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Clavis Securities plc

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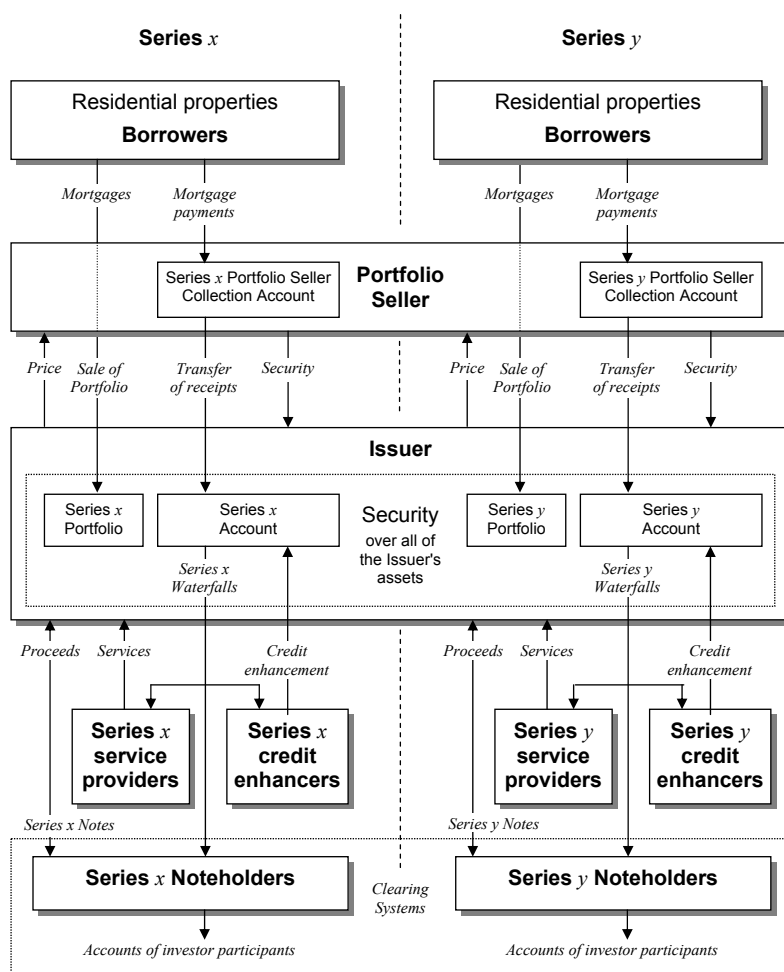
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(Subject to increase)

Asset Backed Note Programme

An investment in Notes issued under the Programme involves substantial risks and should not be considered except by sophisticated professional investors who have the knowledge and experience in financial and business matters and expertise in assessing credit risk necessary to enable them to evaluate the risks, merits and suitability of an investment in the Notes and who are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time. Prospective investors must pay particular attention to the sections in this Note Programme Memorandum entitled 1. *Important Information about this Document* (on page 3) and 3. *Risk Factors* (on page 16).

On 08 June 2006 the Issuer established the Programme. This Note Programme Memorandum supersedes all previous Note Programme Memoranda. Any Notes issued under the Programme on or after the date of this Note Programme Memorandum are issued subject to the provisions described in this Note Programme Memorandum. This does not affect any Notes already in issue. The following diagram is intended to provide an initial impression of some aspects of the Programme (showing, for illustration, two Series):



- Portfolios of mortgage loans secured on residential properties in the United Kingdom. Each Series Portfolio previously purchased or originated by the Series Portfolio Seller.
- True sale of each Series Portfolio by the Series Portfolio Seller to the Issuer in return for an initial consideration (mainly funded by the proceeds of the relevant Series Notes) and deferred consideration.
- Mortgage payments made by Borrowers to Series Portfolio Collection Accounts (separate one for each Series).
- Mortgage receipts transferred to relevant Series Account (separate one for each Series for segregation of all funds and payments relating to that Series).
- Each Series Portfolio identified and serviced on a segregated basis.
- Separate credit enhancement for each Series to attain any relevant initial ratings for classes of Series Notes.
- Security over all of the Issuer's present and future assets held by Security Trustee for all of the Issuer's Security Creditors (including Noteholders of each Series). Security over assets designated to a Series can be separately enforced and realised without requiring enforcement of security over assets designated to other Series.
- Separate Series Waterfalls for distribution of funds allocated to that Series.
- Separate Series of Notes, held in Clearing Systems.

Please refer to the *Glossary* (on page 168) to find the page in this Note Programme Memorandum on which a capitalised term is defined.

Note Programme Arranger



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1. IMPORTANT INFORMATION ABOUT THIS DOCUMENT

1.1 Prospective investors

(a) *Specialist expertise required of prospective investors*

The purchase of Notes involves substantial risks and should not be considered except by investors who have the knowledge and experience in financial and business matters and expertise in assessing credit risk necessary to enable them to evaluate the risks, merits and suitability of an investment in the Notes. In addition and in general, investment in the Notes should not be considered except by investors who (among other things):

- (1) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes in the context of the investor's own financial circumstances and investment objectives;
- (2) are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time;
- (3) are acquiring an interest in the Notes for their own account for investment, not with a view to resale, distribution or other disposition of such interest (subject to any applicable law requiring that the disposition of the investor's property be within its control);
- (4) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time, if at all; and
- (5) recognise that, if at any time the Security for the Notes becomes enforceable, the net proceeds of any such enforcement may be insufficient to pay the amounts outstanding in respect of the Notes in full or at all. See further 8.7 *Restrictions on rights of Security Creditors* (on page 84), Note Standard Condition 3 *Status, Security and Series Waterfall* (on page 128), and Note Standard Condition 10 *Enforcement, creditor restrictions and prescription* (on page 135).

Each of the Issuer and the Note Issue Managers may, in its discretion, disregard interest shown by a prospective investor even though that investor satisfies the foregoing suitability standards.

(b) *Prospective investors to consult and obtain advice*

Prospective investors should determine whether an investment in any Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in any Notes and to arrive at their own evaluations of the investment.

(c) *Prospective investors to consider suitability of investment*

Each prospective investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, whether an investment by it in the Notes:

- (1) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition;
- (2) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity); and
- (3) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

(d) *Prospective investors to conduct independent investigation and analysis*

Before making an investment decision prospective purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, all other relevant persons, the Series Waterfall Assets, the Notes, and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. However, as part of such independent investigation and analysis, prospective purchasers of Notes should also consider carefully, in the light of their own financial circumstances and investment objectives, all the information set forth in the Note Listing Documents.

When making a decision whether to make an investment in the Notes, prospective investors should assume that neither the Issuer nor any Transaction Party (nor any person associated with any of them) has conducted or will conduct any investigation regarding the financial condition or affairs of the Issuer or any other entity, the Security Assets, the creditworthiness of any obligor in respect of the Security Assets and

the validity or the enforceability of the Security Assets. None of the Issuer, nor any Transaction Party nor any affiliate of any of them or any other person on its or their behalf makes any representation as to the credit quality of any of the Security Assets. Any information obtained from any Noteholder by any of such persons relating in any way to the credit quality of the Security Assets is not and shall not be subject to any duty of confidentiality by the recipient.

(e) *Limited purpose of Note Programme Memorandum and not a recommendation*

Neither this Note Programme Memorandum ("**Note Programme Memorandum**") nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or risk evaluation and should not be considered as a recommendation by the Issuer or any Transaction Party that any recipient of this Note Programme Memorandum or any other information should subscribe or purchase the Notes.

(f) *Prospective investors responsible for their own taxes*

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Series Note Registrar in respect of the Notes or in respect of any payments to be received by the Issuer in respect of the relevant Security Assets.

1.2 Note Listing Documents

(a) *Application for listing on UK Official List and admission to trading on London GEFI Market*

Application has been made to the Financial Services Authority in its capacity as the competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for this Note Programme Memorandum to be approved as a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") for Notes issued under the Programme during the period of 12 months from the date of this Note Programme Memorandum to be admitted to the official list of the UK Listing Authority (the "**UK Official List**") and application will be made to London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "**London GEFI Market**"). The London GEFI Market is a "**Regulated Market**" (being a regulated market for the purposes of the Investment Services Directive 93/22/EC. References in this Note Programme Memorandum to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the UK Official List and admitted to trading on the London GEFI Market. Admission to the UK Official List together with admission to trading on the London GEFI Market constitutes admission to official listing on the London Stock Exchange.

The UK Listing Authority, the London Stock Exchange and any other Regulated Market, stock exchange, market or authority upon which Notes in any Series are listed at the relevant time are each referred to as a "**Note Listing Institution**".

(b) *Base Prospectus under the Prospectus Directive*

This Note Programme Memorandum comprises a base prospectus for the purposes of Article 5 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and rights attaching to the Notes. The Note Programme Memorandum is not a prospectus for the purposes of Section 12(a)(2) or any other provision under the U.S. Securities Act.

(c) *Note Issue Supplements and Note Listing Documents for issues of Notes*

Subject to compliance with all relevant laws, regulations and directives, the Issuer may from time to time issue Notes as described in this Note Programme Memorandum as supplemented in respect of each such issue by a Note Issue Supplement (which shall constitute a supplementary prospectus to this Note Programme Memorandum for the purposes of Article 16 of the Prospectus Directive) and Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**").

Each Note Issue Supplement will contain the Note Specific Conditions relating to the relevant Notes and will include the final terms completing the Note Listing Documents with respect to the relevant Tranche of Notes to be admitted to a Regulated Market. In relation to each separate issue of Notes, the final offer price and amount of such Notes will be determined by the Issuer and the relevant Note Issue Managers taking account of, among other things, prevailing market conditions at the time of the issue of the relevant Note

Issue Supplement and shall be set out in the Note Specific Conditions contained in that Note Issue Supplement. See further 10 *Issue and Certain Features of the Notes* on page 107.

The relevant Note Issue Supplement and (as qualified, amended and supplemented by that Note Issue Supplement) this Note Programme Memorandum constitute the "**Note Listing Documents**" in relation to the relevant issue of Notes.

Where a Note Issue Supplement specifies that the Notes to which it relates are to be listed on the UK Official List and admitted to trading by the London Stock Exchange, such Note Issue Supplement will be filed with the UK Listing Authority and delivered to the London Stock Exchange on or before the date of issue of such Notes.

(d) *Preparation of further supplements to or new Note Listing Documents*

The Issuer will, in connection with the listing of Notes issued by it on a Note Listing Institution, so long as any such Note remains outstanding and listed on such exchange, in the event of any significant new factor, material mistake or inaccuracy relating to the information in this Note Programme Memorandum arising, information in respect of which would have been required to be included in the Note Listing Documents had it arisen at the time of first listing,

- (1) prepare a further supplementary prospectus to the Note Listing Documents; or
- (2) publish new Note Listing Documents for use in connection with any subsequent issue of Notes by it to be listed by or on a Note Listing Institution.

In particular, if at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to Article 16 of the Prospectus Directive and section 87G of the FSMA, the relevant information in such supplementary prospectus shall be contained in the relevant Note Issue Supplements in respect of subsequent issues of Notes to be listed on the UK Official List and admitted to trading on the London GEFI Market.

If the terms of the Programme are modified or amended in a manner which would make this Note Programme Memorandum, as supplemented, inaccurate or misleading in any material respect, a new note programme memorandum will be prepared.

With respect to any issue of Notes, the Issuer will comply with any undertakings in connection with such issue required to be given by it from time to time to each Note Listing Institution on which the relevant Notes are to be or are listed and, without prejudice to the generality of the foregoing, shall furnish to such Note Listing Institution all such information as such Note Listing Institution may require in connection with the listing of the relevant Notes.

(e) *Note Issue Supplement*

This Note Programme Memorandum should be read and construed in conjunction with, and is qualified in its entirety by reference to, each relevant Note Issue Supplement prepared for the relevant Series of Notes, which shall constitute a supplementary prospectus in relation to this Note Programme Memorandum in respect of the Note Issue to which it relates. Each Note Issue Supplement will contain all relevant information concerning the Note Issue to which it relates which does not appear in this Note Programme Memorandum. Such Note Issue Supplement shall be deemed to modify and supersede the contents of this Note Programme Memorandum to the extent that a statement contained in any such Note Issue Supplement is inconsistent with such contents.

1.3 Availability of documents for inspection

For the life of this Note Programme Memorandum and the Programme remains and the period in which any Notes remain outstanding, a copy of:

- (1) this Note Programme Memorandum;
- (2) each Note Issue Supplement relating to each Series of Notes;
- (3) the Memorandum and Articles of Association of the Issuer;
- (4) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Note Programme Memorandum;

- (5) the most recently published annual and interim financial statements (if any) of the Issuer from time to time, when available; and
- (6) each Transaction Document (excluding the Note Listing Documents);

(to the extent that they relate to the Issuer and unless such documents have been modified or superseded as specified above) will be available from the date of this Note Programme Memorandum during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at and collection of copies from the Series Note Trustee Specified Office, the Series Note Calculation Agent Specified Office, the Series Note Registrar Specified Office and the registered office of the Issuer (being 35 Great St. Helen's, London EC3A 6AP at the date of this Note Programme Memorandum).

1.4 Responsibility and representations

(a) *Responsibility of the Issuer*

This Note Programme Memorandum has been prepared for the purpose of providing information with regard to the Issuer and the Notes. The Issuer accepts responsibility for the information contained in this Note Programme Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Note Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Note Issue Supplement will contain a responsibility statement by the Issuer in respect of the information contained in this Note Programme Memorandum and such Note Issue Supplement, which, in relation to the Notes referred to in such Note Issue Supplement, shall be read together with this Note Programme Memorandum as one document.

(b) *No responsibility of or representations by other persons*

The information contained in this Note Programme Memorandum has not been separately verified by any Transaction Party. No Transaction Party makes any representation, recommendation or warranty, express or implied, or accepts any responsibility with respect to the accuracy, adequacy, reasonableness or completeness of any of the information in this Note Programme Memorandum or in any further information which may at any time be supplied by the Issuer in connection with the Notes.

(c) *Not to rely on unauthorised information and representations*

No person has been authorised to give any information or to make representations other than those contained in this Note Programme Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the directors of the Issuer or by any Transaction Party.

1.5 No assurance of continuing accuracy of information

(a) *Information and matters described in Note Listing Document may change*

Neither the delivery of any Note Listing Document nor any sale made in connection with any Note Listing Document shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information in any Note Listing Document or the affairs or condition of the Issuer or the date upon which the Note Listing Documents have been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing such information.

(b) *No duty of any Transaction Party to review or update information*

No Transaction Party undertakes to, and no Transaction Party shall have any responsibility or duty to, investigate or review any of such matters, to keep any of such matters under review or to provide any investor or potential investor in the Notes, with any information in relation to such matters or to advise as to the attendant risks.

(c) *No duty of any Transaction Party to notify investors of other information*

Any Transaction Party may have acquired, or during the term of the Notes may acquire, non-public information with respect to the affairs or condition of the Issuer (including, without limitation, the Notes or the Security Assets). No Transaction Party is under any obligation to make such information available to Noteholders or to notify or advise any investor or potential investor in the Notes in respect of such information or any other matter.

1.6 Forward-looking statements

Certain matters contained in the Note Listing Documents are forward-looking statements. Such statements appear in a number of places in the Note Listing Documents, including with respect to assumptions on the expected amortisation of the Notes in the Series and prepayment and certain other characteristics of the Mortgages, 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. 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 and buy-to-let mortgage industry in the United Kingdom.

Moreover, past financial performance should not be considered a reliable indicator of future performance, and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

None of the Transaction Parties has attempted to verify any such statements and none of them makes any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. Neither the Issuer nor any of the Transaction Parties assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

1.7 Applicable restrictions must be ascertained and observed by investors

(a) *Investors or potential investors to ascertain applicable restrictions*

The distribution of the Note Listing Documents and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession any Note Listing Document comes are required by the Issuer and each Transaction Party to inform themselves about and to observe any such restrictions.

(b) *Restriction on use of Note Listing Documents in certain jurisdictions*

The Note Listing Documents do not constitute and may not be used for the purposes of any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and, except as expressly indicated otherwise in the Note Listing Documents, no action is being taken to permit an offering of the Notes or the distribution of the Note Listing Documents in any jurisdiction where such action is required.

(c) *Restrictions on types of transactions*

Certain restrictions on offers and sales of the Notes and on distribution of this Note Programme Memorandum are referred to in 10.5 *Restrictions on and arrangements for transfers of interests in Notes* (see page 112) and 10.14 *Subscription of Notes upon issue and selling restrictions* (see page 120) and may also be set out in the applicable Note Issue Supplement.

(d) *No reliance by investors or potential investors*

A prospective investor may not rely on the Issuer, any Transaction Party or any affiliate of any of them or any other person acting on its or their behalf (and none of them assumes responsibility to or shall be liable to any such investor) in connection with its determination as to the legality or lawfulness of the acquisition of the Notes by such investor of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it, or as to the other matters referred to in 1.1 *Prospective investors* (on page 3).

1.8 Further restrictions regarding the United States

(a) *No registration made or approval obtained under United States laws*

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities laws.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is unlawful.

(b) *Notice to New Hampshire residents*

Neither the fact that a registration statement or an application for a licence has been filed under Chapter 421-B of the New Hampshire revised statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

(c) *Offerings in reliance on Reg S and Rule 144A*

Where the Notes include Rule 144A Notes (where "Rule 144A" is specified in relation to a Class of Notes in the table appearing under the heading *Reg S Notes and Rule 144A Notes* in the relevant Note Specific Conditions), such Rule 144A Notes are being offered, and may only be offered or sold, within the United States in reliance on Rule 144A under the U.S. Securities Act only to Qualified Institutional Buyers.

Except for any Rule 144A Notes, all Notes are being offered solely outside the United States in reliance on Regulation S under the U.S. Securities Act to non-U.S. Persons in offshore transactions (as defined in Regulation S). In relation to each Note Issue of Reg S Notes, a beneficial interest in any of such Reg S Notes may not be held by a U.S. Person prior to the expiry of the relevant Reg S Distribution Compliance Period.

(d) *Available information for resale of Rule 144A Notes*

To permit compliance with Rule 144A for resale of Rule 144A Notes (if any), the Issuer will make available upon request to a Holder of such Rule 144A Note and a prospective purchaser designated by such Holder the information required to be delivered under Rule 144A(d)(4) under the U.S. Securities Act if, at the time of the request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act.

(e) *Certain aspects relating to enforcement action against the Issuer in the United States*

The Issuer is a company incorporated with limited liability under the laws of England and Wales. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States.

(f) *Information as to placement within the United States*

The Note Listing Documents have been prepared by the Issuer solely for use in connection with the issue of the Notes. The Note Listing Documents are personal to each potential investor to whom it has been delivered by the Issuer, the relevant Note Issue Managers or any of their respective affiliates and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of the Note Listing Documents in the United States to any persons other than the potential investors and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Notwithstanding the foregoing, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of an investment in the Notes and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure. For these purposes, the tax treatment of an investment in the Notes means the purported or claimed United States federal income tax treatment of an investment in the Notes. Moreover, the tax structure of an investment in the Notes includes any fact that may be relevant to understanding the purported or claimed United States federal income tax treatment of an investment in the Notes.

(g) *ERISA and other restrictions on purchase of Notes by employee benefit plans; certain benefit plan considerations*

Prior to making an investment in Notes, prospective employee benefit plan investors (whether or not subject to Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "U.S. Revenue Code") should consult with their legal and other advisors concerning the impact of ERISA and the U.S. Revenue Code (and, particularly in the case of non-ERISA plans and arrangements, any additional U.S. state and local, and non-U.S., law considerations), as applicable,

and the potential consequences in their specific circumstances of an investment in Notes. A summary of some of the considerations that may be relevant to such an investment may be included in the relevant Note Issue Supplement where the Notes include Rule 144A Notes.

1.9 Stabilisation activities in relation to market price of Notes

In connection with the issue and distribution of any Tranche of Notes, the person as may be specified in the applicable Note Issue Supplement as the "Note Issue Stabilising Manager" (or person(s) acting on behalf of any Note Issue Stabilising Manager) may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the London GEFI Market or any other regulated market (within the meaning of the Investment Services Directive (Directive 93/22/EEC)) in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105% of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Note Issue Stabilising Manager (or person(s) acting on behalf of a Note Issue Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Note Issue Stabilising Manager (or person(s) acting on behalf of any Note Issue Stabilising Manager) in accordance with all applicable laws and rules.

1.10 Interpretation and diagrams

(a) *Defined terms*

Please refer to the *Glossary* (on page 168) to find the page in this Note Programme Memorandum on which a capitalised term is defined.

References in any Note Listing Document to:

"£", "GBP", "pounds", "sterling" or "pounds sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (subject to matters referred to in 3.14 *European Monetary Union* on page 25);

"€", "EUR" or "euro" are references to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome of 25 March 1957, as amended from time to time;

"\$", "USD" or "dollars" are to the lawful currency for the time being of the United States of America;

"Expected Exchange Time" means the date the GBP Equivalent is to be determined, unless it is clear from the context that the relevant reference to GBP Equivalent relates to and is being used to anticipate currency exchanges which will be made at a specific future date, in which case it means that future date;

"GBP Equivalent" in relation to an amount means:

- (1) where that amount is expressed in GBP, that amount at the Expected Exchange Time; and
- (2) where that amount is expressed in any currency other than GBP, the GBP equivalent of that amount ascertained using:
 - (a) if that amount relates to a Note other than a GBP Note and the Series Currency Hedge Agreement (if any) relating to that Note has not or is not expected to have terminated early on or before the Expected Exchange Time, the exchange rate specified in that Series Currency Hedge Agreement; or
 - (b) in any other case, the applicable spot rate of exchange at (or as expected to be at) the Expected Exchange Time as determined by the relevant Series Distribution Administrator;

"Long Term Rating" means in relation to a person, a rating in respect of the long term unsecured, unguaranteed and unsubordinated debt obligations of that person;

"Programme Specific Provisions" means at any time the Programme Specific Provisions set out in the then most recent Note Issue Supplement in respect of Notes issued in respect of any Series under the Programme;

"**Series Specific Provisions**" means at any time in relation to a Series, the Series Specific Provisions set out in the then most recent Note Issue Supplement in respect of Notes issued in respect of such Series; and

"**Short Term Rating**" means in relation to a person, the short term debt rating in respect of that person or, as applicable, a rating in respect of the short term unsecured, unguaranteed and unsubordinated debt obligations of that person.

(b) *Applicable*

Any matter, aspect or thing shall be regarded as being "**Applicable**" for the purposes of any Note Listing Document if it is indicated in the relevant Programme Specific Provisions, Series Specific Provisions or Note Specific Conditions that such matter, aspect or thing is applicable (and not Applicable shall be construed accordingly).

(c) *Headings and diagrams*

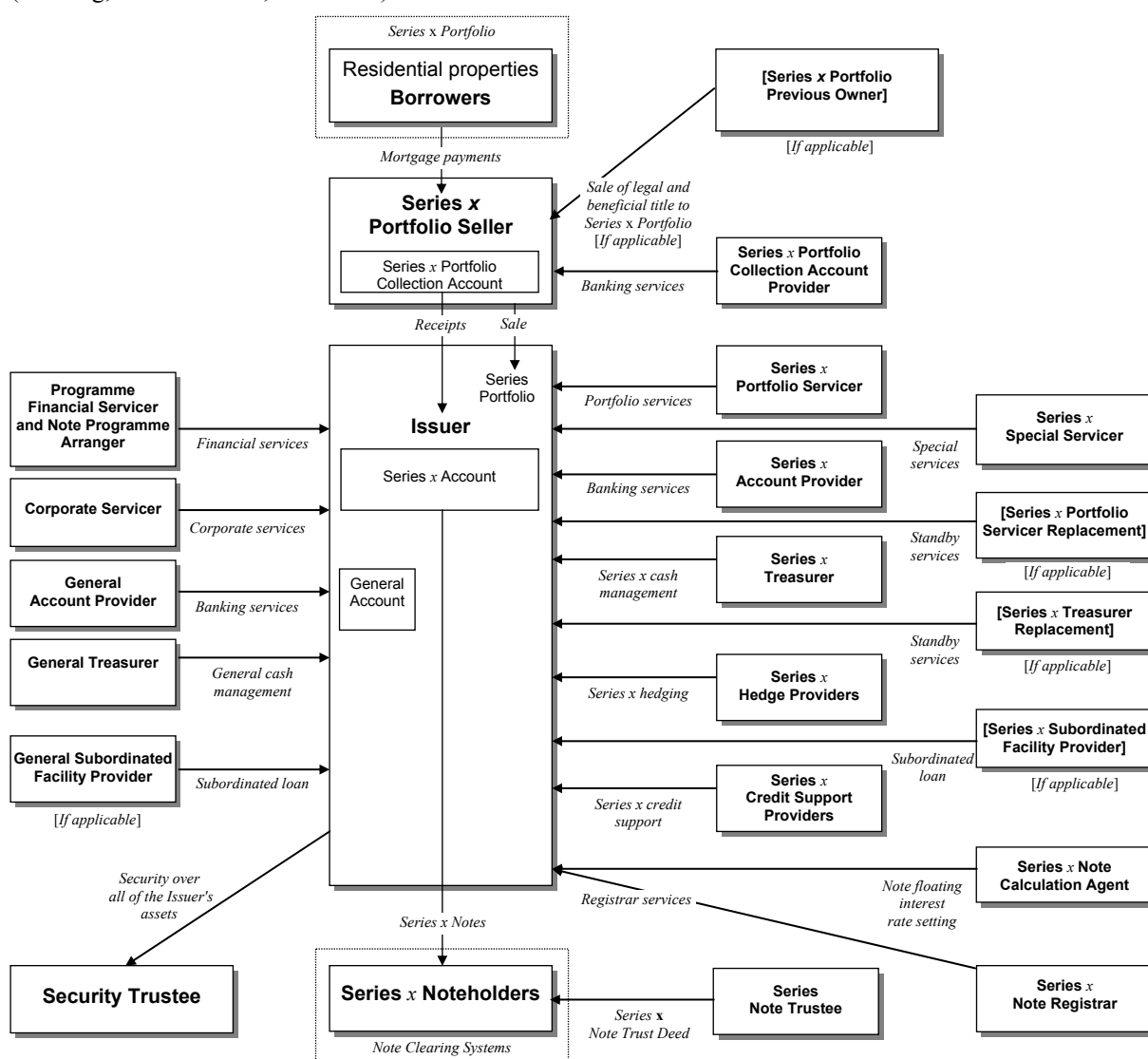
Each heading and diagram appearing in any Note Listing Document may not be complete or contain all details and is only for the purpose of providing an initial impression. Each heading and diagram must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in these Note Listing Documents.

2. INTRODUCTION TO THE PROGRAMME

This section is an overview and must be read as an introduction to this Note Programme Memorandum. It is intended to provide only a broad initial impression of some aspects of the Programme. It does not purport to be complete and is qualified in its entirety by the remainder of this Note Programme Memorandum and, in relation to any particular Series, the applicable Note Issue Supplement.

This Note Programme Memorandum should be considered as a whole prior to any decision by any investor to invest in any Notes. No civil liability attaches to the Issuer in any member state of the European Economic Area solely in respect of the summary in this section, including any translation of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the relevant Note Listing Documents relating to the relevant Notes. Where a claim relating to the information contained in such Note Listing Documents is brought before a court in a member state of the European Economic Area, the plaintiff may, under the national legislation of the member state of the European Economic Area where the claim is brought, be required to bear the costs of translating such Note Listing Documents before the legal proceedings are initiated.

The following diagram is intended to provide an initial impression of the structure and parties of the Programme (showing, for illustration, one Series):



2.1 Establishment of the Programme

(a) *Purpose of the Programme*

The asset backed note issuance programme (the "**Programme**") described in this Note Programme Memorandum has been established by Clavis Securities plc (the "**Issuer**") for the purpose of the securitisation of portfolios of residential mortgage loans, each being a Series Portfolio, from time to time in each case primarily funded by the issue of a separate Series of Notes under the Programme.

(b) *Programme size*

At the date of this Note Programme Memorandum, the aggregate principal amount of Notes which may be outstanding at any time under the Programme will not exceed GBP Equivalent 10,000,000,000 subject to increase from time to time in accordance with the provisions of the Programme Financial Services Agreement (the "**Programme Limit**").

(c) *Authorisation of the Programme*

The Issuer has obtained all consents, approvals and authorisations (if any) which are necessary in the United Kingdom at the date of this Note Programme Memorandum in connection with the establishment of the Programme. The establishment of the Programme was authorised pursuant to a resolution of the board of directors of the Issuer passed on 08 June 2006.

2.2 Overview of the Programme

(a) *Special purpose company*

The Issuer is a special purpose company, having been established in England and Wales for the purposes of the Programme, primarily for issuing the Notes and purchasing each Series Portfolio (see further 4 *The Issuer and its Corporate Structure* on page 26). The Issuer's activities will be restricted by the Note Conditions and the other Transaction Documents.

(b) *Servicing arrangements*

As described in 6 *Provision of Services to the Issuer* (on page 48), the Issuer will enter into agreements under which it will engage service providers to provide certain services in connection with the Issuer's business and the Programme. Some of those agreements, being the General Services Agreements, relate to the Issuer's corporate infrastructure and the remainder of those agreements, being the Series Services Agreements, will be entered into on a Series by Series basis and relate to services required to be provided in relation to the relevant Series.

(c) *Note Programme Arranger*

WestLB AG, London Branch ("**WestLB**") has been appointed by the Issuer as the arranger of the Programme pursuant to the Programme Financial Services Agreement (see 6.11 *Programme Financial Services and Note Programme Arranger Services* on page 53) (in such capacity the "**Note Programme Arranger**").

(d) *Issue of Notes in Series*

Subject to compliance with all relevant laws, regulations and directives, the Issuer may from time to time issue Notes (the "**Notes**") as described in this Note Programme Memorandum, as supplemented in respect of each issue by a supplement to this Note Programme Memorandum (each, a "**Note Issue Supplement**").

Notes will be issued in series (each series of Notes, a "**Series**") and references in this Note Programme Memorandum to the "**Note Conditions**" of any Notes are to the Note Conditions of a Series, being the "**Note Standard Conditions**" set out in 12 *Note Standard Conditions* (on page 123), as supplemented and amended in respect of each issue of Notes by the "**Note Specific Conditions**" as specified in the applicable Note Issue Supplement. See further 10 *Issue and Certain Features of the Notes* on page 107.

In particular, where there are Notes outstanding in respect of any Series which are at the relevant time rated by any Series Note Rating Agency, the Issuer has covenanted under the Security Intercreditor Deed not to constitute any further new Series unless the Security Trustee and each Series Note Trustee has received a copy from the Issuer of a written confirmation from each Series Note Rating Agency that the then current ratings by such Series Note Rating Agency of such Notes (if any) which will remain outstanding following the Note Issue Closing Date of the relevant new Series will not be downgraded, withdrawn or qualified as a result only of the issuance of such further new Series.

(e) *Acquisition of Series Portfolio using proceeds of Notes of a Series*

Except as may be indicated otherwise in the relevant Note Issue Supplement, on or about the Note Issue Closing Date in relation to each Series the net proceeds received by the Issuer in respect of the issue of

Notes in that Series will primarily be applied by the Issuer in paying the initial purchase consideration for the Series Portfolio relating to that Series, which will comprise residential mortgages and related assets purchased by the Issuer pursuant to each Series Portfolio Purchase Agreement relating to that Series. The Series Portfolio in relation to a Series of Notes will be specified in the Note Issue Supplement for such Series. See further 5 *Series Portfolios* on page 28.

(f) *Security and priority of payments and security ranking scheme*

The Security Deed entered into by the Issuer (together with each supplement thereto from time to time) will create security over all of the Issuer's assets from time to time in favour of the Security Trustee.

However, the terms of the Security Intercreditor Deed provide that only the relevant Security in respect of the relevant Series Waterfall Assets designated to a Series will be enforced and the proceeds will be applied in discharge of the obligations of the Issuer in respect of the relevant Series in accordance with the Series Distribution Scheme and priority of payments and security ranking prescribed by the applicable Series Waterfall, each as set out in the applicable Series Specific Provisions for such Series.

The relevant Series Waterfall Assets will include the relevant Series Portfolio relating to that Series and the rights of the Issuer under certain documents specific to such Series, being the Series Documents, together with such Series Additional Security (if any) as may be described in the applicable Note Issue Supplement.

See further 8 *Security and Distribution of Funds* on page 75.

(g) *Credit support, hedging and segregated management of funds*

In relation to each Series, the Issuer will enter or have entered into arrangements in relation to that Series (which may differ from Series to Series) with the intention that, among other things, on or about the relevant Note Issue Closing Date all or some of the Notes of that Series will be assigned the initial ratings (if any) from the relevant Series Note Rating Agencies indicated under the heading *Note Ratings* in the relevant Note Specific Conditions. Such arrangements may include:

- (1) Series Credit Support Documents, Series Hedge Agreements and agreements relating to the organisation and holding of the Issuer's funds in respect of the relevant Series; and
- (2) structuring the Issuer's liabilities in respect of the Series so that they are only due and discharged if and when amounts from the Issuer's funds in respect of the relevant Series are allocated to such liabilities pursuant to and in the priority specified in the Series Distribution Scheme and Series Waterfall relating to that Series.

Amounts received in respect of the relevant Series Portfolio and other Series Waterfall Assets will be credited to a Series Account with a Series Account Provider (there being separate segregated accounts for each Series). Each Series may be structured differently.

See further 7 *Funds for the Issuer's Liabilities* on page 58 and 8 *Security and Distribution of Funds* on page 75.

2.3 Transaction documentation

(a) *Transaction Documents*

The "**Transaction Documents**" for the Programme comprise the Series Documents in respect of each Series and the General Documents.

(b) *General Documents*

The "**General Documents**" comprise:

- (1) the General Services Agreements;
- (2) any General Subordinated Facility Agreement;
- (3) the Security Deed and the Security Intercreditor Deed;
- (4) the Programme Specific Provisions and each Standard Provisions Document; and
- (5) the other "**General Additional Documents**" (if any) specified under the heading *General Additional Documents* in the relevant Programme Specific Provisions.

Each of such General Documents will be described in the Note Listing Documents relating to the relevant Series.

(c) *Series Documents*

In connection with each Series of Notes under the Programme and as described in this Note Programme Memorandum and the relevant Note Issue Supplement, a set of documents will be entered into and/or produced in respect of that Series, being the "**Series Documents**" comprising:

- (1) the Notes, a Note Issue Supplement, a Note Issue Instrument and a Series Note Trust Deed relating to that Series;
- (2) each Security Supplemental Deed (if any) relating to that Series;
- (3) each Series Portfolio Purchase Agreement and (if any) each Scottish Mortgage Trust Deed relating to that Series;
- (4) each Series Services Agreement relating to that Series;
- (5) each Series Credit Support Document relating to that Series;
- (6) each Series Hedge Agreement relating to that Series;
- (7) each Series Portfolio Collection Account Protection Document relating to that Series;
- (8) each Series Subordinated Facility Agreement relating to that Series;
- (9) the Series Specific Conditions relating to that Series; and
- (10) the other "**Series Additional Documents**" (if any) specified under the heading *Series Additional Documents* in the relevant Series Specific Provisions.

Each of such Series Documents will be described in the Note Listing Documents relating to the relevant Series. Series Documents may be constituted (or, in respect of a further Tranche for an existing Series, amended and extended to apply to such Tranche) by the relevant parties entering into a "**Note Issue Instrument**" which specifies the terms of the relevant Series Document (and all or part of such terms may be incorporated by reference into one or more other documents).

(d) *Standard Provisions Documents*

Each of the General Documents and Series Documents (including the Notes) incorporate by reference a specified edition of a "**Standard Provisions Document**" which, among other things, includes definitions of terms and forms of clauses for such purpose. Such definitions are substantially the same as the definitions of the same terms appearing in the Note Listing Documents. In particular, the Standard Provisions Document provides that expressions shall have the meanings indicated in the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. except where the relevant expression is otherwise defined in the Standard Provisions Document.

(e) *Governing law*

Each of the Transaction Documents is or will be governed by English law except that certain aspects of the Transaction Documents are or will be:

- (1) governed by Northern Irish law to the extent that such aspects relate to Northern Irish Mortgages; or
- (2) governed by Scots law to the extent that such aspects relate to Scottish Mortgages.

2.4 Transaction parties

(a) *Transaction Parties*

The "**Transaction Parties**" in relation to the Programme comprise the Series Parties in respect of each Series and the General Parties.

(b) *General Parties*

The "**General Parties**" comprise:

- (1) the Security Trustee;
- (2) each General Servicer;
- (3) each General Subordinated Facility Provider (if any); and
- (4) each General Waterfall Additional Creditor (if any).

Each Note Issue Supplement will contain summary details of each General Party as at the date of that Note Issue Supplement.

(c) *Series Parties*

In relation to a Series, the "**Series Parties**" comprise:

- (1) the Noteholders and the Series Note Trustee relating to that Series;
- (2) each Note Issue Lead Manager, each Note Issue Manager and each Note Issue Initial Subscriber relating to that Series;
- (3) each Series Portfolio Seller and, if a different person, Series Portfolio Legal Title Holder relating to that Series;
- (4) each Series Portfolio Collection Account Provider relating to that Series;
- (5) each Series Servicer relating to that Series;
- (6) each Series Credit Support Provider relating to that Series;
- (7) each Series Hedge Provider relating to that Series;
- (8) each Series Subordinated Facility Provider relating to that Series; and
- (9) each other Series Waterfall Additional Creditor (if any).

Each Note Issue Supplement in relation to a Series will contain summary details of each Series Party relating to that Series as at the date of that Note Issue Supplement.

3. RISK FACTORS

The following are certain aspects of the issues of the Notes and the Issuer about which prospective Noteholders should be aware but it is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in the Note Listing Documents. Such aspects and information are not, and are not intended to be, a comprehensive list of all considerations relevant to the decision of an investor to purchase or hold any Notes. Prospective investors are responsible for making their own assessment of the relative merits and risks of an investment in the Notes.

3.1 No secondary or liquid market for the Notes

There may not be a secondary market in respect of the Notes and it should be assumed that no secondary market will be available unless indicated otherwise in the applicable Note Issue Supplement in respect of the Notes. In the event that a secondary market in the Notes does exist, there can be no assurance that it will continue. Accordingly, the purchase of Notes should not be considered except by investors who can hold the Notes to maturity and bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

3.2 The Notes are solely the obligations of the Issuer

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or the responsibility of or guaranteed by any Transaction Party or any other person other than the Issuer. Furthermore, no Transaction Party nor any person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay or discharge any liability in respect of the Notes.

3.3 Limited funds available to the Issuer and aspects of the security structure

The ability of the Issuer to meet its obligations to pay principal of and interest on the Notes and its operating and administration expenses will be dependent on funds being received under the relevant Series Waterfall Assets in which the Issuer has an interest.

(a) *Pass-through structure - deferral of liabilities on the Notes*

If Interest Deferral or Principal Repayment Deferral is specified as being Applicable to some or all of the interest or principal amounts payable to Noteholders, then on each occasion that the full amount which is due and payable is not discharged by the payment (if any) which is to be made in or towards discharge of such amounts in accordance with the relevant Series Waterfall, then the undischarged amount shall be deferred until such time and to the extent it is discharged by a payment made in accordance with the relevant Series Waterfall. See further 8.7(b) *Certain amounts due to Security Creditors (including Noteholders) may be deferred* (on page 84) and 8.8 *Standard Liability Provisions* (on page 85).

(b) *Insufficient proceeds from realisation of Security in relation to Series Waterfall Assets*

The net sums (if any) realised in respect of the Series Waterfall Assets for a Series following a Series Waterfall Assets Realisation Event in relation to that Series may be insufficient to pay all the amounts outstanding to the Noteholders and the other Security Creditors for such Series in accordance with the applicable Series Waterfalls, or at all. In such event, any shortfall shall be borne by such Noteholders and the other Series Waterfall Creditors relating to such Series according to the Series Waterfalls specified in the relevant Series Specific Provisions and, therefore, in some circumstances investors may lose the value of their entire investment or part of it, as the case may be. No Transaction Party (except, and then only if and to the extent so specified in the relevant Note Issue Supplement, any Series Note Guarantor in respect of, if any, a Series Note Guarantee) or any other person other than the Issuer has any obligation to any Noteholders for payment of any amount by the Issuer in respect of the Notes.

(c) *Limits on action that can be taken against the Issuer and its assets*

Only the Security Trustee may pursue the remedies available under the Security Deed and the other Transaction Documents to enforce the rights of the Noteholders and other Security Creditors of a Series and none of the Security Creditors (other than the Security Trustee) shall be entitled to proceed directly against the Issuer or any assets of the Issuer. Neither the Security Trustee nor any Security Creditor, shall be entitled to petition or take any other step for the winding-up of the Issuer in relation to a shortfall in respect of the other Series remaining outstanding after the realisation of the Series Waterfall Assets designated to the relevant Series or in respect of any of the Issuer's other liabilities whatsoever.

To the extent that there are amounts owed to a Series Waterfall Creditor after the enforcement proceeds in respect of the applicable Series Waterfall Assets have been exhausted, such Series Waterfall Creditor may not take any further steps against the Issuer or its assets to recover such amounts (save for the Security

Trustee taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer). In that event, such Series Waterfall Creditor will cease to be a Series Waterfall Creditor and will become a General Waterfall Creditor in respect of the shortfall, and any remaining Series Waterfall Assets of that Series will automatically convert to General Waterfall Assets.

The Security Intercreditor Deed and the Standard Creditor Restrictions Provision shall also provide that each Series Waterfall Creditor in respect of a particular Series shall not, in such capacity, be a Series Waterfall Creditor in respect of and shall have no claims in respect of any Series Waterfall Assets allocated to any other Series (see 8.7(d) *Overriding effect of Programme enforcement scheme* on page 84).

(d) *No cross default etc. between Series*

Unless a Note Event Of Default of a Series has occurred as a result of an Insolvency Supervening Event occurring, the occurrence of such a Note Event Of Default in respect of a Series will only enable a Series Waterfall Assets Realisation Notice to be served or a Series Note Acceleration Date to be declared in respect of such Series and not any other Series which also at such time exists. There is no cross-default between the Series, and a Note Event Of Default in respect of one Series will not trigger a Note Event Of Default in respect of another Series. Therefore prospective Noteholders should note that (as long as there has not been an Insolvency Supervening Event) a specific Series may be subject to enforcement and/or acceleration whilst other Series are still in a pre-enforcement, pre acceleration scenario.

An enforcement of Security in respect of a Series of Notes will not necessarily result in the acceleration of such Notes, as this is subject to the discretion of the Series Note Trustee or the ability of Noteholders to direct the Series Note Trustee as to the same pursuant to the Note Conditions.

An Insolvency Supervening Event will constitute a Note Event Of Default in respect of each Series which exists at such time and as such will allow a Series Waterfall Assets Realisation Notice to be delivered to the Issuer in respect of each and every Series. Subject to and in accordance with the provisions of the Note Conditions, upon the occurrence of a Note Event Of Default in respect of a Series, the applicable Series Note Trustee relating to that Series, at its discretion or at the direction of the then applicable and permitted Noteholders of such Series, will be entitled to serve a notice declaring a Series Note Acceleration Date. Such direction and/or service by the Series Note Trustee of any particular Series will be carried out independently to any such similar actions (or lack thereof) by a Series Note Trustee of a separate Series in a similar scenario. It may therefore be the case, for example, following a Note Event Of Default as a result of an Insolvency Supervening Event, that a certain Series may be subject to a Series Waterfall Assets Realisation Notice whereas another Series at such time (as a result of the exercise of independent discretion of the relevant Series Note Trustee or the differing directions of the Noteholders of differing Series) may not be the subject of a Series Waterfall Assets Realisation Notice.

(e) *Appointment of administrative receiver*

The Security Intercreditor Deed will provide that, subject as provided below, the Security Trustee shall enforce the Security over the Series Waterfall Assets relating to all Series and over the other Security Assets by appointing an administrative receiver in respect of the Issuer, if it has actual notice of:

- (1) an application for the appointment of an administrator in respect of the Issuer,
- (2) the giving of a notice of intention to appoint an administrator in respect of the Issuer, or
- (3) the filing of a notice of appointment of an administrator in respect of the Issuer with the court,

such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding. The Security Deed will provide that, in the event that the Security Trustee appoints an administrative receiver in respect of the Issuer under the Security Deed by reason of it having such actual notice, the Issuer shall waive any claims against the Security Trustee in respect of the action of the appointment of the administrative receiver.

3.4 Transfer restrictions apply to the Notes

Transfers of Notes and interests in the Notes are subject to certain restrictions (see 10.5 *Restrictions on and arrangements for transfers of interests in Notes* on page 112). Because of the restrictions applicable to each Note, investors in Notes are advised to consult legal counsel at their own cost prior to making any offer, sale, purchase, resale, pledge or transfer of the Notes.

3.5 Risks relating to the Security Assets

(a) *Under-collateralisation of the Notes*

If *Series Notes Under-collateralisation* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, as at the Note Issue Closing Date in relation to that Series the aggregate amount outstanding in respect of the Mortgages included in the relevant Series Portfolio is less than the aggregate Note Initial Principal Amount of the relevant Notes in that Series as at that Note Issue Closing Date (and may be less than the relevant Series Portfolio Purchase Initial Consideration paid or payable by the Issuer for the acquisition of the Series Portfolio). If so, the Issuer's ability to pay interest, principal and other amounts in respect of the relevant Series Notes as and when the same are due and payable will be dependent upon, among other things, either or both of:

- (1) the Issuer receiving excess revenue in respect of the Mortgages; and/or
- (2) the Issuer being able to enter into a Disposal Transaction (see 8.10 *Release and disposal of Security Assets* on page 91);

in each case (or in combination) which provide sufficient funds for full discharge of such amounts in respect of the Series Notes as and when they are due and payable in addition to the payments which rank in priority and/or equal to such amounts in accordance with the applicable Series Waterfall.

(b) *Limited liquidity – Mortgages*

Following the occurrence of a Note Event Of Default (see Note Standard Condition 9.2 *Definition of Note Event Of Default* on page 134) in relation to the Notes in a Series while any of the Mortgages in the relevant Series Portfolio are still outstanding, the ability of the Issuer to redeem all of those Notes in full will depend upon whether those Mortgages can be realised to obtain an amount sufficient to redeem those Notes. There is not, at present, an active and liquid secondary market for secured residential mortgage loans of this type in the United Kingdom. The Issuer, or any receiver of the Issuer appointed following enforcement of the Security in relation to the Series Waterfall Assets, may not, therefore, be able to sell those Mortgages on appropriate terms should it be required to do so.

(c) *Economic conditions and geographic concentrations may affect yield and prepayment*

The collectability of amounts due under the Mortgages is subject to credit, liquidity and interest rate risks. Such collectability as well as prepayment rates will generally fluctuate in response to, among other things, market interest rates, general economic conditions, homeowner mobility, changes in laws, inflation, the availability of financing, yields on alternative investments, political developments, government policies, the financial standing of Borrowers and other similar factors. Other factors (which may not affect real estate values) may have an impact on the ability of Borrowers to repay the Mortgages. 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 the Mortgages and could reduce the Issuer's ability to service payments on the Notes.

The rate of prepayments on Mortgages may increase due to Borrowers refinancing their Mortgage Loans and sales of Mortgage Properties by Borrowers (either voluntarily or as a result of enforcement action taken) as well as the receipt of proceeds from buildings policies and life assurance policies and the presence or absence of Mortgage Prepayment Charges. The terms of Mortgages may allow the Borrowers a right to "port" the Mortgage from the current Mortgage Property to another and the exercise of such rights will involve the existing Mortgage being prepaid (and it and any replacement would not then form part of the relevant Series Portfolio) and would, therefore, increase the rate of prepayments on Mortgages.

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

Furthermore, to the extent that specific geographic regions have experienced or may in the future experience weaker regional economic conditions and housing markets than other regions, a concentration of the Mortgages in such a region may be expected to exacerbate all of the risks relating to the Mortgages described in this section 3.5. The Issuer cannot predict when and where such regional economic conditions may occur or the extent or how long such conditions may continue.

The yield to maturity of the Notes of each Class in a Series will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Mortgage in that Series, repurchases by a Series Portfolio Warrantor due to breaches of

Series Portfolio Warranties, the price paid by the Noteholders for the Notes in that Series and repurchases by a Series Portfolio Seller where the Series Portfolio Seller has received notice from the Series Special Servicer that an application by the relevant Borrower for a Mortgage Type Conversion or a Mortgage Further Advance in respect of a Mortgage will not be accepted by the Issuer). Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgages in that Series Portfolio. No assurance can be given as to the level of prepayment that a particular Series Portfolio will experience.

(d) *Non-Conforming Mortgages and Arrears Mortgages*

If *Non-Conforming Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Non-Conforming Mortgages to Borrowers who:

- (1) may previously have been subject to one or more CCJs, IVAs or bankruptcy orders or similar orders;
- (2) may previously have been in arrears under a mortgage loan;
- (3) may at the time of application for a Mortgage have been self-employed; and/or
- (4) are or were at the time of application for a Mortgage otherwise considered by bank and building society lenders to be non-standard borrowers.

If *Arrears Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Arrears Mortgages.

Non-Conforming Mortgages and Arrears Mortgages are generally likely to experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to standard borrowers and therefore carry a higher degree of risk. However, unless indicated otherwise in the relevant Note Issue Supplement, the Series Portfolio Lending Criteria take into account, among other things, a potential borrower's credit history, employment history and status, repayment ability and debt service to income ratio and are utilised with a view, in part, to mitigating the risks in lending to Borrowers in the foregoing categories.

(e) *Self-Certified Mortgages*

If *Self-Certified Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Self-Certified Mortgages (as described in 5.6(d) *Types of Borrower* on page 32). No assurance can be given that the self-certification by the Borrower of his income was correct or will not have an adverse effect on payments made by Borrowers to the Issuer and ultimately payments made by the Issuer to Noteholders.

(f) *Interest rate basis risks between the Notes and the Mortgages*

If *Mortgage Restricted Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Mortgage Restricted Rate Loans (as described in 5.6(i) *Mortgage Loan Interest Rates* on page 34). While any Mortgage is a:

- (1) Mortgage Fixed Rate Loan, the rate of interest cannot be varied during the relevant fixed rate period;
- (2) Mortgage Capped Rate Loan, the rate of interest cannot be increased above the capped rate during the capped rate period;
- (3) Mortgage Tracker Rate Loan, the rate of interest is set at a fixed margin over the relevant specified reference rate from time to time.

As a result, the Issuer may be exposed to the risk of an adverse interest differential between the rate of interest receivable in respect of such Mortgages in the Series Portfolio, on the one hand, and the rate of interest payable on the Notes in the Series on the other hand. Except to the extent indicated otherwise under the heading *Series Basis Hedge Summary* in the relevant Series Specific Provisions the Issuer has not entered and will not enter into any hedging arrangements in relation to the relevant Series.

See also 5.9(b) *Setting of interest rates in relation to Mortgages* (on page 39) for a description of the Issuer's Series Portfolio Interest Rate Setting Policy in relation to the exercise of its powers to set interest rates applicable to Mortgages.

(g) *Risks relating to Mortgage Non-Amortising Loans*

If *Mortgage Non-Amortising Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Mortgage Non-Amortising Loans in respect of which no scheduled amortisation is required on all or a specified proportion of the principal amount outstanding in respect of those Mortgages. Consequently, upon the maturity of such a Mortgage, the relevant Borrower

will be required to make a "bullet" repayment that will represent the entirety of the principal amount then outstanding.

The ability of such a Borrower to repay such principal amount at maturity frequently depends on such Borrower's ability to refinance the Mortgage Property or obtain funds from another source, such as pension policies, personal equity plans or endowment policies. Neither the Issuer nor any Transaction Party has verified that the Borrower has any such other source of funds and no security has been obtained over the Borrower's rights in respect of any such other source of funds. The ability of the Borrower to refinance the Mortgage Property will be affected by a number of factors, including the value of the Mortgage Property, the Borrower's ability to obtain funds from another source (such as pension policies, personal equity plans or endowment policies), the Borrower's equity in the Mortgage Property, the financial condition of the Borrower, tax laws and general economic conditions at the time.

(h) *Representations and warranties*

Except as described in 5.5 *Warranties in relation to Series Portfolios* (on page 31) and in the relevant Note Issue Supplement:

- (1) neither the Issuer nor any Transaction Party has undertaken nor will undertake any such investigations, searches or other actions in relation to the Series Portfolio and each will rely instead on the Series Portfolio Warranties given or assigned by the relevant Series Portfolio Seller to the Issuer pursuant to the relevant Series Portfolio Purchase Agreement (see 5.5 *Warranties in relation to Series Portfolios* on page 31); and
- (2) if a breach of a Series Portfolio Warranty occurs in relation to a Series Portfolio, the Issuer's sole remedy will be to require the Series Portfolio Warrantor to make a payment of compensation to the Issuer in connection with that breach (or, in some circumstances, repurchase, or procure the repurchase of, a Mortgage) when obliged to do so provided that this shall not limit any other remedies available if that Series Portfolio Warrantor fails to pay such compensation (including against any Series Portfolio Warranty Guarantor, if any, under any guarantee of that Series Portfolio Warrantor's obligations in relation to the relevant Series Portfolio Warranties).

(i) *Third party rights*

Third party rights (for example, rights of occupation or rights of a subsequent mortgagee or security holder) may arise subsequent to the completion of the initial advance to a Borrower (including prior to the purchase by the Issuer of a Mortgage Further Advance made to such Borrower). Except to the extent indicated otherwise in the Note Issue Supplement, none of the Issuer and the Transaction Parties has undertaken or will undertake any investigation or search of any kind prior to the making or purchase of a Mortgage Further Advance to a Borrower.

(j) *Unfair Terms Regulations*

Except to the extent indicated otherwise in the Note Issue Supplement, Mortgages included in the Series Portfolio are subject to the Unfair Terms in Consumer Contracts Regulations 1999 (the "**Unfair Terms Regulations**").

