities Market, no action will be taken by the Issuer, the Lead Manager or any Seller, which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

"**Transaction**" means the series of transactions contemplated by the Transaction Documents.

United States

The Notes and the Residual Certificates have not been nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from registration requirements. Accordingly, the Notes and the Residual Certificates are being offered and sold in offshore transactions in reliance on Regulation S. Each of the Lead Manager, Canellos Holdings Limited and the Beneficial Title Seller has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell, respectively, the Class A Notes, the Class B Notes or the Residual Certificates as part of its distribution (if any) at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, US persons and, it will have sent to each affiliate or other dealer (if any) to which it sells Notes or Residual Certificates during such forty day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes or, as applicable, Residual Certificates within the United States or to, or for the account or benefit of, US persons. See "*Transfer Restrictions and Investor Representations*" below.

United Kingdom

Each of the Lead Manager, Canellos Holdings Limited and the Beneficial Title Seller has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of, respectively, the Class A Notes and the Class B 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, respectively, the Class A Notes and the Class B Notes in, from or otherwise involving the United Kingdom.

Ireland

Each of the Lead Manager and the Beneficial Title Seller has represented and agreed with the Issuer 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) Regulation 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof and 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 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 with respect to 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; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to 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.

France

Each of the Lead Manager and the Beneficial Title Seller has represented and agreed that in connection with the initial distribution of the Notes it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

General

Each of the Lead Manager and the Beneficial Title Seller has undertaken that it will not, directly or indirectly, offer or sell, respectively, any Class A Notes or any Class B Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of, respectively, the Class A Notes and the Class B Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of, respectively, the Class A Notes and the Class B Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Lead Manager

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; **provided, that** the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Lead Manager and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS TEMPORARY GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

Purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 25 April 2013.

Listing of the Notes

It is expected that admission of the Notes to the Official List and trading on its regulated market will be granted on or about 29 April 2013 subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.

The fees and expenses in relation to the admission to trading of the Notes, as set out in this Prospectus, will be approximately EUR 5,291.20.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange.

Clearing and settlement

The Notes and the Residual Certificates have been accepted for clearing through Clearstream, Luxembourg and Euroclear under the following ISINs and common codes:

Securities	ISIN	Common Code
Class A Notes	XS0920834461	092083446
Class B Notes	XS0920835518	092083551
Residual Certificates	XS0920873444	092087344

Litigation

Neither the Issuer nor Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 7 November 2012 in the case of Holdings (being the date of incorporation of Holdings) or since 30 January 2013 in the case of the Issuer (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).

Accounts

No statutory or non statutory accounts within the meaning of section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the regulated market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.

The Issuer did not trade during the period from its date of incorporation on 30 January 2013 to the date of this Prospectus nor has it received any income nor did it incur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has not commenced operations.

Significant or Material Change

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Transaction Documents.

Since 30 January 2013 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

Since 7 November 2012 (being the date of incorporation of Holdings), there has been (a) no material adverse change in the financial position or prospects of Holdings and (b) no significant change in the financial or trading position of Holdings.

Charges and Guarantees

Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or given any charges or guarantees.

Reports

The Issuer intends to provide post issuance transaction information in the form of a Quarterly Investor Report, which will include information on the Mortgage Loans and payments in arrears and which are prepared by the Cash Manager and will be published by the Cash Manager on www.usbank.com/abs. The Issuer will also make available information in relation to each Mortgage Loan, which will be accessible via the same website www.usbank.com/abs, subject to the terms and conditions set out therein. The content of these websites do not form part of this Prospectus and such reports are not incorporated by reference into this Prospectus.

Underlying Assets

On the Closing Date the assets backing the issue of the Notes and the interest rate provided for on the Transaction Account pursuant to the Issuer Account Bank Agreement to be entered into by the Issuer on the Closing Date have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had to the characteristics of the Mortgage Portfolio and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under "*Risk Factors*" and "*Cash Management and Liquidity Support*" above.

Documents Available

From the date of this Prospectus, and for so long as the Notes are admitted to trading on the Main Securities Market, physical copies of the following documents (excluding any schedule containing personal information) may be inspected at the offices of the Issuer at 35 Great St. Helen's, London EC3A 6AP on any week day (excluding Saturdays, Sundays and public holidays):

- (a) Memorandum and Articles of Association of the Issuer;
- (b) this Prospectus;
- (c) Prior to the Closing Date, drafts (subject to amendment) and after the Closing Date copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Back-Up Servicing Agreement
 - (iii) the Cash Management Agreement;
 - (iv) the Collection Account Agreement;
 - (v) the Collection Account Declaration of Trust;
 - (vi) the Corporate Services Agreement;
 - (vii) the Deed Poll;
 - (viii) the Deed of Accession to Declaration of Trust;

- (ix) the Mortgage Sale Agreement;
- (x) the Scottish Declaration of Trust;
- (xi) the Deed of Charge;
- (xii) the Security Powers of Attorney;
- (xiii) the Servicing Agreement;
- (xiv) the Issuer Account Bank Agreement; and
- (xv) the Trust Deed.

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