A Borrower may challenge a term in an agreement on the basis that it is an "**unfair term**" within the Unfair Terms Regulations. Also, the Office of Fair Trading ("**OFT**") and any "qualifying body" (as defined in the Unfair Terms Regulations) may seek to injunct (or, in Scotland, interdict) a business against relying on unfair terms although the rest of the agreement will remain valid. Any term in such an agreement which is found to be an unfair term will not be binding on the Borrower.

Under a new concordat between the Financial Services Authority (the "**FSA**") and the OFT, (which took effect on 31 July 2006), it was agreed that the responsibility for the enforcement of the Unfair Terms Regulations would be divided between them, so that the FSA will consider the fairness of standard terms in FSMA regulated mortgage contracts and the OFT will consider the fairness of standard terms in agreements regulated under the Consumer Credit Act 1974 ("**CCA**").

Subject to certain limitations, from 6 April 2007, the Financial Ombudsman Service Limited (the "**FSO**") has been given jurisdiction to handle disputes made against holders of consumer credit licences (irrespective of whether or not the holder of the consumer credit licence is authorised by the FSA). Previously, the FSO could only hear complaints against FSA authorised persons.

The Unfair Terms Regulations will not generally affect "core terms", which set out the main subject matter of the contract, such as the Borrower's obligation to repay principal. However, they may affect terms that are not considered to be core terms, which may include the ability to choose a substitute for a Mortgage

Tracker Rate where the relevant Mortgage Tracker Rate cannot be determined under the loan agreement, or the right of the Issuer or the relevant Series Portfolio Servicer to vary the interest rate under the Mortgage and other terms the application of which are in the lender's discretion.

For example, if a term permitting the Issuer or the relevant Series Portfolio Servicer to vary the interest rate is found to be unfair, the Borrower will not be liable to pay the increased rate or, to the extent that the Borrower has paid it, will be able, as against the Issuer or the Series Portfolio Servicer, to claim repayment of the extra interest amounts paid or to set off the amount of such claim against the amount owing by the Borrower under the Mortgage. Any such non-recovery, claim or set-off ultimately may adversely affect the Issuer's ability to make payments on the Notes such that the payments on the Notes could be reduced or delayed.

Except to the extent indicated otherwise in the Note Issue Supplement, a finding (whether on application of a Borrower, the OFT or otherwise) by a competent court at any time that any term of any Mortgage is an unfair term for the purposes of the Unfair Terms Regulations will constitute a breach of a Series Portfolio Warranty under the Series Portfolio Purchase Agreement (see 5.5 *Warranties in relation to Series Portfolios* on page 31).

(k) *Risks of losses associated with declining property values*

The value of Mortgages as security for the Notes may be affected by, among other things, a decline in property values. No assurance can be given that the values of any Mortgage Properties have remained or will remain at the level at which they were on the dates of origination of the relevant Series Portfolio. If the residential property market in the United Kingdom should experience an overall decline in property values, or a decline in the rental income used by Borrowers to service any Investment Home Mortgages included in the relevant Series Portfolio, such a decline could in certain circumstances result in the value of the security being significantly reduced and, ultimately, may result in losses to the Noteholders if the Security is required to be enforced.

(l) *Risks associated with Mortgage Properties which are not owner occupied*

If *Investment Home Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Mortgages where the relevant Mortgage Properties are not owner-occupied and may be let by the relevant Borrower to tenants. The Borrower's ability to service payment obligations in respect of Investment Home Mortgages is likely to depend on the Borrower's ability to lease the relevant Mortgage Properties on appropriate terms. However, there can be no guarantee that each such Mortgage Property will be the subject of an existing tenancy when the relevant Investment Home Mortgage is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Investment Home Mortgage and/or that the rental income achievable from such tenancy will be sufficient to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Investment Home Mortgage. This dependency on leasing income increases the likelihood during difficult market conditions that the rate of delinquencies and losses on Investment Home Mortgages will be higher than those on Owner Occupied Mortgages.

Upon enforcement of a Mortgage in respect of a Mortgage Property which is the subject of an existing tenancy, the Series Portfolio Servicer may not be able to obtain vacant possession of the Mortgage Property in which case the Series Portfolio Servicer will only be able to sell the Mortgage Property as an investment property with one or more sitting tenants. This may affect the amount which the Series Portfolio Servicer could realise upon enforcement of the Mortgage and a sale of the Mortgage Property. However, enforcement procedures in relation to such Mortgages include appointing a receiver of rent (or, in Scotland, the direct collection of rent by the Series Portfolio Servicer) in which case such a receiver (or the Series Portfolio Servicer) must collect any rents payable in respect of the Mortgage Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage.

(m) *Limits on recourse to Series Portfolio Sellers and others*

Neither the Issuer nor any Transaction Party will have any recourse to:

- (1) any Series Portfolio Seller or (if not also the Series Portfolio Seller) any Series Portfolio Legal Title Holder other than in respect of a breach by such Series Portfolio Seller or Series Portfolio Legal Title Holder under the relevant Series Portfolio Purchase Agreement; or
- (2) any Series Portfolio Warrantor other than in respect of a breach by such Series Portfolio Warrantor in respect of a Series Portfolio Warranty given by the Series Portfolio Warrantor; or

- (3) any Series Portfolio Warranty Guarantor (if any) other than in respect of the guarantee given by such Series Portfolio Warranty Guarantor in respect of a Series Portfolio Warrantor's obligations in relation to a Series Portfolio Warranty.

(n) *Perfection of title*

As indicated in 5.4(b) *No Series Portfolio Title Perfection Action until certain events occur* (on page 30) neither the Issuer nor the Security Trustee will be entitled to take Series Portfolio Title Perfection Action in relation to their respective interests in and to the relevant Series Portfolio until certain events occur. Until then and for so long as the relevant Series Portfolio Legal Title Holder in respect of a Mortgage in the relevant Series Portfolio retains legal title to that Mortgage and the relevant Borrower has not received notice of the Issuer's interest in that Mortgage:

- (1) a third party dealing with that Series Portfolio Legal Title Holder could obtain legal title to that Mortgage free of the interests of the Issuer and the Series Note Trustee;
- (2) the terms of that Mortgage could be amended by the relevant Series Portfolio Legal Title Holder, the relevant Series Portfolio Seller or the Borrower without the involvement of the Issuer;
- (3) that Series Portfolio Legal Title Holder must be joined as a party to any legal proceedings against any Borrower or in relation to the enforcement of that Mortgage. In this regard each Series Portfolio Legal Title Holder and (if not the Series Portfolio Legal Title Holder) each Series Portfolio Seller will undertake in the relevant Series Portfolio Purchase Agreement relating to the Series for the benefit of the Issuer, the Security Trustee, the relevant Series Portfolio Servicer in relation to that Mortgage and the Series Note Trustee that it will lend its name to, and take such other steps as may reasonably be required in connection with, any such proceedings;
- (4) the rights of the Issuer and the Security Trustee may be or become subject to interests of third parties and direct rights of Borrowers against the relevant Series Portfolio Legal Title Holder (for example, a later encumbrance or transfer of the Mortgages) and/or equities created or arising before the transfer of the legal title is perfected (for example, rights of set-off as between the relevant Borrowers and the relevant Series Portfolio Legal Title Holder which, in particular, may arise in relation to the Borrower's right to make a Flexible Drawing Advance under a Flexible Mortgage). These could result in the Issuer receiving less money than anticipated;

However, the risk of third party claims defeating or obtaining priority to the interests of the Issuer or the Security Trustee would be likely to be limited to circumstances arising from a breach by the relevant Series Portfolio Legal Title Holder and/or the relevant Seller of its contractual obligations or fraud, negligence or mistake on the part of the relevant Series Portfolio Legal Title Holder, the relevant Series Portfolio Seller, the relevant Series Portfolio Servicer, the Issuer or their respective personnel or agents; and

- (5) the Borrower may continue making payments to the relevant Series Portfolio Legal Title Holder (including redeeming the relevant Mortgage by repaying the relevant amount directly to the relevant Series Portfolio Legal Title Holder). Perfecting legal title would mean that the Borrower would no longer be entitled to obtain a good receipt from the relevant Series Portfolio Legal Title Holder as mortgagee. Under the Series Portfolio Purchase Agreement, each Originator and each Seller has undertaken that if at any time it receives (or there is received to its order) any property, interest, right or benefit agreed to be sold to the Issuer it will hold the same on trust for the Issuer as the beneficial owner thereof. See also 7.6(f) *Issuer's rights in relation to Series Portfolio Collection Accounts* (on page 67).

3.6 Regulation of Mortgage Business in the United Kingdom

On 31 October 2004 (the "**Mortgage Regulation Date**") mortgage business in the United Kingdom became regulated under the FSMA as described in 5.10 *Mortgage regulation in the United Kingdom* (on page 43). As indicated in that description, each Series Portfolio Servicer in relation to a Series and any substitute Series Portfolio Servicer in relation to a Series needs to be authorised to administer mortgages which constitute regulated mortgage contracts (as defined on page 44 below). In relation to any mortgages which do not constitute regulated mortgage contracts, then the relevant Series Portfolio Servicer and (if any) relevant substitute Series Portfolio Servicer need not be authorised under the FSMA to administer such mortgages.

The arrangement of, advice on, administration of and entering into of a regulated mortgage contract or a variation of a mortgage after the Mortgage Regulation Date, such that a new contract is entered into and that contract constitutes a regulated mortgage contract, would need to be carried out by an appropriately authorised

entity. The Issuer does not intend to apply for authorisation under the FSMA but it will be a condition precedent to the appointment of each Series Portfolio Servicer and Series Special Servicer in respect of such Series Portfolio that it is authorised under the FSMA as may be required to carry out the relevant Series Portfolio Services and Series Special Services (as the case may be).

As the Issuer does not intend to become an authorised person under the FSMA, it will only consider and grant a Mortgage Type Conversion or make or purchase a Mortgage Further Advance under a Mortgage where such Mortgage Type Conversion or making or purchase of a Mortgage Further Advance:

- (a) does not involve it entering into a regulated mortgage contract as lender; and
- (b) does not result in it carrying on a regulated activity in the United Kingdom if it would be required to be authorised under the FSMA to do so.

No assurance can be given that additional law or regulations, circumstances in the Series Portfolio Seller's particular sector in the mortgage market in the United Kingdom or specifically in relation to the Series Portfolio Seller, will not arise with regard to the mortgage market in the United Kingdom generally. Any such action or developments or compliance costs may have a material adverse effect on the Issuer and/or the Series Portfolio Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in respect of the Notes as and when such payments become due.

3.7 Risks relating to payments under Series Hedge Agreements

(a) *Non-receipt of amounts under the Series Hedge Agreements*

If the Issuer fails to make timely payments of amounts (if any) due from the Issuer under a Series Hedge Agreement, then the Issuer may have defaulted under that Series Hedge Agreement. Each Series Hedge Provider is only obliged to make payments to the Issuer under a Series Hedge Agreement as long as the Issuer makes payments under that Series Hedge Agreement.

If the relevant Series Hedge Provider is not obliged to make payments or if it defaults in or, when entitled to do so, terminates its obligations to make payments of amounts in the relevant Note Currency equal to the full amount to be paid to the Issuer under the relevant Series Hedge Agreement in each case on the relevant Interest Payment Date or Principal Repayment Date, the Issuer will be exposed to interest basis risk or changes in currency exchange rates (as appropriate). Unless a replacement hedge agreement is entered into the Issuer may have insufficient funds to make payments due on the Notes.

(b) *Termination payments under the Series Hedge Agreements*

If any of the Series Hedge Agreements terminates, the Issuer may be obliged to make a termination payment to the relevant Series Hedge Provider. The amount of the termination payment will be based on the cost of entering into a replacement hedge agreement. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under any Series Hedge Agreement.

Nor can any assurance be given that the Issuer will be able to enter into a replacement hedge agreement, or if one is entered into, that the credit rating of the replacement hedge provider will be sufficiently high to prevent a downgrade or withdrawal of the then-current ratings of the Notes by the Series Note Rating Agencies.

Except in relation to any Series Hedge Provider Subordinated Amount, any termination payment due by the Issuer will rank senior to or *pari passu* with certain Classes of Notes (as indicated in the relevant Series Waterfall). Any additional amounts required to be paid by the Issuer following termination of the relevant Series Hedge Agreement (including any extra costs incurred, for example, in entering into "spot" currency or interest rate swaps) if the Issuer cannot immediately enter into a replacement swap agreement, will also rank *pari passu* with the relevant Class of Notes. Therefore, if the Issuer is obliged to make a termination payment to a Series Hedge Provider or pay any other additional amount as a result of the termination of the relevant Series Hedge Agreement, this could reduce the Issuer's ability to service payments on the Notes.

3.8 Interests of Noteholders may be disregarded in certain circumstances

As described further in this Note Programme Memorandum (in particular in 8.9 *Interests of Security Creditors* (on page 88)), the Security Deed and Security Intercreditor Deed contain provisions requiring the Security Trustee in certain circumstances to have regard to only the interests of certain Security Creditors (which may exclude all or some of the Noteholders) instead of all Security Creditors.

As described further in this Note Programme Memorandum (in particular in 8.12 *Modifications, waivers and determinations by Security Trustee* on page 93), the Security Trustee may without the consent or sanction of the

Security Creditors (including without limitation the Noteholders) agree, among other things, to certain modifications, or to waive certain breaches, of the Transaction Documents.

As described further in this Note Programme Memorandum (in particular in 10.11 *Meetings and resolutions of Noteholders* (on page 116), the Series Note Trust Deed contains provisions requiring the Series Note Trustee relating to a Series in certain circumstances to have regard to only the interests of certain Noteholders (which may exclude all or some of the Noteholders) instead of all Noteholders.

As described further in this Note Programme Memorandum (in particular in 10.12 *Modifications, waivers, determinations and consents* on page 118), the Series Note Trustee may without the consent of the Noteholders agree to certain modifications, or to waive certain breaches, of the Notes or any of the Transaction Documents.

3.9 Risks relating to other parties

The Issuer relies on other parties to perform their obligations under Transaction Documents (including providing services in relation to the Notes and the Security Assets), and Noteholders may be adversely affected if they fail to perform their obligations. In particular, there can be no assurance that any Series Portfolio Warrantor or any Series Portfolio Warranty Guarantor will have the financial resources to meet its obligations to make a payment to the Issuer in connection with any breach of a Series Portfolio Warranty or otherwise.

3.10 Business relationships

The Issuer, any Transaction Party or any affiliate of any of them or any other person on its or their behalf may have existing or future business relationships with any obligor with respect to the Series Waterfall Assets, and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for any Noteholder.

3.11 Risk of change of law

The structure of the issue of the Notes on the relevant Note Issue Closing Date and the ratings (if any) which are to be assigned to them are based on English law and, if the relevant Series Portfolio includes Northern Irish Mortgages, Northern Irish law and, if the relevant Series Portfolio includes Scottish Mortgages, Scots law, and administrative practice in the United Kingdom in each case as at the date of the relevant Note Listing Documents relating to the relevant Note Issue. No assurance can be given as to the impact of any possible change to English law, Northern Irish Law or Scots law or administrative practice in the United Kingdom after the date of such Note Listing Documents.

3.12 Withholding tax under the Notes

In the event any withholding or deduction for or on account of taxes is imposed on or is otherwise applicable to payments of interest on or repayments of principal of the Notes to Noteholders, neither the Issuer nor any Series Note Registrar is obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. See 11.1 *United Kingdom taxation aspects of the Notes* (on page 122) and Note Standard Condition 7 *Taxation* (on page 132).

3.13 Certain United States legal investment and ERISA considerations

No representation is made as to the proper characterisation of the Notes for legal investment purposes, financial institution regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisers in determining whether and to what extent the Notes constitute legal investments or are subject to investment, capital or other restrictions.

If the assets of the Issuer were deemed to be “plan assets,” certain transactions that the Issuer may have entered into, in the ordinary course of business might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the U.S. Revenue Code and might have to be rescinded. See 1.8(g) *ERISA and other restrictions on purchase of Notes by employee benefit plans; certain benefit plan considerations* (on page 8) for an important notice in relation to certain ERISA-related considerations with respect to an investment in the Notes.

A summary of some of the considerations that may be relevant to such an investment may be included in the relevant Note Issue Supplement where the Notes include Rule 144A Notes.

3.14 European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating member state in Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. In that event:

- (a) all amounts payable in respect of the Notes and/or the Security Assets may become payable in euro;
- (b) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and take additional measures in respect of the Notes and/or the Security Assets to be redenominated into euro and/or additional measures to be taken in respect of the Security Assets by one or both of the parties thereto; and
- (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes and/or the Security Assets 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 the Borrowers' ability to repay their Mortgages as well as adversely affect investors. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes.

4. THE ISSUER AND ITS CORPORATE STRUCTURE

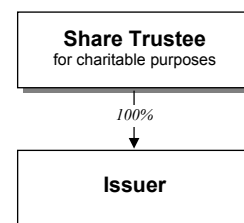
4.1 Establishment and ownership of the Issuer

(a) *Incorporation*

The Issuer is a public limited company incorporated in England and Wales on 11 April 2006 (company registration number 5778179) under the Companies Act 1985.

(b) *Share capital of the Issuer held by a charitable trust*

The authorised and issued share capital of the Issuer is £50,000 divided into 50,000 ordinary shares of £1.00 each. All of those shares are fully paid up as to £1.00 each, with 49,999 of those shares being registered in the name of SFM Corporate Services Limited as trustee (in such capacity, the "**Share Trustee**") under the terms of a trust established under English law by a Share Trust Deed (the "**Share Trust Deed**") dated 30 May 2006 for the benefit of certain charitable purposes and the remaining 1 share being registered in the name of a nominee for the Share Trustee (the Share Trustee being the beneficial owner of that share).



4.2 Registered office and telephone number of the Issuer

The address of the Issuer's registered office is 35 Great St. Helen's, London EC3A 6AP and its telephone number is 020 7398 6300.

4.3 Office holders and employees

(a) *Directors of the Issuer*

The current directors of the Issuer are SFM Directors Limited, being a private limited company incorporated in England and Wales on 07 February 2000 (company registration number 3920254) under the Companies Act 1985, and SFM Directors (No.2) Limited, being a private limited company incorporated in England and Wales on 19 June 2000 (company registration number 4017430) under the Companies Act 1985, each of whose business address is 35 Great St. Helen's, London EC3A 6AP and each of whose principal activity or business occupation is acting as a corporate director of special purpose companies.

The directors of each of SFM Directors Limited and SFM Directors (No.2) Limited are James Frances, Jonathan Eden Keighley, James Macdonald and Robert Berry, each of whose business address is 35 Great St. Helen's, London EC3A 6AP and whose principal activity or business occupation include the provision of directors and corporate management services to structured finance transactions as directors on the boards of SFM Directors Limited and SFM Directors (No.2) Limited.

(b) *Company secretary of the Issuer*

The company secretary of the Issuer is SFM Corporate Services Limited, being a private limited company incorporated in England and Wales on 07 February 2000 (company registration number 3920255) under the Companies Act 1985 and whose business address is 35 Great St. Helen's, London EC3A 6AP.

(c) *Auditors of the Issuer*

KPMG Audit Plc (being registered to carry on audit work by the Institute of Chartered Accountants in England and Wales), whose address is Canary Wharf (8th Floor), 1 Canada Square, London E14 5AG, are the Issuer's auditors.

(d) *Employees of the Issuer*

The Issuer has no employees.

4.4 Activities of the Issuer

(a) *Special purpose company for the Programme*

The Issuer is a special purpose company, having been established for the purposes of the Programme, primarily for issuing the Notes and purchasing and selling Series Portfolios and carrying on business as an investment company issuing asset backed securities within the meaning of Article 2 of Regulation 809/2004 implementing the Prospectus Directive. The Issuer's activities will be restricted by the Note Conditions and the other Transaction Documents.

The objects of the Issuer are limited to those set out in the Issuer's memorandum and articles of association and are, among other things, investing in and/or acquiring mortgage loans and other investments, borrowing or raising money in such manner as the Issuer shall think fit and securing the repayment of any

money borrowed, raised or owing by mortgage, charge or lien upon the whole or any part of the Issuer's property or assets.

(b) *Issuer's activities since it was established*

The Issuer has not engaged, since its incorporation, in any material activities other than:

- (1) its registration as a public limited company under the Companies Act 1985 and obtaining a certificate from the Registrar of Companies pursuant to section 117 of the Companies Act 1985,
- (2) the authorisation of the issue of the Notes and the matters contemplated in this Note Programme Memorandum and the authorisation, execution and implementation of the other documents referred to in the Note Listing Documents to which it is a party, and
- (3) applying for and obtaining a standard licence under the Consumer Credit Act 1974 and submitting notifications under the Data Protection Act 1998,

and, in each case, any other activities incidental to any of the foregoing.

4.5 Financial statements and current status

(a) *Financial periods and accounting reference date of the Issuer*

The Issuer's accounting reference date is 31 December. The current financial period of the Issuer will end on the next occurrence of 31 December following the date of the relevant Note Issue Supplement.

(b) *Financial statements of the Issuer*

Since the date of incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by English law to, and does not intend to, publish interim financial statements nor does the Issuer intend to provide post issuance transaction reporting within the meaning of Annex VIII, rule 4.1 of Regulation 809/2004 implementing the Prospective Directive.

(c) *No significant adverse change*

- (1) There has been no significant change in the financial or trading position of the Issuer since the date of its incorporation; and
- (2) there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

(d) *No significant adverse proceedings*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the period since the date of the Issuer's incorporation, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

(e) *Annual confirmation to Security Trustee and Series Note Trustees*

As a continuing obligation, written confirmation will be provided by the Issuer to the Security Trustee and each Series Note Trustee annually that no Note Event Of Default or other matter which the directors of the Issuer consider is required to be brought to the attention of the Security Trustee or such Series Note Trustee has occurred.

5. SERIES PORTFOLIOS

5.1 Composition of Series Portfolios

(a) *Residential mortgages*

Each Series Portfolio backing a particular Series will comprise "**Mortgages**" being:

- (1) residential mortgage loans ("**Mortgage Loans**") which meet or will meet certain "**Lending Criteria**" (certain aspects of which will be summarised in the relevant Note Issue Supplement);
- (2) secured by "**Mortgage Security**" comprising the relevant Mortgage Property Security and Mortgage Other Security relating to that Mortgage Loan.

(b) *Mortgage Property Security*

The "**Mortgage Property Security**" in relation to each Mortgage comprises:

- (1) if *English Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, a charge over freehold or leasehold property located in England or Wales (an "**English Mortgage Property**") in which case the relevant Mortgage is an "**English Mortgage**";
- (2) if *Northern Irish Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, a mortgage or charge over freehold or leasehold property located in Northern Ireland (a "**Northern Irish Mortgage Property**") in which case the relevant Mortgage is a "**Northern Irish Mortgage**"; or
- (3) if *Scottish Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, a standard security over heritable or long lease residential property located in Scotland (a "**Scottish Mortgage Property**") in which case the relevant Mortgage is a "**Scottish Mortgage**";

in each case, the relevant property being a "**Mortgage Property**".

(c) *Mortgage Other Security*

The "**Mortgage Other Security**" in relation to each Mortgage includes further collateral security which may include any guarantees, life assurance policies, security interests in respect of life assurance policies, rights against solicitors, conveyancers and/or valuers in respect of reports and certificates obtained at the time of origination of the relevant Mortgage (including reports on title, searches and valuation reports), rights (if any) of the mortgagee under any Borrower Buildings Insurance Policies and Borrower Insurance Other Policies and the title deeds and other Mortgage records, in each case relating to the relevant Mortgage.

5.2 Purchase of Series Portfolios

(a) *Role of Note Programme Arranger*

Pursuant to the Programme Financial Services Agreement the Note Programme Arranger (see 6.11 *Programme Financial Services and Note Programme Arranger Services* on page 53) may from time to time identify and refer portfolios of Mortgages to the Issuer for potential purchase, and assist the Issuer or such party designated by the Issuer on matters relating to the purchase and structuring of Portfolios as the Issuer may request or reasonably require.

(b) *Series Portfolio Purchase Agreements and Series Portfolio Seller*

In relation to a Series the Issuer will enter into each agreement specified under the heading *Series Portfolio Purchase Agreement* in the relevant Series Specific Provisions (each a "**Series Portfolio Purchase Agreement**") pursuant to which it will purchase portfolios of residential mortgages and related assets (each a "**Series Portfolio**") from (as may be specified) each person indicated under the heading *Series Portfolio Seller* in the relevant Series Specific Provisions (each a "**Series Portfolio Seller**"). Each Note Issue Supplement will contain summary details of each Series Portfolio Seller in respect of the relevant Series Portfolio at the date of that Note Issue Supplement.

Unless otherwise specified in the relevant Note Issue Supplement, pursuant to the Series Portfolio Purchase Agreement applicable to a Series Portfolio, the Issuer will purchase the relevant Series Portfolio from a Series Portfolio Seller with full title guarantee (or, in relation to Northern Irish Mortgages and related assets in a Series Portfolio, as beneficial owner or, in relation to Scottish Mortgages, with absolute warrandice) subject to any subsisting rights of redemption (or cessor) of Borrowers under the relevant residential mortgages contained in such Series Portfolio.

(c) *Mortgage Further Purchases*

If *Mortgage Further Purchases* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, then pursuant to the Series Portfolio Purchase Agreement relating to that Series a Series Portfolio Seller relating to that Series shall be entitled, by notice in writing, to request the Issuer to purchase and take a transfer and assignment or assignation of any further Mortgage from that Series Portfolio Seller on a Distribution Date relating to that Series provided that the applicable conditions set out under the heading *Mortgage Further Purchase Requirements* in the relevant Series Specific Provisions are satisfied.

(d) *Series Portfolio Previous Purchase Agreements and Series Portfolio Previous Owners*

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the Series Portfolio Seller will have previously acquired the relevant Series Portfolio from each person (if any) indicated, and to the extent specified, under the heading *Series Portfolio Previous Owner* in the relevant Series Specific Provisions (each a "**Series Portfolio Previous Owner**") pursuant to each agreement (if any) specified under the heading *Series Portfolio Previous Purchase Agreement* in the relevant Series Specific Provisions (each a "**Series Portfolio Previous Purchase Agreement**").

Each originator of the Mortgages in the relevant Series Portfolio is indicated under the heading *Series Portfolio Originator* in the relevant Series Specific Provisions (each a "**Series Portfolio Originator**"). Each Note Issue Supplement will contain summary details of each Series Portfolio Previous Owner (if any) and each Series Portfolio Originator in respect of the relevant Series Portfolio as at the date of that Note Issue Supplement.

Except to the extent indicated otherwise in the relevant Note Issue Supplement, as at the relevant Note Issue Closing Date of the relevant Series, the Series Portfolio Seller will have become or be in the course of taking steps to become the Series Portfolio Legal Title Holder in relation to the Series Portfolio (see 5.4(a) *Series Portfolio Legal Title Holder* on page 30).

(e) *Series Portfolio Purchase Consideration*

The purchase consideration payable by the Issuer to the relevant Series Portfolio Seller in respect of the relevant Series Portfolio purchased from that Series Portfolio Seller shall equal:

- (1) the consideration as specified under the heading *Series Portfolio Purchase Initial Consideration* in the relevant Series Specific Provisions (being the "**Series Portfolio Purchase Initial Consideration**") payable when indicated under that heading; plus
- (2) consideration as specified under the heading *Series Portfolio Purchase Deferred Consideration* in the relevant Series Specific Provisions (being the "**Series Portfolio Purchase Deferred Consideration**") payable or to be given when indicated under that heading.

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the Series Portfolio Purchase Deferred Consideration will include, if and to the extent so specified, payments under the Series Waterfalls relating to that Series (or one or more instruments entitling such payments).

(f) *Mortgage Prepayment Charges*

Except to the extent indicated otherwise in the relevant Note Issue Supplement:

- (1) all amounts received by the Issuer in respect of Mortgage Prepayment Charges relating to the Mortgages in the Series Portfolio relating to that Series will be credited to the Series Mortgage Prepayment Charges Ledger relating to that Series; and
- (2) the amount from time to time standing to the credit of such Series Mortgage Prepayment Charges Ledger will form part of the Series Waterfall Assets relating to the relevant Series but the terms of the Security Deed provide that such amount will not be available to be applied and distributed under the relevant Series Waterfall but instead will be released from the Security and paid (as and when the terms of the relevant Series Portfolio Purchase Agreement require) to the relevant Series Portfolio Seller by way of and in accordance with the Issuer's obligation to pay the relevant Series Portfolio Purchase Deferred Consideration (and, therefore, will not form part of the funds distributed pursuant to the Series Waterfalls relating to the relevant Series).

5.3 Segregation of Series Portfolios by Series

(a) *Each Series Portfolio designated to a separate Series*

Each Series Portfolio will be designated in a Note Issue Supplement in relation to a particular Series of Notes and form part of the Series Waterfall Assets for that Series.

(b) *Each Series Portfolio serviced on a segregated basis*

The relevant Series Portfolio Servicer, Series Special Servicer and Series Treasurer relating to the Series will each agree in the relevant Series Services Agreement under which they agree to perform Series Services in relation to that Series that they will at all times keep all information and records in their possession or under their control from time to time relating to the relevant Series Portfolio (in each case, in their capacity as a Series Servicer) separately identified and distinct from other such information and records relating to other assets not relating to the relevant Series.

5.4 Title to the Series Portfolios

(a) *Series Portfolio Legal Title Holder*

As at the relevant Note Issue Closing Date, legal title to the Mortgages is held by the person specified (and, as may be the case, to the extent specified) under the heading *Series Portfolio Legal Title Holder* in the relevant Series Specific Provisions (the "**Series Portfolio Legal Title Holder**" which expression shall, if the context permits, include any successive holder of such legal title). If, at the relevant Note Issue Closing Date, the Series Portfolio Seller is not also the Series Portfolio Legal Title Holder, then the Series Portfolio Legal Title Holder will also be a party to the relevant Series Portfolio Purchase Agreement and the relevant Series Portfolio Services Agreement.

(b) *No Series Portfolio Title Perfection Action until certain events occur*

In relation to the sale of the relevant Series Portfolio under the relevant Series Portfolio Purchase Agreement, the Series Portfolio Seller, the Issuer and the Security Trustee will agree in such Series Portfolio Purchase Agreement that, unless and until a Series Portfolio Title Perfection Event occurs (see 5.4(c) *Perfection action can be taken upon Series Portfolio Title Perfection Event*), the Issuer and the Security Trustee will not be entitled to take any "**Series Portfolio Title Perfection Action**" (being certain protective or perfection steps in relation to the transfer, assignment or assignation of the Series Portfolio to the Issuer, the right, title and interest of the Issuer as new owner, registered owner or heritable creditor of the Series Portfolio, or the Security (including, without limitation, assignments, assignations and charges) in respect of the Series Portfolio granted by the Issuer pursuant to the Security Deed or any Security Supplemental Deed in favour of the Security Trustee including, without limitation, the:

- (1) effecting of any registration or recording in the "**English Registers**" (being H.M. Land Registry and the Central Land Charges Registry), the "**Northern Irish Registers**" (being the Land Registry of Northern Ireland and the Registry of Deeds in Belfast) or the "**Scottish Registers**" (being the General Register of Sasines and the Land Register of Scotland), as applicable; or
- (2) giving notice to the Borrower).

In view of this, until appropriate Series Portfolio Title Perfection Action is taken (when permitted), the sale of the English Mortgages and Northern Irish Mortgages (if any) in the Series Portfolio to the Issuer will take effect in equity only and in relation to the Scottish Mortgages (if any) in the Series Portfolio will be given effect by means of each declaration of trust in respect of those Scottish Mortgages by the Series Portfolio Legal Title Holder in favour of the Issuer specified under the heading *Scottish Mortgage Trust Deed* in the relevant Series Specific Provisions (each, together with any declaration of trust supplemental thereto, a "**Scottish Mortgage Trust Deed**").

See 3.5(n) *Perfection of title* (on page 22) for some particular investment considerations relating to the above position regarding Series Portfolio Title Perfection Action.

(c) *Perfection action can be taken upon Series Portfolio Title Perfection Event*

Under the Series Portfolio Purchase Agreement and the Security Deed, the Issuer (with the consent of the Security Trustee) or the Security Trustee will each be entitled (but, in the case of the Security Trustee, not obliged) to take any Series Portfolio Title Perfection Action or effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Security Trustee (as assignee or chargee) in the Series Waterfall Assets where any of certain events (each a "**Series Portfolio Title Perfection Event**") occur, including (without limitation):

- (1) if the Issuer, the Security Trustee, the Series Portfolio Legal Title Holder or the Series Portfolio Seller is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority;
- (2) the valid service of a Series Waterfall Assets Realisation Notice or a Series Waterfall Assets Protection Notice (each as to be defined in the Security Deed);

- (3) if the Security Trustee considers that the Security in respect of all or any part of the Series Waterfall Assets is in jeopardy (including due to the possible insolvency of the Series Portfolio Seller); or
 - (4) if any action is taken for the winding-up, dissolution, administration or reorganisation of the Series Portfolio Seller or the Series Portfolio Legal Title Holder.
- (d) *Security powers of attorney pending perfection of title*
 The right of the Issuer, the Security Trustee, each Series Portfolio Servicer in relation to the Series and the Series Note Trustee in relation to the Series to exercise the powers of the registered proprietor, registered owner, beneficial owner or heritable creditor of the Mortgages in the relevant Series Portfolio pending registration or recording will be secured by irrevocable powers of attorney granted by each Series Portfolio Legal Title Holder in respect of that Mortgage and, if not the same person, each Series Portfolio Seller in respect of that Mortgage, in each case in favour of the Issuer, the Security Trustee and each Series Portfolio Servicer in relation to the Series.

5.5 Warranties in relation to Series Portfolios

(a) *No investigations by Issuer or any Transaction Party*

Neither the Issuer nor any Transaction Party has made or caused to be made (nor will make or cause to be made) on its behalf in relation to any Series Portfolio purchased by the Issuer any of the enquiries, searches or investigations which a prudent purchaser of the relevant security would normally make.

Also, neither the Issuer nor any Transaction Party has made nor will make any enquiry, search or investigation prior to the making or purchase of any Mortgage Further Advance or at any time in relation to compliance by the relevant Series Portfolio Seller or Series Portfolio Servicer or any other person with any applicable lending guidelines, criteria or procedures or the adequacy thereof or with the provisions of any Transaction Document, or with any applicable laws or in relation to the execution, legality, validity, perfection, adequacy or enforceability of any Mortgages or other assets included in any Series Portfolio or the insurance contracts relating to the relevant Mortgage Properties and Mortgages.

In relation to all of the above matters and the circumstances in which advances were made to Borrowers prior to the purchase by the Issuer of the relevant Series Portfolio, the Issuer, the relevant Series Note Trustee and/or the Security Trustee will rely entirely on the Series Portfolio Warranties.

See 1.1(d) *Prospective investors to conduct independent investigation and analysis* (on page 3) and 3.5(h) *Representations and warranties* (on page 20).

(b) *Series Portfolio Warranties*

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the "**Series Portfolio Warranties**" in relation to the relevant Series Portfolio will include representations and warranties to be given under the relevant Series Portfolio Purchase Agreement by the relevant Series Portfolio Seller to the Issuer and the Security Trustee to the effect that, among other things, subject to registration or recording, the relevant Mortgages in relation to each Mortgage Property constitute valid and binding obligations of the Borrower and are valid and subsisting mortgages, charges or standard securities over which no other mortgage, charge or standard security has priority other than any Mortgage which has also been sold to the Issuer.

In addition, but only if so indicated in the relevant Note Issue Supplement, the Series Portfolio Warranties in respect of a Series may include each "**Series Portfolio Previous Owner Warranty**" being each representation and warranty given by each Series Portfolio Previous Owner to the Series Portfolio Seller under the relevant Series Portfolio Previous Purchase Agreement (in so far as relating to Mortgages in the relevant Series Portfolio) as at each relevant date specified under the heading *Series Portfolio Warranty Date* in the relevant Series Specific Provisions (each a "**Series Portfolio Warranty Date**") if, in each case, the relevant Note Issue Supplement indicates that the benefit of such representation and warranty is to be assigned by the relevant Series Portfolio Seller to the Issuer pursuant to the Series Portfolio Purchase Agreement.

Each such person who gives any Series Portfolio Warranties in relation to a Series is referred to as a "**Series Portfolio Warrantor**" in relation to the relevant Series.

Further details of Series Portfolio Warranties may be included in the relevant Note Issue Supplement.

(c) *Remedies for breach of Series Portfolio Warranties*

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the sole remedy against a Series Portfolio Warrantor in respect of breach of a Series Portfolio Warranty given by it shall be to require

that Series Portfolio Warrantor to make a specified payment to the Issuer in respect of such breach and, in return, the Issuer may be required to retransfer the relevant Mortgage to the relevant Series Portfolio Warrantor provided that this shall not limit any other remedies available to the Issuer or the Security Trustee if that Series Portfolio Warrantor fails to make such a payment, or procure the making of such a payment, when obliged to do so.

(d) *Series Portfolio Warranty Guarantor*

If a "**Series Portfolio Warranty Guarantor**" is specified under the heading *Series Portfolio Warranty Guarantor* in the relevant Series Specific Provisions, the obligations of the Series Portfolio Warrantor in relation to breaches of the relevant Series Portfolio Warranties will (to the extent so specified under that heading) be guaranteed by that Series Portfolio Warranty Guarantor.

The procedures set out in the relevant Series Portfolio Purchase Agreement in relation to actual or potential breaches of Series Portfolio Warranties by the relevant Series Portfolio Seller shall be administered by the relevant Series Treasurer on behalf of the Issuer in accordance with the relevant Series Treasurer's obligations under the relevant Series Treasury Services Agreement.

See 3.5(h) *Representations and warranties* (on page 20) and 3.5(m) *Limits on recourse to Series Portfolio Sellers and others* (on page 21) for some particular investment considerations relating to the purchase of the Series Portfolios.

5.6 Overview of Mortgage characteristics

The Mortgages included in a Series Portfolio may, except to the extent indicated in the applicable Series Specific Provisions, have one or more of the following characteristics:

(a) *Mortgage Conditions*

All of the Mortgages are subject to standard mortgage conditions ("**Mortgage Conditions**"). These contain various covenants and undertakings by the borrower in relation to the Mortgage (the "**Borrower**") including covenants to make the interest payments either monthly or quarterly as notified to the Borrower and to pay premiums on buildings insurance policies effected in relation to the relevant Mortgage Property. The Mortgage Conditions also contain provisions for the usual remedies of a mortgagee in the event of default by the Borrower.

(b) *Governing law*

The Mortgages are governed by:

- (1) English law in the case of each English Mortgage (if any) in the relevant Series Portfolio;
- (2) Northern Irish law in the case of each Northern Irish Mortgage (if any) in the relevant Series Portfolio; and
- (3) Scots law in the case of each Scottish Mortgage (if any) in the relevant Series Portfolio.

(c) *Remaining term of leases for leasehold Mortgage Properties*

In respect of leasehold or (in Scotland) long lease Mortgage Properties in relation to Mortgages in the relevant Series Portfolio, the lease has, except where permitted under the lending criteria, at least 30 years to run beyond the term of the relevant Mortgage.

(d) *Types of Borrower*

The Mortgages in the Series Portfolio will be "**Individual Mortgages**" where the relevant Borrowers in respect of the Mortgages are individuals. In addition:

- (1) if *Corporate Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Corporate Mortgages**" where the Borrowers are limited liability companies incorporated in a jurisdiction indicated under the heading *Corporate Mortgagor Jurisdiction* in the relevant Series Specific Provisions;
- (2) if *Non-Conforming Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Non-Conforming Mortgages**" which were underwritten in accordance with the Lending Criteria on terms generally consistent with those used by residential mortgage lenders lending to borrowers who do not satisfy the requirements of building societies or high street banks (including Mortgages made to Borrowers who may previously have been subject to a county court judgement or the Scottish or Northern Irish equivalent ("**CCJ**" which expression shall, in relation to Northern Irish Mortgages, include judgments of the High Court and a

County Court), individual voluntary arrangement ("IVA") or bankruptcy order (or the Scottish equivalent), Borrowers who may previously have been in arrears under a mortgage loan, and Borrowers who were, at the time of application for their Mortgage, self-employed and Borrowers who were, at the time of application for their Mortgage otherwise considered by bank and building society lenders to be non-standard borrowers (see 3.5(d) *Non-Conforming Mortgages and Arrears Mortgages* on page 19 for some particular investment considerations relating to Non-Conforming Mortgages); and

- (3) if *Self-Certified Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Self-Certified Mortgages**" where the Borrower's income was accepted as stated by the prospective borrower without further verification once positive identification of the Borrower was provided and the Borrower had passed the relevant Series Portfolio Originator's credit assessment. See 3.5(e) *Self-Certified Mortgages* (on page 19) for some particular investment considerations relating to Self-Certified Mortgages.

(e) *Use of Mortgage Properties*

- (1) If *Owner Occupied Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Owner Occupied Mortgages**" which relate to a Mortgage Property purchased by the Borrower to be occupied as the primary residence of such Borrower; or
- (2) if *Investment Home Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Investment Home Mortgages**" (also known as buy to let mortgages) which relate to a Mortgage Property purchased by the Borrower to be occupied by tenants for residential purposes or by the Borrower himself (but other than as an Owner Occupied Mortgage).

It will normally be the intention that these Mortgage Properties in respect of Investment Home Mortgages will be let under an assured shorthold tenancy (or, in respect of Scottish Mortgages, a short assured tenancy, or, in respect of Northern Irish Mortgages, an agreement which confers similar rights as an assured shorthold tenancy on the landlord and tenant) and in all cases that the occupier will have no statutory security of tenure. However, if the occupier's tenancy has been approved by the lender, the lender will not be able to sell with vacant possession if it wishes to enforce its security, until such time as the tenancy comes to an end. See 3.5(1) *Risks associated with Mortgage Properties which are not owner occupied* (on page 21) for some particular investment considerations relating to Investment Home Mortgages.

(f) *Right To Buy Mortgages and statutory charges*

If *Right To Buy Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Right To Buy Mortgages**", each being a Mortgage entered into by the relevant Borrower as a means to purchase a residential property from a local authority and certain other landlords (including, without limitation, in Northern Ireland, the Northern Ireland Housing Executive) by exercising such Borrower's rights to buy under the applicable "**Right To Buy Legislation**", being the Housing Act 1985 (in the case of English Mortgages), the Housing (Scotland) Act 1987 (in the case of Scottish Mortgages) and the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003 (in the case of Northern Irish Mortgages).

Properties sold under the Right To Buy Legislation are sold by the relevant seller at a discount to market value calculated in accordance with the Right To Buy Legislation.

A purchaser must repay the whole of (or, in some cases, part of) the discount if he or she sells the property within a specified clawback period, namely, for a property in England or Wales five years, for a property in Scotland three years and for a property in Northern Ireland either five years or three years dependent upon the date on which the purchaser acquired the property; i.e., either before or after the prescribed Northern Ireland clawback period was increased from three years to five years. Under the Right To Buy Legislation the seller benefits from a statutory charge (or, in the case of a property in Scotland, a standard security) over the property in respect of the contingent liability of the purchaser under the scheme to repay the relevant amount of discount. Such statutory charge (or standard security) ranks in priority to other charges (or standard securities) including that of any mortgage lenders except in certain circumstances.

Unless indicated otherwise in the relevant Note Issue Supplement, the Issuer will benefit from a Series Portfolio Warranty to the effect that each Right To Buy Mortgage either ranks in priority to any such

statutory charge (or standard security), or the relevant statutory charge (or standard security) has expired or that any loss suffered by the Issuer in respect of such Right To Buy Mortgage by virtue of the any priority of any such statutory charge (or standard security) will be covered by insurance.

(g) *Scheduled repayment of Mortgages*

- (1) If *Mortgage Amortising Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Mortgage Amortising Loans**" to the extent that the principal amount in respect of that Mortgage is required to be amortised by scheduled repayments of principal by the Borrower during the term of the Mortgage so that the entire principal amount of such Mortgage is repaid by its stated maturity date; and/or
- (2) If *Mortgage Non-Amortising Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Mortgage Non-Amortising Loans**" to the extent that the principal amount in respect of that Mortgage is not required to be amortised by scheduled repayments of principal by the Borrower during the term of the Mortgage, so that such principal amount of such Mortgage is repayable on its stated maturity date. See 3.5(g) *Risks relating to Mortgage Non-Amortising Loans* (on page 19) for some particular investment considerations relating to Mortgage Non-Amortising Loans.

See 5.7(d) *Mortgage Mandatory Further Advances in respect of Flexible Mortgages* (on page 37) in relation to certain flexible repayment terms which may apply to Mortgages in the relevant Series Portfolio if *Flexible Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series.

If both *Mortgage Amortising Loans* and *Mortgage Non-Amortising Loans* (in the relevant Series Specific Provisions) are Applicable, unless indicated otherwise in the relevant Series Specific Provisions, a Mortgage Loan may at any time be a partial Mortgage Non-Amortising Loan with the remaining portion being a Mortgage Amortising Loan.

The "**Mortgage Principal Balance**" in respect of a Mortgage at any time is the then principal amount outstanding in respect of that Mortgage at that time.

(h) *Early repayment of Mortgages and Mortgage Prepayment Charges*

The Mortgages provide that the Borrower may prepay principal at any time without prior notice. If *Mortgage Prepayment Charges* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include some of the Mortgages in respect of which, for a specified period, such a prepayment of principal gives rise to an obligation to pay an additional sum (each a "**Mortgage Prepayment Charge**") and such period and the size of that additional sum are specified in the relevant Mortgage Conditions. The Series Special Servicer will have the right, in applying the Series Portfolio Services Issuer Policy, to waive any such Mortgage Prepayment Charge payable by a Borrower. Except to the extent indicated otherwise in the relevant Note Issue Supplement, receipts of the Issuer in respect of Mortgage Prepayment Charge will be paid to the Series Portfolio Seller and will not form part of the funds distributed pursuant to the Series Waterfalls relating to the relevant Series. See further 5.2(f) *Mortgage Prepayment Charges* (on page 29).

(i) *Mortgage Loan Interest Rates*

If *Mortgage Variable Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series the relevant Series Portfolio will include Mortgages which are (or, following any period in which such Mortgage is a Mortgage Restricted Rate Loan, may become) "**Mortgage Variable Rate Loans**" during each period in which interest accrues at a rate of interest which is variable and is capable of being reset by the Issuer or the Series Portfolio Servicer.

If *Mortgage Restricted Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include Mortgages (each a "**Mortgage Restricted Rate Loan**") being wholly or partially:

- (1) (if *Mortgage Fixed Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series) a "**Mortgage Fixed Rate Loan**" during each agreed period in which interest accrues at a fixed rate of interest which is not capable of being reset during that period;
- (2) (if *Mortgage Capped Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series) a "**Mortgage Capped Rate Loan**" during each agreed period in which interest accrues at a rate which is variable but which may not exceed a specified capped rate of interest; or

- (3) (if *Mortgage Tracker Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series) a "**Mortgage Tracker Rate Loan**" during each agreed period in which interest accrues at a fixed margin over a specified reference rate indicated under the heading *Mortgage Tracker Rates* in the relevant Series Specific Provisions (each a "**Mortgage Tracker Rate**") as determined periodically in accordance with the applicable Mortgage Conditions.

Mortgage Tracker Rate Loans may include Mortgage Loans which are more specifically referred to as "**Mortgage Bank Base Rate Loans**", being a Mortgage Loan in respect of which the interest rate payable on the Mortgage Loan is calculated as a specified margin in excess of the Bank of England Repo Rate calculated daily from one Bank of England Repo Rate setting to the next in accordance with the Mortgage Conditions applicable to that Mortgage Loan; or the interest rate payable on the Mortgage Loan is a variable rate set by the mortgage lender from time to time but, pursuant to the terms of the Series Portfolio Purchase Agreement, the Issuer has undertaken with the Series Portfolio Seller to set such variable rate at a specified margin in excess of the Bank of England Repo Rate calculated daily from one Bank of England Repo Rate setting to the next in accordance with the Mortgage Conditions applicable to that Mortgage Loan.

In addition, if *Mortgage Discount Rate Loans* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include some Mortgages ("**Mortgage Discount Rate Loan**") which are subject to a discounted rate of interest for a specified period. If so indicated under the heading *Mortgage Restricted Rate Conversion* in the relevant Series Specific Provisions, the terms of a Mortgage may provide that a Mortgage Restricted Rate Loan shall change to being another type of Mortgage Restricted Rate Loan or to a Mortgage Variable Rate Loan after a specified period of time and a Mortgage Variable Rate Loan may be converted into a Mortgage Restricted Rate Loan.

See 3.5(f) *Interest rate basis risks between the Notes and the Mortgages* (on page 19) and 7.3 *Hedging of interest basis risks* (on page 62) for some particular investment considerations relating to Mortgage Restricted Rate Loans.

Interest on the Mortgages is payable either monthly or quarterly at rates which will be set by or on behalf of the Issuer (subject to the restrictions mentioned above) and, except in certain limited circumstances in which the Security Trustee will be entitled to take over this function, will be set by the relevant Series Portfolio Servicer upon direction by the relevant Series Special Servicer implementing the Series Portfolio Services Issuer Policy on behalf of the Issuer and the Security Trustee (see further 5.9(a) *Series Portfolio Services Issuer Policies* on page 39).

(j) *Arrears Mortgages*

If *Arrears Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Arrears Mortgages**" in respect of which the Borrowers are in arrears (and will include some further information regarding the level of arrears). See 3.5(d) *Non-Conforming Mortgages and Arrears Mortgages* (on page 19) for some particular investment considerations relating to Arrears Mortgages.

(k) *Conversion of Mortgage features*

If *Mortgage Type Conversion* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the Series Portfolio Servicer and/or Series Special Servicer may agree or elect to amendments to the terms of a Mortgage in the relevant Series Portfolio (each a "**Mortgage Type Conversion**") provided that the applicable conditions set out under the heading *Mortgage Type Conversion Conditions* in the relevant Series Specific Provisions are satisfied.

On each occasion that a Borrower applies for a Mortgage Type Conversion and the Series Portfolio Seller receives notice from the Series Special Servicer relating to the Series under the Series Special Services Agreement that such application will not be accepted by the Issuer, the Series Portfolio Seller may repurchase and the Issuer may sell the relevant Mortgage for a consideration equal to the then Current Balance of the Mortgage (and on the basis that no further Series Portfolio Purchase Deferred Consideration will be paid by the Issuer in respect of that Mortgage), such consideration to be treated as if it had been redemption proceeds received by the Issuer upon redemption of such Mortgage. See also 3.5(c) *Economic conditions and geographic concentrations may affect yield and prepayment* on page 18.

Further details relating to the relevant Series Portfolio may be set out in the relevant Note Issue Supplement.

5.7 Further advances in respect of the Mortgages

(a) *Types of Mortgage Further Advances*

Except to the extent indicated otherwise in the relevant Series Specific Provisions, subject to the satisfaction of certain conditions, further advances (each a "**Mortgage Further Advance**") may be funded by the Issuer in relation to the Mortgages (and advanced by the relevant Series Portfolio Legal Title Holder on the basis that the benefit of such Mortgage Further Advance shall, in consideration of such funding, be owned by the Issuer) or in such other manner as described in 5.10(1) *Variations and Mortgage Further Advances* (on page 46). Each Mortgage Further Advance will be either:

- (1) a "**Mortgage Mandatory Further Advance**" being either a Mortgage Retention Advance (see 5.7(c) *Mortgage Mandatory Further Advances in respect of Mortgage retentions* on page 36) or a Flexible Drawing Cash Advance (see 5.7(e) *Flexible Drawing Advances in respect of Flexible Mortgages* on page 37); or
- (2) a "**Mortgage Discretionary Further Advance**" being any other further advance in respect of a Mortgage other than a Mortgage Mandatory Further Advance.

No Mortgage Further Advance may be made or purchased in relation to a Mortgage unless such Mortgage Further Advance and each Mortgage Loan in respect of that Mortgage are included in the Series Portfolio of the same Series (and, without limitation, not in any Series Portfolio relating to a different Series).

(b) *Mortgage Discretionary Further Advances*

Mortgage Discretionary Further Advances may only be made or purchased by the Issuer in respect of any Mortgage if Applicable is specified under the heading *Mortgage Discretionary Further Advances* in the relevant Series Specific Provisions and:

- (1) the Lending Criteria so far as applicable are satisfied at the relevant time subject to such waivers as might be within the discretion of a reasonably prudent mortgage lender, all as will be provided in the Series Portfolio Services Agreement;
- (2) the applicable "**Mortgage Further Advance Requirements**" (if any) specified under the heading *Mortgage Further Advance Requirements* in the relevant Series Specific Provisions are satisfied; and
- (3) an amount sufficient to make or purchase the relevant Mortgage Further Advance is then standing to the credit of the Series Principal Ledger relating to the relevant Series or, where such amount is insufficient, any Series Subordinated Facility Provider has agreed, at its discretion, to make available an advance under any Series Subordinated Facility Agreement for such purpose.

On each occasion that a Borrower applies for a Mortgage Further Advance and the Series Portfolio Seller receives notice from the Series Special Servicer relating to the Series under the Series Special Services Agreement that such application will not be accepted by the Issuer, the Series Portfolio Seller may repurchase and the Issuer may sell the relevant Mortgage for a consideration equal to the then Current Balance of the Mortgage (and on the basis that no further Series Portfolio Purchase Deferred Consideration will be paid by the Issuer in respect of that Mortgage), such consideration to be treated as if it had been redemption proceeds received by the Issuer upon redemption of such Mortgage. See also 3.5(c) *Economic conditions and geographic concentrations may affect yield and prepayment* on page 18.

(c) *Mortgage Mandatory Further Advances in respect of Mortgage retentions*

In relation to a Series, except to the extent indicated otherwise in the relevant Note Issue Supplement, under the terms of the relevant Series Portfolio Purchase Agreement, the Issuer will be obliged to fund "**Mortgage Retention Advances**" to certain Borrowers, being a further advance of principal in respect of that Borrower's Mortgage representing any part of the original advance agreed to be made which was retained pending completion of construction, repairs, alterations for compliance with housing legislation or refurbishment, as and when it becomes payable to the relevant Borrower up to (in aggregate) the amount (if any) specified under the heading *Mortgage Retention Advance Amount* in the relevant Series Specific Provisions. Each Mortgage Retention Advance will, when made, be beneficially owned by the Issuer and form part of the relevant Mortgage Loan and be secured by the relevant Mortgage Security for the Mortgage to which such Mortgage Retention Advance relates (although such Mortgage Retention Advance would be made to the Borrower via the relevant Series Portfolio Legal Title Holder). The Issuer's obligations in respect of such Mortgage Retention Advances (if any) will be taken into account in the calculation of the consideration agreed to be paid by the Issuer to the Series Portfolio Seller for the sale and purchase of the relevant Series Portfolio.

(d) *Mortgage Mandatory Further Advances in respect of Flexible Mortgages*

If *Flexible Mortgages* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant Series Portfolio may include "**Flexible Mortgages**" where, except to the extent indicated otherwise in the relevant Note Issue Supplement, Borrowers have the right to make principal overpayments and, as described below, in certain circumstances to obtain from time to time Flexible Drawing Advances. If Flexible Mortgages are included in a Series Portfolio, the relevant Note Issue Supplement will contain further information and data relating to them.

In relation to a Flexible Mortgage the Borrower has in certain circumstances, the right to obtain Flexible Drawing Advances up to then "**Flexible Drawing Available Amount**", being the amount (if any) by which the then Flexible Mortgage Maximum Balance exceeds the actual balance then outstanding in respect of the relevant Flexible Mortgage.

For these purposes, the "**Flexible Mortgage Maximum Balance**" at any time is the principal balance which would have been outstanding at such time in respect of the relevant Flexible Mortgage if the relevant Borrower had only paid each minimum monthly payment as and when due. In the case of a Mortgage Amortising Loan, the Flexible Mortgage Maximum Balance will reduce over the period of repayment of the advance secured by the Flexible Mortgage by the amount of each scheduled principal repayment comprised in the applicable minimum monthly payment. In the case of a Mortgage Non-Amortising Loan, the Flexible Mortgage Maximum Balance will usually be the full principal amount initially advanced secured by the Mortgage until repayment by the Borrower at the scheduled maturity date. Accordingly, there will be a Flexible Drawing Available Amount during each period when the total payments made by the relevant Borrower into his Flexible Mortgage account exceed the aggregate of:

- (1) the total minimum monthly payments that have fallen due and payable in respect of the relevant Flexible Mortgage, and
- (2) the total amount of Flexible Drawing Cash Advances which the Borrower has obtained.

(e) *Flexible Drawing Advances in respect of Flexible Mortgages*

A Borrower can obtain Flexible Drawing Advances from time to time in the following two ways:

- (1) the relevant Borrower may withdraw an amount from his Flexible Mortgage account (each such amount so withdrawn being a "**Flexible Drawing Cash Advance**"); and/or
- (2) the relevant Borrower may request, and the Series Special Servicer may consent, to one or more of such Borrower's monthly payments being met (in whole or in part) by capitalising to his Flexible Mortgage account the amount of interest that was scheduled to be paid by the relevant monthly payment (each such amount of interest so capitalised being a "**Flexible Drawing Capitalised Advance**") and allowing the amount of principal (if any) that was scheduled to have been repaid by the relevant monthly payment to remain outstanding on his Flexible Mortgage account;

in each case in accordance with the applicable Mortgage Conditions and to the extent that the amount of such Flexible Drawing Cash Advance or Flexible Drawing Capitalised Advance (each a "**Flexible Drawing Advance**") does not exceed the then Flexible Drawing Available Amount.

Each time a Flexible Drawing Advance is made the balance outstanding in respect of the relevant Flexible Mortgage account will increase by the amount of such Flexible Drawing Advance. The relevant Series Portfolio Legal Title Holder's and the relevant Series Portfolio Servicer's and/or Series Special Servicer's ability to consent to a Borrower obtaining a Flexible Drawing Advance will be limited by the terms of the Series Portfolio Purchase Agreement and/or the Series Portfolio Services Agreement relating to the Series.

Notwithstanding the foregoing, if the balance of the Borrower's Flexible Mortgage exceeds the Flexible Mortgage Maximum Balance, the Borrower is required (under the applicable Mortgage Conditions) immediately to repay the excess. Any Flexible Mortgage which has an outstanding balance in excess of the Flexible Mortgage Maximum Balance will be treated as in arrears and is administered in accordance with the enforcement procedures referred to in 5.9(d) *Procedures for management of arrears and taking enforcement action* (on page 40).

On each occasion that a Flexible Drawing Capitalised Advance is made, the relevant Series Treasurer shall credit the Series Principal Deficiency Record by the amount of such Flexible Drawing Capitalised Advance (given it represents interest which, if it had been paid by the Borrower, would have been credited to the Series Revenue Ledger and if the amount so credited had then been transferred to the Series Principal Ledger, and then used to fund a Mortgage Further Advance, an amount equal thereto would have been credited to the Series Principal Deficiency Record).

(f) *Commitment fees in respect of Flexible Mortgages*

If *Flexible Mortgage Commitment Fee Feature* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, under the terms of some Flexible Mortgages the Borrower may be obliged to pay a monthly commitment fee (the "**Flexible Mortgage Commitment Fee**") being calculated by multiplying a predetermined rate by the amount (if any) by which the Flexible Drawing Available Amount exceeds the Flexible Drawing Scheduled Available Amount. For these purposes the "**Flexible Drawing Scheduled Available Amount**" is, on the relevant date, a predetermined percentage (not exceeding as at the relevant Note Issue Closing Date the "**Flexible Drawing Scheduled Available Amount**", being the rate specified under the heading *Flexible Drawing Scheduled Available Amount* in the relevant Series Specific Provisions) of the then Flexible Mortgage Maximum Balance. The Series Special Servicer may, but is not obliged to, vary that percentage provided that, if and when it is varied, it does not exceed the Flexible Drawing Scheduled Available Amount.

The rate of the Flexible Mortgage Commitment Fee payable by the relevant Borrower is a percentage per annum (being not less than the "**Flexible Mortgage Commitment Fee Minimum Rate**", being the rate specified under the heading *Flexible Mortgage Commitment Fee Minimum Rate* in the relevant Series Specific Provisions) set by the relevant Series Special Servicer and the Series Special Servicer may, but is not obliged to, vary that percentage provided that, if and when it is varied, it is not less than the Flexible Mortgage Commitment Fee Minimum Rate. Any Flexible Mortgage Commitment Fee payable by a Borrower will belong to the Issuer, will be credited to the relevant Series Revenue Ledger and will be available for application in accordance with the relevant Series Waterfall.

5.8 Insurance in relation to Mortgages

(a) *Borrower Buildings Insurance Policies*

Except to the extent indicated otherwise in the relevant Note Issue Supplement, under the relevant Mortgage Conditions each Borrower is required to insure the relevant Mortgage Property under a "**Borrower Buildings Insurance Policy**" being a buildings insurance policy with an insurer in relation to the relevant Mortgage Property under which the Borrower is an insured and to procure that the mortgagee's interest is either noted on or insured under such policy.

Pursuant to the relevant Series Portfolio Purchase Agreement the Series Portfolio Seller:

- (1) will, to the extent described under the heading *Borrower Buildings Insurance Tied Policies* in the relevant Series Specific Provisions, assign to the Issuer all the right and interests (if any) of the Series Portfolio Seller in respect of, or procure that the interest of the Issuer is noted on or insured under, each buildings insurance policy arranged by or on behalf of the relevant mortgagee or the Issuer through an insurance agency or introduction arrangement between such insurer and such mortgagee or the Issuer (as the case may be) (each such policy so assigned being a "**Borrower Buildings Insurance Tied Policy**"); and
- (2) will, to the extent described under the heading *Borrower Buildings Insurance Untied Policies* in the relevant Series Specific Provisions, assign to the Issuer all the right and interests (if any) of the Series Portfolio Seller in respect of each buildings insurance policy which is not a Borrower Buildings Insurance Tied Policy arranged independently by the Borrower or, in the case of a leasehold or long lease Mortgage Property, by the relevant landlord (each such policy so assigned being a "**Borrower Buildings Insurance Untied Policy**").

The Series Specific Provisions in relation to each Series will provide the name and address of the insurer(s) in respect of Borrower Buildings Insurance Tied Policies (if any) in respect of the Mortgages comprised in the relevant Series Portfolio as at the relevant Note Issue Closing Date.

If the Borrower does not insure the Mortgage Property, or insures the Mortgage Property but violates a provision of the insurance contract, the Series Portfolio Servicer will, upon becoming aware of this, procure that buildings insurance is arranged in relation to the Mortgage Property, for the benefit of the Issuer only, in which case the Series Portfolio Servicer may determine who the insurer will be, what will be covered by the policy, the amount of the sum insured and any excess.

(b) *Other Borrower Insurance Policies*

In relation to a Series, the Issuer and the Security Trustee will have the interests (if any) specified under the heading *Borrower Insurance Other Policy Cover* in the relevant Series Specific Provisions under each "**Borrower Insurance Other Policy**" (if any) identified under the heading *Borrower Insurance Other Policy* in the relevant Series Specific Provisions.

(c) *Mortgage Insurance Policies*

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the Issuer and Security Trustee will by virtue of an assignment or endorsement be insured in respect of their respective interests under each "**Mortgagee Buildings Insurance Untied Policy**" (if any) identified under the heading *Mortgagee Buildings Insurance Untied Policy* in the relevant Series Specific Provisions which provides cover to the Issuer and the Security Trustee for damage to Mortgage Properties over which the Issuer exercises its power of sale and where a Borrower Buildings Insurance Untied Policy will not cover such damage (including where, in breach of the relevant Mortgage Conditions, the Borrower has failed to maintain, or failed to maintain the required level of cover under, a Borrower Buildings Insurance Untied Policy).

In relation to a Series, the Issuer and the Security Trustee will have the interests (if any) specified under the heading *Mortgagee Insurance Other Policy Cover* in the relevant Series Specific Provisions under each "**Mortgagee Insurance Other Policy**" (if any) identified under the heading *Mortgagee Insurance Other Policy* in the relevant Series Specific Provisions.

5.9 Aspects of servicing the Mortgages

(a) *Series Portfolio Services Issuer Policies*

The Issuer has established management policies (as varied from time to time, the "**Series Portfolio Services Issuer Policies**") for managing its Series Portfolios. The Series Portfolio Servicer will agree to perform the Series Portfolio Services in line with and subject to the applicable Series Portfolio Services Issuer Policies. In certain circumstances the Series Portfolio Servicer must consult and follow guidance given by the Issuer (or by the Series Special Servicer on behalf of the Issuer) as to the application of the Series Portfolio Services Issuer Policies to those circumstances.

The Series Portfolio Services Issuer Policies may be varied by the Issuer as from time to time in relation to a Series Portfolio, after consultation with the Series Portfolio Servicer and Series Special Servicer in respect of such Series Portfolio, the Series Treasurer and the Security Trustee, in accordance with the practice of a "**Prudent Residential Mortgage Lender**" (being in relation to a Series Portfolio a reasonable and prudent mortgage lender who originates, administers and holds to maturity residential mortgage loans and their collateral security which have in all material respects the same credit profile and are so originated, administered and held to maturity according to lending standards, lending criteria and procedures as were and/or were intended to be applied in relation to such Series Portfolio or, if the relevant context relates to a specific Mortgage, as were and/or were intended to be applied in relation to such Mortgage).

(b) *Setting of interest rates in relation to Mortgages*

The Series Portfolio Services Issuer Policies of the Issuer includes a policy (as varied from time to time, the "**Series Portfolio Interest Rate Setting Policy**") for the exercise of its powers to set interest rates applicable to Mortgages (subject to the terms of Mortgage Restricted Rate Loans).

Except to the extent indicated otherwise in the relevant Note Issue Supplement, the Series Special Servicer will, on behalf of the Issuer and the Security Trustee, set, where relevant, the rates of interest applicable to the relevant Mortgages comprised in the relevant Series Portfolio (subject to the terms of any Mortgage Restricted Rate Loans comprised in the Series Portfolio) in line with and subject to the applicable Series Portfolio Interest Rate Setting Policy and in line with the underlying Mortgage Conditions applicable to the relevant Mortgages.

In limited circumstances, the Security Trustee or any substitute Series Special Servicer appointed by the Security Trustee will be entitled to set the rates of interest applicable to the Mortgages comprised in the relevant Series Portfolio. These circumstances include a breach by the Series Special Servicer of the terms of the Series Special Services Agreement which, in the opinion of the Security Trustee, is materially prejudicial to the interests of the Series Noteholders. In such circumstances, the Security Trustee may, subject to the terms of the Series Special Services Agreement, terminate the Series Special Servicer's authority to set the rates of interest applicable to the Mortgages and/or terminate the appointment of the Series Special Servicer.

(c) *Portfolio Mortgage Default Procedures*

The Series Portfolio Services Issuer Policies of the Issuer include procedures (as varied from time to time, the "**Portfolio Mortgage Default Procedures**") for managing Mortgages that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, and, if required, for taking enforcement action in relation to the relevant Mortgage Property.

The Series Special Servicer will regularly give details in writing to the Issuer, the Security Trustee and the Series Note Trustee, in accordance with the terms of the Series Special Services Agreement, of the status of the enforcement procedures in relation to Mortgages in the relevant Series Portfolio in respect of which there are arrears and enforcement procedures being followed by the Series Portfolio Servicer in connection with those Mortgages.

(d) *Procedures for management of arrears and taking enforcement action*

The following summarises the Portfolio Mortgage Default Procedures for managing Mortgages that are in arrears.

The Series Portfolio Servicer carries out detailed daily and monthly analyses of the performance of the Portfolio and arrears. Borrowers who fail to make payments when due are contacted by the Series Portfolio Servicer's collection staff within five Business Days after becoming aware of the first non-payment. This contact is maintained by reminder letters and telephone calls during the course of the next month. Depending on the results of initial contact, the Borrower may receive multiple calls and letters during the first month of delinquency.

Through such contact, the Series Portfolio Servicer will endeavour to collect the outstanding monthly payment and any fees in full. However, if the Borrower is unable to make such payment in full, the Series Portfolio Servicer will require the Borrower to make an immediate payment and agree a schedule of payments to clear the arrears balance. If arrears are less than one month the Series Portfolio Seller will endeavour to agree an arrangement to repay over as short a period of time as possible but no greater than 12 months. Under no circumstances will an arrangement in excess of 12 months be agreed except with prior written consent from the Series Special Servicer.

Where such contact fails, or if the Borrower does not forward the requisite payments, the Series Portfolio Servicer may instruct an independent debt counsellor to visit the property to ascertain the reason for non-payment and may obtain more details about the Borrower's circumstances. The debt counsellor's report will be reviewed to assess the action to be taken by the Series Portfolio Servicer and assess the condition of the property.

Once a Borrower falls two months' or more into arrears (i.e. the equivalent of two missed monthly mortgage payments), the Issuer (or the Series Portfolio Servicer applying the Issuer's policies) will decide whether to instruct a solicitor and commence legal proceedings, or to delay litigation in order to give the Borrower time to perform under the arrangement to pay. Delays will only be sanctioned by the Issuer (or the relevant Series Special Servicer applying the Issuer's policies) when there are clear signs that a satisfactory paying agreement will be reached shortly, or when the Department for Work and Pensions is contributing to monthly payments. If no such delay is sanctioned, the Borrower will be issued with a notice giving seven days to clear all arrears or face enforcement procedures.

Once enforcement becomes necessary, the procedures may include one or more of:

- (1) appointing a receiver of rent (or, in the case of Scottish Mortgages, the direct collection of rent by the Series Portfolio Servicer) where the relevant Mortgage Property has sitting tenants (as may, for example, be the case in relation to an Investment Home Mortgage);
- (2) making arrangements whereby a Borrower's payments may be varied;
- (3) pursuing (including taking legal action against) one or more guarantors (if any) of the sums owing under the Mortgage;
- (4) sale of the relevant Mortgage Property with sitting tenants as an investment (as may, for example, be the case in relation to an Investment Home Mortgage); and
- (5) taking legal action for possession and subsequent sale of the relevant Mortgage Property with vacant possession.

Whether the lender adopts one or more of the actions described above will depend upon a number of considerations including the existence of guarantors, the existence of tenants within the Mortgage Property and their propensity to pay rent, the ratio of rent received to monthly instalments due under the Mortgage, the security of tenure enjoyed by any tenants and the anticipated net receipts from a sale of the Mortgage Property with vacant possession or with sitting tenants.

Further aspects of these procedures are summarised in 5.9(e) *Aspects of enforcement relating to English Mortgages and Northern Irish Mortgages* and 5.9(f) *Aspects of enforcement relating to Scottish Mortgages* below.

Where litigation is to be commenced, the Series Portfolio Servicer will select solicitors from a pre-selected panel. During litigation, the Series Portfolio Servicer will maintain constant contact with the Borrower to collect moneys or agree an arrangement to pay.

Where the court grants an eviction date and a property is taken into possession, the Series Portfolio Servicer will appoint managing agents with a view to achieving a swift sale at the best price. In England and Wales for a non-paying and non-responding Borrower, it can sometimes take over 12 months from the date of the first missed monthly payment in respect of a mortgage to sell a property. Factors driving this timeline will include: how busy the courts are, the state of the property market and the relevant Borrower's special circumstances.

(e) *Aspects of enforcement relating to English Mortgages and Northern Irish Mortgages*

The following summarises some aspects relevant to enforcement action in respect of English Mortgages and Northern Irish Mortgages.

(1) *Receiver of rent in respect of tenanted Mortgage Properties*

Where appointed, a receiver of rent (which is not available in Scotland) is deemed to be the agent of the Borrower and must collect any rents payable in respect of the Mortgage Property and apply them (after payment of certain statutorily prescribed outgoings) in payment of any interest and arrears accruing under the Mortgage and thereafter any surplus shall either be applied in discharge of principal if required by the lender, or paid to the Borrower.

(2) *Possession of Mortgage Property needed to realise the Mortgage Property Security*

In order to realise its security in respect of a property located in England, Wales or Northern Ireland, the relevant mortgagee (be it the relevant Series Portfolio Legal Title Holder (as legal title owner), the Issuer, the Series Note Trustee or any receiver appointed by the Series Note Trustee (if the Series Note Trustee has taken enforcement action against the Issuer) will need to obtain possession.

(3) *Obtaining possession of tenanted Mortgage Properties*

Any action for possession of a Mortgage Property which is the subject of a letting would include a claim not only against any tenants but also against the Borrower to assist in defeating any subsequent attempt by the Borrower to assert a right of occupation. In broad terms, a lender has the same (but no better) rights against a tenant (for example, to regain possession) as are enjoyed by the Borrower as landlord.

Where the tenant is an individual, he will, as an assured shorthold tenant (or, if in Northern Ireland, a tenant having similar rights as an assured shorthold tenant), have a limited right to security of tenure in that although an order for possession must be made against the tenant (provided, in certain cases, prescribed notices have been served) it cannot take effect earlier than six months after the beginning of the tenancy in the case of a periodic tenancy, or, in the case of a fixed term tenancy, before the expiry of the fixed term unless the tenant fails to keep to the provisions of the tenancy agreement.

Where the tenant is other than an individual, an order for possession cannot take effect before the expiry of the fixed term unless the tenant fails to keep to the provisions of the tenancy agreement.

(4) *Obtaining possession of owner occupied English Mortgage Properties*

In relation to an Owner Occupied Mortgage in England and Wales there are two means of obtaining possession of the property for this purpose: first, by taking voluntary surrender, and secondly, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the realisation proceeds 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.

Actions to obtain a court order 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 (sometimes referred to as suspended possession orders). 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 court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with 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.

(5) *Sale of Mortgage Property following possession*

Once possession of the property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain the best price reasonably obtainable at the time 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. The net proceeds of sale of the Mortgage Property (after payment of the costs and expenses of the sale) would be applied against the sums owing from the Borrower to the extent necessary to discharge the Mortgage.

(6) *Obtaining possession of Northern Irish Mortgage Properties*

In relation to Northern Irish Mortgages, in cases of default by a Borrower requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings.

After a possession order is obtained the judgement is enforced through the Enforcement of Judgements Office (rather than by bailiffs) and it has its own procedures for enforcement. By virtue of Article 51 of The Judgements Enforcement (Northern Ireland) Order 1981 an order charging land, i.e. a judgement mortgage, if founded on a judgement in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatsoever affecting that land except other debts owing to the Crown.

(f) *Aspects of enforcement relating to Scottish Mortgages*

Each Scottish Mortgage (if any) in the relevant Series Portfolio is secured over the relevant Mortgage Property by way of a standard security, being the only means of creating a fixed charge or security over heritable property (i.e. land or buildings) in Scotland. In respect of Scottish Mortgages, references in the Note Listing Documents to a "mortgage" and a "mortgagee" are to be read as references to such a standard security and the heritable creditor (being the technical term under Scots law for mortgagee) thereunder, respectively.

(1) *Variation of Standard Conditions to conform certain aspects to position under English Mortgages*

A statutory set of "**Standard Conditions**" is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary and extend the Standard Conditions by way of a "Deed of Variations", the terms of which are in turn imported into each Scottish Mortgage. Except to the extent indicated otherwise in the relevant Note Issue Supplement, each Series Portfolio Originator has executed a Deed of Variations of Standard Conditions with a view to conforming as far as possible the terms of its Scottish and English Mortgages from an operational viewpoint (subject to such limitations as are inherent to the differences between Scots and English law).

(2) *Standard Conditions not varied in relation to enforcement and redemption*

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement and redemption. Generally, where a breach by a Borrower entitles the lender to require repayment an appropriate statutory notice must first be served.

Firstly, the lender may serve a "calling up notice" with which the Borrower has two months to comply, failing which the lender may enforce its rights under the standard security by sale or the other remedies provided by statute (court application only being necessary where the Borrower fails to vacate the property but almost invariably adopted in practice).

Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which event the Borrower has only one month in which to comply, but also has the right to object to the notice by court application within 14 days of the date of service. In addition, the lender may in certain

circumstances make direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case, and the Series Portfolio Servicer will in practice proceed with the remedy most likely to be effective in enforcing or protecting the security.

In contrast to the position in England and Wales, a heritable creditor has no power to appoint a receiver under a standard security.

(3) *Possible suspension of lender's enforcement remedies*

Prior to December 2001, on court application being made by the lender for the relevant enforcement remedies (once a default by the Borrower had been established by one of the methods detailed in the preceding paragraph) the Scottish courts were bound, except in very limited circumstances, to grant the enforcement remedies sought. However, this position was altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of this Act has been to confer on the court a discretion, on the application of the Borrower (or the Borrower's spouse or partner) within certain time limits, to suspend the exercise of the lenders' enforcement remedies for such period and to such extent as the court considers reasonable in the circumstances, having regard amongst other factors to the nature of the default, the applicant's ability to remedy it, any action taken by the lender to assist the Borrower in fulfilling its obligations and the availability of alternative accommodation.

(4) *Obtaining possession of tenanted Mortgage Properties*

In relation to Scottish Mortgage Properties subject to an assured or short assured tenancy, the heritable creditor under a standard security can in certain circumstances seek possession of that Mortgage Property under Ground 2 of Schedule 5 to the Housing (Scotland) Act 1988. Ground 2 is that a property is subject to a standard security and the creditor is entitled to sell the property because of the debtor's failure to comply with the conditions of the loan secured by the standard security. This ground will apply only where: (A) the standard security existed before the creation of the tenancy, and (B) the Borrower gave the tenant notice in writing before the creation of the tenancy that possession of the Mortgage Property may be recovered on this ground, unless the court holds it to be reasonable to waive this requirement. Provided that the prescribed notices have been served on the tenant and Ground 2 is established then the court must grant an order for possession.

(5) *Rents in respect of tenanted Mortgage Properties*

The heritable creditor under a standard security is not entitled to recover the rents payable in respect of a Scottish Mortgage Property until either it has called up the relevant standard security (and the 2 month period of notice has expired) or it has been granted a court decree entitling the heritable creditor to recover the rents.

(6) *Grantor's statutory right to redeem a standard security after 20 years*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years, subject only to the payment of certain sums specified in Section 11 of that Act. The specified sums consist essentially of the principal monies advanced by the lender, interest thereon and expenses incurred by the lender in relation to that standard security.

5.10 Mortgage regulation in the United Kingdom

The primary regulatory requirements applicable to mortgage lending in the United Kingdom are imposed by the FSMA and the Consumer Credit Act 1974 ("CCA") and the secondary legislation made under the FSMA and the CCA.

(a) *Mortgage regulation under FSMA*

The FSMA regulates financial services in the United Kingdom. The FSMA states that no person may carry on a regulated activity in the United Kingdom, or purport to do so, unless he is an authorised person or an exempt person. Mortgage business became regulated under the FSMA on the Mortgage Regulation Date. Prior to the Mortgage Regulation Date, in the United Kingdom, self-regulation of mortgage business existed under the Mortgage Code issued by the Council of Mortgage Lenders.

(b) *Regulated mortgage contracts*

The FSMA applies to a "**regulated mortgage contract**". A mortgage loan contract will be a regulated mortgage contract under the FSMA, if it is originated on or after the Mortgage Regulation Date or originated prior to the Mortgage Regulation Date but varied on or after the Mortgage Regulation Date such that a new contract is entered into and if, at the time it is entered into:

- (1) the Borrower is an individual or trustee;
- (2) the contract provides for the obligation of the Borrower to repay to be secured by a first legal mortgage (or the Scottish equivalent) on land (other than timeshare accommodation) in the UK; and
- (3) at least 40% 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.

Therefore, the FSMA will not apply to a mortgage contract that is secured by a second or subsequent charge, is provided to a corporate body or is an Investment Home Mortgage.

(c) *Continuing relevance of CCA*

So as to avoid dual regulation all FSA regulated mortgage loans are not subject to the CCA. A mortgage contract that would (except for this carve-out) be regulated under the CCA or treated as such will, however, only be enforceable on an order of the court pursuant to section 126 of the CCA, notwithstanding it being regulated under the FSMA. A credit agreement, which is not a regulated mortgage contract under the FSMA will be regulated by the CCA if:

- (1) the amount of credit provided is £25,000 or less;
- (2) the debtor is an individual, including a partnership or other unincorporated body of persons not consisting entirely of body corporate; and
- (3) the agreement concerned does not benefit from an applicable exemption specified under the CCA.

(d) *Regulated mortgage-related activities*

On and from the Mortgage Regulation Date, subject to any exemption, persons carrying on specified regulated mortgage-related activities by way of business must be authorised by the Financial Services Authority (the "FSA") under the FSMA. The specified activities currently are:

- (1) entering into a regulated mortgage contract as lender;
- (2) administering a regulated mortgage contract (administering in this context means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan);
- (3) advising on regulated mortgage contracts; and
- (4) arranging regulated mortgage contracts.

Agreeing to carry on any of these activities is also a regulated activity. If requirements as to, among other things, authorisation of lenders and brokers are not complied with, a regulated mortgage contract will be unenforceable against the Borrower except with the approval of a court and the unauthorised person performing the regulated activity will commit a criminal offence.

(e) *Certain exclusions to regulated activities*

The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, sets out certain exclusions to these provisions. Among other things, these exclusions state that a person who is not an authorised person does not carry on the regulated activity of administering a regulated mortgage contract where he:

- (1) arranges for another person, being an authorised person with permission to carry on an activity of that kind, to administer the contract; or
- (2) administers the contract himself during a period of not more than one month beginning with the day on which any such arrangement comes to an end.

(f) *Financial promotion of regulated mortgage products*

The regime under the FSMA regulating financial promotions covers the content and manner of promotion of agreements relating to qualifying credit, and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of regulated mortgage products but

also promotions of certain other types of secured credit agreements under which the lender is a person who carries on the regulated activity of entering into a regulated mortgage contract. Failure to comply with this regime will be a criminal offence and will render the agreements relating to qualifying credit unenforceable against the Borrower except with the approval of a court.

(g) *Consequence of regulated mortgage-related activity by an unauthorised person*

An unauthorised person who carries on a regulated mortgage-related activity of administering or advising in respect of a regulated mortgage contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the Borrower.

(h) *Mortgages Conduct of Business Sourcebook*

A person who carries on a regulated mortgage-related activity is subject to the FSA requirements in the FSA's Mortgages Conduct of Business Sourcebook ("**MCOB**"). 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. A Borrower who is a private person is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule.

(i) *Distance marketing of financial services*

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive has been implemented in the United Kingdom by the Financial Services (Distance Marketing) Regulations 2004 (the "**Distance Marketing Regulations**") and the amendments to MCOB. The Distance Marketing Regulations apply to, among other things, 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). The Distance Marketing Regulations and MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers before the consumer is bound by a distance contract, including amongst other things, general information in respect of the supplier and the financial service, contractual terms and conditions and whether or not there is a right of cancellation.

In general, consumers who enter into credit agreements by means of a distance communication will have a right to cancel the agreement during specified periods after the commencement of the contract if the consumer does not receive the prescribed information at the prescribed time. However, a regulated mortgage contract under the FSMA will not be cancellable under the Distance Marketing Regulations. Nonetheless, failure to comply with MCOB rules relating to distance communications could result in disciplinary action by the FSA and a possible claim by a borrower who is a private person for loss suffered as a result of any contravention by an authorised person of an FSA rule.

(j) *Electronic Commerce Directive*

With effect from (for the most part) 21 August 2002, the E Commerce Directive has been implemented in the UK by a number of statutory instruments and implementing rules including, but not limited to, the Electronic Commerce Directive (EC Directive) Regulations 2002 (the "**E Commerce Regulations**") (which apply to non-FSA regulated entities), the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002, as amended (which apply to FSA regulated entities) and the Electronic Commerce Directive Sourcebook in the FSA Handbook.

The E Commerce Directive aims to harmonise cross-border "information society services" by requiring Member States to apply the principle of "country of origin" regulation to services provided using electronic means. "Information society services" are defined as any service normally provided for remuneration, at a distance by means of electronic equipment and at the individual request of a recipient of a service. Under the principle of "country of origin", a firm providing cross-border "information society services" must comply with the applicable rules in the home Member State from which it is providing the services and the host Member State into which it is providing the services cannot, subject to certain exceptions, impose additional restrictions.

The E Commerce Directive also requires Member States to impose disclosure and other rules on firms offering "information society services" before any contract is entered into. The information to be disclosed includes, but is not limited to, contact details for the service provider and details of the service provider's supervisory authority. The E Commerce Directive also requires disclosure of information to the recipient on how to place orders and conclude contracts by electronic means.

Failure to comply with the Electronic Commerce Directive Sourcebook rules could result in, amongst other things, disciplinary action by the FSA and possible claims under section 150 of the FSMA for breach of FSA rules. Under the E Commerce Regulations the information disclosure requirements are enforceable, by

any recipient of a service, by an action against the service provider for damages for breach of statutory duty. In addition, where the E Commerce Regulations apply and the service provider has not made available means of allowing a recipient to identify and correct input errors prior to concluding the contract, then the recipient will be entitled to rescind the contract unless a court having jurisdiction in respect of the particular contract orders otherwise on the application of the service provider. The E Commerce Regulations also enable an application to be made for a court order to stop an infringement of the information disclosure requirements which harms the collective interests of consumers.

(k) *Issuer's arrangements in respect of regulated mortgage-related activities*

The Issuer will not need to be an authorised person under the FSMA in order to acquire legal or beneficial title to a regulated mortgage contract. The Issuer does not itself propose to be an authorised person under the FSMA.

The Issuer will not carry on the regulated activity of administering in relation to regulated mortgage contracts, where such contracts are administered pursuant to an administration agreement by an entity having the required FSA authorisation and permission. If such administration agreement terminates, 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 administrator having the required FSA authorisation and permission.

In particular, where compliance by a Series Portfolio Servicer relating to a Series with its obligations as contemplated in the relevant Series Portfolio Services Agreement relating to that Series would involve the Series Portfolio Servicer carrying on a regulated activity for the Issuer and the Issuer is not authorised at the appropriate time under the FSMA to carry on that regulated activity, then, unless indicated otherwise in the relevant Note Issue Supplement, the Series Special Servicer will agree to perform that regulated activity on behalf of the Issuer and to instruct that Series Portfolio Servicer to perform such obligations on behalf of the Series Special Servicer (instead of the Issuer) as contemplated in that Series Portfolio Services Agreement regarding the performance of such regulated activities in such circumstances. Furthermore, in such circumstances where the Series Portfolio Legal Title Holder is authorised at the appropriate time under the FSMA to carry on that regulated activity, then, unless indicated otherwise in the relevant Note Issue Supplement, in the relevant Series Portfolio Purchase Agreement the Series Portfolio Legal Title Holder will agree that the powers of attorney referred to in 5.4(d) *Security powers of attorney pending perfection of title* (on page 31) may be used to instruct that Series Portfolio Servicer to perform such obligations in respect of that regulated activity on behalf of the Series Portfolio Legal Title Holder (instead of the Issuer) as contemplated in that Series Portfolio Services Agreement regarding the performance of the relevant regulated activity in such circumstances.

The Series Portfolio Services Agreement and Series Special Services Agreement will also provide that the appointment of the relevant Series Portfolio Servicer or Series Special Servicer (as the case may be) will, unless the Issuer and the Security Trustee agree otherwise, be terminated with immediate effect if at any time that Series Portfolio Servicer or Series Special Servicer (as the case may be) does not have any authorisation under the FSMA which it is required to have in order to perform the services which it has agreed in the Series Portfolio Services Agreement or Series Special Services Agreement (as the case may be) to perform. See 3.6 *Regulation of Mortgage Business in the United Kingdom* (on page 22).

(l) *Variations and Mortgage Further Advances*

In the event that a Mortgage is varied after the Mortgage Regulation Date, 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 appropriately authorised entity. It is possible that the provision of a Mortgage Further Advance under a Mortgage or a Mortgage Type Conversion could, depending on the circumstances in which it is made, constitute a new regulated mortgage contract being entered into. It will be a condition to the making or purchase of a Mortgage Further Advance or the making of a Mortgage Type Conversion in respect of a Mortgage that either:

- (1) the making of that variation or making or purchase of that advance (as the case may be) will not involve the Issuer, the Series Portfolio Servicer, the Series Special Servicer or the Series Portfolio Legal Title Holder carrying on a regulated activity in the United Kingdom, if the Issuer, the Series Portfolio Servicer, the Series Special Servicer and/or the Series Portfolio Legal Title Holder would be required to be authorised under the FSMA to do so; or
- (2) if the making of that variation or making or purchase of that advance (as the case may be) would involve the Issuer, the Series Portfolio Servicer, the Series Special Servicer and/or the Series Portfolio Legal Title Holder carrying on a regulated activity in the United Kingdom, the Issuer, the Series

Portfolio Servicer, the Series Special Servicer and/or the Series Portfolio Legal Title Holder (as appropriate) are authorised at the appropriate time under the FSMA to do so.

6. PROVISION OF SERVICES TO THE ISSUER

6.1 Overview of provision of services to the Issuer

The Issuer is a special purpose company and does not have any employees (see 4.3 *Office holders and employees* on page 26). As described in this section, the Issuer either has or will enter into agreements under which it will engage service providers to provide certain services in connection with the Issuer's business and the Programme.

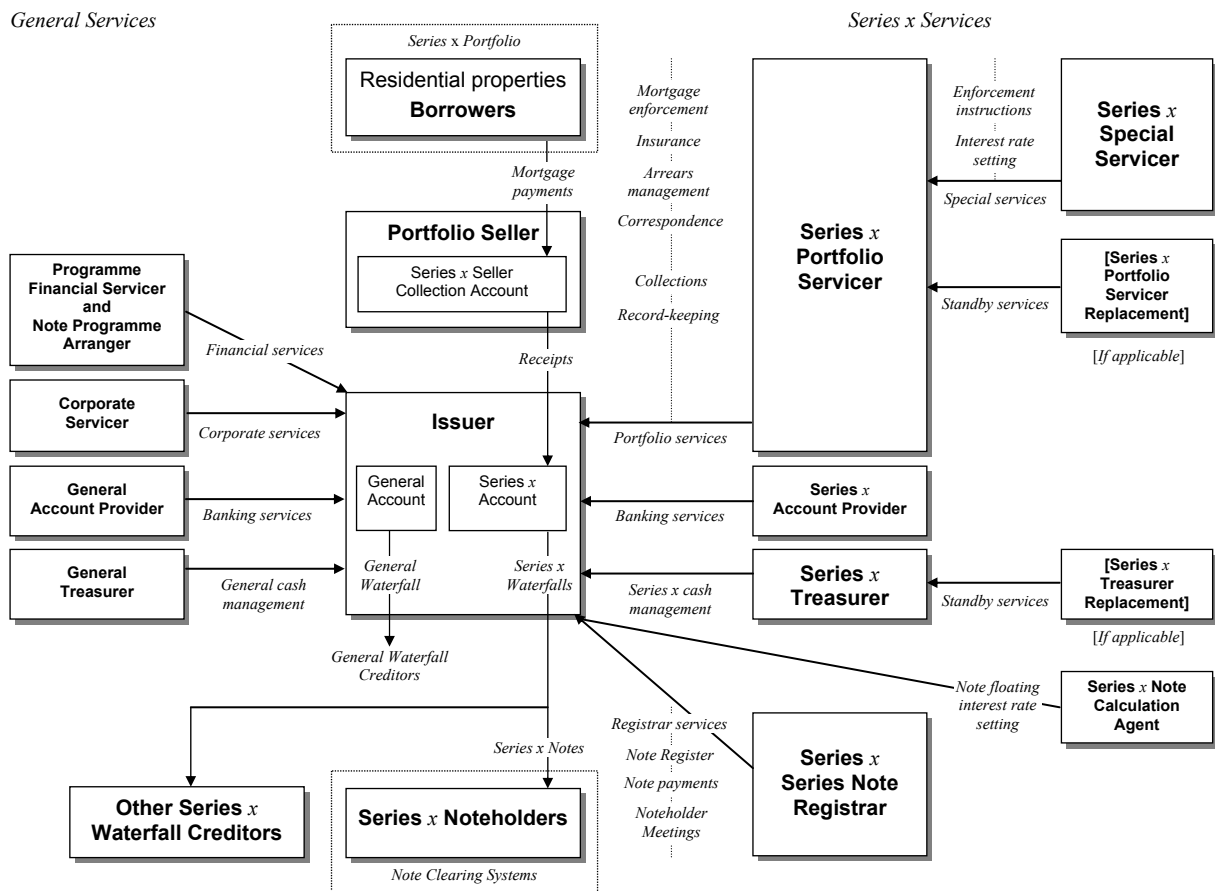
(a) General Services

The "**General Services**" comprise the Programme Financial Services, the Note Programme Arranger Services, the Corporate Services, the General Account Services, the General Treasury Services and any General Additional Services. Each person who agrees to provide General Services is referred to as a "**General Servicer**" and each agreement pursuant to which such person agrees to provide the relevant General Services is referred to as a "**General Services Agreement**".

(b) Series Services

The "**Series Services**" comprise, in relation to a Series, the Series Portfolio Services, (if Applicable) the Series Portfolio Servicer Replacement Services, the Series Special Services, the Series Account Services, the Series Treasury Services, (if Applicable) the Series Treasurer Replacement Services, the Series Note Services and any Series Additional Services, in each case, relating to that Series. Each person who agrees to provide Series Services is referred to as a "**Series Servicer**" and each agreement pursuant to which such person agrees to provide the relevant Series Services is referred to as a "**Series Services Agreement**".

The following diagram is intended to provide an initial impression of some aspects of the structure for the provision of services to the Issuer (showing, for illustration, the Series Services for one Series and the General Services):



6.2 Series Portfolio Services

(a) Appointment of Series Portfolio Servicers under Series Portfolio Services Agreements

In relation to each Series, the Issuer will enter into each Series Portfolio Services Agreement specified under the heading *Series Portfolio Services Agreement* in the relevant Series Specific Provisions (each a

"**Series Portfolio Services Agreement**") pursuant to which it will appoint each person specified under the heading *Series Portfolio Servicer* in the relevant Series Specific Provisions (each a "**Series Portfolio Servicer**" which expression shall include any person appointed as its replacement) to provide Series Portfolio Services in relation to that Series. Where more than one Series Portfolio Servicer is appointed in relation to a Series, one or more of them may, if so indicated under the heading *Series Portfolio Servicer* in the Series Specific Provisions, be so appointed to provide Series Portfolio Services only in relation to a specified part of the relevant Series Portfolio. Each Note Issue Supplement will contain summary details of each Series Portfolio Servicer in respect of the relevant Series Portfolio as at the date of that Note Issue Supplement.

(b) *Overview of Series Portfolio Services*

In relation to a Series, the services (being the "**Series Portfolio Services**") to be performed by each Series Portfolio Servicer under the relevant Series Portfolio Services Agreement include:

- (1) administering the collection of payments on the Mortgages (including by direct debit, cheques or any other methods) and administering the discharge of Mortgages upon redemption;
- (2) dealing with communications to and from Borrowers and, if permitted and subject to the consent of the Series Special Servicer, the variation of the terms of and, if permitted, conversion of Mortgages from time to time;
- (3) administering the exercise of the powers to set interest rates applicable to Mortgages in the relevant Series Portfolio (subject to, among other things, the terms of Mortgage Restricted Rate Loans);
- (4) administering, if permitted, the making or purchase of Mortgage Further Advances ;
- (5) administering and making claims under insurance policies relating to the Mortgages;
- (6) monitoring and, where appropriate, pursuing arrears and enforcing Mortgages; and
- (7) taking all reasonable steps to ensure safe custody and separate identity of all title deeds and documents in respect of the Mortgages which are in its possession;

in each case relating to the Series Portfolio (or part of the Series Portfolio) administered by that Series Portfolio Servicer. See further 5.9 *Aspects of servicing the Mortgages* on page 39.

6.3 Series Portfolio Servicer Replacement Services

(a) *Appointment of Series Portfolio Servicer Replacement*

If *Series Portfolio Servicer Replacement Feature* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the Issuer will enter into each Series Portfolio Servicer Replacement Agreement specified under the heading *Series Portfolio Servicer Replacement Agreement* in the relevant Series Specific Provisions (each a "**Series Portfolio Servicer Replacement Agreement**") pursuant to which each person (if any) specified under the heading *Series Portfolio Servicer Replacement* in the relevant Series Specific Provisions (each such person being a "**Series Portfolio Servicer Replacement**") will agree to provide Series Portfolio Servicer Replacement Services in relation to that Series. Each Note Issue Supplement will contain summary details of each Series Portfolio Servicer Replacement in relation to the relevant Series as at the date of that Note Issue Supplement.

(b) *Series Portfolio Servicer Replacement Services*

In relation to a Series, the services (being the "**Series Portfolio Servicer Replacement Services**") to be performed by each Series Portfolio Servicer Replacement under the relevant Series Portfolio Servicer Replacement Agreement include:

- (1) agreeing to provide services equivalent to the relevant Series Portfolio Services to the Issuer and the Security Trustee instead of any Series Portfolio Servicer which is specified in relation to such Series Portfolio Servicer Replacement under the heading *Series Portfolio Servicer Replacement* in the relevant Series Specific Provisions in the event that the appointment of such Series Portfolio Servicer is terminated and the Issuer or Security Trustee is unable to appoint another person to replace such Series Portfolio Servicer; and
- (2) agreeing to establish and maintain arrangements which can be used to migrate relevant records from such Series Portfolio Servicer to such Series Portfolio Servicer Replacement.

6.4 Series Special Services

(a) *Appointment of Series Special Servicers*

If *Series Special Servicer Feature* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the Issuer will enter into each Series Special Servicer Agreement specified under the heading *Series Special Services Agreement* in the relevant Series Specific Provisions (each a "**Series Special Services Agreement**") pursuant to which each person (if any) specified under the heading *Series Special Servicer* in the relevant Series Specific Provisions (each such person being a "**Series Special Servicer**" which expression shall include any person appointed as its replacement) will agree to provide Series Special Services in relation to that Series. Each Note Issue Supplement will contain summary details of each Series Special Servicer in respect of the relevant Series Portfolio as at the date of that Note Issue Supplement.

(b) *Series Special Services*

In relation to a Series, the services (being the "**Series Special Services**") to be performed by each Series Special Servicer under the relevant Series Special Services Agreement may include:

- (1) provision of guidance and instructions to each Series Portfolio Servicer as to the interpretation and application of the Series Portfolio Services Issuer Policies;
- (2) exercise on behalf of the Issuer in accordance with the Issuer's Series Portfolio Interest Rate Setting Policy, the Issuer's powers to set interest rates applicable to Mortgages in the relevant Series Portfolio (subject to the terms of Mortgage Restricted Rate Loans);
- (3) provision of guidance and instructions to each Series Portfolio Servicer upon enforcement action in relation to a Mortgage as to the interpretation and application of the Portfolio Mortgage Default Procedures;
- (4) administration of the Issuer's obligations in respect of any Mortgage Further Purchases (see 5.2(c) *Mortgage Further Purchases* on page 29); and
- (5) administration of the Issuer's rights in respect of making amendments to the terms of a Mortgage in the relevant Series Portfolio (see 5.6(k) *Conversion of Mortgage features* on page 35).

See further 5.9 *Aspects of servicing the Mortgages* on page 39.

6.5 General Account Services

(a) *Appointment of General Account Provider*

On the Note Programme Establishment Date the Issuer entered into the General Account Services Agreement specified under the heading *General Account Services Agreement* in the relevant Programme Specific Provisions (each a "**General Account Services Agreement**") pursuant to which the person specified under the heading *General Account Provider* in the relevant Programme Specific Provisions (each such person being a "**General Account Provider**") agreed to provide General Account Services. Each Note Issue Supplement will contain summary details of each General Account Provider as at the date of that Note Issue Supplement.

(b) *General Account Services*

The banking services (being the "**General Account Services**") to be performed by each General Account Provider under the relevant General Account Services Agreement include:

- (1) the provision to the Issuer of one or more bank accounts (each a "**General Account**") from time to time by the General Account Provider for the purposes of the Programme; and
- (2) the provision of statements in respect of each General Account; and
- (3) the debiting and crediting of amounts in respect of each General Account.

The General Account Services Agreement also sets out the arrangements for the operation of the General Account including the issue of mandates by the Issuer authorising specified persons to operate the General Account.

The Issuer may, with the prior written consent of the Security Trustee, open additional or replacement General Accounts.

6.6 Series Account Services

(a) *Appointment of Series Account Providers*

In relation to each Series, the Issuer will enter into each Series Transaction Account Services Agreement specified under the heading *Series Transaction Account Services Agreement* in the relevant Series Specific Provisions (each a "**Series Transaction Account Services Agreement**") pursuant to which it will appoint each person specified under the heading *Series Transaction Account Provider* in the relevant Series Specific Provisions (each a "**Series Transaction Account Provider**" which expression includes any replacement) to provide Series Transaction Account Services in relation to each relevant Series Transaction Account opened by the Issuer with that Series Transaction Account Provider in relation to that Series.

In relation to a Series, the Issuer will enter into each Series Investment Account Services Agreement (if any) specified under the heading *Series Investment Account Services Agreement* in the relevant Series Specific Provisions (each a "**Series Investment Account Services Agreement**") pursuant to which it will appoint each person specified under the heading *Series Investment Account Provider* in the relevant Series Specific Provisions (each a "**Series Investment Account Provider**" which expression includes any replacement) to provide Series Account Services in relation to each relevant Series Investment Account opened by the Issuer with that Series Investment Account Provider in relation to that Series.

Each Series Transaction Account Provider and Series Investment Account Provider in relation to that Series is referred to as a "**Series Account Provider**" and each Series Transaction Account Services Agreement and Series Investment Account Services Agreement in relation to that Series is referred to as a "**Series Account Services Agreement**".

The Issuer may enter into further Series Account Services Agreements with further Series Account Providers provided that, where there are Notes outstanding in respect of the relevant Series which are at the relevant time rated by any Series Note Rating Agency, the Security Trustee and the relevant Series Note Trustee has received a copy from the Issuer of a written confirmation from each Series Note Rating Agency that the then current ratings by such Series Note Rating Agency of such Notes (if any) which will remain outstanding following the entering into of further Series Account Services Agreements will not be downgraded, withdrawn or qualified as a result only of the entering into of such further Series Account Services Agreements. Each Note Issue Supplement will contain summary details of each Series Account Provider in relation to the Series as at the date of that Note Issue Supplement.

In relation to each Series, the Issuer will open and maintain at least one transaction account (each a "**Series Transaction Account**" which expression includes any replacement of such account) with a Series Transaction Account Provider. If the Issuer enters into a Series Investment Account Services Agreement in relation to a Series, the Issuer will open and maintain at least one investment account (each a "**Series Investment Account**" which expression includes any replacement of such account) in respect of that Series. Each Series Transaction Account and Series Investment Account in relation to that Series is referred to as a "**Series Account**". The Issuer may, with the prior written consent of the Security Trustee, open additional or replacement Series Accounts.

(b) *Series Account Services*

The banking services (being the "**Series Account Services**") to be performed by each Series Account Provider under the relevant Series Account Services Agreement include:

- (1) the provision to the Issuer of the relevant Series Accounts from time to time by that Series Account Provider for the purposes of the Series; and
- (2) the provision of statements in respect of each such Series Account; and
- (3) the debiting and crediting of amounts in respect of each such Series Account.

The Series Account Services Agreement also sets out the arrangements for the operation of each relevant Series Account including the issue of mandates by the Issuer authorising specified persons to operate each relevant Series Account.

6.7 General Treasury Services

(a) *Appointment of General Treasurer*

On the Note Programme Establishment Date the Issuer entered into the General Treasury Services Agreement specified under the heading *General Treasury Services Agreement* in the relevant Programme Specific Provisions (each a "**General Treasury Services Agreement**") pursuant to which the person specified under the heading *General Treasurer* in the relevant Programme Specific Provisions (each such

person being a "**General Treasurer**") agreed to provide General Treasury Services. Each Note Issue Supplement will contain summary details of the General Treasurer as at the date of that Note Issue Supplement.

(b) *General Treasury Services*

The services (being the "**General Treasury Services**") to be performed by the General Treasurer under the relevant General Treasury Services Agreement include:

- (1) managing and administering and preparing various reports on all cash transactions and establishing and maintaining all cash management ledgers in relation to the General Waterfall Assets (including, without limitation, in relation to the relevant General Waterfalls);
- (2) making, managing and unwinding authorised investments in relation to cash comprised from time to time in the relevant General Waterfall Assets; and
- (3) managing, administering and preparing various reports on the operation of each General Account and each General Subordinated Facility Agreement.

6.8 Series Treasury Services

(a) *Appointment of Series Treasurers*

In relation to each Series, the Issuer will enter into the Series Treasury Services Agreement specified under the heading *Series Treasury Services Agreement* in the relevant Series Specific Provisions (each a "**Series Treasury Services Agreement**") pursuant to which the person specified under the heading *Series Treasurer* in the relevant Series Specific Provisions (such person being a "**Series Treasurer**" which expression shall include any person appointed as its replacement) will agree to provide Series Treasury Services in relation to that Series. Each Note Issue Supplement will contain summary details of the Series Treasurer in respect of the relevant Series as at the date of that Note Issue Supplement.

(b) *Series Treasury Services*

In relation to a Series, the services (being the "**Series Treasury Services**") to be performed by the Series Treasurer under the relevant Series Treasury Services Agreement include:

- (1) managing and administering and preparing various reports on all cash transactions and establishing and maintaining all cash management ledgers in relation to the Series Waterfall Assets (including, without limitation, in relation to the relevant Series Waterfalls);
- (2) making, managing and unwinding authorised investments in relation to cash comprised from time to time in the relevant Series Waterfall Assets; and
- (3) managing, administering and preparing and delivering various reports (to, without limitation, investors in the Notes) on the operation of each Series Account, each Series Credit Support Document, each Series Hedge Agreement, in each case in relation to that Series.

For the purpose of the Series Treasury Services, the Series Treasurer will be authorised to operate the Series Accounts.

6.9 Series Treasurer Replacement Services

(a) *Appointment of Series Treasurer Replacements*

If *Series Treasurer Replacement Feature* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the Issuer will enter into each Series Treasurer Replacement Agreement specified under the heading *Series Treasurer Replacement Agreement* in the relevant Series Specific Provisions (each a "**Series Treasurer Replacement Agreement**") pursuant to which each person (if any) specified under the heading *Series Treasurer Replacement* in the relevant Series Specific Provisions (each such person being a "**Series Treasurer Replacement**") will agree to provide Series Treasurer Replacement Services in relation to that Series. Each Note Issue Supplement will contain summary details of each Series Treasurer Replacement in respect of the relevant Series as at the date of that Note Issue Supplement.

(b) *Series Treasurer Replacement Services*

In relation to a Series, the services (being the "**Series Treasurer Replacement Services**") to be performed by each Series Treasurer Replacement under the relevant Series Treasurer Replacement Agreement include:

- (1) agreeing to provide services equivalent to the relevant Series Treasury Services to the Issuer and the Security Trustee instead of the relevant Series Treasurer in the event that the appointment of such

Series Treasurer is terminated and the Issuer or Security Trustee is unable to appoint another person to replace such Series Treasurer; and

- (2) establishing and maintaining arrangements which can be used to migrate relevant records from such Series Treasurer to such Series Treasurer Replacement.

6.10 Corporate Services

(a) *Appointment of Corporate Servicer*

On the Note Programme Establishment Date the Issuer entered into the Corporate Services Agreement specified under the heading *Corporate Services Agreement* in the relevant Programme Specific Provisions (each a "**Corporate Services Agreement**") pursuant to which the person specified under the heading *Corporate Servicer* in the relevant Programme Specific Provisions (each such person being a "**Corporate Servicer**") agreed to provide Corporate Services. Each Note Issue Supplement will contain summary details of the Corporate Servicer as at the date of that Note Issue Supplement.

(b) *Corporate Services*

The services (being the "**Corporate Services**") to be performed by the Corporate Servicer under the Corporate Services Agreement include:

- (1) providing the services of directors of the Issuer in England and Wales, providing a company secretary for the Issuer, providing persons to act as signatories of the Issuer;
- (2) preparing and maintaining such books and records as may be required in the normal course of the businesses of the Issuer and, in order to comply with the laws and regulations of England and Wales, dealing with correspondence relating to the businesses of the Issuer (in each case except to the extent to be prepared by, maintained by or dealt with the General Treasurer, Series Treasurers and Series Portfolio Servicers); and
- (3) making available telephone, fax and registered office facilities and within its premises such non-exclusive space as may be necessary for the purposes of the businesses of the Issuer and, in particular, facilities for meetings of the directors of the Issuer from time to time.

6.11 Programme Financial Services and Note Programme Arranger Services

(a) *Appointment of Programme Financial Servicer and Note Programme Arranger*

The Issuer has entered into the Programme Financial Services Agreement specified under the heading *Programme Financial Services Agreement* in the relevant Programme Specific Provisions (each a "**Programme Financial Services Agreement**") pursuant to which the person specified under the heading *Programme Financial Servicer* in the relevant Programme Specific Provisions (each such person being a "**Programme Financial Servicer**") has agreed to provide Programme Financial Services and the person identified under the heading *Note Programme Arranger* in the relevant Programme Specific Provisions has agreed to provide Note Programme Arranger Services. Each Note Issue Supplement will contain summary details of the Programme Financial Servicer and the Note Programme Arranger as at the date of that Note Issue Supplement.

(b) *Programme Financial Services*

The services (being the "**Programme Financial Services**") to be performed by the Programme Financial Servicer and services (being the "**Note Programme Arranger Services**") to be performed by the Note Programme Arranger under the Programme Financial Services Agreement include:

- (1) identifying and referring portfolios of mortgages to the Issuer for potential purchase, and providing such information to the Issuer or such party designated by the Issuer on matters relating to the purchase and structuring of such portfolios as the Issuer may request or reasonably require;
- (2) from time to time identifying and referring persons to the Issuer for potential appointment as a Series Servicer and providing such information to the Issuer on matters relating to such appointment and structuring of applicable Series Services and the negotiation of Series Services Agreements as the Issuer may request or reasonably require; and
- (3) acting as arranger of the Programme and each Note Issue and acting as a lead manager in respect of the placement of Notes issued from time to time by the Issuer.

6.12 Series Note Services

(a) *Appointment of the Series Note Servicers*

In relation to each Series, the Issuer will enter into the Series Note Services Agreement specified under the heading *Series Note Services Agreement* in the relevant Series Specific Provisions (each a "**Series Note Services Agreement**") pursuant to which:

- (1) the person specified under the heading *Series Note Registrar* in the relevant Series Specific Provisions (the "**Series Note Registrar**" which expression shall include its successors as such under the Series Note Services Agreement) will agree to provide Series Note Registrar Services in relation to that Series; and
- (2) the person specified under the heading *Series Note Calculation Agent* in the relevant Series Specific Provisions (the "**Series Note Calculation Agent**" which expression shall include its successors as such under the Series Note Services Agreement) will agree to provide Series Note Calculation Services in relation to that Series.

Each Series Note Registrar and Series Note Calculation Agent in relation to that Series is referred to as a "**Series Note Servicer**". Each Note Issue Supplement will contain summary details of each Series Note Servicer in respect of the relevant Series as at the date of that Note Issue Supplement.

(b) *Series Note Registrar Services*

In relation to a Series, the services (being the "**Series Note Registrar Services**") to be performed by the Series Note Registrar under the relevant Series Note Services Agreement include:

- (1) establishing, maintaining and operating the Series Note Register;
- (2) issuing and authenticating certificates in respect of the Notes in that Series (when required);
- (3) administering the making of payments in respect of those Notes in accordance with the Series Waterfalls (and, therefore, act as principal paying agent and provide paying agency services in relation to such Notes) using the amounts paid to it for such purpose in accordance with the applicable Series Distribution Scheme;
- (4) dealing with transfers of those Notes (as described in 10.5 *Restrictions on and arrangements for transfers of interests in Notes* on page 112) and the cancellation of those Notes;
- (5) arranging for the issuance of notices in relation to those Notes; and
- (6) providing services in relation to arranging and holding of any meetings of Noteholders in respect of those Notes.

(c) *Series Note Calculation Services*

In relation to a Series, the services (being the "**Series Note Calculation Services**") to be performed by the Series Note Calculation Agent under the relevant Series Note Services Agreement include ascertaining and calculating interest rates applicable to Notes in that Series and calculating certain amounts payable to Noteholders in respect of Notes in that Series.

The Series Note Registrar Services and Series Note Calculation Services in relation to that Series are referred to as the "**Series Note Services**".

6.13 Additional services

(a) *General Additional Services*

Each Note Issue Supplement will specify each agreement (if any) under the heading *Series Additional Services Agreement* in the relevant Programme Specific Provisions (each a "**General Additional Services Agreement**") entered into or to be entered into by the Issuer pursuant to which it has appointed or, as the case may be, will appoint each person specified under the heading *Series Additional Servicer* in the relevant Programme Specific Provisions (each a "**General Additional Servicer**" which expression shall include any person appointed as its replacement) to provide such services in relation to that Series as may be described under the heading *Series Additional Services* in the relevant Programme Specific Provisions (each a "**General Additional Service**"). Each Note Issue Supplement will contain summary details of each Series Additional Servicer in respect of the relevant Series as at the date of that Note Issue Supplement.

(b) *Series Additional Services*

In relation to a Series, the Issuer will enter into each agreement (if any) specified under the heading *Series Additional Services Agreement* in the relevant Series Specific Provisions (each a "**Series Additional Services Agreement**") pursuant to which it will appoint each person specified under the heading *Series Additional Servicer* in the relevant Series Specific Provisions (each a "**Series Additional Servicer**" which expression shall include any person appointed as its replacement) to provide such services in relation to that Series as may be described under the heading *Series Additional Services* in the relevant Series Specific Provisions (each a "**Series Additional Service**"). Each Note Issue Supplement will contain summary details of each Series Additional Servicer in respect of the relevant Series as at the date of that Note Issue Supplement.

6.14 Fees and expenses in relation to services

(a) *Fees and expenses of General Servicers*

Each General Servicer is entitled to charge a fee for the provision of the relevant General Services and is entitled to reimbursement of certain expenses incurred by it in connection with the relevant General Services Agreement, in each case payable subject to and in accordance with the Distribution Waterfalls. Further details of such fees shall be indicated in the relevant Programme Specific Provisions.

(b) *Fees and expenses of Series Servicers*

Each Series Servicer is entitled to charge a fee for the provision of the relevant Series Services and is entitled to reimbursement of certain expenses incurred by it in connection with the relevant Series Services Agreement, in each case payable subject to and in accordance with the relevant Series Waterfall. Further details of such fees shall be indicated in the relevant Series Specific Provisions.

6.15 Termination of the appointment of a Series Servicer

(a) *Termination of appointment of Series Servicer by Issuer or Security Trustee*

The appointment of a Series Servicer in relation to a Series may be terminated:

- (1) by the Issuer with the consent of the Security Trustee and (if there is any Series Note Guarantor in relation to that Series) the consent of each such Series Note Guarantor which is then a Series Controlling Creditor; or
- (2) by the Security Trustee;

on or after the occurrence of a Series Servicer Termination Event which is continuing in relation to such Series Servicer including, where such Series Servicer is a Series Portfolio Servicer, on or after the occurrence of a Series Servicer Termination Event which is continuing in relation to any other Series Portfolio Servicer (if any) in relation to that Series. No such termination shall take effect unless and until a substitute has been appointed and (unless otherwise agreed by the then Series Controlling Creditor in respect of the relevant Series) the then current ratings of the Series Notes by the Series Note Rating Agencies are not adversely affected as a result of such termination and substitution.

If, however, such Series Servicer Termination Event has occurred in relation to only one of the Series Portfolio Servicers (where there is more than one in relation to the relevant Series), such Series Servicer Termination Event shall be deemed to be remedied and shall not entitle the appointment of any other Series Portfolio Servicer to be terminated if any of such other Series Portfolio Servicers (in its absolute discretion), by giving notice to the Issuer, the Security Trustee, the relevant Series Note Trustee and (if there is any Series Note Guarantor in relation to that Series) each such Series Note Guarantor which is then a Series Controlling Creditor under and, in accordance with the applicable terms of the relevant Series Portfolio Services Agreement, assumes all the rights and obligations under the relevant Series Documents of the Series Portfolio Servicer in relation to which such Series Servicer Termination Event occurred.

(b) *Resignation of Series Servicer*

The appointment of a Series Servicer in relation to a Series may also be terminated upon the expiry of not less than the relevant "**Series Servicer Resignation Notice Period**" (being as specified under the heading *Series Servicer Resignation Notice Period* in the relevant Series Specific Provisions) following notice of termination given by such Series Servicer to each of the Issuer, the Security Trustee, the relevant Series Note Trustee and (if there is any Series Note Guarantor in relation to that Series) each such Series Note Guarantor which is then a Series Controlling Creditor if:

- (1) a person is appointed on similar terms to the relevant Series Services Agreement to perform the relevant Series Services instead of that Series Servicer;

- (2) such person (if not a Series Portfolio Servicer Replacement in relation to a Series Portfolio Servicer or if not a Series Treasurer Replacement in relation to a Series Treasurer) is approved by the Issuer and (if there is any Series Note Guarantor in relation to that Series) each Series Note Guarantor which is then a Series Controlling Creditor; and
- (3) (unless otherwise agreed by the then Series Controlling Creditor in respect of the relevant Series) the then current ratings of the Series Notes by the Series Note Rating Agencies are not adversely affected as a result of such termination.

Upon termination of the appointment of a Series Account Provider, each Series Account provided by that Series Account Provider will be closed and, in each case, a replacement for each such Series Account will be opened with another person which, among other things, has ratings equal to or better than each of the applicable Series Account Provider Minimum Ratings.

(c) *Series Servicer Termination Events*

The "**Series Servicer Termination Events**" include (without limitation) in relation to a Series Servicer:

- (1) the occurrence of insolvency or similar events in relation to that Series Servicer; or
- (2) that Series Servicer being in default under the relevant Series Services Agreement and failing to remedy such default in accordance with any applicable period permitted for such remedy under that Series Services Agreement; or
- (3) a Series Waterfall Assets Realisation Notice being given in respect of the relevant Series Waterfall Assets relating to the relevant Series and the Security Trustee being entitled to dispose of such Series Waterfall Assets in accordance with the Security Deed; or
- (4) (where such Series Servicer is a Series Portfolio Servicer or a Series Special Servicer) that Series Servicer does not have or ceases to have any authorisation under the FSMA which it is required to have in order to enable it to perform the services which it is required to perform under the relevant Series Services Agreement without the Series Portfolio Servicer or the Issuer carrying on a regulated activity in the United Kingdom in breach of section 19 of the FSMA in circumstances where the Issuer is not itself so authorised and is not exempt from being so authorised; or
- (5) (where that Series Servicer is a Series Account Provider) that Series Servicer ceases to have ratings equal to or better than each of the Series Account Provider Minimum Ratings and termination of the appointment of the Series Account Provider is required in order to maintain the then current ratings of the Series Notes by the Series Note Rating Agencies; or
- (6) (where that Series Servicer is a Series Note Registrar) that Series Servicer ceases to have ratings equal to or better than each of the "**Series Note Registrar Minimum Ratings**" (being a rating from each of the then Series Note Rating Agencies in relation to that Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in respect of that Series Note Rating Agency in the relevant columns in the row relating to Series Note Registrar Minimum Ratings in the table appearing under the heading *Series Minimum Ratings* in the relevant Series Specific Provisions).

6.16 Termination of the appointment of a General Servicer

(a) *Termination of appointment of General Servicer by Issuer or Security Trustee*

The appointment of a General Servicer may be terminated by the Issuer with the consent of the Security Trustee or by the Security Trustee on or after the occurrence of a General Servicer Termination Event which is continuing in relation to such General Servicer provided that (unless otherwise agreed by the then Series Controlling Creditor in respect of the relevant Series) then current ratings of the Series Notes by the Series Note Rating Agencies are not adversely affected as a result of such termination.

Upon termination of the appointment of a General Account Provider, each General Account provided by that General Account Provider will be closed and, in each case, a replacement for each such General Account will be opened with another person which, among other things, has ratings equal to or better than each of the applicable "**General Account Provider Minimum Ratings**" (being a rating from each of the then Series Note Rating Agencies in relation to that Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in respect of that Series Note Rating Agency in the relevant columns in the row relating to General Account Provider Minimum Ratings in the table appearing under the heading *Series Minimum Ratings* in the relevant Series Specific Provisions).

(b) *Resignation of General Servicer*

The appointment of a General Servicer may also be terminated upon the expiry of not less than the relevant "**General Servicer Resignation Notice Period**" (being as specified under the heading *General Servicer Resignation Notice Period* in the relevant Programme Specific Provisions) following notice of termination given by such General Servicer to each of the Issuer and the Security Trustee if:

- (1) a person is appointed on similar terms to the relevant General Services Agreement to perform the relevant General Services instead of that General Servicer; and
- (2) (unless otherwise agreed by the then Series Controlling Creditor in respect of the relevant Series) the then current ratings of the Series Notes by the Series Note Rating Agencies are not adversely affected as a result of such termination.

(c) *General Servicer Termination Events*

The "**General Servicer Termination Events**" include (without limitation) in relation to a General Servicer:

- (1) the occurrence of insolvency or similar events in relation to that General Servicer; or
- (2) that General Servicer being in default under the relevant General Services Agreement and failing to remedy such default in accordance with any applicable period permitted for such remedy under that General Services Agreement; or
- (3) a Security Assets Realisation Notice being given in respect of all of the Security Assets and the Security Trustee being entitled to dispose of such Security Assets in accordance with the Security Deed; or
- (4) (where that General Servicer is a General Account Provider) that General Servicer ceases to have ratings equal to or better than each of the General Account Provider Minimum Ratings.

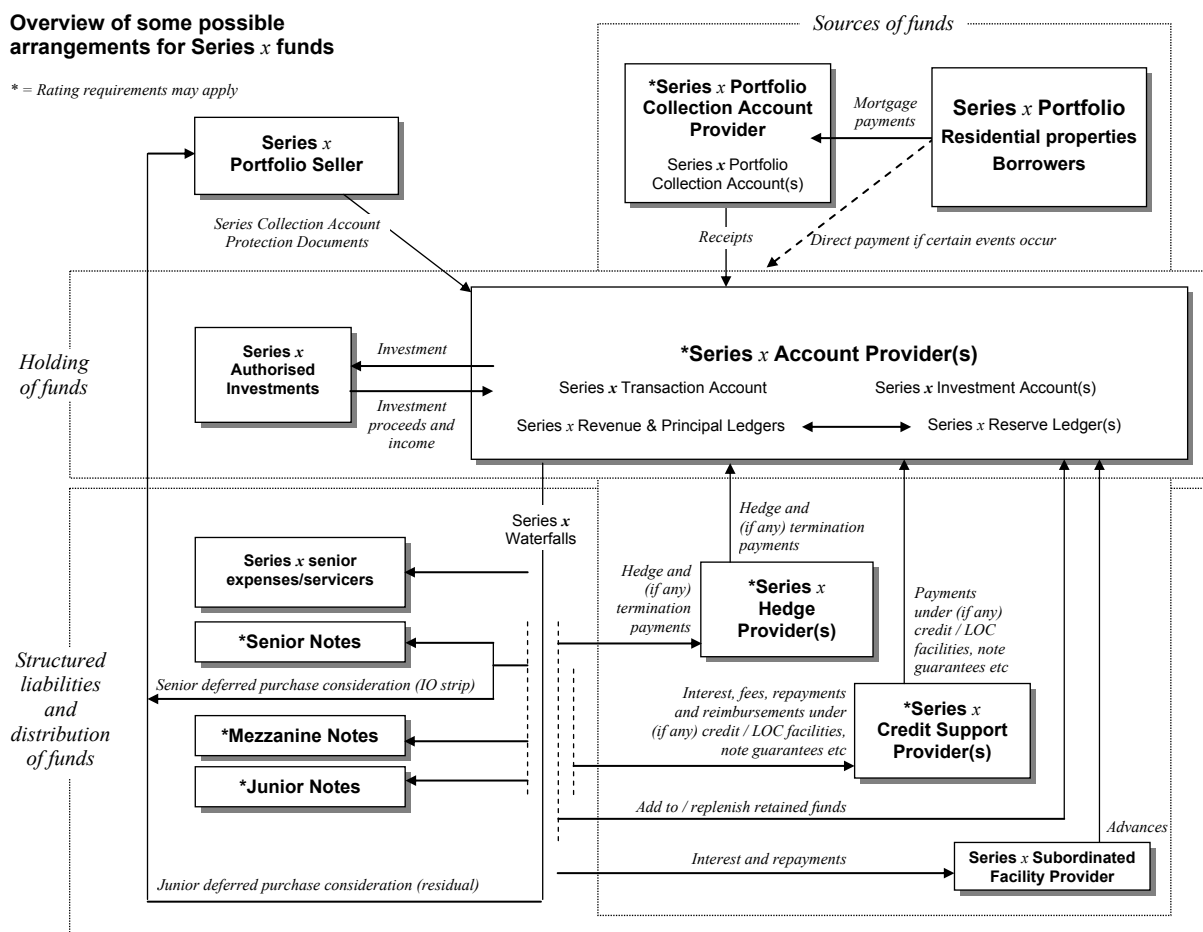
7. FUNDS FOR THE ISSUER'S LIABILITIES

The following provides an overview of various arrangements and features which may or may not be applicable to any Series. Prospective investors must refer to the relevant Note Issue Supplement to ascertain if and to what extent any of these arrangements and features are applicable to the Series to which that Note Issue Supplement relates and for details of additional arrangements and/or features (if any) which apply to that Series.

The following diagram is intended to provide an initial impression of some arrangements and features described in this section which may apply in respect of the Issuer's funds relating to a Series (showing, for illustration, a hypothetical Series with some arrangements which may or may not be included in an actual Series):

Overview of some possible arrangements for Series x funds

* = Rating requirements may apply



7.1 Structure of arrangements relating to the Issuer's funds

(a) Structures to use assets funded by rated debt to service that debt

Except as may be indicated otherwise in the relevant Note Issue Supplement, on or about the Note Issue Closing Date in relation to each Series:

- (1) the net proceeds received by the Issuer in respect of the issue of Notes in that Series will primarily be applied by the Issuer in paying the Series Portfolio Purchase Initial Consideration for the Mortgages which will form the relevant Series Portfolio; and
- (2) the Issuer will enter or have entered into arrangements in relation to the Series with the intention that, among other things, on or about the relevant Note Issue Closing Date all or some of such Notes are assigned the initial Note Ratings from the relevant Series Note Rating Agencies (see 10.1(f) *Note Rating* on page 108).

(b) Arrangements and credit features to fund payments to Noteholders and maintain ratings

This section describes some arrangements and features which, only if and to the extent so specified in the relevant Note Issue Supplement, will be entered into or exist by the Issuer in relation to a Series for the purpose of:

- (1) each Series Credit Support Provider (if any) providing additional funds to the Issuer in specified circumstances for specified purposes;
- (2) establishing and funding of each Series Reserve Fund (if any) for that Series;
- (3) hedging the Issuer's exposure to certain basis and/or currency exchange risks in relation to that Series;
- (4) collecting, holding, organising and managing the Issuer's funds (segregated from funds not relating to that Series) for application in or towards its liabilities in respect of the Notes in that Series and its liabilities to other Transaction Parties; and
- (5) achieving and maintaining such ratings (if any) in respect of such Notes from the relevant Series Note Rating Agencies.

7.2 Sources of the Issuer's funds

(a) *Funds derived from Mortgages in the Series Portfolio*

In relation to a Series, following application of the proceeds of the relevant Notes relating to that Series in or towards the purchase of the relevant Series Portfolio, the primary source of the Issuer's funds from time to time will be "**Mortgage Receipts**", being receipts in respect of the Mortgages comprised in the relevant Series Portfolio, including:

"Mortgage Principal Receipts" being all amounts received or recovered in respect of principal in respect of any such Mortgage in the relevant Series Portfolio including, without limitation:

- (1) principal amounts received from Borrowers in respect of such Mortgage representing monthly repayments of principal;
- (2) redemption proceeds representing or appropriated to principal in respect of such Mortgage;
- (3) prepayments of principal in respect of such Mortgage;
- (4) amounts received in respect of capitalised interest, capitalised expenses and capitalised arrears in respect of such Mortgage (but excluding accrued interest and arrears of interest which have not been capitalised);
- (5) net amounts representing or appropriated to principal in respect of such Mortgage which are recovered on enforcement of the relevant Mortgage (including the proceeds of sale of the relevant Mortgaged Property but not, for the avoidance of doubt, Mortgage Prepayment Charges Receipts);
- (6) net amounts received under an insurance policy under which the Issuer is an insured or which has been assigned to the Issuer (in respect of which the Issuer has a beneficial interest) in respect of the relevant Mortgaged Property relating to such Mortgage; and
- (7) the proceeds, representing or appropriated to principal, received from the sale by the Issuer (including, without limitation, re-transfer or re-assignment of such Mortgage under the terms of the relevant Series Portfolio Purchase Agreement);

in each case prior to an amount being recorded in the Series Principal Deficiency Record in relation to the relevant Series in respect of such Mortgage;

"Mortgage Prepayment Charges Receipts" being amounts received in respect of Mortgage Prepayment Charges in relation to such Mortgages (but not, for the avoidance of doubt, any interest payable for the month of redemption); and

"Mortgage Revenue Receipts" being all amounts received or recovered in respect of such Mortgages other than Mortgage Principal Receipts and Mortgage Prepayment Charges Receipts, such amounts will include, without limitation, amounts received from Borrowers in respect of such Mortgages representing monthly payment of interest and amounts in respect of fees.

Unless indicated otherwise in the Note Issue Supplement, in relation to a Series Portfolio relating to a Series all Mortgage Principal Receipts shall be credited to the Series Principal Ledger relating to that Series, all Mortgage Prepayment Charges Receipts shall be credited to the Series Prepayment Charges Ledger relating to that Series, and all Mortgage Revenue Receipts shall be credited to the Series Revenue Ledger relating to that Series, in each case by the Series Treasurer in relation to that Series and, in each case, be applied in accordance with the relevant Series Distribution Scheme (which will include payments in respect of the Notes relating to the relevant Series). The assets backing the issue of each Series will have

characteristics that demonstrate the capacity to produce funds to service any payments that become due and payable on the Notes in respect of that Series.

(b) *Cash funds*

In relation to a Series, the Issuer will establish each cash fund (if any) identified under the heading *Series Reserve Funds* in the relevant Series Specific Provisions (each a "**Series Reserve Fund**") in the manner described in those Series Specific Provisions. Each Series Reserve Fund will only be applied to specified liabilities of the Issuer in relation to that Series at specified times in specified circumstances as described in those Series Specific Provisions.

In particular, unless *Series Reserve Support Funds* (in the relevant Series Specific Provisions) is not Applicable in relation to a Series, on the relevant Note Closing Date the Issuer will credit the amount indicated under the heading *Series Reserve Support Initial Amount* in the relevant Series Specific Provisions (the "**Series Reserve Support Initial Amount**") to a Series Investment Account or, if none, Series Transaction Account (making a corresponding credit to the Series Reserve Support Ledger for that Series) to establish a cash fund (the "**Series Reserve Support Fund**") for that Series. The Series Distribution Procedures will indicate how and when funds in that Series Reserve Support Fund may be applied and how and when that Series Reserve Support Fund will be funded and replenished from time to time up to the amount indicated under the heading *Series Reserve Support Required Amount* in the relevant Series Specific Provisions (the "**Series Reserve Support Required Amount**").

(c) *Obligations of Series Credit Support Providers to provide funds*

The Note Issue Supplement in relation to a Series will specify under the heading *Series Credit Support Documents* in the relevant Series Specific Provisions, each agreement (if any) (each a "**Series Credit Support Document**") entered into or to be entered into by the Issuer and/or the Series Note Trustee and/or the Security Trustee in each case with a person specified under the heading *Series Credit Support Provider* in the relevant Series Specific Provisions (each a "**Series Credit Support Provider**" which expression shall include any person appointed as its replacement). Each Note Issue Supplement will contain summary details of each Series Credit Support Provider (if any) as at the date of that Note Issue Supplement.

Unless indicated otherwise in the relevant Note Issue Supplement relating to the Series, under each Series Credit Support Document (if any) relating to a Series, the relevant Series Credit Support Provider will be obliged to pay funds to the Issuer and/or pay others in discharge of liabilities of the Issuer in relation to the Series (the "**Series Credit Support**") in such circumstances, at such times and on such conditions as are agreed in the relevant Series Credit Support Document. The relevant Series Specific Provisions for that Series will indicate the main terms of that Series Credit Support Document including (without limitation and as applicable):

- (1) the maximum aggregate amount available to be paid in respect of Series Credit Support from time to time under that Series Credit Support Document;
- (2) the purposes for which each amount paid in respect of Series Credit Support under that Series Credit Support Document may be applied;
- (3) the terms applicable to repayment or (as appropriate) reimbursement and/or indemnity by the Issuer in respect of each amount paid in respect of Series Credit Support under that Series Credit Support Document;
- (4) the terms applicable to accrual and payment of interest (if any) in respect of each amount paid in respect of Series Credit Support under that Series Credit Support Document (including, without limitation, the interest rate);
- (5) the terms applicable to accrual and payment of each fee (if any) by the Issuer under that Series Credit Support Document; and
- (6) the terms applicable to the termination and (if applicable) renewal of the availability of that Series Credit Support and/or that Series Credit Support Document.

In relation to a Series, if and to the extent so specified in the relevant Note Issue Supplement, one or more of the following types of Series Credit Support Document may (without limitation) be entered into in relation to that Series:

- (1) a "**Series Liquidity Facility Agreement**" under which a liquidity facility is made available to the Issuer by a "**Series Liquidity Facility Provider**" to provide funds to the Issuer for payment of certain liabilities of the Issuer (for example, if specified, certain scheduled amounts of accrued interest on

specified Classes of Notes in the relevant Series) if and when the Issuer has insufficient other funds available for making those payments as a result of specified liquidity factors (which, for example and if so specified, may include shortfalls in the Issuer's funds due to levels of Borrowers in arrears in respect of their scheduled payments on the Mortgages comprised in the relevant Series Portfolio but, for example and if so specified, may exclude shortfalls in the Issuer's funds due to levels of losses arising upon enforcement and realisation in respect of such Mortgages);

- (2) a "**Series Mandatory Further Advance Facility Agreement**" under which a facility is made available to the Issuer by a "**Series Mandatory Further Advance Facility Provider**" to provide funds to the Issuer to make or purchase Mortgage Mandatory Further Advances in respect of certain Mortgages in the relevant Series Portfolio (for example, if specified, Mortgage Flexible Drawing Cash Advances obliged to be made under Flexible Mortgages (if any) in the relevant Series Portfolio) if the Issuer has insufficient other funds available for making or purchasing those Mortgage Mandatory Further Advances;
 - (3) a "**Series Note Guarantee**" under which a financial guarantee or insurance policy is issued in favour of the Series Note Trustee and Security Trustee (in each case as trustee of certain rights of Noteholders against the Issuer) by a "**Series Note Guarantor**" in respect of, if and to the extent specified, the liability of the Issuer to make scheduled payments of accrued interest and scheduled repayments of principal in respect of certain specified Classes of Notes in the relevant Series;
 - (4) a "**Series LOC Agreement**" under which a letter of credit facility is made available to the Issuer by a "**Series LOC Facility Provider**" under which such Series LOC Facility Provider will issue one or more irrevocable letters of credit in favour of the Issuer (each a "**Series LOC**") if and when the Issuer has insufficient amounts of other funds or committed funds available to maintain specified ratings from Series Note Rating Agencies in relation to specified Classes of Notes (for example, if so specified, a Series Reserve Fund in relation to that Series either having not been included in the Series or having a balance less than a specified required amount); and/or
 - (5) a document entered into by a person to provide Series Credit Support in respect of another Series Credit Support Provider under another Series Credit Support Document, for example, each person (if any) specified under the heading Series Hedge Credit Support Provider in the relevant Series Specific Provisions (each a "**Series Hedge Credit Support Provider**") will enter into (to the extent as may be specified) each document specified under the heading Series Hedge Credit Support Document in the relevant Series Specific Provisions (each a "**Series Hedge Credit Support Document**") to provide Series Credit Support in respect of the obligations of a Series Hedge Provider under a Series Hedge Agreement (as may be so specified). Each Note Issue Supplement will contain summary details of each Series Hedge Credit Support Provider (if any) as at the date of that Note Issue Supplement.
- (d) *Funds from Series Hedge Providers*
- In relation to a Series if the Issuer enters into a "**Series Hedge Agreement**" (being a Series Basis Hedge Agreement or a Series Currency Hedge Agreement), some of the Issuer's funds in relation to that Series will from time to time comprise amounts (if any) received from the relevant "**Series Hedge Provider**" (being the relevant Series Basis Hedge Provider or Series Currency Hedge Provider in respect of that Series Hedge Agreement). See 7.3 *Hedging of interest basis risks* (on page 62) and 7.4 *Hedging of currency exchange risks* (on page 63).
- (e) *Funds from Series Subordinated Facility Providers*
- In relation to a Series, the Issuer will enter into each agreement (if any) specified under the heading *Series Subordinated Facility Agreement* in the relevant Series Specific Provisions (each a "**Series Subordinated Facility Agreement**") in each case with each person specified under the heading *Series Subordinated Facility Provider* in the relevant Series Specific Provisions (each a "**Series Subordinated Facility Provider**" which expression shall include any person appointed as its replacement). Each Note Issue Supplement will contain summary details of each Series Subordinated Facility Provider (if any) in respect of the relevant Series as at the date of that Note Issue Supplement.

Under a Series Subordinated Facility Agreement (if any) relating to a Series, the relevant Series Subordinated Facility Provider will agree to make a subordinated credit facility available to the Issuer for the purposes of that Series and the relevant Series Specific Provisions shall indicate the main terms of that Series Subordinated Facility Agreement including (without limitation) under the heading:

- (1) *Series Subordinated Facility Amount*, the maximum aggregate principal amount available to be drawn from time to time under that Series Subordinated Facility Agreement;

- (2) *Series Subordinated Facility Permitted Purposes*, the purposes for which each advance under that Series Subordinated Facility Agreement may be applied;
 - (3) *Series Subordinated Facility Repayment Provisions*, the terms applicable to repayment by the Issuer of advances under that Series Subordinated Facility Agreement;
 - (4) *Series Subordinated Facility Interest Provisions*, the terms applicable to accrual and payment of interest on advances under that Series Subordinated Facility Agreement (including, without limitation, the interest rate);
 - (5) *Series Subordinated Facility Fee Provisions*, the terms applicable to accrual and payment of each fee (if any) by the Issuer under that Series Subordinated Facility Agreement; and
 - (6) *Series Subordinated Facility Period Provisions*, the terms applicable to the termination and (if applicable) renewal of the facility and/or that Series Subordinated Facility Agreement.
- (f) *Funds from General Subordinated Facility Providers*
 The Note Issue Supplement will specify under the heading *General Subordinated Facility Agreement* in the relevant Programme Specific Provisions, each agreement (if any) (each a "**General Subordinated Facility Agreement**") entered into or to be entered into by the Issuer in each case with a person specified under the heading *General Subordinated Facility Provider* in the relevant Programme Specific Provisions (each a "**General Subordinated Facility Provider**" which expression shall include any person appointed as its replacement). Each Note Issue Supplement will contain summary details of each General Subordinated Facility Provider (if any) as at the date of that Note Issue Supplement.

Under a General Subordinated Facility Agreement (if any), the relevant General Subordinated Facility Provider will agree or have agreed to make a subordinated credit facility available to the Issuer and the relevant Programme Specific Provisions shall indicate the main terms of that General Subordinated Facility Agreement including (without limitation) under the heading:

- (1) *General Subordinated Facility Amount*, the maximum aggregate principal amount available to be drawn from time to time under that General Subordinated Facility Agreement;
- (2) *General Subordinated Facility Permitted Purpose*, the purposes for which each advance under that General Subordinated Facility Drawing Agreement may be applied;
- (3) *General Subordinated Facility Repayment Provisions*, the terms applicable to repayment by the Issuer of advances under that General Subordinated Facility Drawing Agreement;
- (4) *General Subordinated Facility Interest Provisions*, the terms applicable to accrual and payment of interest on advances under that General Subordinated Facility Drawing Agreement (including, without limitation, the interest rate);
- (5) *General Subordinated Facility Fee Provisions*, the terms applicable to accrual and payment of each fee (if any) by the Issuer under that General Subordinated Facility Drawing Agreement; and
- (6) *General Subordinated Facility Period Provisions*, the terms applicable to the termination and (if applicable) renewal of the facility and/or that General Subordinated Facility Drawing Agreement.

7.3 Hedging of interest basis risks

(a) *Series Basis Hedge Agreements and Series Basis Hedge Providers*

In relation to a Series, the Issuer will enter into each agreement (if any) specified under the heading *Series Basis Hedge Agreements* in the relevant Series Specific Provisions (in each case, including any replacement of such agreement and including the relevant confirmation to such agreement or replacement, a "**Series Basis Hedge Agreement**") in each case with the relevant person specified under the heading *Series Basis Hedge Provider* in the relevant Series Specific Provisions (each a "**Series Basis Hedge Provider**" which expression shall include any transferee or replacement) in each case, unless indicated otherwise in the relevant Note Issue Supplement. Each Note Issue Supplement will contain summary details of each Series Basis Hedge Provider (if any) as at the date of that Note Issue Supplement.

(b) *Purpose and nature of Series Basis Hedge Agreements*

Each Series Basis Hedge Agreement in relation to a Series will be entered into in order to provide a degree of hedging in relation to that Series in connection with the exposure of the Issuer from time to time to interest basis rate mismatches between certain sources of the Issuer's funds (for example, the rates at which interest is receivable from Borrowers in respect of any Mortgage Restricted Rate Loans in the relevant

Series Portfolio) and the Issuer's interest payment liabilities (for example, the rates at which the Issuer is obliged to pay interest to Noteholders and/or Series Currency Hedge Providers in respect of that Series). Any such Series Basis Hedge Agreement may (without limitation) be structured as an interest rate swap, basis swap, cap, floor or collar (and the Issuer may be required to pay various premiums as consideration for certain types of hedging arrangements). The purpose and nature of each such Series Basis Hedge Agreement will be more particularly described under the heading *Series Basis Hedge Summary* in the relevant Series Specific Provisions.

(c) *Series Basis Hedge Agreements hedging rates and periods*

In relation to each Series Basis Hedge Agreement in relation to a Series, the applicable hedge rates will be indicated under the heading *Series Basis Hedge Rates* in the relevant Series Specific Provisions and the applicable agreed term of such Series Basis Hedge Agreement will be indicated under the heading *Series Basis Hedge Periods* in the relevant Series Specific Provisions.

(d) *Further Series Basis Hedge Agreements*

If *Mortgage Type Conversion* (in the relevant Series Specific Provisions) is Applicable in relation to a Series, the relevant *Mortgage Type Conversion Conditions* may require the Issuer to enter into hedging arrangements if not to do so would adversely affect any of then current ratings of the Notes relating to that Series. Such hedging arrangements may be provided by any bank or financial institution provided that:

- (1) on the date on which it makes such arrangements available to the Issuer, such bank or financial institution (or provider of any credit support in relation to those arrangements) satisfies any applicable criteria to maintain the then ratings assigned by the relevant Series Note Rating Agencies to the Notes in that Series; and
- (2) such bank or financial institution and each such provider of related credit support has agreed to be bound by the terms of the Standard Creditor Restrictions Provision.

7.4 Hedging of currency exchange risks

(a) *Series Currency Hedge Agreements and Series Currency Hedge Providers*

In relation to a Series, the Issuer will enter into each agreement (if any) specified under the heading *Series Currency Hedge Agreements* in the relevant Series Specific Provisions (in each case, including any replacement of such agreement and including the relevant confirmation to such agreement or replacement, a "**Series Currency Hedge Agreement**") in each case with the relevant person specified under the heading *Series Currency Hedge Provider* in the relevant Series Specific Provisions (each a "**Series Currency Hedge Provider**" which expression shall include any transferee) in each case, unless indicated otherwise in the relevant Note Issue Supplement. Each Note Issue Supplement will contain summary details of each Series Currency Hedge Provider (if any) as at the date of that Note Issue Supplement.

(b) *Purpose and nature of Series Currency Hedge Agreements*

Each Series Currency Hedge Agreement in relation to a Series will be entered into in order to provide a degree of hedging in relation to that Series in connection with the exposure of the Issuer from time to time to currency exchange rate fluctuations and mismatches between funds receivable or received by the Issuer from certain sources (for example, interest and principal being receivable in GBP from Borrowers in respect of each Mortgage in the relevant Series Portfolio) and the Issuer's interest and repayment liabilities (for example, the Issuer being obliged to pay interest and make repayments of principal in another currency in respect of any Notes in that Series in respect of which the relevant Note Currency is not GBP). The purpose and nature of each such Series Currency Hedge Agreement will be more particularly described under the heading *Series Currency Hedge Summary* in the relevant Series Specific Provisions.

Unless indicated otherwise in the relevant Note Issue Supplement, each Series Currency Hedge Agreement in relation to a Series will relate to and provide hedging for one Class of the Notes in that Series (the "**Series Currency Hedge Corresponding Notes**") given that (without limitation):

- (1) the relevant Series Waterfalls may involve payments being made at different priority levels for each Series Currency Hedge Agreement depending upon the priority levels applying to payments on the Series Currency Hedge Corresponding Notes which relate to such Series Currency Hedge Agreement;
- (2) different rating and other requirements may apply to a Series Currency Hedge Agreement depending upon any rating expected to be assigned to and features of the relevant Series Currency Hedge Corresponding Notes; and

- (3) it may facilitate the transfer or replacement of a Series Currency Hedge Agreement should the need ever arise (see 7.7(d) *Ratings of Series Hedge Providers and Series Hedge Credit Support Providers* on page 69).
- (c) *Series Currency Hedge Agreements currency exchange rates and periods*
 In relation to each Series Currency Hedge Agreement in relation to a Series, the applicable currency exchange rate (each a "**Series Currency Hedge Exchange Rate**") will be indicated under the heading *Series Currency Hedge Exchange Rates* in the relevant Series Specific Provisions and the applicable agreed term of such Series Currency Hedge Agreement will be indicated under the heading *Series Currency Hedge Periods* in the relevant Series Specific Provisions
- (d) *Payments by Issuer to Series Currency Hedge Providers*
 Unless and to the extent indicated otherwise in the relevant Note Issue Supplement, under the terms of each Series Currency Hedge Agreement relating to a Series, the Issuer will agree to pay to the Series Currency Hedge Provider:
- (1) on the relevant Note Issue Closing Date, the proceeds received on the issue of the Series Currency Hedge Corresponding Notes which relate to such Series Currency Hedge Agreement;
 - (2) on each Principal Repayment Date in respect of such Series Currency Hedge Corresponding Notes, an amount in GBP (each a "**Series Currency Hedge Principal Amount**") equal to the amount available to be applied on that Principal Repayment Date in repayment of principal on such Series Currency Hedge Corresponding Notes; and
 - (3) on each Interest Payment Date in respect of such Series Currency Hedge Corresponding Notes, an amount in GBP intended to match the amount of interest which would have accrued upon such Series Currency Hedge Corresponding Notes during the relevant Interest Payment Period ending on (but excluding) that Interest Payment Date if the relevant Benchmark Rate and Note Interest Rate Margin in respect of such Series Currency Hedge Corresponding Notes had been equal to the rate and spread specified in relation to the Issuer's floating rate payments in that Series Currency Hedge Agreement and interest was charged on the GBP Equivalent of the Note Principal Amount Outstanding of such Notes as at the start of that Interest Payment Period;

see also 7.5 *Early termination of Series Hedge Agreements* regarding the possibility of the Issuer becoming obliged to make an early termination payment to such Series Currency Hedge Provider under such Series Currency Hedge Agreement.

- (e) *Payments by Series Currency Hedge Providers to the Issuer*
 Unless and to the extent indicated otherwise in the relevant Note Issue Supplement, under the terms of each Series Currency Hedge Agreement relating to a Series, the Series Currency Hedge Provider will agree to pay to the Issuer:
- (1) on the relevant Note Issue Closing Date, an amount in GBP equal to the proceeds of the issue of the relevant class of Notes converted into GBP at the applicable Series Currency Hedge Exchange Rate;
 - (2) on each Principal Repayment Date in respect of the relevant Series Currency Hedge Corresponding Notes, an amount in the Note Currency of the Series Currency Hedge Corresponding Notes equal to the aggregate GBP amount to be applied in repayment of principal on such Series Currency Hedge Corresponding Notes on such Principal Repayment Date converted into that Note Currency at the applicable Series Currency Hedge Exchange Rate; and
 - (3) on each Interest Payment Date in respect of such Series Currency Hedge Corresponding Notes, an amount in the relevant Note Currency intended to match the amount of interest on such Series Currency Hedge Corresponding Notes payable on such Interest Payment Date (subject to proportionate reduction by reference to any shortfall in the amount or interest paid by the Issuer under that Series Currency Hedge Agreement on that Interest Payment Date);

and see also 7.5 *Early termination of Series Hedge Agreements* regarding the possibility of such Series Currency Hedge Provider becoming obliged to make an early termination payment to the Issuer under such Series Currency Hedge Agreement.

Unless and to the extent indicated otherwise in the relevant Note Issue Supplement, under the terms of the relevant Series Currency Hedge Agreement, the Issuer and the relevant Series Currency Hedge Provider will agree that each such payment to be made by that Series Currency Hedge Provider on an Interest Payment Date or Principal Repayment Date in respect of such Series Currency Hedge Corresponding Notes

shall be made directly to the relevant Series Note Registrar (for payment to the relevant Noteholders) instead of being paid to the Issuer.

7.5 Early termination of Series Hedge Agreements

(a) *Early termination by a Series Hedge Provider*

A Series Hedge Agreement (if any) in relation to a Series may be terminated by the relevant Series Hedge Provider in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments and where certain insolvency related or corporate reorganisation events affect the Issuer and in the event that proceedings are taken against the Issuer by the Security Trustee to enforce payment of the Notes relating to that Series.

(b) *Early termination by the Issuer*

A Series Hedge Agreement (if any) in relation to a Series may be terminated by the Issuer in circumstances including, broadly, where the relevant Series Hedge Provider is in default by reason of failure by such Series Hedge Provider to make payments, where such Series Hedge Provider is otherwise in breach of the relevant Series Hedge Agreement or has made a misrepresentation and where certain insolvency related or corporate reorganisation events affect such Series Hedge Provider (as appropriate).

In addition, under the terms of the Series Treasury Services Agreement relating to a Series the Issuer may be required to terminate all or part of any Series Basis Hedge Agreement entered into with the relevant Series Basis Hedge Provider (if any) due to the early redemption, enforcement or sale of Mortgage Fixed Rate Loans and/or Mortgage Capped Rate Loans comprised in the relevant Series Portfolio prior to the redemption of the Notes relating to the relevant Series.

(c) *Other early termination events*

A Series Hedge Agreement (if any) in relation to a Series may also terminate early in the event that withholding taxes are imposed or there are changes in law resulting in illegality of the obligations to be performed by either party.

(d) *Overview of consequences of early termination*

Promptly upon the termination of a Series Hedge Agreement, the Issuer shall notify the Security Trustee of such termination.

Upon termination of a Series Hedge Agreement, either the Issuer or the Series Hedge Provider may be liable to make a termination payment to the other in accordance with the terms of the relevant Series Hedge Agreement.

See 3.7 *Risks relating to payments under Series Hedge Agreements* (on page 23) for a summary of certain risks relating to the early termination of a Series Hedge Agreement.

(e) *If termination payment payable by Series Hedge Provider*

Where such a termination payment is paid by the relevant Series Hedge Provider to the Issuer, such payment may be applied by the Issuer in arranging a replacement of the relevant Series Hedge Agreement and, to the extent that it is not so applied, it shall be credited to the relevant Series Distribution Ledgers (and may be apportioned between principal and revenue as appropriate to reflect the extent to which such payment is attributable to principal and revenue amounts that would have been paid in respect of the relevant Series Hedge Agreement had it not been terminated).

(f) *If termination payment payable by Issuer*

Where such a termination payment is payable by the Issuer to the relevant Series Hedge Provider, such payment shall be paid under and as indicated in the relevant Series Waterfalls and "**Series Hedge Provider Subordinated Amounts**" means on any Distribution Date relating to a Series in relation to a Series Hedge Agreement the amount, if any, due to the relevant Series Hedge Provider on that Distribution Date (excluding the amount of any Series Hedge Provider Collateral which is not to be applied towards any termination payment from the relevant Series Hedge Provider) in connection with a termination of that Series Hedge Agreement where such termination has arisen as a result of an "Event of Default" where that Series Hedge Provider is the "Defaulting Party" or as a result of a "Termination Event" where that Series Hedge Provider is the sole "Affected Party" (and for these purposes "Event of Default", "Defaulting Party", "Termination Event" and "Affected Party" have the meanings indicated in that Series Hedge Agreement).

Where the Issuer enters into a further Series Hedge Agreement to replace all or part of any Series Hedge Agreement which terminates early, the Issuer shall upon receipt apply the amount, if any, received in consideration for entry into that replacement Series Hedge Agreement in or towards payment of any

termination payment then outstanding by the Issuer to the relevant Series Hedge Provider in respect of that Series Hedge Agreement which has terminated early and the remainder of that amount, if any, shall be credited to the Series Revenue Distribution Ledger.

7.6 Holding and investment of the Issuer's funds

(a) *Segregated Series Accounts for each Series*

All amounts which are from time to time received by the Issuer in respect of Series Waterfall Assets relating to a Series will be paid directly into a Series Account relating to that Series (see further 6.6 *Series Account Services* on page 51). No other moneys will be credited to any Series Account relating to that Series and, therefore, such moneys shall be kept segregated from and shall not be co-mingled with any other moneys (including, without limitation, moneys relating to Series Waterfall Assets for a different Series or moneys relating to the General Waterfall Assets).

(b) *Reinvestment of funds in Series Investment Accounts*

If the Issuer enters into a Series Investment Account Services Agreement in relation to a Series, all amounts standing to the credit of the relevant Series Transaction Account may be transferred from time to time into a Series Investment Account relating to that Series. Funds standing from time to time to the credit of a Series Investment Account will be transferred from the Series Investment Account to the Series Transaction Account as and when needed for payments to be made by or on behalf of the Issuer.

Amounts standing to the credit of a Series Investment Account in relation to a Series from time to time will earn a guaranteed rate of interest, as specified under the heading *Series Investment Account Interest Rate* in the relevant Series Specific Provisions. Such interest will be credited to a Series Account relating to that Series and (unless indicated otherwise in the relevant Note Issue Supplement):

- (1) an amount equal to the portion of such interest (if any) which was earned on amounts representing amounts (if any) transferred to the Issuer by way of collateral by a Series Hedge Credit Support Provider pursuant to a Series Hedge Credit Support Document shall be paid to that Series Hedge Credit Support Provider; and
- (2) the remainder shall be applied in the manner specified in the relevant Series Distribution Scheme relating to that Series.

(c) *Reinvestment of funds in Authorised Investments*

Unless indicated otherwise in the relevant Note Issue Supplement in relation to a Series, the Series Treasurer (or, following enforcement of the Security relating to the Series Waterfall Assets, the Security Trustee) will be entitled to invest amounts from time to time standing to the credit of the Series Accounts in "**Series Authorised Investments**", being:

- (1) investments in sterling denominated securities, bank accounts or other obligations of or rights against entities which then have the relevant "**Authorised Investments Standard Minimum Ratings**" (being a rating by each Series Note Rating Agency in relation to that Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in respect of that Series Note Rating Agency in the relevant columns in the row relating to Authorised Investments Standard Minimum Ratings in the table appearing under the heading *Series Minimum Ratings* in the relevant Series Specific Provisions);
- (2) investments in such other sterling denominated securities, bank accounts or other obligations as would not adversely affect the then current ratings by the then Series Note Rating Agencies of the Notes in that Series; or
- (3) investments satisfying the conditions (if any) set out under the heading *Series Authorised Investments Additional Permitted Types* in the relevant Series Specific Provisions;

in each case, being an investment which will mature or (if funds are required) can be unwound at or above par together with the relevant return on such investment on or before the next Distribution Date relating to that Series upon which the funds represented by that investment are required by the Issuer and complying with the conditions (if any) set out under the heading *Series Authorised Investments Additional Conditions* in the relevant Series Specific Provisions.

The Issuer's rights and interests under each Series Authorised Investment relating to a Series and proceeds from their disposal shall be subject to the Security and shall form part of the Series Waterfall Assets for that Series. All amounts received by the Issuer in respect of or derived from each Series Authorised Investment shall be credited directly to a Series Account relating to such Series.

(d) *Segregated collection accounts for each Series Portfolio*

Unless indicated otherwise in the relevant Series Specific Provisions, in relation to each Series all moneys received in respect of the Mortgages in the relevant Series Portfolio (received, in the majority of cases, by direct debit to accounts of the relevant Borrowers) will, prior to a Series Portfolio Collection Account Termination Event, generally be paid into one or more accounts (each a "**Series Portfolio Collection Account**") held or maintained, in each case:

- (1) by the person indicated in the column headed Series Portfolio Collection Account Holder (each such person being a "**Series Portfolio Collection Account Holder**");
- (2) with the financial institution at the branch indicated in the column headed Series Portfolio Collection Account Provider (each such financial institution being a "**Series Portfolio Collection Account Provider**"),

in each case, in the same row of the table appearing under the heading *Series Portfolio Collection Account* in the relevant Series Specific Provisions.

No other moneys will be credited to such Series Portfolio Collection Account and, therefore, such moneys shall be kept segregated from and shall not be co-mingled with any other moneys (including, without limitation, moneys of the relevant Series Portfolio Collection Account Holder and moneys relating to a Series Portfolio for a different Series).

(e) *Sweep of funds from Series Portfolio Collection Accounts to Issuer's Series Accounts*

Amounts received into any Series Portfolio Collection Account in relation to a Series will, except in certain limited circumstances, be transferred daily into a Series Account relating to that Series.

(f) *Issuer's rights in relation to Series Portfolio Collection Accounts*

In respect of each Series Portfolio Collection Account relating to a Series, the Issuer will have the benefit of either:

- (1) a trust declared by the Series Portfolio Collection Account Holder in favour of the Issuer and the Security Trustee (as the sole beneficiaries of such trust) in respect of all moneys from time to time credited to that Series Portfolio Collection Account; or
- (2) a security interest granted by the Series Portfolio Collection Account Holder expressed to be a first priority fixed security interest (whether by way of assignment or charge);

the terms of which (in each case) require all moneys from time to time credited to that Series Portfolio Collection Account to be applied directly to the Issuer or the Security Trustee in each case pursuant to each document identified under the heading *Series Portfolio Collection Account Protection Document* in the relevant Series Specific Provisions (each such document being a "**Series Portfolio Collection Account Protection Document**").

In respect of each Series Portfolio Collection Account Protection Document, notice of its terms and the rights of the Issuer and the Security Trustee in respect of the moneys in the relevant Series Portfolio Collection Account will be given to and acknowledged by the relevant Series Portfolio Collection Account Provider. The Issuer's rights and interests under each Series Portfolio Collection Account Protection Document relating to a Series shall be subject to the Security and shall form part of the Series Waterfall Assets allocated to that Series.

(g) *Series Portfolio Collection Account Termination Event*

Unless indicated otherwise in the relevant Series Specific Provisions, the Seller Portfolio Purchase Agreement will provide that steps will be taken within 30 Business Days (or such longer period as may be agreed to by the Series Note Trustee and the Series Note Rating Agencies) to arrange for amounts paid, received and/or realised in respect of the Mortgages in the Series Portfolio which were to be credited to a Series Portfolio Collection Account relating to the Series shall instead be credited directly to a Series Account relating to that Series if and when any of the following events (each a "**Series Portfolio Collection Account Termination Event**") occur:

- (1) the relevant Series Portfolio Collection Account Provider no longer has the required Series Portfolio Collection Account Provider Minimum Rating (see 7.7(c) *Ratings of Series Portfolio Collection Account Providers* on page 69) and the Series Portfolio Seller fails to arrange for the relevant Series Portfolio Collection Account to be replaced with another Series Portfolio Collection Account Provider having the Series Portfolio Collection Account Provider Minimum Rating (together with, as appropriate, replacement Series Portfolio Collection Account Protection Documents) in each case

subject to having no adverse effect on the then ratings of the Notes of that Series by the then Series Note Rating Agencies and such other conditions as may be required by the Security Trustee (in its absolute discretion);

- (2) a Series Portfolio Title Perfection Event occurs; or
- (3) any event specified under the heading *Series Portfolio Collection Account Termination Additional Event* in the relevant Series Specific Provisions.

7.7 Minimum ratings of Series Funds Obligors

(a) *Connection between ratings of Series Funds Obligors and ratings of Notes of a Series*

Certain Transaction Parties in relation to a Series who are required to provide funds to and/or hold funds for the Issuer (in each case, subject to and in accordance with the provisions of the Transaction Documents relating to that Series to which the relevant Transaction Party is a party) will have or could have material payment obligations or liabilities to the Issuer and/or in respect of funds to which the Issuer is beneficially entitled (each such Transaction Party being a "**Series Funds Obligor**"). The relevant Series Funds Obligors in relation to a Series may include (without limitation):

- (1) each Series Credit Support Provider (if any) in relation to that Series, in respect of the payments to be made by it under each Series Credit Support Document in relation to that Series to which it is a party;
- (2) each Series Hedge Provider (if any) in relation to that Series, in respect of the payments to be made by it under each Series Hedge Agreement in relation to that Series to which it is a party;
- (3) each Series Account Provider in relation to that Series, in respect of the funds standing from time to time to the credit of the relevant Series Accounts and, if there is a Series Investment Account in relation to that Series, in respect of the payment of interest on funds standing from time to time to the credit of each Series Investment Account relating to that Series; and
- (4) each Series Portfolio Collection Account Provider (if any) in relation to that Series, in respect of the funds standing from time to time to the credit of the relevant Series Portfolio Collection Accounts which are to be paid to the relevant Series Accounts in accordance with each relevant Series Portfolio Collection Account Protection Document in relation to that Series.

While a Series includes Notes rated by Series Note Rating Agencies relating to that Series, the relevant ratings of such Notes may to an extent be dependent upon certain Series Funds Obligors in relation to that Series maintaining certain Long Term Ratings and/or Short Term Ratings by such Series Note Rating Agencies.

(b) *Ratings of Series Account Providers*

The "**Series Account Provider Minimum Ratings**" are in respect of a Series Account Provider, a rating from each of the then Series Note Rating Agencies in relation to that Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in respect of that Series Note Rating Agency in the relevant columns in the row relating to Series Account Provider Minimum Ratings in the table appearing under the heading *Series Minimum Ratings* in the relevant Series Specific Provisions.

Unless indicated otherwise in the relevant Note Issue Supplement in relation to a Series, in the event that a relevant rating of the relevant Series Account Provider ceases to have the relevant Series Account Provider Minimum Ratings and as a result of such downgrade the then current ratings of any Class of Notes relating to that Series would be adversely affected, then unless:

- (1) the obligations of that Series Account Provider under the relevant Series Account Services Agreement are guaranteed by an entity in the same location with the relevant Series Account Provider Minimum Ratings; or
- (2) other action is taken as that Series Account Provider may agree with the relevant Series Note Rating Agency to avoid downgrade of such current ratings of such Notes;

within 30 days of such occurrence (or such longer period as may be agreed to by the Series Note Trustee and the Series Note Rating Agencies), the Issuer will be required forthwith to close the relevant Series Account and open a replacement (and enter into a new Series Account Services Agreement) with a different person which has (or whose obligations are guaranteed by a person who has) the relevant Series Account Provider Minimum Ratings.

(c) *Ratings of Series Portfolio Collection Account Providers*

The "**Series Portfolio Collection Account Provider Minimum Ratings**" are in respect of a Series Portfolio Collection Account Provider, a rating from each of the then Series Note Rating Agencies in relation to that Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in respect of that Series Note Rating Agency in the relevant columns in the row relating to Series Portfolio Collection Account Provider Minimum Ratings in the table appearing under the heading *Series Minimum Ratings* in the relevant Series Specific Provisions. See 7.6(g) *Series Portfolio Collection Account Termination Event* (on page 67) for the action to be taken in the event that a Series Portfolio Collection Account Provider ceases to have the relevant Series Portfolio Collection Account Provider Minimum Ratings.

(d) *Ratings of Series Hedge Providers and Series Hedge Credit Support Providers*

Unless indicated otherwise in the relevant Note Issue Supplement, under each Series Hedge Agreement in relation to a Series, in the event that a relevant rating of the relevant Series Hedge Provider or (if any) a relevant Series Hedge Credit Support Provider is downgraded by a Series Note Rating Agency below the relevant ratings specified (in accordance with the requirements of such Series Note Rating Agency) in the Series Hedge Agreements (the "**Series Hedge Provider Minimum Ratings**") and (in some cases) as a result of such downgrade the then current ratings of the Class of Notes relating to the relevant Series Hedge Agreement, would or may (as applicable) be adversely affected, then the relevant Series Hedge Provider will, in accordance with the relevant Series Hedge Agreement, be required to take certain remedial measures within specified periods of time which may include:

- (1) the provision of collateral ("**Series Hedge Provider Collateral**") to the Issuer for the obligations of the Series Hedge Provider under the relevant Series Hedge Agreement and/or for the obligations of (if any) the relevant Series Hedge Credit Support Provider under the relevant Series Hedge Credit Support Document;
- (2) arranging for its obligations under the relevant Series Hedge Agreement and/or for the obligations of (if any) the relevant Series Hedge Credit Support Provider under the relevant Series Hedge Credit Support Document to be transferred to an entity with ratings required by the relevant Series Note Rating Agency as specified in the relevant Series Hedge Agreement (in accordance with the requirements of the relevant Series Note Rating Agency);
- (3) procuring another entity, with ratings required by the relevant Series Note Rating Agency as specified in the relevant Series Hedge Agreement (in accordance with the requirements of the relevant Series Note Rating Agency), to become co-obligor or guarantor in respect of its obligations under the Series Hedge Agreement and/or for the obligations of (if any) the relevant Series Hedge Credit Support Provider under the relevant Series Hedge Credit Support Document; or
- (4) taking such other action as it may agree with the relevant Series Note Rating Agency.

Unless, following a downgrade by a Series Note Rating Agency (as contemplated above), at least one of such remedial measures is achieved within the relevant specified period, then an "Additional Termination Event" (with such Series Hedge Provider being the sole "Affected Party") or, in some circumstances, an "Event of Default" (with such Series Hedge Provider being the sole "Defaulting Party") will occur under the relevant Series Hedge Agreement (each of those terms being as defined in the relevant Series Hedge Agreement), then the Issuer will have the right to terminate the relevant Series Hedge Agreement.

Any Series Hedge Provider Collateral provided to the Issuer in respect of the obligations of a Series Hedge Provider or Series Hedge Credit Support Provider may, without limitation, take the form of cash or securities and may require the Issuer to enter into arrangements for holding such Series Hedge Provider Collateral (including opening securities accounts and appointing custodians) and taking such steps as the Security Trustee may (in its absolute discretion) require for such Series Hedge Provider Collateral to form part of the Security and to avoid downgrade of the then current ratings of the Notes in the Series.

Such Series Hedge Provider Collateral will form part of the Series Waterfall Assets relating to the relevant Series but the terms of the Security Deed provide that such Series Hedge Provider Collateral will not be available to be applied and distributed under the relevant Series Waterfall except to the extent and until such Series Hedge Provider Collateral is applied in or towards satisfaction of amounts due by the relevant Series Hedge Provider or Series Hedge Credit Support Provider to the Issuer in accordance with the terms under which the Series Hedge Provider Collateral was provided and, to the extent not so applied, shall be released from the Security and returned to the relevant provider as and when the agreement requires.

(e) *Minimum rating requirements of Series Credit Support Providers*

Unless indicated otherwise in the relevant Note Issue Supplement, under each Series Credit Support Document in relation to a Series, in the event that a relevant rating of the relevant Series Credit Support Provider is downgraded by a Series Note Rating Agency below the relevant ratings specified (in accordance with the requirements of such Series Note Rating Agency) in that Series Credit Support Document (the "**Series Credit Support Provider Minimum Ratings**") and that (in some cases) as a result of such downgrade the then current ratings of Notes in that Series, then the relevant Series Credit Support Provider will, in accordance with the relevant Series Credit Support Document, be required to use its reasonable endeavours to take certain remedial measures within specified periods of time which may, if so specified, include the provision of collateral ("**Series Credit Support Provider Collateral**") to the Issuer for the obligations of the Series Credit Support Provider under the relevant Series Credit Support Document. Details of such measures and the relevant Series Credit Support Provider Minimum Ratings will be included in the relevant Note Issue Supplement.

If those measures include an obligation, in certain circumstances (as may be described in such Note Issue Supplement), of the relevant Series Credit Support Provider to pay to the Issuer, by way of Series Credit Support Provider Collateral, all or part of the amount for which Series Credit Support Provider could become liable to pay under the relevant Series Credit Support Document, then if and when the Issuer receives any such payment the Issuer shall credit it to a Series Investment Account relating to that Series or, if none, the Series Transaction Account for that Series and shall establish, record and credit such amount to a separate Series Credit Support Provider Cash Ledger (designated to such Series Credit Support Provider) for that Series in the Issuer's accounting books. During any period in which such cash collateralisation arrangement subsists (in accordance with the terms of the relevant Series Credit Support Document):

- (1) funds shall be debited from such Series Credit Support Provider Cash Ledger and applied at such times and in the manner as the relevant Series Credit Support Provider would have been liable to have made a payment under the relevant Series Credit Support Document (and funds so debited and applied shall be treated as having been paid by the relevant Series Credit Support Provider in respect of such liability); and
- (2) funds shall be credited to such Series Credit Support Provider Cash Ledger and applied at such times and in the manner as relevant amounts would have been liable to be paid to the Series Credit Support Provider under the relevant Series Credit Support Document (and funds so credited shall be treated as having been paid to the relevant Series Credit Support Provider in respect of such liability).

Such Series Credit Support Provider Collateral will form part of the Series Waterfall Assets relating to the relevant Series but the terms of the Security Deed provide that such Series Credit Support Provider Collateral will not be available to be applied and distributed under the relevant Series Waterfall except to the extent and until such Series Credit Support Provider Collateral is applied in or towards satisfaction of amounts due by the relevant Series Credit Support Provider or Series Hedge Credit Support Provider to the Issuer in accordance with the terms under which the Series Credit Support Provider Collateral was provided and, to the extent not so applied, shall be released from the Security and returned to the relevant provider as and when such terms require.

(f) *Controls on transfer of rights and obligations by providers*

Unless indicated otherwise in the relevant Note Issue Supplement, each Series Hedge Agreement and each Series Credit Support Document in relation to a Series may entitle the relevant Series Hedge Provider or Series Credit Support Provider, at its own expense, to transfer its rights and obligations in respect of such Series Hedge Agreement or Series Credit Support Document (as appropriate) to another entity provided that:

- (1) if any Series Note Guarantor is then the Series Controlling Creditor, such entity is acceptable to each such Series Note Guarantor;
- (2) such entity agrees to be bound by the Security Intercreditor Deed;
- (3) that the Series Note Rating Agencies confirm that such transfer of obligations would not result in a downgrade of the then current ratings of the Notes;
- (4) such transfer would not (as determined by reference to the applicable law, facts and circumstances at the time of such transfer) result in the imposition or increase in or any deduction or withholding for or on account of tax by the Issuer in relation to the relevant Series Hedge Agreement; and

- (5) the conditions (if any) set out under the heading *Series Authorised Investments Additional Permitted Types* in the relevant Series Specific Provisions are satisfied.

7.8 Structured organisation of the Issuer's funds and liabilities

(a) *Structured book-keeping system of ledgers and accounting records*

The Transaction Documents (in particular, without limitation, the Security Deed) require the Issuer to establish and maintain a system of memorandum accounts or ledgers and accounting records in the Issuer's books for the purpose of organising, managing and administering the Issuer's funds (as held in the manner described in 7.6 *Holding and investment of the Issuer's funds* on page 66) and, in particular, ensure and maintain at all times identifiable segregation of funds of each Series separate from and without co-mingling with the Issuer's other funds (including the funds of each other Series). In this Note Programme Memorandum and each Note Issue Supplement:

- (1) a memorandum account in the Issuer's books representing cash funds is designated and referred to as a "**Ledger**" and amounts are referred to as being "debited" to and "credited" to a Ledger; and
- (2) a memorandum account in the Issuer's books representing non-cash provisions or liabilities is designated and referred to as a "**Record**" and the balance on a Record is expressed as being "increased" or "reduced" by certain amounts entered in it.

(b) *Separate set of Series Ledgers for each Series*

In relation to each Series, in accordance with the terms of the relevant Series Treasury Services Agreement and the Security Deed, the relevant Series Treasurer will establish and maintain on behalf of the Issuer a system of Ledgers and Records in the Issuer's books to record, allocate and disburse for particular purposes the Issuer's funds in respect of the Series Waterfall Assets of that Series.

Except where indicated otherwise in the relevant Series Specific Provisions, in relation to that Series these cash Ledgers (each a "**Series Ledger**") will comprise (each Series Ledger being designated with the relevant Series number):

- (1) a "**Series Principal Ledger**";
- (2) a "**Series Revenue Ledger**";
- (3) a "**Series Principal Distribution Ledger**";
- (4) a "**Series Revenue Distribution Ledger**";
- (5) a "**Series Principal Savings Ledger**";
- (6) a "**Series Revenue Savings Ledger**";
- (7) a "**Series Reserve Support Ledger**";
- (8) a "**Series Mortgage Prepayment Charges Ledger**";
- (9) a separate "**Series Credit Support Provider Cash Ledger**" for each Series Credit Support Provider which becomes obliged under any Series Document to provide cash to the Issuer as collateral for certain actual or contingent obligations or liabilities of that Series Credit Support Provider (each such Series Credit Support Provider Cash Ledger which is established being additionally designated with the name of the Series Credit Support Provider and Series Document in respect of which such cash is so provided); and
- (10) each ledger (if any) specified under the heading *Series Portfolio Services Agreement* in the relevant Series Specific Provisions (each a "**Series Additional Ledger**").

At all times the aggregate of the balances of the Series Ledgers in relation to a Series will at such times equal the aggregate of the balances of each of the Series Accounts for that Series. Debits and credits shall be made to the Series Ledgers at the times and in the amounts indicated in the Transaction Documents (in particular, in the Security Deed, the relevant Series Treasury Services Agreement and the Series Distribution Scheme set out in the relevant Series Specific Provisions).

(c) *General Ledgers*

In addition, in accordance with the terms of the General Treasury Services Agreement and the Security Deed, the General Treasurer has established and maintained on behalf of the Issuer a system of Ledgers and

Records in the Issuer's books to record, allocate and disburse for particular purposes the Issuer's funds in respect of the General Waterfall Assets. These cash Ledgers (each a "**General Ledger**") comprise:

- (1) a "**Disposal Ledger**" in relation to each Disposal Transaction (each being designated with the relevant Disposal Transaction number);
- (2) the "**General Transaction Ledger**";
- (3) the "**General Distribution Ledger**";
- (4) the "**General Profit Ledger**";
- (5) the "**General Savings Ledger**";
- (6) the "**General Security Action Fund Ledger**"; and
- (7) each ledger (if any) specified under the heading *General Additional Ledger* in the relevant Programme Specific Provisions (each a "**General Additional Ledger**").

At all times the aggregate of the balances of the General Ledgers will equal the aggregate of the balances of each of the General Accounts at such times. Debits and credits are and shall be made to the General Ledgers at the times and in the amounts indicated in the Transaction Documents (in particular, in the Security Deed, the General Treasury Services Agreement, the Series Distribution Scheme set out in the Series Specific Provisions relating to any Series and the General Distribution Scheme set out in the Programme Specific Provisions).

7.9 Recording principal deficiencies

(a) *Relationship of Series Portfolio principal balance to Series Note principal liability*

Unless indicated otherwise in the relevant Note Issue Supplement, it is anticipated that the relevant Series Distribution Scheme for a Series will provide that:

- (1) repayment of the Note Principal Amount Outstanding in respect of the Notes in that Series will be funded by Mortgage Principal Receipts in respect of the Series Portfolio which was purchased using the proceeds of those Notes; and
- (2) all other liabilities of the Issuer (including interest on those Notes) will fall to be discharged by the application of Mortgage Revenue Receipts in respect of that Series Portfolio.

Accordingly, except to the extent indicated otherwise in the relevant Note Issue Supplement, prior to a Series Waterfall Assets Realisation Date in relation to the relevant Series, Mortgage Principal Receipts in respect of the Series Portfolio relating to that Series will be credited to the Series Principal Ledger relating to that Series and applied in or towards repayment of the Note Principal Amount Outstanding in respect of Notes in that Series according to a Series Waterfall for that Series (as specified in the applicable Series Distribution Scheme).

(b) *Creation of Series Principal Deficiency Record*

However, as indicated below, a Record will be maintained in relation to each such Series to record amounts in respect of events which will cause at any time the Note Principal Amount Outstanding in respect of the Notes in that Series to exceed the aggregate of:

- (1) the then credit balance (if any) of the Series Principal Ledger for that Series; and
- (2) the then aggregate principal amount owing to the Issuer in respect of the Mortgages in the Series Portfolio relating to that Series.

Such events include (among other things) principal losses incurred on such Mortgages and the application of Mortgage Principal Receipts received by the Issuer for a purpose other than repayment of the Note Principal Amount Outstanding or increasing the principal amount owing to the Issuer in respect of the Mortgages in the Series Portfolio (by, for example, the making or purchase Mortgage Further Advances and/or the purchase of further Mortgages at an initial par consideration).

In relation to each Series, unless indicated otherwise in the relevant Note Issue Supplement, in accordance with the terms of the relevant Series Treasury Services Agreement and the Security Deed, the relevant Series Treasurer will establish and maintain on behalf of the Issuer a provisioning non-cash record (the "**Series Principal Deficiency Record**") in relation to that Series (which shall be designated with the relevant Series number).

(c) *Creation of recording amounts to Series Principal Deficiency Sub-Records*

Each Series Principal Deficiency Record will comprise a set of "**Series Principal Deficiency Sub-Records**", one for each group of Notes in the Series (whether or not in the same Class) which have the same Class Tier and, in each case shall be designated with the same Class Tier as that group of Notes (such Notes being the "**Series Principal Deficiency Sub-Record Notes**"). For example, if a Series comprises three Classes of Notes having a "A" Class Tier and two Classes of Notes having a "B" Class Tier, then the Series Principal Deficiency Record for that Series would comprise one Series Principal Deficiency A Sub-Record and one Series Principal Deficiency B Sub-Record.

Whenever the balance of the Series Principal Deficiency Record is to be increased or reduced by an amount, one or more of the Series Principal Deficiency Sub-Records will be increased or reduced by, in aggregate, that amount. At all times the aggregate of the balances of the Series Principal Deficiency Sub-Records in relation to a Series will at such times constitute the balance of the Series Principal Deficiency Record.

All increases shall be recorded in each Series Principal Deficiency Sub-Record sequentially in ascending order of their designated Class Tier in each case (except the Series Principal Deficiency Sub-Record with the highest designated Class Tier) up to an amount equal to the then aggregate GBP Equivalent Note Principal Amount Outstanding of corresponding Series Principal Deficiency Sub-Record Notes. This would mean, in the above example, adding amounts to the Series Principal Deficiency B Sub-Record (being, in this example, the one with the lowest designated Class Tier) until the total positive balance recorded in that Series Principal Deficiency B Sub-Record equals the then aggregate GBP Equivalent Note Principal Amount Outstanding of the two Classes of Notes in the Series having a "B" Class Tier and then any further amounts would be added to the Series Principal Deficiency A Sub-Record for that Series.

Conversely all decreases shall be recorded in each Series Principal Deficiency Sub-Record sequentially in descending order of their designated Class Tiers in each case (except the Series Principal Deficiency Sub-Record with the lowest designated Class Tier) until the balance on the relevant Series Principal Deficiency Sub-Record is reduced to zero.

At any time:

- (1) any positive balance on the relevant Series Principal Deficiency Record relating to the relevant Series represents the amount of the "**Series Principal Deficiency**" at that time in relation to that Series; and
- (2) any negative balance on the relevant Series Principal Deficiency Record relating to the relevant Series represents the amount of the "**Series Principal Overcollateralisation**" at that time in relation to that Series.

(d) *Recording of Series Principal Deficiencies*

In relation to a Series, each time a principal shortfall or loss occurs in respect of a Mortgage in the relevant Series Portfolio following enforcement and/or realisation of that Mortgage, the relevant Series Treasurer shall increase the Series Principal Deficiency Record by the amount of the shortfall or loss.

For these purposes the amount of that principal shortfall or loss shall be the amount of principal that remains outstanding in respect of the relevant Mortgage following enforcement and/or realisation.

In addition, the relevant Series Treasurer shall increase the Series Principal Deficiency Record by any amount which is, if so specified by the relevant Series Distribution Scheme, debited to the Series Principal Ledger in relation to the Series and applied for a purpose other than repayment of the Note Principal Amount Outstanding or increasing the principal amount owing to the Issuer in respect of the Mortgages in the Series Portfolio.

(e) *Reduction of Series Principal Deficiencies*

The Series Principal Deficiency Record provides, in relation to the relevant Series, a reference point which can be used in the relevant Series Distribution Scheme to trigger steps to be taken (where possible) with a view to reducing a Series Principal Deficiency by, for example and if so specified, transferring amounts from the Series Revenue Ledger to the Series Principal Ledger for application in or towards repayment of the Note Principal Amount Outstanding or in increasing the principal amount owing to the Issuer in respect of the Mortgages in the Series Portfolio (and in each such case the Series Principal Deficiency Record would be reduced by the amount so transferred).

7.10 General Profit Ledger

(a) *Overview of General Profit Ledger*

The crediting of amounts to the General Profit Ledger and the application of those amounts as described below is primarily to assist the achievement of, and to be consistent with, the expected tax position of the Issuer for United Kingdom tax purposes and expected accounting treatment of the Issuer for the preparation of certain financial statements (in each case, as at the date of this Note Programme Memorandum).

(b) *Accumulation of realised profit in General Profit Ledger*

Unless specified otherwise in the Series Specific Provisions relating to a Series, each Series Waterfall relating to that Series (at any level of priority as may be so specified in such Series Waterfall) will provide, in so far as that Series Waterfall is applicable on any date prior to the occurrence of a Series Waterfall Assets Realisation Date in relation to that Series, for allocation and payment of an amount to the General Profit Ledger on each Distribution Date in relation to that Series by reference to the then Fee Total Accrued Amount in respect of the "**Series Profit Accrual Amount**" relating to that Series (being the amount specified under the heading *Series Profit Accrual Amount* in the relevant Series Specific Provisions).

Unless specified otherwise in the Programme Specific Provisions, the General Waterfall (at any level of priority as may be so specified in such General Waterfall) will provide for allocation and payment of an amount to the General Profit Ledger on each Distribution Date by reference to the then Fee Total Accrued Amount in respect of the "**General Profit Accrual Amount**" relating to that Series (being the amount specified under the heading *General Profit Accrual Amount* in the relevant Programme Specific Provisions).

(c) *Application of funds in General Profit Ledger*

Following the last day of each financial year of the Issuer (each an "**Issuer Financial Year**"):

- (1) the General Treasurer will calculate the "**General Profit Annual Available Amount**" in relation to that Issuer Financial Year, being the total amount credited to the General Profit Ledger during such Issuer Financial Year less the amount specified under the heading *General Profit Annual Distribution Amount* in the relevant Programme Specific Provisions (the "**General Profit Annual Distribution Amount**");
- (2) on the first Distribution Calculation Date to occur following such last day of the relevant Issuer Financial Year, an amount equal to the General Profit Annual Available Amount shall be debited to the General Profit Ledger and credited to the General Distribution Ledger; and
- (3) on any date which the directors of the Issuer may, in their absolute discretion determine, the Issuer shall (to the extent permitted under applicable law) use its reasonable endeavours to declare a dividend equal to the General Profit Annual Distribution Amount in respect of that Issuer Financial Year (or such lesser amount as may be required to comply with such applicable law) and pay such dividend by debiting the amount of such dividend to the General Profit Ledger.

8. SECURITY AND DISTRIBUTION OF FUNDS

8.1 The Security Deed and the Security Trustee

(a) *The Security Deed*

On the Note Programme Establishment Date the Issuer entered into a Security Deed (the "**Security Deed**") granting the Security in favour of HSBC Trustee (C.I.) Limited, acting through its place of business at PO Box 88, 1 Grenville Street, St Helier, Jersey JE4 9PF, Channel Islands, as security trustee (the "**Security Trustee**" which expression shall include all persons for the time being acting as the security trustee or security trustees under the Security Deed) for the benefit of the "**Security Creditors**" (comprising the Security Trustee, the Noteholders of each Series, the other Series Waterfall Creditors of each Series and the General Waterfall Creditors).

(b) *The Security Trustee*

In accordance with the terms of the Security Deed, the Security Trustee (or a receiver appointed by it) is principally responsible for taking action with respect to the Security on behalf of the Security Creditors upon the occurrence of certain bankruptcy and insolvency events as set forth in the Security Deed.

(c) *Change of Security Trustee*

Unless otherwise specified in the relevant Note Issue Supplement, subject to certain restrictions, the Security Trustee may resign its appointment upon not less than three months prior written notice although such resignation shall not take effect until a successor Security Trustee has been duly appointed. In order to be eligible to act as Security Trustee, among other things, such successor Security Trustee must agree to be bound by the terms of the Security Deed and Security Intercreditor Deed and must meet the applicable eligibility requirements under the Security Deed. If within 60 days of having given notice of its intention to retire, the Issuer has failed to appoint a replacement Security Trustee, the outgoing Security Trustee will be entitled to appoint its successor provided that each of the relevant Series Note Rating Agencies in relation to each Series with Notes then outstanding confirm to the Issuer that the then current ratings of such Notes shall not be either downgraded, reviewed or withdrawn as a result of such appointment.

(d) *Security Trustee fee and expenses*

The Security Trustee is entitled to charge a fee (the "**Security Trustee Fee**") for its services under the Security Deed and other Transaction Documents to which it is a party and is entitled to reimbursement of all costs, charges and expenses incurred by it in connection with the Security Deed and those other Transaction Documents, payable on each Distribution Date subject to and in accordance with the relevant Distribution Waterfalls.

8.2 Creation of Security in respect of the Security Assets

(a) *Security and Security Assets*

Pursuant to the Security Deed (together with each supplement thereto from time to time) the Issuer has created security (the "**Security**") over all of the Issuer's assets from time to time (the "**Security Assets**") in favour of the Security Trustee as security for all the Issuer's liabilities from time to time (whether present, future, actual and/or contingent) to the Security Creditors (the "**Security Liabilities**").

(b) *Security created under the Security Deed*

Under the Security Deed the Issuer has created and agreed to create the following security:

- (1) an absolute assignment by way of first fixed security of the Issuer's present and future rights in and to the Mortgages and other assets purchased from time to time by the Issuer from any Series Portfolio Seller under any Series Portfolio Purchase Agreement;
- (2) an absolute assignment by way of first fixed security of the Issuer's present and future interest in insurance policies taken out from time to time in connection with those Mortgages;
- (3) an absolute assignment by way of first fixed security of the Issuer's present and future rights under the Transaction Documents;
- (4) an absolute assignment by way of first fixed security of the Issuer's present and future rights to all moneys standing to the credit from time to time of each General Account, each Series Account and any other bank accounts in which the Issuer has an interest from time to time (which may take effect as a floating charge and thus rank behind the claims of certain creditors);

- (5) a first fixed charge over any present and future investments from time to time held by or on behalf of the Issuer (which may take effect, in certain cases, as floating charges or equitable charges and thus rank behind the claims of certain creditors); and
 - (6) a first fixed charge over any other present and future assets (in so far as not subject to any of the assignments indicated above) from time to time of or held by or on behalf of the Issuer (which may take effect, in certain cases, as floating charges or equitable charges and thus rank behind the claims of certain creditors); and
 - (7) a first floating charge (the "**Floating Charge**") (ranking behind the claims of certain creditors and the fixed security created pursuant to the Security Deed and each Security Supplemental Deed) over the undertaking and all the assets of the Issuer.
- (c) *Additional Security under Security Supplements*
 In relation to each issue of Notes in relation to a Series the Issuer will enter into each supplemental security deed (if any) specified under the heading Series Additional Security in the relevant Series Specific Provisions (each a "**Security Supplemental Deed**") pursuant to which the Issuer will create or perfect security (being supplemental to and forming part of the other Security created under the Security Deed) as may be described under the heading Series Additional Security in the relevant Series Specific Provisions (such security being "**Series Additional Security**"). Series Additional Security will always be required in relation to any Scottish Mortgages comprised in a Series Portfolio acquired by the Issuer after the date of the Security Deed.
- (d) *Governing law of security deeds*
 The Security Deed and each Security Supplemental Deed (if any) are and will be governed by English law (other than certain aspects, which are and will be governed by Northern Irish law to the extent that such aspects relate to Northern Irish Mortgages or which will be governed by Scots law to the extent that such aspects relate to Scottish Mortgages).
- (e) *Restrictions on perfection of security interests*
 Unless and until the Security in respect of the relevant Series Waterfall Assets becomes enforceable (and then, in the case of steps to be taken by the Issuer, only in accordance with the directions of the Security Trustee) or a Series Portfolio Title Perfection Event occurs, the Security Trustee will not be entitled to require the Issuer to perfect its title to the Mortgages included in the Series Waterfall Assets with respect to the Series, or to take, other than as aforementioned, or perfect any security interest over or with respect to the Series Waterfall Assets in accordance with the requirements of any applicable laws (but the Issuer will so perfect such title and any such security interest to the extent that the requirements of a recognised debt rating agency so require in connection with a rating of a particular Class of Notes by that debt rating agency at the request of the Issuer).

8.3 Priorities scheme in respect of the Security Assets

- (a) *Segregated priorities, enforcement and realisation scheme*
 On the Note Programme Establishment Date the Security Trustee entered into a Security Intercreditor Deed (the "**Security Intercreditor Deed**") with each of the then Security Creditors pursuant to which the Security Trustee, among other things, declared that the Security is held by the Security Trustee upon trust for itself and all the other Security Creditors as security for all the Issuer's liabilities from time to time (whether present, future, actual and/or contingent) to the Security Creditors. The Security Intercreditor Deed provides a security trust scheme (the "**Security Trust Scheme**") under which each Security Asset (being the security trust property) is allocated to an identified group of Security Assets and provides for separate priorities for distribution of funds or proceeds relating to each such group (each being a Distribution Waterfall) and for separate conditions and timing for enforcement and realisation of the Security for each such group of Security Assets. Upon each Note Issue Closing Date each further Security Creditor will accede to and become a party to and agree to the terms of the Security Intercreditor Deed and each new Security Asset will be allocated to a group of Security Assets.

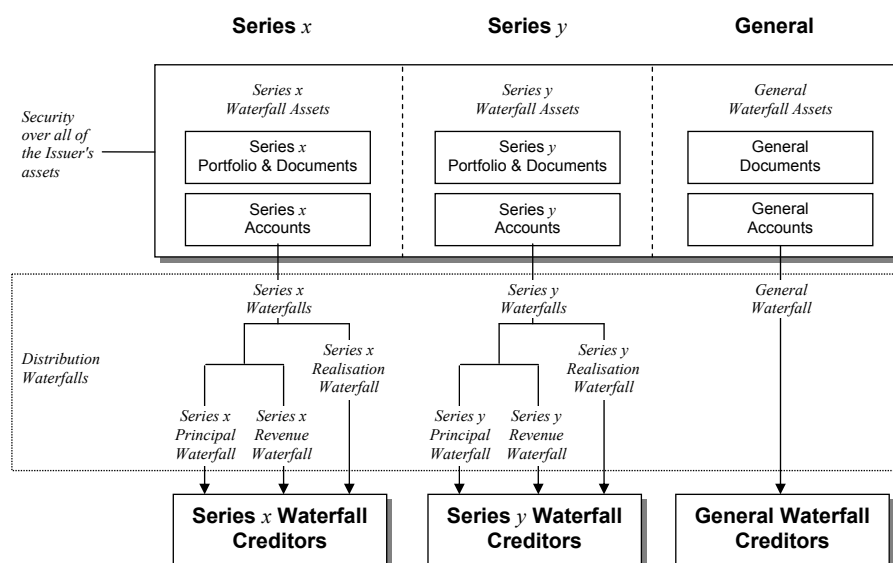
Pursuant to the Security Intercreditor Deed each Security Creditor party thereto and/or bound thereby:

- (1) acknowledges to the Security Trustee the terms of the security trust set out in the Security Intercreditor Deed including, without limitation, the Security Trust Scheme for the holding, enforcement, realisation and distribution of the Security Assets (being the security trust property) according to the terms of the security trust set out in the Security Intercreditor Deed;

- (2) acknowledges and confirms to the Security Trustee the role, appointment and authority of the Security Trustee to, among other things, hold, enforce, realise and distribute the Security Assets as trustee for the Security Creditors in accordance with the Security Deed (including, without limitation, the Security Trust Scheme) and to exercise all and any of such party's rights of enforcement against the Issuer and the Security Assets;

and each Transaction Document contains a provision under which, among other things, each party to that Transaction Document makes similar acknowledgements (see further 8.6 *Enforcement and realisation of Security* on page 80).

The following diagram is intended to provide an initial impression of the structure of the Security Trust Scheme and how (for the purposes of enforcement, realisation and distribution) Security Assets are segregated and allocated to specified groups of Security Creditors in accordance with separate Distribution Waterfalls (showing, for illustration, two Series each having a Series Realisation Waterfall and, prior to realisation, a separate Series Principal Waterfall and Series Revenue Waterfall, all together with the General Waterfall in respect of the General Waterfall Assets):



- (b) *Segregated Series Waterfall and Series Waterfall Assets for each Series*
In accordance with the Security Trust Scheme, in relation to each Series:

- (1) the Security Assets described under the headings *Series Waterfall Assets* and *Series Waterfall Additional Assets* in the Series Specific Provisions relating to that Series constitute the "**Series Waterfall Assets**" allocated to that Series (whether the Security held by the Security Trustee in respect of such Series Waterfall Assets is created under the Security Deed and/or the relevant Security Supplemental Deed); and
- (2) the provisions set out and/or referred to under the heading *Series Distribution Procedures* in the Series Specific Provisions in the Note Issue Supplement relating to the then most recent issue of Notes in respect of that Series constitute the "**Series Distribution Scheme**" relating to that Series including, without limitation, the priority of payments set out and/or referred to under the heading *Series Waterfall* in such Series Specific Provisions (being the "**Series Waterfall**" relating to that Series).

The "**Series Waterfall Creditors**" in relation to a Series include each Noteholder, each Note Issue Initial Subscriber, each Series Note Trustee, the Series Note Registrar, the Series Note Calculation Agent, each Series Portfolio Seller, each Series Servicer, each Series Hedge Provider and each Series Credit Support Provider (in each case in respect of that Series) and each person identified under the heading *Series Waterfall Additional Creditors* in the relevant Series Specific Provisions (each being a "**Series Waterfall Additional Creditor**") in the Note Specific Conditions relating to such Series, in each case in respect of such Series, and each General Waterfall Creditor in so far as amounts (if any) are payable directly to such General Waterfall Creditor under or pursuant to the Series Waterfall in respect of such Series (excluding any such amounts as may be payable by virtue of amounts being transferred from a Series Ledger to a General Ledger for distribution in accordance with the General Waterfall).

(c) *General Waterfall and General Waterfall Assets*

In accordance with the Security Trust Scheme, the "**General Waterfall Assets**" comprise all Security Assets which, at the relevant time, are not Series Waterfall Assets for any Series. In accordance with the Security Trust Scheme, all amounts relating to the General Waterfall Assets shall be distributed in accordance with the provisions set out and/or referred to under the heading *General Distribution Scheme* in the Programme Specific Provisions in the then most recent Note Issue Supplement under the Programme (being the "**General Distribution Scheme**") including, without limitation, the priority of payments set out and/or referred to under the heading *General Waterfall* in such Programme Specific Provisions (being the "**General Waterfall**").

The "**General Waterfall Creditors**" include the Security Trustee, each receiver appointed by the Security Trustee, each Corporate Servicer, each General Account Provider, the General Treasurer, each other General Servicer, each General Subordinated Facility Provider and each person identified as being a "**General Waterfall Additional Creditor**" in the Programme Specific Provisions in the then most recent Note Issue Supplement under the Programme or Security Supplemental Deed relating to any Series.

Each Series Waterfall and the General Waterfall constitutes a "**Distribution Waterfall**" and each level of a Distribution Waterfall is referred to as a "**Level**".

(d) *Preservation of security trust and intercreditor arrangements*

Where one or more Series Waterfall Creditors in respect of a Series takes any action directly or indirectly against the Issuer and/or the Security Assets contrary to such Series Waterfall Creditor's covenants under the Security Intercreditor Deed or claims not to be bound by the terms of the Security Intercreditor Deed (regardless of whether such claim is valid or not) then, upon being instructed in writing to do so by a Series Controlling Creditor Resolution made by the Series Controlling Creditors of all Series (other than each Series Controlling Creditor of a Series in respect of which a Series Waterfall Assets Realisation Notice has been given) the Issuer is obliged to transfer the Security Assets and Security Liabilities in relation to each Series (each a "**Transfer Series**") in respect of which a Series Waterfall Assets Realisation Notice has not been given to another person other than the Issuer (being a different and separate person for each such Transfer Series and each such transaction being a "**Transfer New Issuer**") on such terms that each Transfer Series is the first and only Series under a note issuance programme established by such Transfer New Issuer on the same terms as the Programme and the same terms as are applicable to the Transfer Series and all Transaction Documents relating to the Transfer Series (each such transaction being a "**Transfer Transaction**") and, in each case, in consideration for the Transfer New Issuer assuming liabilities to the relevant Series Waterfall Creditors in place of and releasing the relevant corresponding Series Waterfall Liabilities owing by the Issuer to such Series Waterfall Creditors provided that the Issuer shall not be so obliged unless in relation to a Transfer Series, if the Notes of such Transfer Series are at the relevant time rated by any Series Note Rating Agency, each such Series Note Rating Agency provides written confirmation to the Issuer (copied by the Issuer to the relevant Series Note Trustee and Security Trustee) that the ratings of the Notes (if any) in the relevant Transfer Series which are replaced by Notes of the Transfer New Issuer will be, upon completion of the relevant Transfer Transaction, not lower than the ratings, immediately prior to such completion, of the Notes in the Transfer Series which have been so replaced.

Pursuant to the Security Intercreditor Deed, in relation to each Transfer Transaction, each Security Creditor:

- (1) agrees to enter into documents and arrangements as may be required to effect such Transfer Transaction in each case in consideration for the Transfer New Issuer assuming liabilities to the relevant Series Waterfall Creditors in place of and releasing the relevant corresponding Series Waterfall Liabilities owing by the Issuer to such Series Waterfall Creditors; and
- (2) irrevocably authorises the Security Trustee or any receiver (to the extent that any such authorisation is required) to enter into such documents and arrangements.

8.4 Control and segregation of Security funds

(a) *Crediting of receipts to segregated accounts*

The terms of the Security Deed require that, except where specifically indicated otherwise in the Transaction Documents:

- (1) all amounts received in respect of (or allocated to) the Series Waterfall Assets in respect of a Series shall be credited to a Series Account relating to that Series;

- (2) all other amounts received in respect of the other Security Assets shall be credited to a General Account; and
 - (3) no amounts may be withdrawn from the General Account or any Series Account except as specified in the Security Deed and other Transaction Documents.
- (b) *Separate set of Series Ledgers for each Series*
 In relation to each Series, in accordance with the terms of the relevant Series Treasury Services Agreement, the Security Deed and Security Intercreditor Deed, the relevant Series Treasurer will establish and maintain on behalf of the Issuer various Series Ledgers as described in 7.8 *Structured organisation of the Issuer's funds and liabilities* (on page 71).

8.5 Security funds distributed on Distribution Dates

(a) *Distribution Dates*

Available funds in respect of a Series shall be distributed on each Distribution Date which occurs in relation to that Series and available funds in respect of the General Waterfall Assets shall, where indicated otherwise in the Programme Specific Provisions, be distributed on each Distribution Date which occurs.

A "**Distribution Date**" will occur:

- (1) in relation to a Series in respect of which a Series Waterfall Assets Realisation Date has not occurred, on each date on which an Interest Payment Date or Fee Payment Date occurs in relation to any Notes in that Series, on each date on which a Principal Repayment Date occurs in relation to any Notes in that Series and each date on which the Issuer exercises any right under the Note Conditions to fully redeem any Notes in that Series prior to the relevant Principal Repayment Final Maturity Date in relation to such Notes;
- (2) in relation to a Series in respect of which a Series Note Acceleration Date has occurred in relation to any Notes in that Series or a Series Waterfall Assets Realisation Date has occurred in relation to that Series, on each date the Security Trustee may specify from time to time;
- (3) in relation to a Series, each date (if any) specified under the heading *Distribution Additional Date* in the relevant Series Specific Provisions (each a "**Distribution Additional Date**"); and
- (4) during each Programme No Series Outstanding Period, on each date specified under the heading *Distribution General Waterfall Date* in the Programme Specific Provisions (each a "**Distribution General Waterfall Date**").

(b) *Distribution Calculation Dates*

A Series Distribution Scheme may provide, without limitation, for calculations and ledger transfers to occur by reference to a Distribution Calculation Date in connection with each Distribution Date which occurs in relation to that Series. Similarly the General Distribution Scheme may provide, without limitation, for calculations and ledger transfers to occur by reference to a Distribution Calculation Date in connection with each Distribution Date which occurs in relation to the General Waterfall Assets.

A "**Distribution Calculation Date**" will occur:

- (1) in relation to a Series in respect of which a Series Waterfall Assets Realisation Date has not occurred, on each date specified under the heading *Distribution Calculation Normal Date* in the relevant Series Specific Provisions (each a "**Distribution Calculation Normal Date**");
- (2) in relation to a Series in respect of which a Series Note Acceleration Date has occurred in relation to any Notes in that Series or a Series Waterfall Assets Realisation Date has occurred in relation to that Series, on each date the Security Trustee may specify from time to time;
- (3) in relation to any Series, each date (if any) specified under the heading *Distribution Calculation Additional Date* in the relevant Series Specific Provisions (each a "**Distribution Calculation Additional Date**"); and
- (4) during each Programme No Series Outstanding Period, on each date specified under the heading *Distribution Calculation General Waterfall Date* in the Programme Specific Provisions (each a "**Distribution Calculation General Waterfall Date**").

(c) *Distribution Period*

A "**Distribution Period**":

- (1) in relation to the Series Distribution Scheme and the Series Waterfall relating to a Series, is the period beginning on (and including) a Distribution Date in relation to that Series (or the Note Issue Closing Date in relation to the first such period relating to that Series) and ending on (but excluding) the next succeeding Distribution Date in relation to that Series; and
 - (2) in relation to the General Distribution Scheme and the General Waterfall, is the period beginning on (and including) each Distribution Date (or the Note Issue Closing Date in respect of the first Series in relation to the first such period) and ending on (but excluding) the next succeeding Distribution Date.
- (d) *Administration of distribution schemes*
 The Series Distribution Scheme for the Series Security Assets relating to a Series shall be administered by the relevant Series Treasurer (in accordance with the relevant Series Treasury Services Agreement and Security Deed) prior to a Series Waterfall Assets Realisation Date in relation to the relevant Series and following such date it will be administered by the Security Trustee or a receiver appointed by the Security Trustee.
- The General Distribution Scheme for the General Waterfall Assets shall be administered by the General Treasurer (in accordance with the General Treasury Services Agreement and Security Deed) prior to a Security Assets Realisation Date and following such date it will be administered by the Security Trustee or a receiver appointed by the Security Trustee.
- (e) *Programme No Series Outstanding Period*
 A "**Programme No Series Outstanding Period**" means each day on which either no Series is then outstanding or, in respect of each Series which is outstanding, either:
- (1) no amount is outstanding to any Series Waterfall Creditor in respect of that Series; or
 - (2) a Series Post Realisation Date has occurred in respect of that Series.

8.6 Enforcement and realisation of Security

The Security Deed sets out the general procedures by which the Security Trustee may take steps to enforce the Security created by the Issuer and realise the Security Assets.

- (a) *Segregated enforcement of Security relating to and realisation of Series Waterfall Assets*
 The relevant Security in respect of the Series Waterfall Assets for a Series shall become immediately enforceable upon the service by the Security Trustee on the Issuer of either a Series Waterfall Assets Realisation Notice in relation to such Series or a Security Assets Realisation Notice (which affects all Security Assets as described in 8.6(b) *Enforcement of Security relating to and realisation of all Security Assets*).
- The Security Trustee at its discretion may serve a "**Series Waterfall Assets Realisation Notice**" in relation to a Series:
- (1) if any Note of such Series is outstanding, if any Note Event Of Default has occurred in relation to that Series and the Series Note Trustee of such Series has specified a Series Note Acceleration Date; and
 - (2) if no such Series Note is outstanding, an event has occurred which, if any such Note had been outstanding would have been a Note Event Of Default in relation to that Series and the Security Trustee has certified in writing that such event is, in its opinion, materially prejudicial to some or all of the interests of any Series Controlling Creditor relating to that Series.

As indicated in 8.6(e) *Enforcement and realisation of Security* (on page 82), the Security Intercreditor Deed provides that in certain circumstances the Security Trustee shall be obliged to serve a Series Waterfall Assets Realisation Notice in relation to a Series.

From and including the time when, in the context of a Series, the Security Trustee serves a Series Waterfall Assets Realisation Notice in relation to the relevant Series (being a "**Series Waterfall Assets Realisation Date**" in relation to such Series) on the Issuer, no amount may be drawn from any Series Account or Ledger related to that Series except to the extent that it is applied in accordance with the order of priorities set out in the applicable Distribution Waterfall relating to that Series and, if not already crystallised, any floating charge comprised in the Security shall crystallise in relation to the Series Waterfall Assets (other than in relation to Series Waterfall Assets governed by Scots law, in respect of which crystallisation will occur on the appointment of a receiver).

The Security Trustee at its discretion may serve a "**Series Waterfall Assets Protection Notice**" in relation to a Series if:

- (1) a Note Event Of Default in relation to that Series has occurred, or is about to occur, and has not been waived;
- (2) a Series Servicer Termination Event in relation to the Series Portfolio Servicer for that Series has occurred, or is about to occur, and has not been waived;
- (3) it believes that all or part of the Series Security Assets relating to that Series are in danger of being seized or sold under any form of distress, diligence or execution levied or threatened or is otherwise in jeopardy; and
- (4) any circumstance occurs which, in the reasonable opinion of the Security Trustee prejudices, imperils, threatens or is likely to do any of the foregoing in respect of the Security relating to the relevant Series Waterfall Assets or the Issuer takes or threatens to take any action that would be prejudicial to or would be inconsistent with such Security.

Upon issue of a Series Waterfall Assets Protection Notice in relation to a Series (and where the Security includes a floating charge in respect of all or any of the Series Waterfall Assets in relation to such Series), the Security Trustee may (and shall if so directed by the relevant Series Controlling Creditor) convert any such floating charge into a fixed charge in relation to such of those Series Waterfall Assets as may be specified (generally or specifically) in that notice or, if none is specified, all the Series Waterfall Assets (other than in relation to Series Waterfall Assets governed by Scots law, in respect of which crystallisation will occur on the appointment of a receiver).

(b) *Enforcement of Security relating to and realisation of all Security Assets*

The Security in respect of the General Waterfall Assets shall become immediately enforceable upon the service by the Security Trustee on the Issuer of either a Security Assets Realisation Notice or a Series Waterfall Assets Realisation Notice in relation to every Series then having Notes outstanding.

The Security Trustee at its discretion may serve a "**Security Assets Realisation Notice**" if:

- (1) any Insolvency Supervening Event has occurred in relation to the Issuer (other than solely as a result of action taken to enforce the Series Waterfall of one or more but not all of the Series then outstanding), and
- (2) the Security Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to some or all of the interests of the Series Controlling Creditors in respect of each Series then outstanding or, if no Series is outstanding, to any other Security Creditor.

As indicated in 8.6(e) *Enforcement and realisation of Security* (on page 82), the Security Intercreditor Deed provides that in certain circumstances the Security Trustee shall be obliged to serve a Security Assets Realisation Notice in relation to all the Security Assets.

From and including the time when the Security Trustee serves a Security Assets Realisation Notice on the Issuer (being a "**Security Assets Realisation Date**" in relation to such Series) no amount may be drawn from any General Account except to the extent that it is applied in accordance with the order of priorities set out in the applicable Distribution Waterfall and if not already crystallised, any floating charge comprised in the Security shall crystallise (other than in relation to assets governed by Scots law, in respect of which crystallisation will occur on the appointment of a receiver).

The Security Trustee at its discretion may serve a "**Security Assets Protection Notice**" if:

- (1) any Insolvency Supervening Event has occurred in relation to the Issuer (other than solely as a result of action taken to enforce the Series Waterfall of one or more but not all of the Series then outstanding), or
- (2) the Series Security Controlling Creditors of each outstanding Series pass a Series Controlling Creditor Resolution directing the Security Trustee to give a Security Assets Protection Notice.

Upon issue of a Security Assets Protection Notice, the Security Trustee may (and shall if so directed by such Series Controlling Creditor Resolution) convert the floating charge comprised in the Security into a fixed charge in relation to all the Security Assets (other than in relation to Security Assets governed by Scots law, in respect of which crystallisation will occur on the appointment of a receiver). The Issuer shall

not be permitted to issue any further Notes under the Programme from and after any date upon which a Security Assets Protection Notice is given.

(c) *Enforcement powers and indemnity of Security Trustee*

The Security Trustee may, at its discretion and without notice at any time and from time to time, take such steps and institute such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Security Deed, the Security Supplemental Deed (if any) in respect of the Notes or any of the Transaction Documents.

The Security Trustee may, at its discretion and without notice, at any time after the Security allocated to the Series Waterfall Assets for a Series has become enforceable (see 8.6(a) *Segregated enforcement of Security relating to and realisation of Series Waterfall Assets*), take such steps as it may think fit to enforce such Security. The Security Trustee shall not be bound to take any such proceedings or steps in respect of such Series Waterfall Assets relating to one Series only unless:

- (1) (subject to the restrictions contained in the Security Deed and the relevant Security Supplemental Deed to protect the interests of specified Classes of Noteholders) it has been so directed by a Series Controlling Creditor Resolution relating to such Series; and
- (2) the Security Trustee shall have been indemnified and/or secured to its satisfaction.

The Security Trustee may, at its discretion and without notice, at any time after the Security allocated to the Series Assets has become enforceable (see 8.6(b) *Enforcement of Security relating to and realisation of all Security Assets*), take such steps as it may think fit to enforce such Security. The Security Trustee shall not be bound to take any such proceedings or steps unless:

- (1) (subject to the restrictions contained in the Security Deed and the relevant Security Supplemental Deed to protect the interests of specified Classes of Noteholders) it has been so directed by a Series Controlling Creditor Resolution of each Series; and
- (2) the Security Trustee shall have been indemnified and/or secured to its satisfaction.

(d) *General Security Action Fund*

Where there is more than one Series outstanding under the Programme, the Issuer will maintain a "**General Security Action Fund**", being at any time the amount (if any) standing to the credit of the General Security Action Ledger at that time (see 7.8(c) *General Ledgers* on page 71). The General Security Action Fund shall, pursuant to the Security Intercreditor Deed be allocated to and designated solely for the benefit of the Security Trustee and any receiver (and not any other Security Creditor). Amounts may, if so indicated in a Note Issue Supplement, be credited to the General Security Action Ledger as part of the arrangements for the issue of new Notes and pursuant to the terms of a Series Distribution Scheme. For the avoidance of doubt, the General Security Action Fund shall only be regarded at any time as having a particular balance or amount at that time to the extent that such balance or amount on the General Security Action Ledger properly represents the corresponding amount of cash held in the General Account for this purpose (and not, for example but without limitation, any incorrect balance or amount recorded on the General Security Action Ledger as a result of a book-keeping error).

The "**General Security Action Fund Required Amount**" at any time where there is more than one Series outstanding which includes the Notes rated by any Series Note Rating Agency, shall be the amount indicated under the heading *General Security Action Fund Required Amount* in the Series Specific Conditions in the then most recent Note Issue Supplement issued under the Programme or such other amount as may be agreed between the Issuer and Security Trustee.

(e) *Certain enforcement actions in relation to Security Assets*

If, at any time when there is more than one Series outstanding which includes the Notes rated by any Series Note Rating Agency, the Security Trustee becomes aware of:

- (1) the presentation of an application or a petition to a court of competent jurisdiction for an administration order in respect of the Issuer or a notice of intention to appoint an administrator in respect of the Issuer; or
- (2) the filing of documents with the court for the appointment of an administrator in respect of the Issuer or any other order in respect of the Issuer having substantially the same effect as an order for the appointment of an administrator in respect of the Issuer (including, without limitation, any order that would suspend the right of the Security Trustee to enforce the Security),

then unless:

- (a) no such appointment of an administrator in respect of the Issuer will occur following the relevant application, petition or filing or to do so would not have the effect of blocking such an appointment of an administrator, or
- (b) the General Security Action Fund is less than the General Security Action Required Amount, or
- (c) the Security Trustee has received notice of a "**General Mandatory Enforcement Resolution**" (being a Series Controlling Creditor Resolution made by the Series Controlling Creditors of all Series then outstanding) instructing it not to take General Mandatory Enforcement Actions,

the Security Trustee will be obliged (when entitled to do so) to take "**General Mandatory Enforcement Actions**" (being all steps necessary to appoint an administrative receiver in respect of all of the Issuer's property assets and revenues in accordance with the Security Deed (such appointment to take effect on the final day by which it must take effect in order to prevent an appointment of an administrator) and, in the case of any application to the court or petition to the court for the appointment of an administrator in respect of the Issuer, to attend the hearing, or instruct the Security Receiver to attend the hearing, of the application or petition and take such steps as are necessary to block the appointment of an administrator in respect of the Issuer).

Any such appointment of an administrative receiver by the Security Trustee for the purpose of blocking the appointment of an administrator in respect of the Issuer (a "**Security Blocking Administrative Receiver**") shall not by or of itself constitute a Note Event Of Default in relation to any Series or an Insolvency Supervening Event and shall not, by or of itself, entitle the Security Trustee to give a Series Waterfall Assets Realisation Notice or a Security Assets Protection Notice.

For the avoidance of doubt, if upon the passing of a General Mandatory Enforcement Resolution, the General Security Action Fund is less than the General Security Action Required Amount or a receiver has not entered into an agreement with the Security Trustee on terms which in the sole opinion of the Security Trustee are substantially similar to "**Security Receiver Appointment Terms**" referred to in the Security Intercreditor Deed, the Security Trustee will not be obliged to take any General Mandatory Enforcement Action unless it shall have been indemnified or secured to its satisfaction.

In circumstances in which the Security Trustee is obliged to take General Mandatory Enforcement Action or otherwise takes any steps or institutes any proceedings against the Issuer or any other person to enforce the provisions of the Security Deed, the Security Supplemental Deed (if any) in respect of the Notes or any of the Transaction Documents (including, without limitation, appointing a receiver), the Security Trustee may withdraw funds from the General Account (with a corresponding debit being made to the General Security Action Ledger) to pay or make provision for indemnification in respect of all liabilities, actions, proceedings, claims and demands to which it (or any receiver) may thereby render itself liable and all remuneration, costs, charges damages and expenses which it (or any receiver) may incur by so doing and, in particular, without limiting the foregoing, it may establish a fighting fund or similar in respect of any challenge to the validity of enforcement action (including without limitation, the appointment of a receiver and/or the giving of a Series Waterfall Assets Protection Notice, Security Assets Protection Notice, Series Waterfall Assets Realisation Notice and/or a Security Assets Realisation Notice) being taken in respect of the Security Assets under the Security Deed and any Security Supplemental Deed, such provision being in such amount, as the Security Trustee may, in its absolute discretion decide, and the amount so withdrawn may be held by the Security Trustee in an account opened in its name for such purpose.

- (f) *Ability to appoint administrative receiver and enforcement under a floating charge*

Certain provisions of "**Administrative Receivership Legislation**" (comprising the Enterprise Act 2002, the Insolvency Act 2000 and the subordinate legislation made pursuant to those Acts) which, among other things, amended the corporate insolvency provisions of the Insolvency Act 1986, will apply to aspects of the Security Deed and the security created by the Issuer pursuant to the Security Deed. In particular:

 - (1) if and when the applicable conditions in the Security Deed which entitle the Security Trustee to appoint an administrative receiver are satisfied, the Administrative Receivership Legislation will allow the Security Trustee to make such an appointment if (as the Issuer expects it will) such an appointment falls within the exception set out under Section 72B of the Insolvency Act 1986 (First Exception: Capital Market);
 - (2) the Administrative Receivership Legislation requires that up to £600,000 of enforcement realisations under the floating charge comprised in the Security in respect of net property (being the amount of the

Issuer's property which could be available for satisfaction of debts due to the holder(s) of any debenture secured by such floating charge) shall be made available for the satisfaction of the Issuer's unsecured debts (if any) in priority to the liabilities secured by such floating charge; and

- (3) the Issuer is exempt from the provisions of the Administrative Receivership Legislation which enable directors of a "small" company to obtain a moratorium for the company where those directors propose a company voluntary arrangement.

The Administrative Receivership Legislation is mirrored in Northern Ireland by the Insolvency (Northern Ireland) Order 2005 and the Insolvency (Northern Ireland) Order 2002 which amend the corporate insolvency provisions contained in the Insolvency (Northern Ireland) Order 1986.

(g) *Reporting to Series Note Rating Agencies*

The Security Intercreditor Deed contains provisions requiring the Issuer to notify the Series Note Rating Agencies upon becoming aware of certain events and upon the Security Trustee taking certain action under the Security Deed or other Transaction Documents.

8.7 Restrictions on rights of Security Creditors

(a) *Application of standard provision*

Unless indicated otherwise in the relevant Note Specific Conditions or Series Specific Provisions, the terms of the Security Intercreditor Deed shall apply to each Noteholder and each other Series Waterfall Creditor (see Note Standard Condition 10.1 *Only the Security Trustee can enforce* on page 135). Each Transaction Document to which a Security Creditor is a party incorporates by reference the Standard Creditor Restrictions Provision set out in the Standard Provisions Document (the "**Standard Creditor Restrictions Provision**") which indicates that such Security Creditor's rights under the Transaction Document are subject to the covenants of such Security Creditor under the Security Intercreditor Deed and, in the event of a conflict, the terms of the Security Intercreditor Deed shall prevail. Certain aspects of the Security Intercreditor Deed are described below.

(b) *Certain amounts due to Security Creditors (including Noteholders) may be deferred*

Among other things, the Standard Interest Liability Provisions provide that if and to the extent and at the times that Interest Deferral, Principal Repayment Deferral and/or Fee Deferral is applicable to amounts payable to Security Creditors in respect of a Series (including Noteholders), then on each occasion that the full amount which is due and payable is not discharged by the payment (if any) which is to be made in or towards discharge of such amounts in accordance with the relevant Series Waterfall, then the undischarged amount shall be deferred until such time and to the extent it is discharged by a payment made in accordance with the relevant Series Waterfall. See further 8.8 *Standard Liability Provisions* (on page 85).

(c) *No cross default*

There is no cross default between Series and the occurrence of a Note Event Of Default under one Series does not of itself constitute a Note Event Of Default or Series Note Acceleration Date under any other Series (see Note Standard Condition 9.2 *Definition of Note Event Of Default* on page 134 and Note Standard Condition 9.4 *No cross default between Series* on page 135), and does not of itself cause a Series Waterfall Assets Realisation Date to occur in respect of the Series Waterfall Assets relating to another Series.

(d) *Overriding effect of Programme enforcement scheme*

The Security Intercreditor Deed also provides, among other things, that only the Security Trustee may pursue the remedies available under the Security Deed and the Note Conditions to enforce the rights of the Noteholders and other Security Creditors of a Series and that none of the Security Creditors (other than the Security Trustee) shall be entitled to proceed directly against the Issuer or any assets of the Issuer. In particular, without limitation, none of the Series Note Trustee, Noteholders or other Series Waterfall Creditors for such Series shall be entitled to petition or take any other step for the winding-up of the Issuer in relation to such sums or otherwise, nor shall any of them have any claim in respect of any such sums or on any other account whatsoever over or in respect of any Series Security Assets of the Issuer relating to any other Series. See further 8.3(a) *Segregated priorities, enforcement and realisation scheme* (on page 76).

(e) *Series Post Realisation Date*

Following the Security relating to the Series Waterfall Assets for a Series having become enforceable, the Security Trustee shall determine (in its absolute discretion) when:

- (1) the net proceeds of such enforcement have been distributed in accordance with the Series Distribution Scheme (including the relevant Series Waterfall) for that Series; and

- (2) such Security relating to the Series Waterfall Assets has either been fully realised or any further realisation is either not (in its absolute discretion) reasonably practicable and/or would not (in its absolute discretion) generate any further material benefit for the relevant Series Waterfall Creditors (taking into account any estimated costs of any further enforcement or realisation);

and upon making such determination shall give notice to that effect to the Issuer and (if any) the Series Post Realisation Purchase Option Holder for that Series (the date such notice is given being the "**Series Post Realisation Date**" in relation to the relevant Series).

Upon the occurrence of a Series Post Realisation Date in relation to a Series:

- (1) neither the Security Trustee, nor any Noteholder or other Series Waterfall Creditor in relation to that Series may take any further steps against the Issuer or any of its assets to recover any sum still unpaid in respect of the Notes or other liabilities in respect of that Series including, without limitation, any sum or liability in respect of which an amount would or could, if relevant funds had been available, have been or become payable to any person under the Series Waterfalls relating to such Series (save for the Security Trustee taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer);
 - (2) all Series Documents (if any) in relation to that Series shall from (and excluding) such Series Post Realisation Date cease to be Series Documents in respect of such Series and instead shall be General Documents;
 - (3) all amounts (if any) standing to the credit of all Series Accounts (if any) in relation to that Series shall be transferred to the General Account and all such Series Accounts shall be closed on or as soon as practicable after such Series Post Realisation Date;
 - (4) all remaining or future Series Waterfall Assets (if any) in relation to that Series shall from (and excluding) such Series Post Realisation Date cease to be Series Waterfall Assets in respect of such Series and instead shall be General Waterfall Assets; and
 - (5) each Series Waterfall Creditor in relation to that Series in respect of which any amount remains outstanding (each being a "**Post Realisation Creditor**" and the Issuer's liability for each such amount being a "**Post Realisation Liability**") shall from (and including) such Series Post Realisation Date cease to be a Series Waterfall Creditor in respect of such Series and instead shall be a General Waterfall Creditor.
- (f) *Series Post Realisation Purchase Option*
In relation to a Series, the Series Note Trustee and each other Security Creditor in relation to that Series will enter into the Series Post Realisation Purchase Option Deed (if any) specified under the heading *Series Post Realisation Purchase Option Deed* in the relevant Series Specific Provisions (each a "**Series Post Realisation Purchase Option Deed**") pursuant to which it will grant to the person specified under the heading *Series Post Realisation Purchase Option Holder* in the relevant Series Specific Provisions (the "**Series Post Realisation Purchase Option Holder**") an option (the "**Series Post Realisation Purchase Option**"), exercisable on any Business Day following the occurrence of a Series Post Realisation Date in relation to that Series, to require the transfer to the relevant Series Post Realisation Purchase Option Holder for a price, calculated as specified under the heading *Series Post Realisation Purchase Option Price* in the relevant Series Specific Provisions, all the outstanding liabilities of that Series (including in respect of all the Notes of that Series).

Each Noteholder of each Note in respect of which such option is granted will be bound by the terms and conditions of the Series Note Trust Deed and the Note Conditions in respect of the Series Post Realisation Purchase Option and the Series Note Trustee will be irrevocably authorised to enter into the *Series Post Realisation Purchase Option Deed* as agent for those Noteholders (see Note Standard Condition 10.2 *Series Post Realisation Purchase Option* on page 136).

8.8 Standard Liability Provisions

(a) *Overview of the Standard Liability Provisions*

The Programme includes Standard Liability Provisions (see 9 *Standard Liability Provisions* on page 94) which may (if specified) be applied to certain liabilities of the Issuer under the Transaction Documents (including, without limitation, the Notes), subject to any modifications as may be so specified. The Standard Liability Provisions are intended to provide a flexible and consistent set of standardised provisions for such liabilities.

- (1) The "**Standard Interest Liability Provisions**" (being section 1 of the Standard Liability Provisions on page 94) are designed for use in relation to an interest liability. See, for example, Note Standard Condition 5.1 *Interest in respect of Notes* (on page 129).
- (2) The "**Standard Fee Liability Provisions**" (being section 2 of the Standard Liability Provisions on page 97) are designed for use in relation to other rate based liabilities such as a fee liability.
- (3) The "**Standard Benchmark Rate Provisions**" (being section 5 of the Standard Liability Provisions on page 102) are designed for the determination and setting of rates (which can, if so specified, be used in the calculation of amounts in respect of interest liabilities) at specified times by reference to a specified fluctuating market benchmark or reference rate (for example, the setting of a floating rate of interest by reference to a specified London interbank offered rate).
- (4) The "**Standard Principal Repayment Liability Provisions**" (being section 6 of the Standard Liability Provisions on page 103) are designed for use in relation to a liability to repay a principal amount. See, for example, Note Standard Condition 6.1 *Principal repayment in respect of Notes* (on page 130).

Some aspects of the Standard Liability Provisions are described below.

(b) *Calculation of interest or fees*

The Standard Interest Liability Provisions provide that the relevant Interest Liability (such as interest or a fee) accrues on a daily basis during Interest Accrual Periods. The relevant Interest Accrual Period is the same as the relevant Interest Payment Period (for example, the Interest Payment Period in relation to a Note) unless the saving up mechanism is applicable (see 8.8(f) below) in which case it may be a shorter period.

The amount of the Interest Liability for an Interest Accrual Period is the Interest Accrued Amount for that Interest Accrual Period. Such Interest Accrued Amount is calculated by multiplying the following:

- (1) the relevant Interest Charging Balance (for example, the principal amount outstanding on a Note);
- (2) the relevant Interest Charging Rate (for example, the interest rate in respect of that Note); and
- (3) the relevant Day Count Fraction.

The Interest Start Date specified in relation to that Interest Liability constitutes the date upon which the relevant expense (eg interest or a fee) first starts to accrue as it is the first date of the first Interest Payment Period.

If there is a requirement to structure an Interest Liability with a delayed Interest Start Date, then it may be necessary to also specify an Interest Accelerated Start Date and Interest Accelerated Start Additional Date in relation to that Interest Liability to provide for that Interest Liability to start accruing at an earlier date if specified adverse events occur prior to that Interest Start Date. Otherwise, if the Note Issue Closing Date is specified as the relevant Interest Start Date in relation to an Interest Liability, it would not be necessary to also specify an Interest Accelerated Start Date and Interest Accelerated Start Additional Date in relation to that Interest Liability.

The Standard Fee Liability Provisions are structured in a similar way in respect of Interest Liabilities.

Where a Fee Rate is specified as a per annum amount (and not a percentage), then the relevant Fee Charging Balance will be specified to be GBP 1 so that the above formula then results in the Fee Accrued Amount being that Fee Rate multiplied by the relevant Day Count Fraction for the relevant Fee Accrual Period.

(c) *References can be made to accrued amounts instead of due amounts*

One of the purposes of the Standard Liability Provisions is to provide a scheme which allows the relevant Distribution Waterfalls to refer to, and allocate funds by reference to, accrued or outstanding amounts in respect of liabilities instead of "due" amounts in respect of those liabilities. This allows amounts (if so specified) to be allocated to specified liabilities which either are not then due or in excess of the amount then due. For example, a Distribution Waterfall may refer to and allocate amounts by reference to an Interest Total Accrued Amount (as defined on page 97).

In particular, this may be used to provide for prepayments to be made in respect of a Principal Repayment Liability. If a Distribution Waterfall provides for amounts to be allocated in relation to the Principal Repayment Specified Amount (as defined on page 106), then the amount allocated may be the higher of the

Principal Repayment Scheduled Amount (being the amount that is then due for repayment) and the Principal Repayment Permitted Amount (which may, if so specified, extend to a larger amount than outstanding in relation to that Principal Repayment Liability). If, for example, the Principal Repayment Permitted Amount is specified as being the Note Principal Amount Outstanding in relation to a Note, then available amounts would be required to be allocated to prepay that Principal Repayment Liability even though no, or a lower amount of, scheduled principal amount is then due and repayable. In addition, any such prepayment could be controlled by specifying different Principal Repayment Limits to apply on different dates in relation to that Principal Repayment Liability (for example, for the purpose of structuring a Note as having a controlled amortisation).

(d) *References can be made to scheduled amounts instead of due amounts*

Similarly, the Standard Liability Provisions enable provisions, events, triggers and so on to be expressed by reference to the level of amounts scheduled or due to have been paid in respect of relevant liabilities by certain dates even if all or part of such amounts may be, given the approach indicated above, deferred on such date.

For example, a Principal Repayment Scheduled Date could be specified in relation to a Principal Repayment Liability which is different from the Principal Repayment Final Maturity Date in respect of that Principal Repayment Liability. This might be used to structure a Note as a soft bullet where arrangements are made to try to repay the full amount of such Note on the Principal Repayment Scheduled Date but without triggering a default if this does not happen (assuming that the relevant default provisions are expressed by reference to the Principal Repayment Final Maturity Date).

(e) *Accrual of interest on deferred or overdue interest liabilities*

Another purpose of the Standard Liability Provisions is to provide provisions which, where specified, can be used to provide for interest on amounts which have accrued in respect of a liability by a particular date (for example, an Interest Payment Date in relation to the Notes) but remain unpaid on that date (see 1.1(b) *Accrual of interest on deferred or overdue interest liabilities* of the Standard Liability Provisions on page 94). This may, for example, be used:

- (1) in conjunction with terms providing for the deferral of interest which becomes due on a Note (being the relevant Interest Scheduled Amount) where there are insufficient funds to pay such interest in return for the Issuer agreeing to pay interest on the amount of interest so deferred (being the relevant Interest Unpaid Scheduled Amount); and
- (2) to provide for default interest to accrue on interest which has become due on a Note (being the relevant Interest Scheduled Amount) but which is not paid on the due date (being the relevant Interest Unpaid Scheduled Amount),

(see 1.1(b) *Accrual of interest on deferred or overdue interest liabilities* on page 94 and the definitions of Interest Unpaid Scheduled Amount and Interest Unpaid Scheduled Amount Balance). In such cases when an amount is deferred or is not paid when due then the relevant Interest Unpaid Scheduled Amount is added to the Interest Unpaid Scheduled Amount Balance in relation to that Interest Liability and interest then accrues on the whole of that Interest Unpaid Scheduled Amount Balance (see the definitions of Interest Charging Balance and Interest Accrual Amount and 1.1(b) *Accrual of interest on deferred or overdue interest liabilities* of the Standard Liability Provisions on page 94).

The Standard Fee Liability Provisions are structured in a similar way in respect of Interest Liabilities.

(f) *Saving up in respect of liabilities prior to permitted payment dates for those liabilities*

The Standard Liability Provisions also include provisions which can, if so specified, be used in Distribution Waterfalls to allocate available funds to a liability on a Distribution Date where the terms of such liability provide that no amount may be paid in respect of that liability on that Distribution Date. The allocated funds can, for example, be credited to the Series Principal Savings Ledger or the Series Revenue Savings Ledger in relation to a Series and, if so:

- (1) on the relevant future Distribution Date upon which amounts are permitted to be paid in respect of that liability, the relevant Distribution Waterfall could, if so specified, allocate any available funds by reference to the relevant accrued amount of that liability net of the amount already saved up (see, for example, the definitions of Interest Total Accrued Amount on page 97 and Principal Repayment Specified Amount on page 106); and
- (2) the amount (if any) so allocated together with the amount saved up could be the amount that becomes "due" and is paid in respect of the relevant liability (see, for example, the definition of Interest

Payment Amount on page 96 and section 1.2(a) *Payment of amount allocated to pay interest plus any saved up amount* on page 94, as well as the definition of Principal Repayment Amount on page 104 and section 6.1(a) *Covenant to repay* on page 103).

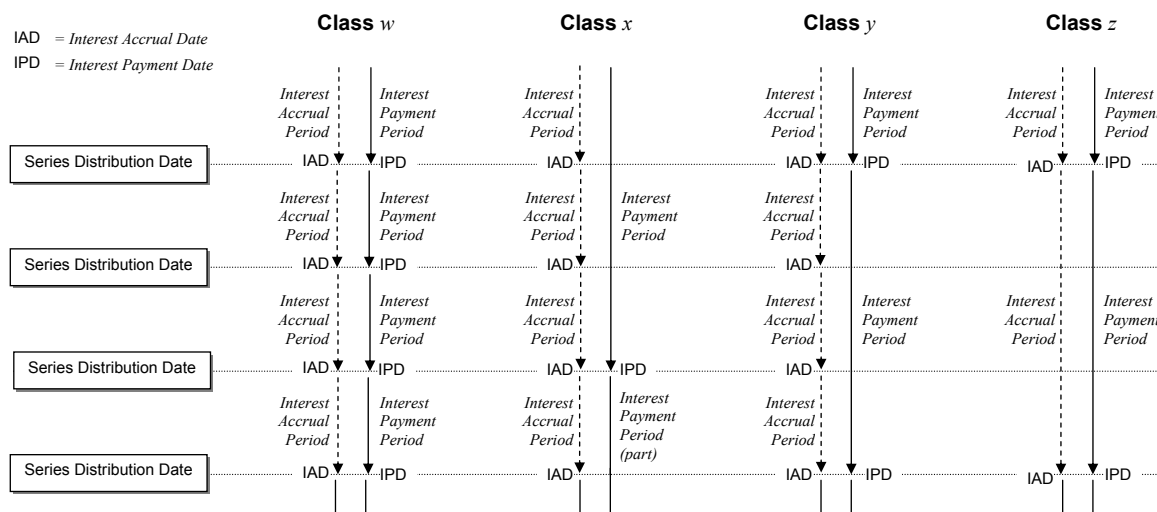
See, for example, section 1.2(b) *Saving up of amount allocated to accrued interest which is not yet scheduled for payment* (on page 94) and section 6.1(b) *Saving up of amounts allocated to principal which is not yet scheduled for repayment* (on page 104) in the Standard Liability Provisions.

The saving up mechanism will only apply to Interest Liabilities in respect of which Interest Saving is specified as being Applicable, to Fee Liabilities in respect of which Fee Saving is specified as being Applicable and to Principal Repayment Liabilities in respect of which Principal Repayment Saving is specified as being Applicable.

This saving up mechanism could, for example, assist with structuring a Note in a Series to have a soft or hard bullet repayment liability or with a scheduled or controlled amortisation profile, allowing funds to be saved up in advance to be available on future specified dates to pay the repayments due or permitted on those dates.

In addition, the saving up and accrual mechanism could, if so specified, be used to preserve ranking and/or subordination arrangements within a Series Waterfall where, for example, two or more Classes of Notes in the relevant Series have been structured with differing scheduled payment dates and/or calculation periods for interest on such Notes. In such a circumstance, available funds could, if so specified, still be allocated and saved up on a Distribution Date where interest is not scheduled to be paid on a Class of Notes instead of those funds being allocated to other amounts (including interest on other Classes of Notes in the Series) which are scheduled to be paid on that Distribution Date.

The following diagram is intended to give an initial impression of the accrual and saving up provisions, showing, for illustration, a hypothetical situation involving four Classes of Notes in a Series where interest (being the relevant Interest Liability) is scheduled monthly in relation to Class w, three monthly in Class x, also three monthly in Class y and Class z (but with a different Interest Payment Date cycle from Class x) and with Interest Saving being Applicable to Class w, Class x and Class y but not Applicable to Class z:



8.9 Interests of Security Creditors

(a) Decision making and interests of different Security Creditors

The Security Intercreditor Deed contains provisions requiring the Security Trustee to have regard to the interests of all of the Security Creditors as regards all powers, trusts, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise), but requiring the Security Trustee:

- (1) to have regard, in relation to the Security in respect of the Series Waterfall Assets allocated to a Series, only to the interests of each then "**Series Controlling Creditor**" in respect of the relevant Series (being the relevant person indicated under the heading *Series Controlling Creditor* in the relevant Series Specific Provisions) if, in the Security Trustee's opinion, there is a conflict between the interests of any such Series Controlling Creditor and the interests of any other Security Creditors to which such Series Waterfall applies;

- (2) where, in the Security Trustee's opinion, there is a conflict between the interests of the Series Controlling Creditors of two or more different Series, the Security Trustee shall be entitled to act on, or refrain from acting until, directions are given to it pursuant to a Series Controlling Creditor Resolution passed by the Series Controlling Creditors of each such different Series;
- (3) to have regard, in relation to the Security in respect of the General Waterfall Assets, only to the interests of each of the then General Waterfall Creditors unless, in the Security Trustee's opinion, there is a conflict between the interests of any such General Waterfall Creditors and the interests of one or more Series Controlling Creditors in respect of Series then outstanding, in which case the Security Trustee shall have regard only to the interests of each such Series Controlling Creditors and shall be entitled to act on, or refrain from acting until, directions are given to it pursuant to a Series Controlling Creditor Resolution passed by such Series Controlling Creditors; and
- (4) where there is no Series outstanding or, in the Security Trustee's opinion, there is no conflict between the interests of any such General Waterfall Creditors and the interests of one or more Series Controlling Creditors in respect of Series then outstanding, but, in the Security Trustee's opinion, there is a conflict between the interests of two or more General Waterfall Creditors, the Security Trustee shall be entitled to act on, or refrain from acting until, directions are given to it pursuant to a Security Creditor Resolution passed by the General Waterfall Creditors.

Due to the segregated structure of the Programme, the Issuer does not foresee any circumstances in which a conflict could arise between Series as referred to in (2) above. The provisions set out in this section 8.9 *Interests of Security Creditors* relating to such circumstances have been included only for completeness to provide a decision making structure should any such need arise through change of law during the life of Notes issued under the Programme.

(b) *Meetings and resolutions of Security Creditors*

The Security Intercreditor Deed contains provisions for convening and holding meetings:

- (1) to consider any matter affecting the interests of Security Creditors (the "**Relevant Security Creditors**") and the passing of resolutions (each a "**Security Creditor Resolution**") of those Relevant Security Creditors; and
- (2) to consider any matter affecting the interests of Series Controlling Creditors and the passing of resolutions (each a "**Series Controlling Creditor Resolution**") of those Series Controlling Creditors;

including, among other things, the sanctioning of a modification of the provisions of any of the Transaction Documents. Except to the extent indicated otherwise in the relevant Note Issue Supplement, such provisions shall be as summarised below.

(c) *Separate meetings of each Class only required for Series Controlling Creditor Resolutions*

The Security Intercreditor Deed contains provisions limiting the powers of the Security Creditors, among other things, to request or direct the Security Trustee to take any action or to pass an effective Security Creditor Resolution, according to the effect of such action and/or Security Creditor Resolution on the interests of each Series Controlling Creditor. In particular, a Security Creditor Resolution of Security Creditors shall not be effective unless, among other things, the Security Trustee is of the sole opinion that it will not be materially prejudicial to the interests of any other Series Controlling Creditor or it is sanctioned by a Series Controlling Creditor Resolution of the Series Controlling Creditors of all Series.

The Security Intercreditor Deed imposes no such limitations on the powers of the Series Controlling Creditor in respect of a Series in relation to other Security Creditors in that Series, in which case the exercise of such powers by such Series Controlling Creditor will be binding on other Security Creditors of that Series irrespective of the effect on the interests of such other Security Creditors of that Series. Also, where, in accordance with the Security Intercreditor Deed, powers are exercised by the Series Controlling Creditors of two or more Series, such exercise will be binding on other Security Creditors in each such Series irrespective of the effect on the interests of such other Security Creditors in each such Series.

Except as indicated above, no such separate meetings of other Security Creditors will be required unless the Security Trustee determines in its absolute discretion that there is a conflict in the interests of the other Security Creditors of one Series and the other Security Creditors of another Series in relation to that Security Creditor Resolution.

(d) *Quorum required for Series Controlling Creditor Resolutions*

If there is more than one Series Controlling Creditor in respect of Series comprising Notes then rated by a Series Note Rating Agency, at any meeting of the Series Controlling Creditors of the relevant Series where the business of that meeting is to include the proposal of a Series Controlling Creditor Resolution, the necessary quorum for passing any such Series Controlling Creditor Resolution by such Series Controlling Creditors:

- (1) at the initial meeting, shall be two or more Series Controlling Creditors in respect of Series comprising Notes then rated by a Series Note Rating Agency representing in aggregate over 50% of the aggregate GBP Equivalent Note Principal Amount Outstanding of all the Notes of each Series then outstanding and then rated by a Series Note Rating Agency; or
- (2) at any reconvened meeting (following one or more adjournments), shall be two or more Series Controlling Creditors in respect of any Series comprising Notes then rated by a Series Note Rating Agency.

For the avoidance of doubt, if there is only one Series comprising Notes then rated by a Series Note Rating Agency, at any meeting where the business of that meeting is to include the proposal of a Series Controlling Creditor Resolution, the Series Controlling Creditor in respect of that Series shall be deemed to constitute a quorum for the purposes of passing such Series Controlling Creditor Resolution.

If there is no Series comprising Notes then rated by a Series Note Rating Agency, at any meeting of the Series Controlling Creditors of the relevant Series where the business of that meeting is to include the proposal of a Series Controlling Creditor Resolution, the necessary quorum for passing any such Series Controlling Creditor Resolution by such Series Controlling Creditors:

- (1) at the initial meeting, shall be two or more Series Controlling Creditors in respect of Series representing in aggregate over 50% of the aggregate GBP Equivalent amount then outstanding to Security Creditors of each Series then outstanding; or
- (2) at any reconvened meeting (following one or more adjournments), shall be two or more Series Controlling Creditors in respect of any Series.

(e) *Quorum required for other business*

If there is more than one Relevant Security Creditor, at any meeting of the Relevant Security Creditors in the relevant Series where the business of that meeting does not include the proposal of a Series Controlling Creditor Resolution, the necessary quorum for all such business:

- (1) at the initial meeting, shall be two or more persons holding or representing in aggregate not less than 5% of the aggregate GBP Equivalent amount then outstanding to the Relevant Security Creditors; or
- (2) at any reconvened meeting (following one or more adjournments), shall be two or more persons being or representing the Relevant Security Creditors without regard to the aggregate GBP Equivalent amount then outstanding so held or represented.

(f) *Quorum where single creditor*

While there is only one Series Controlling Creditor that Series Controlling Creditor shall be deemed to constitute a quorum for the purposes of meetings of the Series Controlling Creditors.

While there is only one Relevant Security Creditor that Relevant Security Creditor shall be deemed to constitute a quorum for the purposes of meetings of the Relevant Security Creditors.

(g) *Votes required to pass a resolution*

The majority required for a Series Controlling Creditor Resolution shall be 75% of the weighted amount of votes cast on that Series Controlling Creditor Resolution and for such purpose the weighted amount of a vote cast by a Series Controlling Creditor shall equal:

- (1) if there is one or more Series comprising Notes then rated by a Series Note Rating Agency, the aggregate GBP Equivalent Note Principal Amount Outstanding of all the Notes then rated by a Series Note Rating Agency in the relevant Series relating to that Series Controlling Creditor; and
- (2) if there is no Series comprising Notes then rated by a Series Note Rating Agency, the aggregate GBP Equivalent amount then outstanding to Security Creditors in the relevant Series relating to that Series Controlling Creditor.

The majority required for a Security Creditor Resolution shall be 50% of the weighted amount of votes cast on that Security Creditor Resolution and for such purpose the weighted amount of a vote cast by a Relevant Security Creditor shall equal the GBP Equivalent amount then outstanding to the Relevant Security Creditor (and in a case of equality of votes the Chairman of the relevant meeting shall have a casting vote).

(h) *Binding effect of resolutions passed at meetings*

A Series Controlling Creditor Resolution passed at any meeting of Series Controlling Creditors shall be binding on all Security Creditors whether or not they are present at the meeting.

A resolution passed at any meeting of Relevant Security Creditors shall be binding on all those Relevant Security Creditors whether or not they are present at the meeting.

(i) *Written resolutions*

A resolution in writing signed by or on behalf of the Series Controlling Creditors who would, if a meeting were held in relation to that resolution, equal or exceed the required quorum of Series Controlling Creditors for such a meeting, shall for all purposes be as valid and effectual as if such resolution had been passed at a duly convened meeting of all the Series Controlling Creditors who would have been entitled to attend and vote at such meeting.

A resolution in writing signed by or on behalf of the Relevant Security Creditors who would, if a meeting were held in relation to that resolution, equal or exceed the required quorum of Relevant Security Creditors, shall for all purposes be as valid and effectual as if such resolution had been passed at a duly convened meeting of all the Relevant Security Creditors who would have been entitled to attend and vote at such meeting.

8.10 Release and disposal of Security Assets

(a) *Disposal Transactions*

The Security Deed contains provisions for the release from the Security of the relevant Series Waterfall Assets (or part thereof) which correspond to the Series of Notes (or part thereof) in connection with, among other things, transactions involving the disposal of all or any part of the Series Waterfall Assets relating to a Series (each being a "**Disposal Transaction**") entered from time to time:

- (1) to allow a redemption of Notes by the Issuer pursuant to Note Standard Condition 6.2 *Redemption for taxation and other reasons* (on page 130) and 6.3 *Full redemption at the option of the Issuer* (on page 131) in each case subject to and in accordance with the applicable terms of those Note Standard Conditions;
- (2) (if permitted) following the purchase of Notes by the Issuer pursuant to Note Standard Condition 6.5 *Purchase of Notes by the Issuer* (on page 132);
- (3) as part of an enforcement and/or realisation of the Security by the Security Trustee in respect of such Series Security Assets;
- (4) as part of a Transfer Transaction; or
- (5) in any other case with the prior written approval of the Series Controlling Creditor relating to that Series and, if the Notes of the relevant Series, are at the relevant time rated by any Series Note Rating Agency, each such Series Note Rating Agency provides written confirmation to the Issuer (copied by the Issuer to the Security Trustee and the Series Note Trustee) that the then current ratings of the Notes (if any) in the relevant Series which remain outstanding following the relevant Disposal Transaction will not be downgraded, withdrawn or qualified as a result of such Disposal Transaction.

(b) *Features of Disposal Transactions*

Each Disposal Transaction may include one or more of the following:

- (1) the Security Trustee releasing from the Security all or part of the Series Waterfall Assets to which such Disposal Transaction relates (the "**Disposal Assets**");
- (2) the Issuer entering into and delivering one or more agreements setting out the terms of the Disposal Transaction and effecting the relevant disposal of all or part of the relevant Series Waterfall Assets to which such Disposal Transaction relates; and
- (3) the Issuer entering into and delivering (whether at the relevant initial completion of the relevant Disposal Transaction or at any future time) one or more documents and taking steps from time to time to complete and/or perfect the transfer of title of the Disposal Assets.

8.11 Limited role and liability of Security Trustee

(a) *Exclusion of liability and limitations on duties*

Among other things, the Security Deed and Security Intercreditor Deed provide that:

- (1) the Security Trustee will not be responsible for supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Security Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties;
- (2) the Security Trustee will not be responsible for considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents;
- (3) the Security Trustee shall not be bound or concerned to make any investigation into the Security Assets or the validity or enforceability of the relevant Security or Security Assets (including, without limitation, the creditworthiness of any obligor in respect of residential mortgage loans in any Series Portfolio or whether the cashflows from any Series Portfolio and the relevant Notes in the Series are matched);
- (4) the Security Trustee will not be liable to any Noteholder or other Security Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a reasonable prudent security holder in relation to the Security Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents;
- (5) the Security Trustee is under no obligation to maintain any insurance in respect of any part of the Security or Security Assets, whether against loss of such security by theft or fire, in respect of fraud or forgery or against any other risk whatsoever;
- (6) the Security Trustee shall be entitled to rely (without investigation or further enquiry) upon instructions or directions given to it by each Series Note Trustee as being given on behalf of the Class or Classes of Noteholders specified in such instructions or directions and the Security Trustee shall not be bound in any such case to inquire as to the compliance with the applicable Series Note Trust Deed or be responsible for any loss, liabilities, costs, damages, expenses or inconvenience that may be caused by failing to do so;
- (7) the Security Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Security Assets, from any obligation to insure all or any part of the Security Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder) (or any such document aforesaid);
- (8) any action taken by the Security Trustee under the Security Deed or any Transaction Documents binds all of the Security Creditors;
- (9) each Security Creditor shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Security Trustee shall not at any time have any responsibility for making any such appraisal or investigation and each Security Creditor must make its own determination of whether or not to request the Security Trustee to take a particular course of action; and
- (10) the Security Trustee shall not be obliged to act in any manner which it has reasonable grounds for believing in good faith to be contrary to law or expose it to any risk of prosecution or other sanction of any kind in any jurisdiction or the withdrawal of, or imposition of any conditions on, any licence, consent or other authorisation issued to the Security Trustee by any governmental or regulatory authority in any jurisdiction.

(b) *Indemnification of the Security Trustee*

The Security Deed and Security Intercreditor Deed contains provisions for indemnification of the Security Trustee and for its relief from responsibility for the validity, sufficiency and enforceability (which the Security Trustee has not investigated) of the Security or the Security Assets, including provisions relieving it from taking proceedings to enforce repayment or from taking any action in accordance with the Security Deed and Security Intercreditor Deed without being first indemnified to its satisfaction, except in certain circumstances (see 8.6 *Enforcement and realisation of Security* on page 80).

(c) *Other dealings*

Each of the Security Trustee and its subsidiaries or associated companies is entitled to enter into business transactions with the Issuer, any issuer or guarantor of or other obligor in respect of the assets, rights and/or benefits comprising the Security Assets, or any of their respective subsidiaries or associated companies without accounting to any Noteholder or other Security Creditor for any profit resulting therefrom.

8.12 Modifications, waivers and determinations by Security Trustee

The Security Deed and Security Intercreditor Deed provide that the Security Trustee may, without the consent of the Security Creditors:

- (1) agree to any modification (except a Series Basic Terms Modification in relation to a Series) of, or to the waiver or authorisation of any breach or proposed breach of the Transaction Documents, which is not, in the opinion of the Security Trustee, materially prejudicial to the interests of the Security Creditors provided that while any Notes having a rating from a Series Note Rating Agency are outstanding in respect of a Series the Security Trustee shall have regard only to the interests of the Series Controlling Creditor relating to each Series unless, in the opinion of the Security Trustee, there is no conflict between the interests of each such Series Controlling Creditor and the other Security Creditors; and/or
- (2) agree to any modification of the Transaction Documents which is to correct a manifest error or an error established as such to the satisfaction of the Security Trustee or is of a formal, minor or technical nature,

Any such modification, waiver or authorisation shall be binding on the Security Creditors unless the Security Trustee agrees otherwise.

9. STANDARD LIABILITY PROVISIONS

The following provisions are the Standard Liability Provisions which may be incorporated by reference into, and expressed to apply to certain liabilities of the Issuer under, the Transaction Documents subject to the extent amended, varied, disappplied and supplemented in respect of the relevant liability. See 8.8 *Standard Liability Provisions* (on page 85) for a description of certain aspects of these Standard Liability Provisions.

1. Standard Interest Liability Provisions

1.1 Accrual of interest

(a) *Accrual of scheduled interest liabilities*

In respect of the relevant Interest Liability, such Interest Liability shall accrue at the Interest Rate on the Interest Scheduled Charging Balance on each day of each Interest Accrual Period, in each case, relating to that Interest Liability.

(b) *Accrual of interest on deferred or overdue interest liabilities*

In respect of the relevant Interest Liability, interest shall accrue at the Interest Rate on the Interest Unpaid Scheduled Amount Balance on each day of each Interest Accrual Period, in each case, relating to that Interest Liability.

1.2 Payment and deferral of interest

(a) *Payment of amount allocated to pay interest plus any saved up amount*

On each Distribution Date which is an Interest Payment Date in respect of the relevant Interest Liability, the Issuer will pay to the relevant creditor in respect of such Interest Liability an amount equal to the aggregate of the Interest Total Accrued Amount (if any) and the Interest Saved Up Amount (if any) in respect of that Interest Liability (and such amount shall be due and payable by the Issuer on such Distribution Date) provided that:

- (1) if Interest Deferral is Applicable in respect of such Interest Liability, and
- (2) following the allocation and payment made in respect of such amount pursuant to the relevant Distribution Waterfalls on such Distribution Date, all or part of such amount remains unpaid,

then the Issuer and such creditor agree that such unpaid amount shall be deferred and instead deemed to be due and payable on the next Distribution Date which is an Interest Payment Date in respect of the relevant Interest Liability. For the avoidance of doubt, all interest outstanding in respect of such Interest Liability shall be immediately due and payable on any Series Note Acceleration Date which occurs in relation to any Note in the relevant Series.

(b) *Saving up of amount allocated to accrued interest which is not yet scheduled for payment*

If Interest Saving is Applicable in relation to such Interest Liability, on each Distribution Date which is not an Interest Payment Date in respect of the relevant Interest Liability, the Issuer shall credit to the Series Revenue Savings Ledger an amount equal to the Interest Allocated Amount in respect of that Interest Liability.

(c) *Interest amounts which are not paid on scheduled dates*

On each Interest Payment Date on which there is an Interest Unpaid Scheduled Amount in respect of an Interest Liability, an amount equal to that Interest Unpaid Scheduled Amount shall from (and including) such Interest Payment Date be added to and form part of the Interest Unpaid Scheduled Amount Balance in respect of that Interest Liability.

(d) *Appropriation of payments*

Where an amount is paid by the Issuer to the relevant creditor in respect of an Interest Liability, such amount shall be deemed to be appropriated (to the extent of such amount) in the following order in or towards discharge of:

- (1) any Interest Scheduled Amount then due in respect of such Interest Liability; and then

- (2) any Interest Unpaid Scheduled Amount Balance then outstanding in respect of such Interest Liability.

1.3 Definitions

In these Standard Liability Provisions:

"Interest Accelerated Start Date" means in relation to an Interest Liability the earlier of:

- (a) any date (if any) specified as an *Interest Accelerated Start Additional Date* in relation to that Interest Liability; and
- (b) the occurrence of a Series Note Acceleration Date in relation to any Notes in the relevant Series;

"Interest Accrual Date" means in relation to an Interest Liability:

- (a) if Interest Saving is Applicable in relation to that Interest Liability, each Distribution Date in relation to the relevant Series; or
- (b) if Interest Saving is not Applicable in relation to that Interest Liability, each Interest Payment Date in relation to that Interest Liability;

"Interest Accrual Period" means in relation to an Interest Liability:

- (a) if Interest Saving is Applicable in relation to that Interest Liability, the period beginning on (and including) the Interest Saving Start Date and ending on (but excluding) the first Interest Accrual Date to occur after the Interest Saving Start Date and each successive period beginning on an Interest Accrual Date and ending on (but excluding) the next succeeding Interest Accrual Date, in each case, in relation to that Interest Liability; or
- (b) if Interest Saving is not Applicable in relation to that Interest Liability, an Interest Payment Period in relation to that Interest Liability;

"Interest Accrued Amount" means for any Interest Accrual Period in relation to an Interest Liability, the product of the following formula:

$$\text{Interest Charging Balance} \times \text{Interest Charging Rate} \times \text{Day Count Fraction}$$

(in each case, as relating to such Interest Liability for such Interest Accrual Period) rounded in accordance with the Interest Rounding Convention;

"Interest Allocated Amount" means in respect of an Interest Liability on any Interest Accrual Date, the aggregate of all amounts (if any) allocated on such Interest Accrual Date to such Interest Liability in accordance with any of the Distribution Waterfalls;

"Interest Business Day" unless specified otherwise in relation to an Interest Liability, means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are generally open for business (including dealings in foreign exchange and foreign currency deposits) in each case in London and, if that Interest Liability is not payable in GBP, in the principal financial centre for the relevant currency in which that Interest Liability is payable;

"Interest Calculation Agent" means in relation to an Interest Liability the person specified as such in respect of that Interest Liability;

"Interest Charging Balance" means for any Interest Accrual Period in relation to an Interest Liability:

- (a) the Interest Scheduled Charging Balance as at the close of business on the first day of such Interest Accrual Period, where such Interest Accrual Period relates to an Interest Scheduled Amount; or
- (b) the Interest Unpaid Scheduled Amount Balance as at the close of business on the first day of such Interest Accrual Period, where such Interest Accrual Period relates to an Interest Deferred Amount;

"Interest Charging Rate" means in respect of an Interest Liability for an Interest Accrual Period:

- (a) the Interest Rate Maximum (if any) specified for such Interest Accrual Period for such Interest Liability, if the Interest Rate in respect of that Interest Liability for such Interest Accrual Period is higher than such Interest Rate Maximum (if any);

(b) the Interest Rate Minimum (if any) specified for such Interest Accrual Period for such Interest Liability, if the Interest Rate in respect of that Interest Liability for such Interest Accrual Period is lower than such Interest Rate Minimum (if any); or

(c) in any other case, the Interest Rate in respect of that Interest Liability for such Interest Accrual Period;

"Interest Creditor Representative" means in relation to an Interest Liability the person specified as such in respect of that Interest Liability;

"Interest Deferral" in respect of an Interest Liability shall be as specified in relation to that Interest Liability;

"Interest Deferred Amount" means in respect of an Interest Liability on any Distribution Date in relation to the relevant Series:

(a) zero, if Interest Saving is not Applicable in relation to that Interest Liability and such Distribution Date is not an Interest Payment Date; or

(b) (in any other case) the aggregate of (in each case, in relation to that Interest Liability):

(1) the Interest Unpaid Scheduled Amount Balance as at close of business on the day before that Distribution Date; and

(2) the sum of each Interest Accrued Amount on the Interest Unpaid Scheduled Amount Balance in respect of each Interest Accrual Period (from and including the Interest Start Date) which has ended prior to that Interest Accrual Date, in each case, to the extent that such Interest Accrued Amount remains unpaid;

"Interest Liability" means the relevant liability to which the Standard Interest Liability Provisions are applicable;

"Interest Payment Amount" means in respect of an Interest Liability on any Interest Accrual Date the sum of the Interest Allocated Amount (if any) and the Interest Saved Up Amount (if any) (in each case relating to such Interest Liability);

"Interest Payment Date" means in relation to an Interest Liability the date specified as such in respect of that Interest Liability;

"Interest Payment Period" means in relation to an Interest Liability the period specified as such in respect of that Interest Liability;

"Interest Rate" means in relation to an Interest Liability the rate specified as such in respect of that Interest Liability;

"Interest Rate Maximum" means in relation to an Interest Liability the rate specified as such in respect of that Interest Liability;

"Interest Rate Minimum" means in relation to an Interest Liability the rate specified as such in respect of that Interest Liability;

"Interest Rate Setting Date" means in relation to an Interest Liability the date (if any) specified as such in respect of that Interest Liability;

"Interest Rate Setting Time" means in relation to an Interest Liability the time (if any) specified as such in respect of that Interest Liability;

"Interest Rounding Convention" means in relation to a figure, unless specified otherwise, such figure rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, 0.000005 being rounded upwards;

"Interest Saved Up Amount" means in respect of an Interest Liability on any Distribution Date in relation to the relevant Series:

(a) (if Interest Saving is Applicable in relation to that Interest Liability) the aggregate of all amounts held within the Series Revenue Savings Ledger in respect of that Interest Liability as at close of business on the day before the Distribution Calculation Date preceding that Distribution Date; or

(b) (if Interest Saving is not Applicable in relation to that Interest Liability) zero;

"Interest Saving" in relation to an Interest Liability is as specified as such in respect of that Interest Liability;

"Interest Saving Start Date" means in relation to an Interest Liability the date (if any) specified as such in respect of that Interest Liability;

"Interest Scheduled Amount" means in respect of an Interest Liability on any Distribution Date in relation to the relevant Series:

- (a) (where such Distribution Date is an Interest Payment Date in respect of that Interest Liability) the sum of each Interest Accrued Amount on the Interest Scheduled Charging Balance in respect of each Interest Accrual Period within the relevant Interest Payment Period ending on the day before that Interest Payment Date, in each case, in relation to that Interest Liability; and
- (b) (where such Distribution Date is not an Interest Payment Date in respect of that Interest Liability):
 - (1) (if Interest Saving is Applicable in relation to that Interest Liability) the sum of each Interest Accrued Amount on the Interest Scheduled Charging Balance in respect of each Interest Accrual Period which has occurred prior to that Interest Accrual Date within the then current Interest Payment Period, in each case, in relation to that Interest Liability; or
 - (2) (if Interest Saving is not Applicable in relation to that Interest Liability) zero;

"Interest Scheduled Charging Balance" means in relation to an Interest Liability the amount specified as such in respect of that Interest Liability;

"Interest Scheduled Start Date" means in relation to an Interest Liability the date specified as such in respect of that Interest Liability;

"Interest Start Date" means in respect of an Interest Liability the earlier of:

- (a) the Interest Scheduled Start Date (if any) specified in relation to such Interest Liability; and
- (b) the Interest Accelerated Start Date;

"Interest Total Accrued Amount" means in respect of an Interest Liability on any Distribution Date in relation to the relevant Series:

- (a) the sum of the Interest Scheduled Amount and the Interest Deferred Amount; less
- (b) the Interest Saved Up Amount

in each case, in relation to that Interest Liability;

"Interest Unpaid Scheduled Amount" means in respect of an Interest Liability on an Interest Payment Date, the amount (if any) by which on that Interest Payment Date the relevant Interest Scheduled Amount exceeds the relevant Interest Payment Amount (in each case relating to such Interest Liability); and

"Interest Unpaid Scheduled Amount Balance" means in respect of an Interest Liability on any Interest Accrual Date, the aggregate of each Interest Unpaid Scheduled Amount, in each case, to the extent that such Interest Unpaid Scheduled Amount remains unpaid.

2. Standard Fee Liability Provisions

2.1 Accrual of fees and interest on unpaid fees

(a) *Accrual of scheduled fees*

In respect of the relevant Fee Liability, such Fee Liability shall accrue at the Fee Rate on the Fee Scheduled Charging Balance on each day of each Fee Accrual Period, in each case, relating to that Fee Liability.

(b) *Accrual of interest on deferred or overdue fees*

In respect of the relevant Fee Liability, interest shall accrue at the Fee Rate on the Fee Unpaid Scheduled Amount Balance on each day of each Fee Accrual Period, in each case, relating to that Fee Liability.

2.2 Payment and deferral of fees

(a) *Payment of amount allocated to pay fees plus any saved up amount*

On each Distribution Date which is a Fee Payment Date in respect of the relevant Fee Liability, the Issuer will pay to the relevant creditor in respect of such Fee Liability an amount equal to the aggregate of the Fee Total Accrued Amount (if any) and the Fee Saved Up Amount (if any) in respect of that Fee Liability (and such amount shall be due and payable by the Issuer on such Distribution Date) provided that:

- (1) if Fee Deferral is Applicable in respect of such Fee Liability, and
- (2) following the allocation and payment made in respect of such amount pursuant to the relevant Distribution Waterfalls on such Distribution Date, all or part of such amount remains unpaid,

then the Issuer and such creditor agree that such unpaid amount shall be deferred and instead deemed to be due and payable on the next Distribution Date which is a Fee Payment Date in respect of the relevant Fee Liability. For the avoidance of doubt, all amounts outstanding in respect of such Fee Liability shall be immediately due and payable on any Series Note Acceleration Date which occurs in relation to any Note in the relevant Series.

(b) *Saving up of amount allocated to accrued fees which are not yet scheduled for payment*

If Fee Saving is Applicable in relation to such Fee Liability, on each Distribution Date which is not a Fee Payment Date in respect of the relevant Fee Liability, the Issuer shall credit to the Series Revenue Savings Ledger an amount equal to the Fee Allocated Amount in respect of that Fee Liability.

(c) *Fee amounts which are not paid on scheduled dates*

On each Fee Payment Date on which there is a Fee Unpaid Scheduled Amount in respect of a Fee Liability, an amount equal to that Fee Unpaid Scheduled Amount shall from (and including) such Fee Payment Date be added to and form part of the Fee Unpaid Scheduled Amount Balance in respect of that Fee Liability.

(d) *Appropriation of payments*

Where an amount is paid by the Issuer to the relevant creditor in respect of a Fee Liability, such amount shall be deemed to be appropriated (to the extent of such amount) in the following order in or towards discharge of:

- (1) any Fee Scheduled Amount then due in respect of such Fee Liability; and then
- (2) any Fee Unpaid Scheduled Amount Balance then outstanding in respect of such Fee Liability.

2.3 Definitions

In these Standard Liability Provisions:

"Fee Accelerated Start Date" means in relation to a Fee Liability the earlier of:

- (a) any date (if any) specified as a *Fee Accelerated Start Additional Date* in relation to that Fee Liability; and
- (b) the occurrence of a Series Note Acceleration Date in relation to any Notes in the relevant Series;

"Fee Accrual Date" means in relation to a Fee Liability:

- (a) if Fee Saving is Applicable in relation to that Fee Liability, each Distribution Date in relation to the relevant Series; or
- (b) if Fee Saving is not Applicable in relation to that Fee Liability, each Fee Payment Date in relation to that Fee Liability;

"Fee Accrual Period" means in relation to a Fee Liability:

- (a) if Fee Saving is Applicable in relation to that Fee Liability, the period beginning on (and including) the Fee Saving Start Date and ending on (but excluding) the first Fee Accrual Date to occur after the Fee Saving Start Date and each successive period beginning on a Fee Accrual Date and ending on (but excluding) the next succeeding Fee Accrual Date, in each case, in relation to that Fee Liability; or

- (b) if Fee Saving is not Applicable in relation to that Fee Liability, a Fee Payment Period in relation to that Fee Liability;

"Fee Accrued Amount" means for any Fee Accrual Period in relation to a Fee Liability, the product of the following formula:

$$\text{Fee Charging Balance} \times \text{Fee Charging Rate} \times \text{Day Count Fraction}$$

(in each case, as relating to such Fee Liability for such Fee Accrual Period) rounded in accordance with the Fee Rounding Convention;

"Fee Allocated Amount" means in respect of a Fee Liability on any Fee Accrual Date, the aggregate of all amounts (if any) allocated on such Fee Accrual Date to such Fee Liability in accordance with any of the Distribution Waterfalls;

"Fee Business Day" unless specified otherwise in relation to a Fee Liability, means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are generally open for business (including dealings in foreign exchange and foreign currency deposits) in each case in London and, if that Fee Liability is not payable in GBP, in the principal financial centre for the relevant currency in which that Fee Liability is payable;

"Fee Calculation Agent" means in relation to a Fee Liability the person specified as such in respect of that Fee Liability;

"Fee Charging Balance" means for any Fee Accrual Period in relation to a Fee Liability:

- (a) the Fee Scheduled Charging Balance as at the close of business on the first day of such Fee Accrual Period, where such Fee Accrual Period relates to a Fee Scheduled Amount; or
- (b) the Fee Unpaid Scheduled Amount Balance as at the close of business on the first day of such Fee Accrual Period, where such Fee Accrual Period relates to a Fee Deferred Amount;

"Fee Charging Rate" means in respect of a Fee Liability for a Fee Accrual Period:

- (a) the Fee Rate Maximum (if any) specified for such Fee Accrual Period for such Fee Liability, if the Fee Rate in respect of that Fee Liability for such Fee Accrual Period is higher than such Fee Rate Maximum (if any);
- (b) the Fee Rate Minimum (if any) specified for such Fee Accrual Period for such Fee Liability, if the Fee Rate in respect of that Fee Liability for such Fee Accrual Period is lower than such Fee Rate Minimum (if any); or
- (c) in any other case, the Fee Rate in respect of that Fee Liability for such Fee Accrual Period;

"Fee Creditor Representative" means in relation to a Fee Liability the person specified as such in respect of that Fee Liability;

"Fee Deferral" in respect of a Fee Liability shall be as specified in relation to that Fee Liability;

"Fee Deferred Amount" means in respect of a Fee Liability on any Distribution Date in relation to the relevant Series:

- (a) zero, if Fee Saving is not Applicable in relation to that Fee Liability and such Distribution Date is not a Fee Payment Date; or
- (b) (in any other case) the aggregate of (in each case, in relation to that Fee Liability):
 - (1) the Fee Unpaid Scheduled Amount Balance as at close of business on the day before that Distribution Date; and
 - (2) the sum of each Fee Accrued Amount on the Fee Unpaid Scheduled Amount Balance in respect of each Fee Accrual Period (from and including the Fee Start Date) which has ended prior to that Fee Accrual Date, in each case, to the extent that such Fee Accrued Amount remains unpaid;

"Fee Liability" means the relevant liability to which the Standard Fee Liability Provisions are applicable;

"Fee Payment Amount" means in respect of a Fee Liability on any Fee Accrual Date the sum of the Fee Allocated Amount (if any) and the Fee Saved Up Amount (if any) (in each case relating to such Fee Liability):

"Fee Payment Date" means in relation to a Fee Liability the date specified as such in respect of that Fee Liability;

"Fee Payment Period" means in relation to a Fee Liability the period specified as such in respect of that Fee Liability;

"Fee Rate" means in relation to a Fee Liability the rate specified as such in respect of that Fee Liability;

"Fee Rate Maximum" means in relation to an Interest Liability the rate specified as such in respect of that Interest Liability;

"Fee Rate Minimum" means in relation to an Interest Liability the rate specified as such in respect of that Interest Liability;

"Fee Rounding Convention" means in relation to a figure, unless specified otherwise, such figure rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, 0.000005 being rounded upwards;

"Fee Saved Up Amount" means in respect of a Fee Liability on any Distribution Date in relation to the relevant Series:

- (a) (if Fee Saving is Applicable in relation to that Fee Liability) the aggregate of all amounts held within the Series Revenue Savings Ledger in respect of that Fee Liability as at close of business on the day before the Distribution Calculation Date preceding that Distribution Date; or
- (b) (if Fee Saving is not Applicable in relation to that Fee Liability) zero;

"Fee Saving" in relation to a Fee Liability has the meaning as specified as such in respect of that Fee Liability;

"Fee Saving Start Date" means in relation to a Fee Liability the date (if any) specified as such in respect of that Fee Liability;

"Fee Scheduled Amount" means in respect of a Fee Liability on any Distribution Date in relation to the relevant Series:

- (a) (where such Distribution Date is a Fee Payment Date in respect of that Fee Liability) the sum of each Fee Accrued Amount on the Fee Scheduled Charging Balance in respect of each Fee Accrual Period within the relevant Fee Payment Period ending on the day before that Fee Payment Date, in each case, in relation to that Fee Liability; and
- (b) (where such Distribution Date is not a Fee Payment Date in respect of that Fee Liability):
 - (1) (if Fee Saving is Applicable in relation to that Fee Liability) the sum of each Fee Accrued Amount on the Fee Scheduled Charging Balance in respect of each Fee Accrual Period which has occurred prior to that Fee Accrual Date within the then current Fee Payment Period, in each case, in relation to that Fee Liability; or
 - (2) (if Fee Saving is not Applicable in relation to that Fee Liability) zero;

"Fee Scheduled Charging Balance" means in relation to a Fee Liability the amount specified as such in respect of that Fee Liability;

"Fee Scheduled Start Date" means in relation to a Fee Liability the date specified as such in respect of that Fee Liability;

"Fee Start Date" means in respect of a Fee Liability the earlier of:

- (a) the Fee Scheduled Start Date (if any) specified in relation to such Fee Liability; and
- (b) the Fee Accelerated Start Date;

"Fee Total Accrued Amount" means in respect of a Fee Liability on any Distribution Date in relation to the relevant Series:

- (a) the sum of the Fee Scheduled Amount and the Fee Deferred Amount; less
 - (b) the Fee Saved Up Amount;
- in each case, in relation to that Fee Liability;

"Fee Unpaid Scheduled Amount" means in respect of a Fee Liability on a Fee Payment Date, the amount (if any) by which on that Fee Payment Date the relevant Fee Scheduled Amount exceeds the relevant Fee Payment Amount (in each case relating to such Fee Liability); and

"Fee Unpaid Scheduled Amount Balance" means in respect of a Fee Liability on any Fee Accrual Date, the aggregate of each Fee Unpaid Scheduled Amount, in each case, to the extent that such Fee Unpaid Scheduled Amount remains unpaid.

3. Business Day Convention

Each date relating to an Interest Liability, Fee Liability or a Principal Repayment Liability which would otherwise fall on a day which is not a Business Day shall be adjusted in accordance with the Business Day Convention (if any) which is specified as being applicable to such date (the **"Business Day Convention"**) and for such purpose if such Business Day Convention specified in relation to the relevant Interest Liability or Fee Liability is:

- (a) **"Floating Rate Convention"**, then such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event:
 - (1) such date shall be brought forward to the immediately preceding Business Day; and
 - (2) each subsequent such date shall be the last Business Day of the month in which such date would have fallen;
- (b) **"Following Business Day Convention"**, then such date shall be postponed to the next day which is an Business Day;
- (c) **"Modified Following Business Day Convention"**, then such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (d) **"Preceding Business Day Convention"**, then such date shall be brought forward to the immediately preceding Business Day,

where such references to Business Day shall be to an Interest Business Day in respect of the relevant Interest Liability or to a Fee Business Day in respect of the relevant Fee Liability.

4. Day Count Fraction

Where the calculation of an Interest Liability or Fee Liability for a period refers to a Day Count Fraction, **"Day Count Fraction"** means, in relation to such calculation, if the *Day Count Fraction* specified in relation to the relevant Interest Liability or Fee Liability is:

- (a) **"Actual/365"** or **"Actual/Actual - ISDA"**, the actual number of days in the Accrual Period divided by 365 (or, if any portion of that Accrual Period falls in a leap year, the sum of:
 - (1) the actual number of days in that portion of the Accrual Period falling in a leap year divided by 366; and
 - (2) the actual number of days in that portion of the Accrual Period falling in a non-leap year divided by 365);
- (b) **"Actual/365 (Fixed)"**, the actual number of days in the Accrual Period divided by 365;
- (c) **"Actual/365 (Sterling)"**, the actual number of days in the Accrual Period divided by 365 or, in the case of a Payment Date falling in a leap year, 366;
- (d) **"Actual/360"**, the actual number of days in the Accrual Period divided by 360;
- (e) **"30/360"** or **"Bond Basis"**, the number of days in the Accrual Period divided by 360, such number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless:
 - (1) the last day of the Accrual Period is the 31st day of a month but the first day of the Accrual Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or
 - (2) the last day of the Accrual Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month);

- (f) "**30E/360**" or "**Eurobond Basis**", the number of days in the Accrual Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Accrual Period unless, in the case of the final Accrual Period, the relevant last day of that Accrual Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (g) "**Actual/Actual - ISMA**":
 - (1) if the Accrual Period is equal to or shorter than the Payment Period during which it falls, the number of days in the Accrual Period divided by the ISMA Denominator; and
 - (2) if the Accrual Period is longer than one Payment Period, the sum of:
 - (A) the number of days in such Accrual Period falling in the Payment Period in which it begins divided by the ISMA Denominator; and
 - (B) the number of days in such Accrual Period falling in the next Payment Period divided by the ISMA Denominator;

where, in each case, the "**ISMA Denominator**" means the product of the number of days in the relevant Payment Period and the number of Payment Periods normally ending in any year;

where such references to Accrual Period shall be to the relevant Interest Accrual Period in respect of the relevant Interest Liability or to the relevant Fee Accrual Period in respect of the relevant Fee Liability; and such references to Payment Period shall be to the relevant Interest Payment Period in respect of the relevant Interest Liability or to the relevant Fee Payment Period in respect of the relevant Fee Liability; and such references to Payment Date shall be to the relevant Interest Payment Date in respect of the relevant Interest Liability or to the relevant Fee Payment Date in respect of the relevant Fee Liability.

5. Standard Benchmark Rate Provisions

5.1 Calculation of Benchmark Rate in relation to Interest Liabilities

Where the calculation of the Interest Rate for an Interest Liability in relation to an Interest Payment Period involves a Benchmark Rate, then the relevant Interest Calculation Agent will, as soon as practicable after the Interest Rate Setting Time on each Interest Rate Setting Date, determine the then level of that Benchmark Rate in accordance with this paragraph 5 *Standard Benchmark Rate Provisions* of these Standard Liability Provisions and then calculate that Interest Rate.

In these Standard Liability Provisions:

"**Benchmark Rate**" means in relation to an Interest Liability the rate (if any) specified as such in respect of that Interest Liability;

"**Benchmark Rate Financial Centre**" means in relation to a Benchmark Rate the principal financial centre for the relevant currency to which such Benchmark relates;

"**Benchmark Rate Interpolation**" means in relation to a Benchmark Rate for an Interest Liability the interpolation (if any) specified as such in respect of that Interest Liability;

"**Benchmark Rate Primary Source**" means in relation to a Benchmark Rate for an Interest Liability the source (if any) specified as such in respect of that Interest Liability;

"**Benchmark Rate Quotation**" means in relation to a Benchmark Rate for an Interest Liability the quotation (if any) specified as such in respect of that Interest Liability;

"**Benchmark Rate Reference Banks**" means in relation to a Benchmark Rate for an Interest Liability the persons (if any) specified as such in respect of that Interest Liability.

5.2 Determination of Benchmark Rate from an information service page

Where the Benchmark Rate Primary Source is a specified page, section or other part of a particular information service, the Benchmark Rate shall be:

- (a) (where the Benchmark Rate Quotation is a composite quotation or rate per annum or is customarily supplied by one entity) the Benchmark Rate Quotation (if any) in respect of the relevant Benchmark so appearing in or on that page, section or other part of such information service as aforesaid, or

- (b) (where the Benchmark Rate Quotation is not a composite quotation or rate per annum or is not customarily supplied by one entity) the arithmetic mean (rounded in accordance with the Interest Rounding Convention) of the Benchmark Rate Quotations in respect of the relevant Benchmark of the persons at that time whose Benchmark Rate Quotations so appear in or on that page, section or other part of such information service as aforesaid; provided that at least two such Benchmark Rate Quotations so appear at that time.

5.3 Determination of Benchmark Rate from reference banks

Where:

- (a) the Benchmark Rate Primary Source are four or more Benchmark Rate Reference Banks; or
- (b) the Benchmark Rate Primary Source is a specified page, section or other part of a particular information service but either no or, in the case of paragraph 5.2(b) of these Standard Liability Provisions, less than two Benchmark Rate Quotations in respect of the relevant Benchmark Rate appear on that Benchmark Rate Primary Source at or about the relevant Interest Rate Setting Time;

the Interest Calculation Agent will request the principal office in the Benchmark Rate Financial Centre of each of the Benchmark Rate Reference Banks to provide the Interest Calculation Agent with its Benchmark Rate Quotation in respect of the relevant Benchmark Rate quoted to leading banks and, if at least two such Benchmark Rate Quotations are received by the Interest Calculation Agent, the Benchmark Rate shall be the arithmetic mean (rounded in accordance with the relevant Interest Rounding Convention) of such Benchmark Rate Quotations as calculated by the Interest Calculation Agent.

5.4 Determination of Benchmark Rate from other banks

If paragraph 5.3 of these Standard Liability Provisions applies but at the relevant time only one or none of such Benchmark Rate Reference Banks provide such Benchmark Rate Quotations in respect of the relevant Benchmark Rate, then the Benchmark Rate shall be the rate per annum (expressed as a percentage) which the Interest Calculation Agent determines to be the arithmetic mean (rounded in accordance with the Interest Rounding Convention) of the Benchmark Rate Quotations in respect of the relevant Benchmark Rate in respect of the relevant currency which banks in the Benchmark Rate Financial Centre of the country of such currency selected by the Interest Calculation Agent (after consultation with the specified Interest Creditor Representative) are quoting at or about the Interest Rate Setting Time (in such Benchmark Rate Financial Centre) on the relevant Interest Rate Setting Date to leading banks carrying on business in that Benchmark Rate Financial Centre.

5.5 Determination of Benchmark Rate using previous rate

If paragraph 5.4 of these Standard Liability Provisions applies but at the relevant time the banks so selected by the Interest Calculation Agent are not quoting as contemplated aforesaid, the Benchmark Rate shall be the Benchmark Rate most recently determined in relation to the relevant Interest Liability.

5.6 Interpolation to determine Benchmark Rate

Where Benchmark Rate Interpolation is specified as being applicable to an Interest Payment Period, the Benchmark Rate shall be determined for that Interest Payment Period by the linear interpolation of Benchmark Rate Quotations obtained in the manner indicated in this paragraph 5 of these Standard Liability Provisions for each of the two periods specified to be interpolated.

6. Standard Principal Repayment Liability Provisions

6.1 Repayment and accrual

- (a) *Covenant to repay principal*

On each Distribution Date which is a Principal Repayment Date in respect of the relevant Principal Repayment Liability, the Issuer shall repay in respect of such Principal Repayment Liability an amount equal to the higher of:

- (1) the Principal Repayment Scheduled Amount (if any) in respect of that Principal Repayment Liability (and such Principal Repayment Scheduled Amount shall be due and payable by the Issuer on such Distribution Date); and the
- (2) the Principal Repayment Amount (if any) in respect of that Principal Repayment Liability;

provided that if both Principal Repayment Deferral is Applicable in relation to that Principal Repayment Liability and following the allocation and payment made in respect of such amount pursuant to the relevant Distribution Waterfalls on such Distribution Date, all or part of such Principal Repayment Scheduled Amount remains unpaid, then the Issuer and the relevant creditor agree that such unpaid amount shall be deferred and instead deemed to be due and payable on the next Distribution Date which is a Principal Repayment Date in respect of the relevant Principal Repayment Liability. For the avoidance of doubt, all principal outstanding in respect of such Principal Repayment Liability shall be immediately due and repayable on any Series Note Acceleration Date which occurs in relation to any Note in the relevant Series.

(b) *Saving up of amounts allocated to principal which is not yet scheduled for repayment*

If Principal Repayment Saving is Applicable in relation to such Principal Repayment Liability, on each Distribution Date which is a Principal Repayment Accrual Date but is not a Principal Repayment Date in respect of the relevant Principal Repayment Liability, the Issuer shall credit to the Series Principal Savings Ledger an amount equal to the Principal Repayment Allocated Amount (if any) in respect of that Principal Repayment Liability.

6.2 Definitions

In these Standard Liability Provisions:

"Principal Early Repayment Date" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Accelerated Date" means in relation to a Principal Repayment Liability the earlier of:

- (a) the Principal Repayment Final Maturity Date in relation to that Principal Repayment Liability;
- (b) any date specified as a Principal Early Repayment Date in relation to that Principal Repayment Liability; and
- (c) the occurrence of a Series Note Acceleration Date in relation to any Notes in the relevant Series;

"Principal Repayment Accrual Date" means in relation to a Principal Repayment Liability:

- (a) if Principal Repayment Saving is Applicable in relation to that Principal Repayment Liability, each Distribution Date in relation to the relevant Series which occurs during the Principal Repayment Accrual Period; or
- (b) if Principal Repayment Saving is not Applicable in relation to that Principal Repayment Liability, each Principal Repayment Date in relation to that Principal Repayment Liability;

"Principal Repayment Accrual Period" means in relation to a Principal Repayment Liability the period beginning on (and including) the Principal Repayment Saving Start Date in relation to that Principal Repayment Liability and ending on (and excluding) the earlier of:

- (a) the occurrence of a Principal Repayment Accelerated Date in relation to such Principal Repayment Liability; and
- (b) the last day of the Principal Repayment Period in relation to such Principal Repayment Liability;

"Principal Repayment Allocated Amount" means in respect of a Principal Repayment Liability on any Principal Repayment Accrual Date, the aggregate of all amounts (if any) allocated on such Principal Repayment Accrual Date to such Principal Repayment Liability in accordance with any of the Distribution Waterfalls;

"Principal Repayment Amount" means in respect of a Principal Repayment Liability on any Principal Repayment Accrual Date the sum of the Principal Repayment Allocated Amount (if any) and the Principal Repayment Saved Up Amount (if any) (in each case relating to such Principal Repayment Liability):

"Principal Repayment Calculation Agent" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Date" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Deferral" in relation to a Principal Repayment Liability shall be as specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Due Amount" means in relation to a Principal Repayment Liability the amount (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Final Maturity Date" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Liability" means the relevant liability to which the Standard Principal Repayment Liability Provisions are applicable;

"Principal Repayment Limit" means in relation to a Principal Repayment Liability the amount (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Period" means in relation to a Principal Repayment Liability the period beginning on (and including) the Principal Repayment Start Date in relation to that Principal Repayment Liability and ending on (and including) the date on which such Principal Repayment Liability is fully redeemed;

"Principal Repayment Permitted Amount" means in respect of a Principal Repayment Liability on any Distribution Date in relation to the relevant Series:

- (a) (where such Distribution Date is a Principal Repayment Date in respect of that Principal Repayment Liability) the Principal Repayment Limit in respect of that Principal Repayment Liability; or
- (b) (where such Distribution Date is not a Principal Repayment Date in respect of that Principal Repayment Liability):
 - (1) the Principal Repayment Limit in respect of that Principal Repayment Liability (if both Principal Repayment Saving is Applicable in relation to that Principal Repayment Liability and such Distribution Date is a Principal Repayment Accrual Date in relation to that Principal Repayment Liability); or
 - (2) zero (if either Principal Repayment Saving is not Applicable in relation to that Principal Repayment Liability or such Distribution Date is not a Principal Repayment Accrual Date in relation to that Principal Repayment Liability);

"Principal Repayment Saved Up Amount" means in respect of a Principal Repayment Liability on any Distribution Date in relation to the relevant Series:

- (a) (if Principal Repayment Saving is Applicable in relation to that Principal Repayment Liability) the aggregate of all amounts held within the Series Principal Savings Ledger in respect of that Principal Repayment Liability as at close of business on the day before the Distribution Calculation Date preceding that Distribution Date; or
- (b) (if Principal Repayment Saving is not Applicable in relation to that Principal Repayment Liability) zero;

"Principal Repayment Saving" in relation to a Principal Repayment Liability shall be as specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Saving Start Date" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Scheduled Amount" means in respect of a Principal Repayment Liability on any Distribution Date in relation to the relevant Series:

- (a) prior to the Principal Repayment Accelerated Date:
 - (1) (if that Distribution Date is a Principal Repayment Date in relation to that Principal Repayment Liability) the amount (if any) specified as the Principal Repayment Due Amount in respect of such Distribution Date in relation to that Principal Repayment Liability; or
 - (2) (if that Distribution Date is not a Principal Repayment Date in relation to that Principal Repayment Liability) zero;
- (b) from (and including) the Principal Repayment Accelerated Date, the principal amount outstanding of that Principal Repayment Liability;

"Principal Repayment Scheduled Date" means in relation to a Principal Repayment Liability the date (if any) specified as such in respect of that Principal Repayment Liability;

"Principal Repayment Specified Amount" means in respect of a Principal Repayment Liability on any Distribution Date in relation to the relevant Series:

- (a) the higher of:
 - (1) the Principal Repayment Scheduled Amount; and
 - (2) the Principal Repayment Permitted Amount;

less

- (b) the Principal Repayment Saved Up Amount;

in each case, in relation to that Principal Repayment Liability; and

"Principal Repayment Start Date" means in respect of a Principal Repayment Liability the earlier of:

- (a) the Principal Repayment Scheduled Date (if any) specified in relation to such Principal Repayment Liability; and
- (b) the Principal Repayment Accelerated Date.

10. ISSUE AND CERTAIN FEATURES OF THE NOTES

The information set out in this section relating to the Clearing Systems, Book Entry Interests and the rules, regulations and procedures of the relevant Clearing Systems is derived from information obtained from the Clearing Systems. This information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information is subject to any change in or reinterpretation of the rules, regulations and procedures of the relevant Clearing Systems currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other Transaction Party (nor any person associated with any of them), will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described in the Note Listing Documents.

10.1 Issue and constitution of Notes

(a) *Issue of Series of Classes*

Notes may be issued by the Issuer from time to time in series (each a "**Series**") each comprising one or more classes of Notes (each a "**Class**") with no minimum size. The Notes comprising each Class may be issued on different dates, the relevant date of issue being specified under the heading *Note Issue Closing Date* in the relevant Note Specific Conditions (each such date being a "**Note Issue Closing Date**" and each such issue being a "**Note Issue**" and the Notes in a Class being issued on that date being a "**Tranche**" of that Class).

Where a Series comprises more than one Class of Notes, the "**Class Tier**" of such Class shall be the Tier specified in respect of such Class in the table appearing under the heading *Note Class Tiers* in the relevant Note Specific Conditions with a Tier being treated as "higher" than each Tier appearing in a row below the row in which it appears in that table (a Class may have the same Class Tier as another Class).

(b) *Further issues of Notes in respect of an existing Series or to constitute an additional Series*

The Issuer will be entitled (but not obliged) from time to time without the consent of Noteholders to issue further Notes which either:

- (1) if *Further Tranche Permitted* (in the relevant Note Specific Conditions) is Applicable in relation to a Series, constitute a further Tranche of Notes to be consolidated into and form a single Class with any Notes in a Class already in issue, subject to the terms and conditions of existing Notes in the relevant Series and provided that the conditions set out under the heading *Further Tranche Conditions* in the relevant Note Specific Conditions relating to the existing Notes in that Series are satisfied; or
- (2) may constitute a new separate Series, provided that the Series Waterfall Assets relating to an existing Series are not included in the Series Waterfall Assets relating to such new separate Series and subject, among other things, to the terms and conditions of such new Series of Notes.

Where there are Notes outstanding in respect of any other Series which are at the relevant time rated by any Series Note Rating Agency, the Issuer has covenanted under the Security Intercreditor Deed not to constitute any such new Series unless the Security Trustee and each Series Note Trustee has received a copy from the Issuer of a written confirmation from each Series Note Rating Agency that the then current ratings by such Series Note Rating Agency of such Notes (if any) which will remain outstanding following the Note Issue Closing Date of the relevant new Series will not be downgraded, withdrawn or qualified as a result only of the issuance of such further new Series.

Each time Notes are issued in respect of a new Series under the Programme, the Issuer will enter into the Series Documents. Each time (where permitted) further Notes are issued in respect of an existing Series, the Issuer will procure that the existing Series Documents relating to that Series are amended to extend to those Further Notes or, as appropriate, the Issuer shall enter into additional Series Documents relating to that Series.

(c) *Constitution under Series Note Trust Deed and by entry in Series Note Register*

In relation to a Series the Issuer will enter into a Series Note Trust Deed specified under the heading *Series Note Trust Deed* in the relevant Series Specific Provisions (each a "**Series Note Trust Deed**") with the person specified under the heading *Series Note Trustee* in the relevant Series Specific Provisions (the

"**Series Note Trustee**" in relation to such Series, which expression shall include all persons for the time being acting as the note trustee or note trustees under the relevant Series Note Trust Deed).

Each of the Series Notes will be constituted pursuant to the Series Note Trust Deed relating to that Series on the relevant Note Issue Closing Date, and by appropriate entries being made in the Series Note Register.

Entry of a person's name in the Series Note Register for a Series as the Noteholder in respect of a Note of that Series is conclusive evidence of that person's title to and ownership of that Note.

References in this Note Programme Memorandum to "**Noteholder**" mean the person in whose name a Note is registered in the relevant Series Note Register and references to a Holder has the same meaning as indicated in Note Standard Condition 1.1 *Definitions* (see page 123).

(d) *Series Note Register*

Each time a new Series of Notes is created under the Programme, the Issuer will appoint a Series Note Registrar (see 6.12(a) *Appointment of the Series Note Servicers* on page 54) who will be responsible for maintaining an up-to-date register in relation to those Notes (the "**Series Note Register**") which shall be kept at the relevant Series Note Registrar Specified Office (see Note Standard Condition 1.1 *Definitions* on page 123).

Among other things, the relevant Series Note Registrar will be required to enter into the relevant Series Note Register the names and addresses of current and previous Noteholders of each Note in the Series and the relevant dates of all transfer of, registration of and cessation of holdings of Notes, the Note Initial Principal Amount and the dates and amounts of each redemption of principal in respect of each Series Note.

The Series Note Registrar will not be liable for any mistake in the Series Note Register or in any purported copy except to the extent that the mistake is attributable the Series Note Registrar's own fraud, gross negligence or wilful default.

In order to calculate the amount payable to each Holder, a Series Note Register may be closed by the relevant Series Note Registrar from 3:30pm on such Business Day as the Issuer determines from time to time (not exceeding 5 consecutive Business Days) and recommence at the commencement of business on the Business Day immediately following the day the amounts payable to each Holder are payable.

Subject to the provisions of the relevant Note Conditions, the Series Note Register shall be made available by the relevant Series Note Registrar at its Series Note Registrar Specified Office to a Noteholder and its authorised representatives for inspection of that part of the Series Note Register which relates to that Noteholder free of charge at any reasonable time when such Series Note Registrar Specified Office is open for business.

(e) *Note Currency and Note Currency Unit*

Subject to compliance with all relevant laws, regulations and directives, Notes will be issued in any currency. The "**Note Currency**" of a Note is the currency indicated in relation to such Note under the heading *Note Currency* in the relevant Note Specific Conditions. The "**Note Currency Unit**" of a Note is the currency unit indicated in relation to such Note under the heading *Note Currency Unit* in the relevant Note Specific Conditions. The "**Note Currency Centre**" of a Note Currency is the place indicated in relation to such Note Currency under the heading *Note Currency Centre* in the relevant Note Specific Conditions.

(f) *Note Rating*

Notes of any Series may be rated by Fitch Ratings Limited ("**Fitch**"), and/or Moody's Investors Service Ltd. ("**Moody's**"), and/or Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("**S&P**"). Details of the initial rating (if any) expected to be assigned by one or more of Fitch, Moody's and S&P (each a "**Series Note Rating Agency**") to a Class of Notes (being the "**Note Rating**" in respect of such Notes) will be indicated under the heading *Note Ratings* in the relevant Note Specific Conditions. A Note Rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn at any time by the relevant rating agency. Unrated Notes may also be issued.

10.2 Note Conditions and other terms

(a) *Note Conditions*

Notes in each Class in each Series shall be issued on and subject to the applicable Note Conditions, being those set out under the heading *Note Standard Conditions* in this Note Programme Memorandum, as supplemented and amended in respect of each issue of Notes in that Series by the provisions set out under the heading *Note Specific Conditions* in the then most recent Note Issue Supplement for a Note Issue in

respect of that Series (such provisions being the "**Note Specific Conditions**" in relation to such Series) and by any other document specified as doing so by the Note Specific Conditions. The relevant Note Specific Conditions and any such other document may vary, amend, supplement or disapply any of the Note Standard Conditions set out in this Note Programme Memorandum in any respect and the descriptions in this Note Programme Memorandum shall be read as being subject to any variations, amendments and disapplications accordingly.

(b) *Note Issue Supplement*

A Note Issue Supplement will be prepared in respect of each Tranche and will be based upon the form set out in 13 *Form of Note Issue Supplement* (on page 144).

(c) *Series Note Additional Provisions*

In addition, as provided in Note Standard Condition 2.1 *Constitution* (on page 125), each Note is subject to and each Noteholder is bound by, and is deemed to have notice of, all the Series Note Additional Provisions (which comprise the provisions of the Note Specific Conditions, the Series Specific Provisions, the Programme Specific Provisions, the Series Note Trust Deed, the Series Note Services Agreement, the Security Deed, the Security Intercreditor Deed and each Security Supplemental Deed). This Note Programme Memorandum contains summaries of aspects of such Series Note Additional Provisions. The Issuer shall procure that copies of each of the Series Note Additional Provisions are available for inspection during normal business hours at the Series Note Trustee Specified Office, Security Trustee Specified Office and Series Note Registrar Specified Office.

(d) *Governing Law*

The Notes will be governed by, and construed in accordance with, English law (see Note Standard Condition 14.1 English law on page 143).

10.3 Form and holdings of the Notes

(a) *Form of Notes*

Notes will be issued in registered form.

(b) *Denomination of Notes*

Subject to compliance with all relevant laws, regulations, directives, stock exchange and listing requirements, Notes will be issued in such denominations as may be specified in the applicable Note Specific Conditions (see Note Standard Condition 2.3 *Denominations and permitted holdings* on page 125).

(c) *Note certificates only issued in limited circumstances*

No certificates (each a "**Note Certificate**") or other evidence of title will be issued in respect of a Note unless:

- (1) the Issuer determines that certificates should be made available as required by law or chooses to make certificates available; or
- (2) Note Certificates are specifically requested by the relevant Noteholder and specifically agreed to between the Issuer and such Noteholder.

Any such Note Certificates would be evidence of entitlement only. In the event of any inconsistency between a Note Certificate or other evidence of title and an entry in the relevant Series Note Register, the entry in the relevant Series Note Register will always govern.

10.4 Notes held in a Clearing System

(a) *Clearing System Arrangements and Clearing System Notes*

If *Clearing System Arrangement* (in the relevant Note Specific Conditions) is Applicable in relation to a Class, all Notes in that Class will upon the relevant Note Issue Closing Date relating to such Notes be registered in the name of the person specified in relation to such Class under the heading *Clearing System Noteholder* in the Note Specific Conditions (the "**Clearing System Noteholder**") as common depositary, custodian and/or nominee for each clearing system specified in relation to such Class under the heading *Clearing System* in the Note Specific Conditions (each a "**Clearing System**"). Each Note is a "**Clearing System Note**" throughout the period in which it is registered in the name of a Clearing System Noteholder as nominee for a Clearing System.

If Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream**") is a Clearing System in relation to a Class comprised in a Series, the Issuer understands that:

- (1) Euroclear and Clearstream 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.
- (2) Euroclear and Clearstream each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships.
- (3) Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective Clearing System Participants may settle trades with each other.
- (4) Clearing System Participants in both Euroclear and Clearstream are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.
- (5) Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearing System Participant of either system.

If The Depository Trust Company ("**DTC**") is a Clearing System in relation to Notes comprised in a Series, the Issuer understands that:

- (1) DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the U. S. Exchange Act.
 - (2) DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates.
 - (3) DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representative) own DTC.
- (b) *Holding of beneficial interests in Clearing System Notes*
Ownership of interests by any person (other than the relevant Clearing System Noteholder) in Clearing System Notes will be limited to such interests (if any) that arise under applicable laws in favour of:
- (1) persons (each a "**Clearing System Participant**") that have an account with a relevant Clearing System relating to such Clearing System Notes (including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearing System, either directly or indirectly); or
 - (2) persons (each a "**Clearing System Indirect Participant**") that hold interests in the Clearing System Notes through Clearing System Participants or through other Clearing System Indirect Participants;

each such interest being a "**Book Entry Interest**".

The Issuer expects that, upon registration of Notes in the name of a Clearing System Noteholder, the relevant Clearing System will credit each of its Clearing System Participants' accounts on such Clearing System's book-entry registration and transfer system with the principal amount of Notes for which that Clearing System Participant has subscribed and paid (as advised to the relevant Clearing System by the relevant Note Issue Lead Managers).

The Issuer understands that Book Entry Interests in the Clearing System Notes will be shown on, and transfers of Book Entry Interests or an interest in Book Entry Interests will be effected only through, accounts and records in the respective Clearing System Participants' name on such Clearing System's book-entry registration and transfer system maintained by the relevant Clearing System (with respect to the Book Entry Interests of their Clearing System Participants) and on the accounts and records of Clearing System Participants or Clearing System Indirect Participants (with respect to the Book Entry Interests of their Clearing System Indirect Participants).

(c) *Clearing System Participants etc are not Holders of the Notes*

The Clearing System Noteholder for each relevant Clearing System will be treated by the Issuer, the Series Note Trustee, the Series Note Registrar and Security Trustee and any of their respective agents as the Noteholder and Holder of such Clearing System Notes for all purposes whatsoever. Clearing System Participants or Clearing System Indirect Participants in a Clearing System:

- (1) will not be considered Noteholders or the Holders of such Notes under the Note Conditions or the Series Note Trust Deed;
- (2) will have no rights in respect of Clearing System Notes under any Transaction Document (including, without limitation, the Note Conditions, the relevant Series Note Trust Deed, the Security Deed and the relevant Note Series Services Agreement);
- (3) will not be entitled to have Clearing System Notes registered in their names; and
- (4) will not receive or be entitled to receive Note Certificates for such Notes;

in each case, unless and until such Notes are removed from each relevant Clearing System as described in 10.4(f) *Removal of Notes from Clearing Systems* (see page 111).

(d) *Rules and procedures of the relevant Clearing System etc*

A Clearing System Participant's Book Entry Interests and overall contractual relations with a Clearing System are governed by the respective rules and operating procedures of the relevant Clearing System and any applicable laws. Accordingly:

- (1) each person holding a Book Entry Interest in respect of a Clearing System Note must rely on the rules and procedures of the relevant Clearing System; and
- (2) Clearing System Indirect Participants must rely on the procedures of the Clearing System Participants or Clearing System Indirect Participants through which such person owns any Book Entry Interest in the relevant Clearing System Notes;

in each case, to influence or direct the exercise any rights and obligations of a Noteholder in respect of Clearing System Notes.

The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Series Note Trustee requests any action of owners of Book Entry Interests in Clearing System Notes or if an owner of a Book Entry Interest in a Clearing System Note desires to give instructions or take any action that a Holder is entitled to give or take under the Series Note Trust Deed, the relevant Clearing System would authorise the Clearing System Participants owning the relevant Book Entry Interest in the Clearing System Note to give instructions or take such action, and such Clearing System Participants would authorise Clearing System Indirect Participants to give or take such action or would otherwise act upon the instructions of such Clearing System Indirect Participants.

Each Clearing System acts under such rules and operating procedures only on behalf of its Clearing System Participants, and have no record of or relationship with persons holding Book Entry Interests through its Clearing System Participants.

(e) *Notices to Noteholders may be made to the Clearing System*

Any notice to Noteholders in respect of Clearing System Notes shall be deemed to have been duly given if sent to each relevant Clearing System in respect of such Clearing System Notes and shall be deemed to have been given on the date on which such notice was so sent.

(f) *Removal of Notes from Clearing Systems*

Notes which are Clearing System Notes will remain as such until the occurrence of the circumstances specified in Note Standard Condition 2.8 *Removal of Notes from Clearing Systems* (on page 127).

(g) *Clearing System codes and identification numbers for Clearing System Notes*

If *Clearing System Arrangement* (in the relevant Note Specific Conditions) is Applicable in relation to a Class, the Clearing System codes and identification numbers (being the "**Common Code**" and "**ISIN**" or International Securities Identification Number where Euroclear and Clearstream is a Clearing System in respect of the relevant Notes and "**CUSIP Number**" where DTC is a Clearing System in respect of the relevant Notes) for each Class comprising Clearing System Notes will be set out under the heading *Clearing System Codes* in the relevant Note Specific Conditions.

10.5 Restrictions on and arrangements for transfers of interests in Notes

(a) *Certain restrictions in relation to the Notes*

Title to the Notes will pass by transfer and registration in the relevant Series Note Register as described in Note Standard Condition 2.5(a) *Title and transfers* (on page 126).

(b) *Restrictions in the Note Transfer Regulations*

Each of the Notes in the Series are subject to the applicable Note Transfer Regulations (as defined in Note Standard Condition 1.1 *Definitions* on page 123). The Note Transfer Regulations require, among other things, that transfers can only be effected by delivery to the relevant Series Note Registrar of a duly completed and executed note transfer form and such other evidence (including legal opinions) as the Issuer and the relevant Series Note Registrar may reasonably require to prove the validity and effect of the note transfer form or documents accompanying it, the title of the transferor or his right to transfer the Series Note and his identity.

(c) *General restrictions under applicable laws and regulations*

Each of the Notes in the Series will also be subject to other restrictions on the promotion (including the distribution of offering material), offer, sale, purchase, resale, pledge or transfer of such Notes as arise under applicable laws and investors are responsible for ascertaining and complying with such restrictions (see 1.7 *Applicable restrictions must be ascertained and observed by investors* on page 7).

In particular, the Notes have not been and will not be registered under the U.S. Securities Act or the securities laws or "Blue Sky" laws of any state of the United States or any other relevant jurisdiction. Each Rule 144A Note (if any) is being offered within the United States in reliance on Rule 144A under the U.S. Securities Act only to Qualified Institutional Buyers. Each Reg S Note is being offered solely outside the United States in reliance on Reg S to non-U.S. Persons in offshore transactions (as defined in Reg S). Prior to the expiry of the Reg S Distribution Compliance Period, beneficial interests in a Reg S Note may not be held by a U.S. Person.

(d) *Deemed representations by holders and transferees of interests in Notes*

A person acquiring a beneficial interest in a Note will be deemed to have made certain representations relating to, among other things, compliance with all applicable securities, ERISA and tax laws and shall be deemed to have agreed to be bound by the Note Transfer Regulations applicable to such Note and may be requested to agree in writing to be so bound (see Note Standard Condition 11.3 *Representations and agreements of Note Transferees* on page 138).

In particular, to enforce the Transfer Regulations in relation to interests in any Note, the relevant Series Note Trust Deed permits the Issuer to demand that the Holder of:

- (1) any interest in a Rule 144A Note held by a U.S. Person who is determined not to have been a Qualified Institutional Buyer at the time of acquisition of such Rule 144A Note; and**
- (2) any interest in a Reg S Note held by a U.S. Person at the time of acquisition of such interest if such interest occurred during the relevant Reg S Distribution Compliance Period relating to such Reg S Note,**

in each case, sell such interest to a Holder that is permitted under the relevant Series Note Trust Deed and, if the Holder does not comply with such demand within 30 days thereof, the Issuer may sell such Holder's interest in such Notes.

(e) *Procedures applicable to transfers of Book Entry Interests in Clearing System Notes*

Permitted transfers of a Book Entry Interest in a Clearing System Note will be subject to and effected in accordance with the rules and procedures for the time being of the relevant Clearing System.

While DTC and either or both of Euroclear and Clearstream are Clearing Systems in relation to Notes comprised in a Series, the Issuer understands that while Notes are represented by Clearing System Notes:

- (1) Subject to compliance with the transfer restrictions applicable to Notes under "Restrictions on Purchase and Transfer of the Notes", cross-market transfers between DTC, on the one hand, and, directly or indirectly through Euroclear or Clearstream, or their respective Clearing System Participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be.

- (2) However, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time).
- (3) Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to their Clearing System Noteholder to take action to effect final settlement on its behalf by delivering or receiving interest in a Reg S Note in DTC, and making or receiving payment in accordance with normal procedures for immediately available funds settlement applicable to DTC. Clearing System Participants of Euroclear or Clearstream may not deliver instructions directly to their Clearing System Noteholder.
- (4) Because of time zone differences, the securities account of a Clearing System Participant in Euroclear or Clearstream purchasing an interest in a Clearing System Note from a Clearing System Participant in DTC will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date and the credit of any transaction in interests in a Clearing System Note settled during the processing day will be reported to the relevant Clearing System Participant in Euroclear or Clearstream, as the case may be, on that day. Cash received by Euroclear or Clearstream as a result of sale interests in a Clearing System Note by or through a Clearing System Participant in Euroclear or Clearstream to a Clearing System Participant in DTC will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.
- (5) Although DTC, Euroclear and Clearstream have agreed to certain procedures to facilitate transfers of beneficial interests in the Clearing System Notes among Clearing System Participants of DTC and Clearing System Participants of Euroclear and Clearstream, 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 relevant Series Note Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective Clearing System Participants or account holders of their respective obligations under the rules and procedures governing their operations.

- (f) *Restrictions relating to the form of the Notes*
The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in certificated definitive form. While a Note is a Clearing System Note this may impair the ability to own, transfer or pledge book-entry interests.
- (g) *Charges and indemnity in respect of transfers*
No service charge will be made for any registration of transfer or exchange of Notes of any class, but the Issuer and the relevant Series Note Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

10.6 Procedures for payments in respect of the Notes

- (a) *Applicable Note Conditions and Series Note Services Agreement*
Each payment of principal and interest in respect of each Series Note shall be made in accordance with Note Standard Condition 8. *Payments* (on page 133) and any relevant Note Specific Conditions. As part of the relevant Series Note Registrar Services, the relevant Series Note Registrar will administer the applicable payment procedures and arrangements which apply in relation to the Series Notes (see section 6.12(b) *Series Note Registrar Services* on page 54).
- (b) *Payments only made to registered Holder of Notes*
Principal and interest on each Note will be payable to the registered Holder of that Note and such registered Holder (being the relevant Clearing System Noteholder in respect of a Clearing System Note) will be the only person entitled to receive payments in respect of that Note and the Issuer will be discharged by payment to, or to the order of the registered Holder of that Note in respect of each amount so paid. No person other than the registered Holder of the Note shall have any claim against the Issuer in respect of any payment due on that Note.
- (c) *Taxation*
Payments of principal and interest in respect of the Notes will be made subject to withholding tax (if any) applicable to the Notes without the Issuer being obliged to pay further amounts as a consequence (see Note Standard Condition 7 *Taxation* on page 132).

(d) *Credits to Clearing System Participants etc in respect of payments on the Clearing System Notes*

The Issuer expects that:

- (1) (in accordance with the rules and procedures for the time being of the relevant Clearing System) after receipt of a payment in respect of a Clearing System Note, the relevant Clearing System will promptly credit its Clearing System Participants' accounts with payments in amounts proportionate to their respective Book Entry Interests in such Clearing System Note as shown in the records of each relevant Clearing System in relation to the relevant Class; and
- (2) payments by Clearing System Participants to owners of Book Entry Interests in a Clearing System Note held through such Clearing System Participants or through Clearing System 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 registered in "street name" or in the names of nominees for such customers.

However, each such credits and payment made or to be made will be the responsibility of the relevant Clearing System or such Clearing System Participants or Clearing System Indirect Participants (as appropriate) and none of the Issuer, the Security Trustee, the Series Note Trustee, any Manager, any Series Note Registrar and any of their respective agents will have any responsibility or liability for any aspect of any such payment or credit made or to be made by any Clearing System, Clearing System Participant or Clearing System Indirect Participant on account of Book Entry Interests in the Clearing System Notes or Book Entry Interests in a Clearing System Note held through any Clearing System Participant or Clearing System Indirect Participant such or for maintaining, supervising or reviewing any records of any Clearing System, Clearing System Participant or Clearing System Indirect Participant relating to any such payments, credits and Book Entry Interests.

(e) *Record of payments in Series Note Register*

The Issuer will procure that a record of each payment made in respect of a Note, distinguishing between any payment of principal and/or payment of interest, will be recorded in the Series Note Register in respect of such Note by the Series Note Registrar and such record shall be *prima facie* evidence that the payment in question has been made.

10.7 Interest on the Notes

(a) *Note Interest Rates*

Notes may have an Interest Rate Maximum, an Interest Rate Minimum, or both, as specified in the relevant Note Specific Conditions.

(b) *Floating Rate Notes*

Floating rate Notes will bear interest at a rate set separately for each Series by reference to the Benchmark Rate as may be specified in the applicable Note Specific Conditions as adjusted for any applicable Note Interest Rate Margin and will be payable in arrear on the Interest Payment Dates in relation to the relevant Notes specified in the applicable Note Specific Conditions (which may utilise the *Standard Interest Liability Provisions* of the Standard Liability Provisions).

(c) *Fixed Rate Notes*

Fixed interest will be payable in arrear on the date or dates and at a rate specified in the applicable Note Specific Conditions (which may utilise the *Standard Interest Liability Provisions* of the Standard Liability Provisions).

10.8 Maturity and redemption of the Notes

(a) *Maturities*

Subject to compliance with all relevant laws, regulations and directives, the Notes may have any Principal Repayment Final Maturity Date as the Issuer and the Note Programme Arranger may agree from time to time.

(b) *Redemption by instalments*

Prior to enforcement and unless indicated otherwise in the relevant Note Specific Conditions, the Notes will be subject to mandatory redemption by instalments on each Principal Repayment Date in relation to such Notes in accordance with Note Standard Condition 6.1 *Principal repayment in respect of Notes* (on page 130). Such mandatory redemption by instalments will be primarily caused by scheduled principal payments by the Borrowers under the Mortgages and principal prepayments (whether voluntarily by the Borrowers, as a result of enforcement of security in respect of the related Mortgage Property or otherwise). The Note

Specific Conditions issued in respect of each Series which is redeemable in two or more instalments will set out the dates on which, and define the amounts in which, such Notes may be redeemed.

- (c) *Optional redemption*
The Note Issue Supplement for a Series will state whether the Notes of such Series may be redeemed prior to their stated maturity at the option of the Issuer or the Noteholders (either in whole or in part) and, if so, the terms applicable to such redemption.
- (d) *Early redemption*
Except as provided above, Notes will be redeemable prior to maturity only for taxation reasons.

10.9 Listing of Notes

- (a) *UK listing*
As indicated in 1.2(a) *Application for listing on UK Official List and admission to trading on London GEFI Market* (on page 4), application has been made for Notes issued under the Programme during the period of 12 months from the date of this Note Programme Memorandum to be admitted to the UK Official List and application will also be made for such Notes to be admitted to trading on the London GEFI Market.

It is expected that each Tranche which is to be listed on the UK Official List of the UK Listing Authority and admitted to trading by the London GEFI Market will be so admitted separately as and when issued, subject to the issue of the relevant Notes comprised in the Tranche. If such Clearing System Note or Clearing System Note Certificate is not issued, the Note Issue in respect of such Notes may be cancelled.

Prior to such listing and admission to trading, however, dealings in the Notes of the relevant Series will be permitted by the London Stock Exchange in accordance with its rules.

- (b) *Possibility of other listings and unlisted notes*
However, Notes may be issued pursuant to the Programme which:
 - (1) will not be listed on the UK Official List and traded on the London GEFI Market or any other Note Listing Institution; or
 - (2) will be listed with a Note Listing Institution other than, or in addition to, the UK Official List and admission to trading on the London GEFI Market.

In relation to each Note Issue, the name of each Note Listing Institution (if any) on which any Class of Notes is or is expected, as at the relevant Note Issue Closing Date, to be listed will be indicated under the heading *Note Listing* in the relevant Note Specific Conditions.

10.10 Limited role and liability of Series Note Trustee

- (a) *Change of Series Note Trustee*
Unless otherwise specified in the relevant Note Issue Supplement, subject to certain restrictions, the Series Note Trustee may resign its appointment upon not less than three months prior written notice although such resignation shall not take effect until a successor Series Note Trustee has been duly appointed. In order to be eligible to act as Series Note Trustee, among other things, such successor Series Note Trustee must agree to be bound by the terms of the Security Deed and Security Intercreditor Deed and must meet the applicable eligibility requirements under the Series Note Trust Deed. If within 60 days of having given notice of its intention to retire, the Issuer has failed to appoint a replacement Series Note Trustee, the outgoing Series Note Trustee will be entitled to appoint its successor provided that each of the relevant Series Note Rating Agencies confirm to the Issuer that the then current ratings of the Notes shall not be either downgraded, reviewed or withdrawn as a result of such appointment.
- (b) *Series Note Trustee fee and expenses*
Each Series Note Trustee is entitled to charge a fee (the "**Series Note Trustee Fee**") for its services under the relevant Series Note Trust Deed and other Transaction Documents to which it is a party and is entitled to reimbursement of certain expenses incurred by it in connection with the relevant Series Note Trust Deed and those other Transaction Documents, payable on each Distribution Date subject to and in accordance with the relevant Distribution Waterfalls.
- (c) *Exclusion of liability and limitations on duties*
Among other things, each Series Note Trust Deed will provide that:

- (1) the Series Note Trustee will not be responsible for supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Series Note Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties;
 - (2) the Series Note Trustee will not be responsible for considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents;
 - (3) the Series Note Trustee shall not be bound or concerned to make any investigation into the Security Assets or the validity or enforceability of the relevant Security or Security Assets (including, without limitation, the creditworthiness of any obligor in respect of residential mortgage loans in any Series Portfolio or whether the cashflows from any Series Portfolio and the relevant Notes in the Series are matched);
 - (4) the Series Note Trustee will not be liable to any Noteholder or other Security Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent security holder in relation to the Security Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents;
 - (5) any action taken by the Series Note Trustee under Series Note Trust Deed or any Transaction Documents binds all of the Noteholders; and
 - (6) each Noteholder shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Series Note Trustee shall not at any time have any responsibility for making any such appraisal or investigation and each Noteholder must make its own determination of whether or not to request the Series Note Trustee to take a particular course of action.
- (d) *Indemnification of the Series Note Trustee*
Each Series Note Trust Deed will contain provisions for indemnification of the Series Note Trustee and for its relief from responsibility for the validity, sufficiency and enforceability (which the Series Note Trustee has not investigated) of the Security or the Security Assets, including provisions relieving it from taking proceedings to enforce repayment or from taking any action in accordance with the Security Deed without being first indemnified to its satisfaction.
- (e) *Entitlement of the Series Note Trustee*
In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any matter described in 10.12 *Modifications, waivers, determinations and consents* and 10.13 *Transfer, substitution and exchange of Issuer and/or Notes*) the Series Note Trustee shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Series Note Trustee shall not be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any exercise upon individual Noteholders.
- (f) *Other dealings*
Each of the Series Note Trustee and its subsidiaries or associated companies will be entitled to enter into business transactions with the Issuer, any issuer or guarantor of or other obligor in respect of the assets, rights and/or benefits comprising the Security Assets or any Transaction Party, or any of their respective subsidiaries or associated companies (including, without limitation, acting as a Series Note Trustee in respect of other Series of Notes constituted pursuant to other Series Note Trust Deeds) without accounting to any Noteholder for any profit resulting therefrom.

10.11 Meetings and resolutions of Noteholders

- (a) *Provisions in Series Note Trust Deed*
In relation to each Series, the relevant Series Note Trust Deed will incorporate provisions for convening and holding meetings and the passing of resolutions (each a "**Noteholder Resolution**" which expression includes a Noteholder Extraordinary Resolution) of Noteholders in that Series (the "**Relevant Noteholders**") to consider any matter affecting the interests of those Relevant Noteholders including, among other things, the sanctioning by "**Noteholder Extraordinary Resolution**" of a modification of their Notes (including the Note Conditions as they relate to their Notes) or the provisions of any of the

Transaction Documents. Except to the extent indicated otherwise in the relevant Note Issue Supplement, such provisions shall be as summarised below.

(b) *Series Basic Terms Modification*

In relation to a Series, a "**Series Basic Terms Modification**" means a modification of certain terms including, among other things, a modification which would have the effect of:

- (1) altering the date of maturity of any of the Notes in that Series;
- (2) postponing any day or altering the priority for payment of interest in respect of any of the Notes in that Series;
- (3) reducing or cancelling the amount of principal payable on any day in respect of any of the Notes in that Series;
- (4) reducing the rate of interest applicable to any of the Notes in that Series;
- (5) altering the majority required to pass a Noteholder Extraordinary Resolution in respect of that Series;
- (6) altering the currency of payment of any of the Notes in that Series;
- (7) altering the date or priority of redemption of any of the Notes in that Series;
- (8) altering the definition of Series Waterfall Assets allocated to that Series; and/or

any other effect indicated under the heading *Series Basic Terms Additional Modification* in the Series Specific Provisions relating to that Series.

(c) *Separate meetings of each Class only required for Noteholder Extraordinary Resolutions*

A Series Basic Terms Modification in relation to a Series shall not be effective unless sanctioned by a Noteholder Extraordinary Resolution duly passed at separate meetings of the Holders of each Class of Notes in that Series.

The Series Note Trust Deed contains provisions limiting the powers of the Noteholders in a Class, among other things, to request or direct the Series Note Trustee to take any action or to pass an effective Noteholder Resolution, according to the effect of such action and/or Noteholder Resolution on the interests of Noteholders in a Class having a higher Class Tier. In particular, a Noteholder Resolution of Noteholders in a Class of Notes shall not be effective unless, among other things;

- (1) the Series Note Trustee is of the sole opinion that it will not be materially prejudicial to the interests of the Noteholders in a Class having a higher Class Tier or it is sanctioned by a Noteholder Extraordinary Resolution of the Noteholders in each higher Class Tier; and
- (2) if such Noteholder Extraordinary Resolution was not passed by each Class of Noteholders in each Class of Notes having the same Class Tier, the Series Note Trustee is of the sole opinion that it will not be materially prejudicial to the interests of the Noteholders in each other Class having the same Class Tier or it is sanctioned by a Noteholder Extraordinary Resolution of the Noteholders in each such other Class Tier.

Except in certain circumstances, the Series Note Trust Deed imposes no such limitations on the powers of the Noteholders in a Class in relation to another Class having a lower Class Tier in which case the exercise of such powers by the Noteholder in the Class having a higher Class Tier will be binding on the Noteholders of each Class having a lower Class Tier irrespective of the effect on the interests of the Noteholders of each such Class having a lower Class Tier.

Except as indicated above, no such separate meetings of Holders of different Classes of Notes in the same Series will be required unless the Series Note Trustee determines that there is a conflict in the interests of the Noteholders of one Class in a Series and the Noteholders of another Class in that Series in relation to that Noteholder Extraordinary Resolution or unless a Series Note Acceleration Date has occurred in relation to that Series.

(d) *Quorum required for Series Basic Terms Modification*

If there is more than one Relevant Noteholder, at any meeting of the Relevant Noteholders in the relevant Series where the business of that meeting is to include a proposal for sanctioning a Series Basic Terms Modification, the necessary quorum for passing a Noteholder Extraordinary Resolution by the Relevant Noteholders:

- (1) at the initial meeting, shall be two or more persons holding or representing in aggregate over 75% of the aggregate GBP Equivalent Note Principal Amount Outstanding of the Notes then outstanding held by the Relevant Noteholders; or
 - (2) at any reconvened meeting (following one or more adjournments), shall be two or more persons holding or representing in aggregate over 25% of the aggregate GBP Equivalent Note Principal Amount Outstanding of the Notes then outstanding held by the Relevant Noteholders.
- (e) *Quorum required for other Noteholder Extraordinary Resolutions*
 If there is more than one Relevant Noteholder, at any meeting of the Relevant Noteholders in the relevant Series where the business of that meeting is to include a proposal of a Noteholder Extraordinary Resolution but not the sanctioning of a Series Basic Terms Modification, the necessary quorum for passing such Noteholder Extraordinary Resolution by the Relevant Noteholders:
- (1) at the initial meeting, shall be two or more persons holding or representing in aggregate over 50% of the aggregate GBP Equivalent Note Principal Amount Outstanding of the Notes then outstanding held by the Relevant Noteholders; or
 - (2) at any reconvened meeting (following one or more adjournments), shall be two or more persons being or representing the Relevant Noteholders without regard to the aggregate GBP Equivalent Note Principal Amount Outstanding of the Notes then outstanding so held or represented.
- (f) *Quorum required for other business*
 If there is more than one Relevant Noteholder, at any meeting of the Relevant Noteholders in the relevant Series where the business of that meeting does not include a proposal of a Noteholder Extraordinary Resolution, the necessary quorum for all such business:
- (1) at the initial meeting, shall be two or more persons holding or representing in aggregate not less than 5% of the aggregate GBP Equivalent Note Principal Amount Outstanding then outstanding held by the Relevant Noteholders; or
 - (2) at any reconvened meeting (following one or more adjournments), shall be two or more persons being or representing the Relevant Noteholders without regard to the aggregate GBP Equivalent Note Principal Amount Outstanding of the Notes then outstanding so held or represented.
- (g) *Quorum where single Noteholder*
 While all Notes in a Class are represented by a Clearing System Note or are held by the same person, the Holder of that Clearing System Note or that person (as the case may be) shall be deemed to constitute a quorum for the purposes of meetings of or including the Relevant Noteholders of those Notes.
- (h) *Votes required to pass a resolution*
 The majority required for a Noteholder Extraordinary Resolution, including but not limited to a Noteholder Extraordinary Resolution sanctioning a Series Basic Terms Modification, shall be 75% of the votes cast on that Noteholder Extraordinary Resolution.
- Any other Noteholder Resolution shall be decided by a simple majority of votes cast (and in a case of equality of votes the Chairman of the relevant meeting shall have a casting vote).
- (i) *Binding effect of resolutions passed at meetings*
 A resolution (including, without limitation, a Noteholder Extraordinary Resolution) passed at any meeting of Relevant Noteholders shall be binding on all those Relevant Noteholders whether or not they are present at the meeting.
- (j) *Written resolutions*
 A resolution in writing signed by or on behalf of Relevant Noteholders who would, if a meeting were held in relation to that resolution, equal or exceed the required quorum of Relevant Noteholders, shall for all purposes be as valid and effectual as if such resolution had been passed at a duly convened meeting of all the Relevant Noteholders.

10.12 Modifications, waivers, determinations and consents

- (a) *Power to modify etc*
 The Series Note Trust Deed provides that the Series Note Trustee may, without the consent of the Noteholders:

- (1) agree to any modification (except a Series Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of the Notes (including the Note Conditions) or any of the Transaction Documents, which is not, in the opinion of the Series Note Trustee, materially prejudicial to the interests of the Noteholders in the relevant Series provided that the Series Note Trustee shall have regard only to the interests of the Noteholders of a Class of Notes in such Series which has a lower Class Tier than another Class of Notes in such Series if, in the opinion of the Series Note Trustee, there is no conflict between the interests of the Noteholders in such Class of Notes which has such lower Class Tier and the interests of the Noteholders in such Class of Notes which has such higher Class Tier; and/or
- (2) agree to any modification of the Notes (including these Conditions) or any of the Transaction Documents which, in the Series Note Trustee's opinion, is to correct a manifest error or an error established as such to the satisfaction of the Series Note Trustee or is of a formal, minor or technical nature; and/or
- (3) determine that any Note Event Of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute a Note Event Of Default shall not, or shall not subject to specified conditions, be treated as such (but, for the avoidance of doubt, this shall not entitle the Series Note Trustee to modify the definition of Note Event Of Default to include a new matter which is not then within the definition of Note Event Of Default in the relevant Note Conditions).

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Series Note Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders in accordance with Note Standard Condition 12 *Notices* (on page 141) as soon as practicable thereafter.

(b) *Restrictions on consents*

In giving any consent under Note Standard Condition 4.1 *Restrictions on activities of the Issuer* (on page 128), the Series Note Trustee and/or the Security Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Series Note Trustee and/or the Security Trustee, each acting in its absolute discretion, may deem expedient in the interests of the Noteholders, provided that if the Notes are at the relevant time rated by any Series Note Rating Agency and in the absence of a Noteholder Resolution or Noteholder Extraordinary Resolution (as appropriate) authorising such modification and/or addition, prior to making such modification and/or addition the Issuer obtains a written confirmation from each such Series Note Rating Agency that the then current ratings of the Notes will not be downgraded, withdrawn or qualified as a result of such modifications or additions.

10.13 Transfer, substitution and exchange of Issuer and/or Notes

(a) *Power to agree to transfer, substitution and exchange*

Subject to such amendment of the Series Note Trust Deed, the Security Deed and the Security Intercreditor Deed and such other conditions as the Series Note Trustee may, without the consent of the Noteholders, require, including the transfer of all or part of the relevant Security and Security Assets and the Series Note Trustee may, without the consent of the Noteholders, agree to:

- (1) the transfer of the Issuer to another jurisdiction provided that the Issuer obtains a written confirmation from each Series Note Rating Agency that the then current ratings of the Notes in the Series by each then Series Note Rating Agency will not be downgraded, withdrawn or qualified as a result; and/or
- (2) the substitution of any other company or other entity (incorporated in any jurisdiction) in place of the Issuer as principal debtor under the Series Note Trust Deed, the Notes in the Series and the Security Deed provided that the Issuer obtains a written confirmation from each Series Note Rating Agency that the then current ratings of the Notes in the Series by each then Series Note Rating Agency will not be downgraded, withdrawn or qualified as a result; and/or
- (3) the exchange of the Notes in the Series in whole but not in part only, for other securities or instruments having substantially the same rights and benefits as such Notes, provided that the Issuer obtains a written confirmation from each Series Note Rating Agency that the then current ratings of the Notes in the Series by each then Series Note Rating Agency is attributed to any such new securities or instruments and will not be downgraded, withdrawn or qualified as a result.

Such transfer, substitution or exchange shall be subject to the relevant provisions of the Series Note Trust Deed, and other Transaction Documents and to such amendments thereof as the Series Note Trustee may deem appropriate and, in each case, shall be binding on the Noteholders.

(b) *Change of governing law*

In the case of such a transfer, substitution or exchange the Series Note Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes, the Series Note Trust Deed and/or the Security Deed provided that such change would not in the opinion of the Series Note Trustee be materially prejudicial to the interests of the Noteholders in the Series.

(c) *Change of tax residence*

The Series Note Trustee may, without the consent of the Noteholders agree to a change in the place of residence of the Issuer for taxation purposes provided the Issuer does all such things as the Series Note Trustee may require in order that such change in the place of residence of the Issuer for taxation purposes is fully effective and complies with such other requirements in the interests of the Noteholders as it may direct.

10.14 Subscription of Notes upon issue and selling restrictions

(a) *Note Issue Lead Managers*

Each lead manager (if any) in respect of a Note Issue (each a "**Note Issue Lead Manager**") will be indicated under the heading *Note Issue Lead Managers* in the relevant Note Specific Conditions.

(b) *Note Issue Managers*

Each manager (if any) in respect of a Note Issue (each a "**Note Issue Manager**") will be indicated under the heading *Note Issue Managers* in the relevant Note Specific Conditions.

(c) *Issue price*

Notes may be issued at their Note Initial Principal Amount or at a discount or premium to their Note Initial Principal Amount. The issue price of Notes shall be as specified under the heading *Note Issue Price* in the relevant Note Specific Conditions.

(d) *Partly paid Notes*

Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments, in each case as and subject to such terms as may be specified in the Note Specific Conditions.

(e) *Note Issue Subscription Agreements*

Unless indicated otherwise in the relevant Note Issue Supplement, in respect of each Note Issue in relation to each Series, on or before the Note Issue Closing Date in relation to that Note Issue the Issuer will have entered into each Note Issue Subscription Agreement specified under the heading *Note Issue Subscription Agreement* in the relevant Note Issue Supplement (each a "**Note Issue Subscription Agreement**") pursuant to which, among other things, each person specified under the heading *Note Issue Initial Subscribers* in the relevant Note Issue Supplement (each a "**Note Issue Initial Subscriber**") will, to the extent indicated in the Note Issue Supplement, have agreed to subscribe for the Notes. Unless indicated otherwise in the relevant Note Issue Supplement, under each Note Issue Subscription Agreement, among other things:

- (1) each Note Issue Initial Subscriber will, to the best of its knowledge, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers the relevant Notes or has in its possession or distributes any Note Listing Documents or any such other relevant material, in all cases at its own expense, unless otherwise agreed;
- (2) each Note Issue Initial Subscriber will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by such Note Issue Initial Subscriber of Notes under the laws and regulations in force in any jurisdiction to which such Note Issue Initial Subscriber is subject or in or from which such Note Issue Initial Subscriber may make any acquisition, offer, sale or delivery; and
- (3) each Note Issue Initial Subscriber will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer);

and the Issuer will not have any responsibility for the above but the Issuer will agree to indemnify, among others, each Note Issue Initial Subscriber against certain other liabilities in connection with the offer and sale of the relevant Notes.

(f) *Selling restrictions*

Selling restrictions applicable in respect of a Note Issue will be specified under the heading *Additional Information about the Series Notes* in the relevant Note Issue Supplement.

(g) *Underwriting fees and commissions*

In relation to each Note Issue, the Issuer will pay the fees and commissions (if any) indicated under the heading *Note Issue Manager Fees* in the relevant Note Specific Conditions. Any such fees and commissions may be deducted from the subscription proceeds or, as the case may be, from the proceeds of sale of the relevant Notes.

10.15 Use of proceeds and total expenses of Notes

An indication of the application of the net proceeds from, and an estimate of the total expenses of, each issue of Notes will be contained in the relevant Note Issue Supplement.

11. CERTAIN TAXATION ASPECTS OF THE NOTES

11.1 United Kingdom taxation aspects of the Notes

The following is a summary of the Issuer's understanding of the United Kingdom withholding tax treatment as at the date of this Note Programme Memorandum of payments made in respect of the Notes. It does not deal with any other United Kingdom tax consequences of acquiring, holding or disposing of the Notes. It is subject to any change in law or practice that may take effect after the date of this Note Programme Memorandum and any amendments or additional information set out under the heading *Additional United Kingdom Taxation Aspects of the Notes* (if any) in the accompanying Note Issue Supplement. Prospective Noteholders who are in any doubt about their tax position should seek their own professional advice.

(a) *Short-term Notes*

Where interest is payable on Notes which have a maturity of less than one year (and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more), the interest will not be "yearly interest" for the purposes of the Income Tax Act 2007 (the "ITA 2007") and accordingly payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

(b) *Other Notes*

Interest bearing Notes will constitute "**Quoted Eurobonds**" within the meaning of section 987 of the ITA 2007 while the Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of the ITA 2007 (the London Stock Exchange is such a "recognised stock exchange"). Payments of interest on such Notes as fall outside the scope of paragraph 11.1(a) *Short-term Notes*, but which are Quoted Eurobonds, may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form (such as a Clearing System Note) or in definitive form. In other cases, which will be more fully described in any applicable Note Issue Supplement, income tax may have to be withheld at the savings rate (currently 20 per cent.) from payments of interest on the Notes, subject to any direction to the contrary from H.M. Revenue & Customs in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty or to the interest being paid to the persons (including companies within the charge to United Kingdom corporation tax) and in the circumstances specified in sections 933 to 937 of the ITA 2007.

11.2 European Union Directive on taxation of savings income

Under the EC Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

12. NOTE STANDARD CONDITIONS

The conditions applied to the Notes in a Series by the relevant Series Note Trust Deed constituting those Notes will comprise the following Note Standard Conditions except to the extent amended, varied, disappplied and supplemented as indicated in the section entitled "Note Specific Conditions" in the relevant Note Issue Supplement relating to such Series:

1. Interpretation

1.1 Definitions

In these terms and conditions (the "Note Standard Conditions"):

"**Holder**" in relation to a Note at any time means the person in whose name such Note is registered at that time in the Series Note Register (or, in the case of a joint holding, the first named person);

"**Local Business Day**" means in relation to payment to be made by the Series Note Registrar, a day which:

- (a) is a Business Day; and
- (b) is a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the Series Note Registrar Specified Office is situated; and
- (c) if the payment is made in relation to a Clearing System Note, is a day on which the relevant Clearing System is open for business;

"**Note**" means the Note to which these Note Standard Conditions apply and, together with Notes in the same Series, the "**Notes**";

"**Note Initial Principal Amount**" means in relation to a Class of Notes means the amount specified in relation to that Class under the heading *Note Initial Principal Amount* in the relevant Note Specific Conditions and in relation to a Note means the amount indicated as such in relation to that Note in the Series Note Register;

"**Note Payee**" means in relation to a Note, the person listed at the close of business on the Series Note Register Record Date in the Series Note Register as the Holder of that Note;

"**Note Payee Permitted Account**" means:

- (a) in the case of a payment in relation to a Rule 144A Note, a USD account maintained by the payee with a bank in New York City; and
- (b) in the case of a payment in relation to a Reg S Note denominated in GBP, a GBP account maintained by the payee with a bank in London; and
- (c) in the case of a payment in relation to a Reg S Note in any other Note Currency, an account in that Note Currency outside the United States and its possessions maintained by the payee with a bank as specified by the payee;

"**Note Payee Record Address**" means in connection with any payment, the address shown as the address of the Note Payee in the Series Note Register at the close of business on the relevant Series Note Register Record Date; and

"**Note Payment Cheque**" means in relation to a Note, a cheque drawn in the currency of the Note Currency;

"**Note Payment Date**" means in relation to any payment, the due date of that payment or if that due date is not a Local Business Day, the next succeeding Local Business Day;

"**Note Principal Amount Outstanding**" means at any time in relation to a Note, the Note Initial Principal Amount of that Note less the aggregate amount of all principal amounts in respect of that Note that have become due and payable (whether or not paid) prior to such date;

"**Note Principal Repayment Liability Outstanding**" means at any time in relation to a Note, the Note Initial Principal Amount of that Note less the aggregate amount of all principal amounts in respect of that Note that have been repaid or prepaid prior to such date;

"Note Transaction Party" means in relation to the Notes, the Security Trustee, Series Note Trustee, Series Note Registrar and Series Note Calculation Agent;

"Note Transfer Form" means a document substantially in the form of the Note Transfer Form contained in the Standard Forms Document (referred to in the Standard Provisions Document) or in such other form as the relevant Series Note Registrar may agree;

"Note Transfer Regulations" means in relation to a Note of a Series the regulations comprising:

- (a) the provisions of Note Standard Condition 11 *Note Transfer Regulations*;
- (b) the provisions set out under the heading *Note Legend* in the relevant Note Specific Conditions; and
- (c) each condition (if any) set out under the heading *Note Transfer Additional Regulations* in the relevant Note Specific Conditions;

subject to any amendments, supplements or disapplications specified in the Note Specific Conditions relating to that Series, or as agreed from time to time between the Issuer, the Series Note Trustee and the Series Note Registrar;

"Qualified Institutional Buyers" means qualified institutional buyers as defined in Rule 144A;

"Rule 144A" means Rule 144A under the U.S. Securities Act;

"Rule 144A Notes" means at any time Notes which:

- (a) are in a Class in respect of which "*Rule 144A*" is specified in relation to such Class in the table appearing under the heading *Reg S Notes and Rule 144A Notes* in the relevant Note Specific Conditions; and
- (b) are required to be held by or on behalf of Qualified Institutional Buyers (as beneficially owners) at that time;

"Reg S Notes" means at any time Notes which are not Rule 144A Notes at that time;

"Reg S" means Regulation S under the U.S. Securities Act;

"Reg S Distribution Compliance Period", being the period prior to the first Business Day that is 40 days after the later of the commencement of the offering of such Reg S Notes and the relevant Note Issue Closing Date relating to such Reg S Notes;

"Security Trustee Specified Office" means the office of the Security Trustee specified under the heading *Security Trustee Specified Office* in the relevant Programme Specific Provisions;

"Series Note Additional Provisions" means the provisions of the Note Specific Conditions, the Series Specific Provisions, the Programme Specific Provisions, the Series Note Trust Deed, the Series Note Services Agreement, the Security Deed, the Security Intercreditor Deed and each Security Supplemental Deed;

"Series Note Calculation Agent Specified Office" means the office of the Series Note Calculation Agent specified under the heading *Series Note Calculation Agent Specified Office* in the relevant Series Specific Provisions;

"Series Note Register Record Date" means in connection with any payment, the fifteenth day before the due date for payment of the relevant amount;

"Series Note Registrar Specified Office" means the office of the Series Note Registrar specified under the heading *Series Note Registrar Specified Office* in the relevant Series Specific Provisions;

"Series Note Trust Deed" means the relevant Series Note Trust Deed which applies these Note Standard Conditions to the Notes;

"Series Note Trustee Specified Office" means the office of the Series Note Trustee specified under the heading *Series Note Trustee Specified Office* in the relevant Series Specific Provisions;

"Standard Liability Provisions" means the provisions set out under the heading *Standard Liability Provisions* in section 9 of the Note Programme Memorandum as at the first Note Issue Closing Date in respect of Notes in relation to the relevant Series;

"Standard Principal Repayment Liability Provisions" means the provisions set out in section 6. *Standard Principal Repayment Liability Provisions* of the Standard Liability Provisions;

"Standard Provisions Document" means the provisions set out under the heading *Standard Provisions Document* in the Series Specific Provisions in relation to the relevant Series;

"Standard Interest Liability Provisions" means the provisions set out in section 1. *Standard Interest Liability Provisions* of the Standard Liability Provisions;

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as amended;

"U.S. Investment Company Act" means the United States Investment Company Act of 1940, as amended;

"U.S. Person" means a U.S. person as defined in Reg S; and

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

1.2 References to Notes

Unless the context requires otherwise, references in the Note Conditions to **"Notes"** are to the Notes of one Series only, not to all Notes or any other Notes which may be issued under the Programme.

1.3 Standard Interpretation Provision

Clause 1 of the Standard Provisions Document, which sets out definitions and interpretation provisions, will apply for the purposes of interpretation of the Note Conditions except as expressly provided in the Note Conditions or the context otherwise requires.

Expressions defined in the Standard Liability Provisions shall have the same meaning in the Note Conditions except as expressly provided in the Note Conditions or the context otherwise requires.

2. Constitution, form, denomination and title

2.1 Constitution

Each Note is constituted and issued by the Issuer under the Series Note Trust Deed and an entry in the Series Note Register and each Note is subject to and each Noteholder is bound by, and is deemed to have notice of, all the Series Note Additional Provisions (including, without limitation, in respect of:

- (a) provisions in the Series Note Additional Provisions relating to meetings of Noteholders and the passing of resolutions by Noteholders;
- (b) the powers of the Series Note Trustee and Security Trustee under the Series Note Additional Provisions to agree modifications to Transaction Documents and grant waivers and consents; and
- (c) the protections, limits of liability and indemnities given to the Series Note Trustee and Security Trustee in the Series Note Additional Provisions).

The Issuer shall procure that copies of each of the Series Note Additional Provisions are available for inspection during normal business hours at the Series Note Trustee Specified Office, Security Trustee Specified Office and Series Note Registrar Specified Office.

Each Note is a separate debt of the Issuer and may be transferred separately from any other Note.

2.2 Form

Each Note is and will be in registered form.

2.3 Denominations and permitted holdings

The Notes in each Class are issued, and separate registered holdings of the Notes in a Class shall be held, in any denomination where the aggregate Note Initial Principal Amount of such holding of Notes is both:

- (a) an integral multiple of the relevant amount specified under the heading *Note Denomination Multiple* in the Note Specific Conditions, and
- (b) not less than the relevant amount specified under the heading *Note Denomination Minimum* in the Note Specific Conditions;

(each such denomination being a **"Note Authorised Denomination"**).

The Note Initial Principal Amount of each Note will be recorded in the Series Note Register.

2.4 Effect of entries in the Series Note Register

Each entry in the Series Note Register in respect of a Note constitutes:

- (a) to the fullest extent permitted by applicable law, sufficient and conclusive evidence to all persons and for all purposes that the person in whose name such Note is registered in the Series Note Register is the absolute registered owner of that Note regardless of any notice to the contrary, any notice of ownership, theft or loss, or of any trust or other interest in that Note or of any writing on that Note (other than a valid Note Transfer Form duly completed and executed by the then current Holder);
- (b) for the benefit of the person in whose name such Note is so registered, a separate and individual acknowledgement by the Issuer of its indebtedness to that person and of the vesting in such person of all rights vested in a Noteholder by the Series Note Trust Deed, the Note Conditions and the Security Deed; and
- (c) an unconditional and irrevocable undertaking and promise by the Issuer to the person in whose name such Note is so registered that, for value received, the Issuer shall make all payments of principal and interest in respect of the Notes in accordance with the Series Note Trust Deed, the Note Conditions and the Security Deed.

In relation to each Noteholder, by subscribing for or taking a transfer of a Note or for such Noteholder being entered on the Series Note Register or for any other consideration, such Noteholder agrees to be bound by the terms and conditions applicable to the Notes.

2.5 Title and transfers

- (a) *Registration required to transfer title*

Title to a Note passes by registration in the Series Note Register and no transfer of a Note will be valid or effective unless and until the relevant entries in respect of such transfer are entered on the Series Note Register.

- (b) *Note Transfer Regulations apply to transfers*

Transfers of interests in the Notes and entries on the Series Note Register relating to the Notes may be made (subject, in each case, to compliance with the Note Transfer Regulations).

- (c) *Changes to the Note Transfer Regulations*

The Note Transfer Regulations may be changed by the Issuer with the prior written approval of the Series Note Trustee and the Series Note Registrar.

- (d) *Provisions of copies of the Note Transfer Regulations*

A copy of the current Note Transfer Regulations will be sent by the Series Note Registrar to any Noteholder who so requests.

2.6 Note Certificates

- (a) No definitive registered certificates or other evidence of title will be issued in respect of a Note unless the Issuer determines that certificates should be made available as required by law or certificates are specifically requested by the relevant Noteholder and specifically agreed to between the Issuer and such Noteholder.
- (b) Any such certificates (if and when issued) will be evidence of entitlement only.
- (c) In the event of any inconsistency between a definitive registered certificate or other evidence of title and an entry in the Series Note Register, the entry in the Series Note Register will always govern.

2.7 Clearing System Notes

If *Clearing System Arrangement* (in the relevant Note Specific Conditions) is Applicable in relation to a Class, all Notes in that Class will be and remain registered in the name of the person specified in relation to such Class under the heading *Clearing System Noteholder* in the Note Specific Conditions (the "**Clearing System Noteholder**") as common depository, custodian and/or nominee for each clearing system specified in relation to such Class under the heading *Clearing System* in the Note Specific Conditions (each a "**Clearing System**") throughout the period from (and including) the relevant Note Issue Closing Date

relating to such Notes to the date (if any) upon which such Notes are transferred from the relevant Clearing System Noteholder pursuant to Note Standard Condition 2.8 (*Removal of Notes from Clearing Systems*).

Each Note is a "**Clearing System Note**" throughout the period in which it is registered in the name of a Clearing System Noteholder as nominee for, as depositary or custodian for or on behalf of a Clearing System. A "**Reg S Clearing System Note**" is a Clearing System Note representing Reg S Notes in the relevant Clearing System(s) (the relevant "**Reg S Clearing System**") and a "**Rule 144A Clearing System Note**" is a Clearing System Note representing Rule 144A Notes (the relevant "**Rule 144A Clearing System**").

Unless and until Notes cease to be Clearing System Notes pursuant to Note Standard Condition 2.8 (*Removal of Notes from Clearing Systems*) each Clearing System Note registered in the name of a Clearing System Noteholder may not be transferred except:

- (a) to reduce the Note Principal Amount Outstanding of a Clearing System Note relating to a Class held in a Clearing System and to increase the Note Principal Amount Outstanding of the corresponding Clearing System Note of the same Class held in another Clearing System as provided in the Note Transfer Regulations, and
- (b) as a whole where the relevant Clearing System requires such Clearing System Note to be transferred to a different person to act as Clearing System Noteholder for that Clearing System or to a successor of that Clearing System.

2.8 Removal of Notes from Clearing Systems

If in relation to any Clearing System Note in respect of a Class:

- (a) any Clearing System relating to such Class is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has notified the Issuer that it is at any time unwilling or unable to continue as a Clearing System in respect of the relevant Clearing System Note, or announces an intention permanently to cease business as a clearing system or in fact ceases to be or able to operate as a clearing system and, in any such case, a successor to such Clearing System is not appointed by the Issuer, with the prior written consent of the Series Note Trustee, within 14 days of such closure, notification or cessation; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division of the United Kingdom) or of any authority in or of the United Kingdom 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 become effective on or after the Note Issue Closing Date relating to the relevant Notes, the Issuer or any Series Note Registrar is or will be required to make any deduction or withholding from any payment in respect of a Note which would not be required were that Clearing System Note not a Clearing System Note; or
- (c) any other event specified under the heading Clearing System Removal Additional Events in the relevant Note Specific Conditions occurs;

then, within 30 days of the occurrence of the relevant event but in any event not prior to the expiry of the Reg S Distribution Compliance Period, the Issuer will (at the Issuer's expense) procure that all Clearing System Notes in such Class are transferred from the relevant Clearing System Noteholder to and registered in the Series Note Register in the name of the then relevant participants in the Clearing System (or their nominees) in each case for a Note Initial Principal Amount equal to the Note Initial Principal Amount notified by the relevant Clearing System to the Series Note Registrar as then being credited to such participant's account with such Clearing System (or in the absence of such notification, such evidence of such credit as is accepted by the Series Note Registrar, in its absolute discretion).

2.9 Issuer may issue further Notes

The Issuer shall be at liberty from time to time without the consent of the Noteholders:

- (a) if *Further Tranche Permitted* (in the relevant Note Specific Conditions) is Applicable in relation to a Series, to create and issue Notes which constitute a further Tranche of Notes to be consolidated into and form a single Class with any Notes in a Class already in issue, subject to the terms and conditions of existing Notes in the relevant Series and provided that the conditions set out under the heading *Further Tranche Conditions* in the relevant Note Specific Conditions relating to the existing Notes are satisfied; or

- (b) to create and issue Notes which form a new separate Series, provided that the Series Waterfall Assets relating to an existing Series are not included in the Series Waterfall Assets relating to such new separate Series.

Upon any issue of a further Tranche of Notes pursuant to Note Standard Condition 2.9(a), all references in these Note Standard Conditions to "Notes" shall be deemed (where the context permits) to be references to the existing Notes of the Series together with the further Notes so issued and all references in the Note Standard Conditions to "Series Waterfall Assets" shall be deemed (where the context permits) to be references to the existing Series Waterfall Assets together with the further Series Waterfall Assets relating to such Series as a result of the issue of such further Notes.

3. Status, Security and Series Waterfall

3.1 Status

Notes within any Class comprised in the Series will rank *pari passu* without any preference among each other Note within that Class in the Series.

3.2 Security and Series Waterfall

The Notes in the Series are secured by the Security in accordance with, and subject to, the terms of the Security Deed, any Security Supplemental Deed, the Security Intercreeitor Deed and the Series Distribution Scheme (and Series Waterfall) specified in the Series Specific Provisions which shall apply to the Notes.

4. General covenants and permitted modifications

4.1 Restrictions on activities of the Issuer

So long as any of the Notes remain outstanding, except as envisaged in any of the Transaction Documents (including, for the avoidance of doubt, in connection with the issue of a further Tranche of Notes or the creation and issue of Notes which form a new separate Series), the Issuer will not, without the prior written consent of the Series Note Trustee:

- (a) create or permit to subsist any mortgage, sub-mortgage, assignment, assignation, standard security, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation or other security interest whatsoever upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;
- (b) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (c) open nor have any interest in any account whatsoever with any financial institution other than the General Accounts or the Series Accounts in relation to the Series or any other Series, save where such account is immediately charged in favour of the Security Trustee so as to form part of the Security and the Security Trustee receives from such financial institution an acknowledgement of the security rights and interests of the Security Trustee and an agreement that it will not exercise any right of set off it might otherwise have against the account in question;
- (d) have any subsidiaries, subsidiary undertakings (as defined in the Companies Act 1985) or employees (other than the Issuer's officers) or own, rent, lease or be in possession of any assets (including, without limitation, buildings, premises or equipment);
- (e) act as a director of or hold any office in any company or other organisation;
- (f) amend, supplement or otherwise modify its Memorandum or Articles of Association or other constitutive documents;
- (g) pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (h) incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or any obligation of any other person;
- (i) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

- (j) transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;
- (k) apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994;
- (l) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;
- (m) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under U.S. federal income tax principles; or
- (n) permit any of the Transaction Documents or the Security in respect of the Series Waterfall Assets to be amended, invalidated, rendered ineffective, terminated, postponed or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto, or permit any party to any of the Transaction Documents or any other person whose obligations form part of the Security in respect of the Series Waterfall Assets to be released from such obligations, or dispose of any part of the Series Waterfall Assets.

5. Interest

5.1 Interest in respect of Notes

In respect of each Class of Notes, the Issuer will pay interest on each Note in such Class on the basis that such interest shall accrue, be calculated and be paid in accordance with and subject to the provisions set out under the heading *Note Interest Liability* in the Note Specific Conditions.

5.2 Note Interest Scheduled Amounts

(a) *Calculation of Note Interest Scheduled Amounts*

The Series Note Calculation Agent will in relation to each Class of Notes, as soon as practicable on each Interest Rate Setting Date in relation to the Notes after determining the Interest Scheduled Amount for an Interest Payment Period for each Interest Liability in respect of such Class of Notes, determine the "**Note Interest Scheduled Amount**" for each Note in that Class, by apportioning the Interest Scheduled Amount calculated in relation to that Class between the Notes in that Class *pro rata* to the Note Principal Amount Outstanding that will remain in respect of each Note in that Class as at the first day of the relevant Interest Payment Period to which that Interest Rate Setting Date relates (after taking account of the application of amounts to be allocated on that day under the Distribution Waterfalls), rounding each amount so apportioned down to the nearest Note Currency Unit.

(b) *Notification of Interest Rate and Note Interest Scheduled Amounts*

The Series Note Calculation Agent will cause the Interest Rate and the Note Interest Scheduled Amounts for each Interest Payment Period relating to the Notes and the relevant Interest Payment Date relating to the Notes to be notified to the Series Note Trustee, the Security Trustee, the Issuer, the Series Note Registrar and (for as long as the Notes are listed on or with a Note Listing Institution and the rules of such Note Listing Institution require) such Note Listing Institution and to be notified to Noteholders in accordance with Note Standard Condition 12 *Notices* as soon as possible after their determination but in no event later than the first Business Day thereafter.

(c) *Notification does not preclude subsequent adjustments*

The Note Interest Scheduled Amounts and the Interest Payment Date relating to the Notes so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Payment Period relating to a Note.

(d) *Notifications not required after Series Waterfall Assets Realisation Date*

If a Series Waterfall Assets Realisation Date occurs in relation to the Notes, the accrued interest and the Interest Rate in respect of the Notes shall nevertheless continue to be calculated and determined as previously in accordance with this Note Standard Condition 5 but no publication of the Interest Rate or the Note Interest Scheduled Amounts so determined and calculated need be made.

5.3 **Note Interest Payment Amounts**

(a) *Calculation of Note Interest Payment Amounts*

The Series Note Calculation Agent will in relation to each Class of Notes, as soon as practicable after being notified of the Interest Payment Amount for an Interest Payment Period for each Interest Liability in respect of such Class of Notes, determine the "**Note Interest Payment Amount**" for each Note in that Class, by apportioning such Interest Payment Amount in relation to that Class between the Notes in that Class pro rata to the Note Principal Amount Outstanding that remained in respect of each Note in that Class as at the first day of the relevant Interest Payment Period to which that Interest Payment Amount relates (after taking account of the application of amounts allocated on that day under the Distribution Waterfalls), rounding each amount so apportioned down to the nearest Note Currency Unit.

(b) *Notification of Note Interest Payment Amounts*

The Series Note Calculation Agent will cause the Note Interest Payment Amounts for each Interest Payment Period relating to the Notes to be notified to the Series Note Trustee, the Security Trustee, the Issuer, the Series Note Registrar and (for as long as the Notes are listed on or with a Note Listing Institution and the rules of such Note Listing Institution require) such Note Listing Institution and to be notified to Noteholders in accordance with Note Standard Condition 12 as soon as possible after their determination but in no event later than the first Interest Business Day thereafter.

5.4 **Benchmark Rate Reference Banks**

The Issuer will procure that, so long as any Note remains outstanding in respect of which an Interest Liability requires the determination of a Benchmark Rate, there shall at all times be at least four Benchmark Rate Reference Banks with offices in the relevant Benchmark Rate Financial Centre.

If any Benchmark Rate Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Benchmark Rate Reference Bank then the Issuer will appoint another Benchmark Rate Reference Bank with an office in the relevant Benchmark Rate Financial Centre to act as such in its place.

The Issuer reserves the right at any time to terminate the appointment of any Benchmark Rate Reference Bank and will procure that notice of any such termination will be given to Noteholders as soon as possible.

6. **Redemption and purchase**

6.1 **Principal repayment in respect of Notes**

Without prejudice to Note Standard Conditions 6.2 *Redemption for taxation and other reasons* and 6.3 *Full redemption at the option of the Issuer*, in respect of each Class of Notes, the Issuer shall repay principal on each Note in such Class on the basis that the principal repayments shall be calculated and be made in accordance with and subject to the provisions set out under the heading *Note Principal Repayment Liability* in the Note Specific Conditions.

6.2 **Redemption for taxation and other reasons**

If the Issuer satisfies the Series Note Trustee immediately prior to giving the notice referred to in paragraph (A) below that either:

- (a) on the next Interest Payment Date or Principal Repayment Date relating to any Notes:
- (1) the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Notes; or
 - (2) the Issuer or any Series Hedge Provider would be required to deduct or withhold from amounts payable by it under the any Series Hedge Agreement,

any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

- (b) the Issuer would, by virtue of a change in tax law applicable in the Issuer's jurisdiction, not be entitled to relief for the purposes of such tax law for any material amount which it is obliged to pay, or is treated as receiving for the purposes of such tax law under the Transaction Documents; or
- (c) any event specified under the heading *Note Tax Redemption Additional Event* in the relevant Note Specific Conditions has occurred;

then the Issuer shall redeem all (but not some only) of the Notes of a particular Class of Notes at their Note Principal Amount Outstanding together with all accrued interest provided that each of the following conditions is satisfied:

- (A) the Issuer has given written notice in accordance with Note Standard Condition 12 not more than 60 Business Days and not less than 20 Business Days before that Interest Payment Date or Principal Repayment Date to the Series Note Trustee and the Noteholders in that Class of Notes of its intention to redeem that Class under this Note Standard Condition 6.2; and
- (B) the Issuer will be in a position on that Interest Payment Date or Principal Repayment Date to discharge (and so certifies to the Series Note Trustee):
 - (1) all its accrued liabilities in respect of that Class of Notes and each other Class of Notes to be redeemed by the Issuer on that Interest Payment Date (including, in each case, all accrued interest outstanding); and
 - (2) all amounts required under the Security Deed to be paid in priority to or *pari passu* with those liabilities;
- (C) delivery of a legal opinion from independent legal advisers of recognised standing in form and substance satisfactory to the Series Note Trustee to the effect that:
 - (1) the Issuer or, as the case may be, the Series Hedge Provider, has been or will become obliged to pay or withhold an amount; or
 - (2) that the Issuer is not entitled to relief;in each case as a result of such change or event; and
- (D) the conditions (if any) specified under the heading *Note Tax Redemption Conditions* in the relevant Note Specific Conditions are satisfied.

6.3 Full redemption at the option of the Issuer

If *Note Optional Redemption Permitted* (in the relevant Note Specific Conditions) is Applicable in relation to the Series, the Issuer may at any time during the life of the Notes, on giving not more than 60 Business Days and not less than 20 Business Days notice to the Series Note Trustee, the Security Trustee and the Noteholders in accordance with Note Standard Condition 12, and subject to:

- (a) compliance with all relevant laws, regulations and directives; and
- (b) compliance with the conditions specified under the heading *Note Optional Redemption Conditions* in the Note Specific Conditions;

at the option of the Issuer, redeem all of the Notes in a Class (or such Notes as are required by such conditions specified under the heading *Note Optional Redemption Conditions* in the Note Specific Conditions) at the amount specified under the heading *Note Optional Redemption Amount* in the Note Specific Conditions (such amount being the "**Note Optional Redemption Amount**").

Notice given by the Issuer to redeem Note(s) pursuant to this Note Standard Condition 6.3 may not be withdrawn and upon giving such notice the Issuer shall be bound to redeem the Note(s) in accordance with the notice, this Note Standard Condition 6.3 and the Note Specific Conditions.

6.4 Note Principal Repayment Amounts

(a) Calculation of Note Principal Repayment Amounts

The Series Note Calculation Agent will in relation to each Class of Notes, as soon as practicable after being notified of the Principal Repayment Amount for a Principal Repayment Date for each Principal Liability in respect of such Class of Notes, determine the "**Note Principal Repayment Amount**" for each Note in that Class, by apportioning such Principal Repayment Amount in relation to that Class between the Notes in that Class *pro rata* to the Note Principal Amount Outstanding that remained in respect of each Note in that Class as at the close of business the day before that Principal Repayment Date, rounding each amount so apportioned down to the nearest Note Currency Unit.

(b) Notification of Note Principal Repayment Amounts

The Series Note Calculation Agent will cause the Note Principal Repayment Amounts for each Principal Repayment Date in relation to the Notes to be notified to the Series Note Trustee, the Security Trustee, the Issuer, the Series Note Registrar and (for as long as the Notes are listed on or with a Note Listing Institution and the rules of such Note Listing Institution require) such Note Listing Institution and to be notified to Noteholders in accordance with Note Standard Condition 12 as soon as possible after their determination but in no event later than the first Business Day thereafter.

The calculation of each Note Principal Repayment Amount, if required to be calculated, shall (in the absence of manifest error) be final and binding upon all parties.

6.5 Purchase of Notes by the Issuer

If *Issuer Note Purchases Permitted* (in the relevant Note Specific Conditions) is Applicable in relation to a Class, the Issuer may purchase Notes in the open market or otherwise at any price and subject to receipt by the Issuer of an amount (whether by any sale permitted under the Security Deed of the Series Waterfall Assets (or in the case of a purchase of some only of the Notes, a proportion of the Series Waterfall Assets corresponding to the proportion of the Notes to be purchased) or otherwise) which is sufficient to fund the purchase price payable by the Issuer.

Subject to any contrary agreement between the seller of any Note to be purchased by the Issuer pursuant to this Note Standard Condition 6.5, no interest will be payable with respect to a Note purchased pursuant to this Note Standard Condition 6.5 in respect of the period from the then current Interest Payment Period relating to that Note.

The Issuer will not exercise any rights in its capacity as a Holder of, or person beneficially entitled to or participating in the Series Waterfall Assets.

In particular, the Issuer will not vote at any meeting of Holders of, or other persons interested or participating in, or entitled to the rights or benefits (or a part thereof) of, the Series Waterfall Assets or give any consent, waiver, indulgence, time or notification or make any declaration in relation to such Series Waterfall Assets.

6.6 Cancellation

All Notes which are redeemed shall, unless otherwise permitted by the Note Conditions, be cancelled forthwith by the Series Note Registrar.

All Notes which are purchased by the Issuer pursuant to Note Standard Condition 6.5 shall, unless otherwise permitted by the Note Conditions, be cancelled forthwith by the Series Note Registrar.

7. Taxation

7.1 No withholdings or deductions except as required by law

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the Series Note Registrar is required by applicable law to make any such payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature.

7.2 Withheld or deducted amount to be paid to relevant authorities

In that event, the Issuer or such Series Note Registrar (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted.

7.3 No gross up

Neither the Issuer nor any Series Note Registrar will be obliged to make any additional payments to the Noteholders (if any) in respect of such withholding or deduction.

8. Payments

8.1 Means of making payments

Interest payments and principal repayments in respect of each Note:

- (a) will be made to the relevant Note Payee; and
- (b) will be made by Note Payment Cheque or, upon written application (together with appropriate details of a Note Payee Permitted Account) by that person received at the Specified Office of the Series Note Registrar on or before the Series Note Register Record Date, shall be made by transfer to that Note Payee Permitted Account.

Where payment in respect of a Note is to be made by Note Payment Cheque, the Note Payment Cheque will be mailed to the Note Payee Record Address.

8.2 Time of payment

Where payment is to be made by transfer to a Note Payee Permitted Account, payment instructions (for value the Note Payment Date) will be initiated and, where payment is to be made by Note Payment Cheque, the Note Payment Cheque will be mailed on the relevant Note Payment Date.

8.3 Delays in making payments

A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from:

- (a) a payment not being made, a transfer not being initiated or a Note Payment Cheque not being mailed on the due date for a payment as a result of that due date not being a Local Business Day;
- (b) a Note Payment Cheque mailed in accordance with this Note Standard Condition 8 arriving after the due date for payment or being lost in the mail;
- (c) (in relation to a payment to be made by Note Payment Cheque in relation to a Reg S Note) the Series Note Registrar having not received before the relevant Series Note Register Record Date written notice of a valid mailing address outside the United States and its possessions for the Note Payee; and
- (d) the Series Note Registrar having not received before the relevant Series Note Register Record Date written notice of a Note Payee Permitted Account for the Note Payee.

8.4 Partial payments

If the Series Note Registrar makes a partial payment in respect of any Note, the Issuer shall procure and the Series Note Registrar will ensure that the amount and date of such payment are noted on the Series Note Register.

8.5 Fiscal and other laws; no commission or expenses

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

8.6 Determination or calculation by Series Note Trustee

If the Series Note Calculation Agent does not at any time for any reason so determine the Interest Rate in relation to the Notes and calculate the Note Interest Payment Amounts and Note Interest Scheduled Amounts for an Interest Payment Period in relation to the Notes (as provided in Note Standard Condition 5 *Interest*) and/or Note Principal Repayment Amounts for a Principal Repayment Date in relation to the

Notes (as provided in Note Standard Condition 6 *Redemption and purchase*), the Series Note Trustee shall do so.

In doing so, the Series Note Trustee shall apply the provisions of Note Standard Condition 5 *Interest* and/or Note Standard Condition 6 *Redemption and purchase* (as appropriate), with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in all the circumstances, and each such determination or calculation shall be deemed to have been made by the Series Note Calculation Agent.

8.7 **Conclusive effect of determinations**

The determination of the Interest Rate in relation to the Notes and the calculation of the Note Interest Payment Amounts, Note Interest Scheduled Amounts and Note Principal Repayment Amounts by the Series Note Calculation Agent (or the Series Note Trustee) shall (in the absence of manifest error) be final and binding upon all parties.

9. **Note Event Of Default**

9.1 **Consequence of Note Event Of Default**

On or after the occurrence of a Note Event Of Default in relation to any Note in the Series:

- (a) the Series Note Trustee at its discretion may (provided that, in the case of each of the events described in any of paragraphs (b) to (e) of the definition of Note Event Of Default, the Series Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders); and
- (b) the Series Note Trustee shall:
 - (1) if so requested in writing by the Holders of at least 25% in Note Principal Amount Outstanding of the Notes then outstanding of any Class; or
 - (2) if so directed by a Noteholder Extraordinary Resolution of the Noteholders which are then the Series Controlling Creditor in respect of the Series;

(in each case, subject to the Series Note Trustee being indemnified and/or secured to its satisfaction) by giving written notice to the Issuer and the Security Trustee declare in such notice any date (being a date on or after the date of that notice) to be a "**Series Note Acceleration Date**" provided further that a Series Note Acceleration Date shall automatically occur upon the occurrence of a Security Assets Realisation Date (without any need for any such notice by the Series Note Trustee).

9.2 **Definition of Note Event Of Default**

"**Note Event Of Default**" means in relation to Notes in the Series any of the following events:

- (a) if default is made for a period of 5 days or more in the payment of any sum due (and which is not deferred) in respect of the Notes of such Series or any of them (save as specifically provided in these Note Standard Conditions); or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Notes of such Series or the Security Deed and, if such failure is remediable, such failure continues for a period of 30 days (or such longer period as the Security Trustee may permit) next following the service by the Security Trustee on the Issuer of notice requiring the same to be remedied (and, for such purposes, any failure to perform or observe any obligation shall be deemed remediable notwithstanding that the failure results from not doing an act or thing by a particular time); or
- (c) the occurrence of an Insolvency Supervening Event; or
- (d) the Issuer (other than for the purposes of a solvent amalgamation or reconstruction of the Issuer on terms previously approved in writing by the Security Trustee), ceases or, through or consequent upon an official action of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business other than in relation to the Series Waterfall Assets relating to another Series; or
- (e) the occurrence of any event specified under the heading *Note Event Of Default Additional Events* in the relevant Note Specific Conditions.

9.3 Definition of Insolvency Supervening Event

"**Insolvency Supervening Event**" means any corporate action, legal proceedings, formal application or other procedure or step is taken in relation to or with a view to:

- (a) a moratorium of any indebtedness (other than in relation to the Notes and/or Series Waterfall relating to another Series), winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of or in relation to the Issuer other than a solvent liquidation or reorganisation of the Issuer on terms previously approved in writing by the Security Trustee; or
- (b) the appointment of a liquidator (other than in respect of a solvent liquidation of the Issuer on terms previously approved in writing by the Security Trustee acting in accordance with the Security Intercreditor Deed), administrator (including, but not limited to, application to the court for an administrator or the service of a notice of intention to appoint an administrator), administrative receiver (other than an appointment of a Security Blocking Administrative Receiver by the Security Trustee, in accordance with the Security Intercreditor Deed) or other type of receiver, compulsory manager or other similar officer in respect of the Issuer or any of its assets (other than where the same only affects Series Waterfall Assets relating to one or more, but not all, other Series); or
- (c) any expropriation, attachment, sequestration, distress, execution or diligence affects any asset or assets of the Issuer other than in relation to the Series Waterfall Assets relating to another Series and is not discharged within 15 Business Days (or such other period previously approved in writing by the Security Trustee);

or any analogous corporate action, legal proceedings or other procedure or step is taken in respect of the Issuer or its assets (other than where the same only affects Series Waterfall Assets relating to one or more other Series) in any jurisdiction.

9.4 No cross default between Series

For the avoidance of doubt:

- (a) the occurrence of a Note Event Of Default or a Series Note Acceleration Date in relation to any Note relating to another Series; or
- (b) the occurrence of any breach of any Series Document relating to another Series; or
- (c) the Security in relation to the Series Waterfall Assets relating to another Series becoming enforceable; or
- (d) any action being taken to realise and/or enforce such Security in relation to the Series Waterfall Assets relating to another Series;

shall not by or of itself:

- (1) constitute a Note Event Of Default in relation to the Notes relating to this Series; nor
- (2) entitle any action to be taken under this Note Standard Condition 9 in relation to this Series; nor
- (3) cause the Notes relating to this Series to become due and repayable under these Note Standard Conditions; nor
- (4) cause the Security in respect of the Series Waterfall Assets relating to this Series to become enforceable under these Note Standard Conditions; nor
- (5) constitute a Security Assets Realisation Date; nor
- (6) constitute a Series Waterfall Assets Realisation Date in relation to this Series.

10. Enforcement, creditor restrictions and prescription

10.1 Only the Security Trustee can enforce

The Standard Creditor Restrictions Provision set out in the Standard Provisions Document shall apply to each Noteholder, each Note and these Note Conditions. In particular, no Noteholder, nor any person acting on behalf of such Noteholder (other than the Security Trustee), shall be entitled to:

- (a) take or join any other person (other than the Security Trustee) in taking any step or procure or cause another person to take any step that would constitute or result in or, with the giving of notice and/or elapse of time and/or the forming of an opinion or the making or giving of any determination or certification, would constitute or result in an Insolvency Event in relation to the Issuer;
- (b) take or join any other person (other than the Security Trustee) in taking against the Issuer and/or the Security Assets any step (including the exercise of any withholding, right of set-off or other right of deduction) or exercising any Security Interest or any right of subrogation for the purpose of recovering or enforcing any of the liabilities owing to it at any time by the Issuer;
- (c) take or join any person in taking steps against the Issuer for the purposes of obtaining payment of any amount due whatsoever from the Issuer to such Security Creditor, including, without limitation, the making of a statutory demand and the appointment of an administrative receiver;
- (d) take any steps or proceedings which would result in any of the provisions of Part 2 of the Security Intercreditor Deed not being observed;
- (e) apply for, obtain or take any step to obtain or join any other person (other than the Security Trustee) in applying for or obtaining an injunction, an interdict, a declaration, damages, judgment, a decree or other order against the Issuer in relation to any Transaction Document (other than in relation to any breach or alleged breach by the Security Trustee of its obligations or duties to that Noteholder under the Transaction Documents);
- (f) take or initiate any proceedings or steps against the Issuer to enforce any Transaction Document;
- (g) permit the Issuer to pay, prepay, repay, redeem, purchase, or otherwise acquire any of the Security Liabilities owed by the Issuer (including any obligation under any Series Hedge Agreement), except to the extent, at the times and in the manner permitted by the Transaction Documents;
- (h) take, accept or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against financial loss from the Issuer in respect of any of the Security Liabilities owed to it except as expressly permitted pursuant to the Security Intercreditor Deed; or
- (i) do anything inconsistent with the Security or the terms of the Security Deed or Security Intercreditor Deed;

provided that the above provisions of this Condition 10.1:

- (1) shall not apply during any Programme No Series Outstanding Period;
- (2) are without prejudice to any action or step which is expressly permitted under the terms of the Security Intercreditor Deed;
- (3) shall not prevent such Noteholder, when entitled to do so pursuant to the terms of a Security Liability owing to such Noteholder, claiming or declaring such Security Liability due and payable; and
- (4) shall not prevent such Noteholder from proving for the full amount owing to it by the Issuer in the liquidation of the Issuer.

10.2 Series Post Realisation Purchase Option

- (a) *Authority to enter into and binding effect of Series Post Realisation Purchase Option Deed*

Each of the Noteholders in respect of the Notes irrevocably acknowledges and agrees that the Series Note Trustee has, and irrevocably grants to the Series Note Trustee, the authority and the power to and instructs and directs the Series Note Trustee to:

- (1) enter into each Series Post Realisation Purchase Option Deed (if any) specified under the heading *Series Post Realisation Purchase Option Deed* in the relevant Series Specific Provisions; and
- (2) bind each such Noteholder in accordance with the terms and conditions set out in each such Series Post Realisation Purchase Option Deed;

and each such Noteholder, by subscribing for or taking a transfer of a Note or for any other consideration, irrevocably agrees to be so bound.

(b) *Agreement to terms of Series Post Realisation Purchase Option*

Each of the Noteholders in respect of the Notes irrevocably acknowledges and agrees all the terms of each Series Post Realisation Purchase Option Deed and in particular, but without limitation, that:

- (1) the option in each Series Post Realisation Purchase Option Deed will apply to each of the Notes;
- (2) such option will be exercisable on any Business Day following the occurrence of a Series Post Realisation Date in relation to that Series; and
- (3) that the price payable by the holder of the option shall be calculated as specified under the heading *Series Post Realisation Purchase Option Price* in the relevant Series Specific Provisions.

(c) *Exercise of Series Post Realisation Purchase Option*

Upon each exercise under, and in accordance with the applicable conditions of, a Series Post Realisation Purchase Option Deed in respect of a Note of an option granted in respect of such Note under such Series Post Realisation Purchase Option Deed, each Noteholder in respect of that Note irrevocably acknowledges and agrees:

- (1) that the Series Note Trustee has, and irrevocably grants to the Series Note Trustee, the authority and the power to transfer such Note absolutely to the relevant holder of that option (or, if so requested by such holder, a nominee of such holder) and to receive and accept payment of the relevant price by such holder for the benefit of such Noteholder; and
- (2) that immediately upon such transfer, such former Noteholder shall not have any further interest in such Note.

10.3 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years from the due date for payment.

11. Note Transfer Regulations

11.1 Requirements for holdings and transfers

A holding or purported holding of a Note or an interest in a Note (including any interest in a Clearing System Note) or transfer or purported transfer of a Note or any such interest shall not be valid or effective, shall be void ab initio, shall not be honoured by the Issuer or the Series Note Registrar and shall not be registered in the Series Note Register unless:

- (a) following any such registration, the holder, transferor or the transferee (as the case may be) having a separately registered holding of Notes in the Series Note Register where the aggregate Note Initial Principal Amount of the Notes comprised in that holding would equal a Note Authorised Denomination; and/or
- (b) such Note is held or transferred pursuant to a transaction that does not require registration under the U.S. Securities Act; and/or
- (c) such holding or transfer complies with each other Note Transfer Regulation.

11.2 Restrictions in respect of interests in Clearing System Notes

- (a) *Prior to expiry of the Reg S Distribution Compliance Period U.S. Persons cannot hold interests in Reg S Notes*

Noteholders may hold their interests in a Reg S Clearing System Note directly through the relevant Reg S Clearing System, if they are participants in such Reg S Clearing System or indirectly through organisations that are participants in such Reg S Clearing System. Beneficial interests in a Reg S Clearing System Note may be held only through a Reg S Clearing System at any time. Prior to the expiry of the Reg S Distribution Compliance Period, beneficial interests in a Reg S Clearing System Note may not be held by a U.S. Person.

(b) *Transfers of interests from a Reg S Clearing System Note to a Rule 144A Clearing System Note*

A beneficial interest in the Reg S Clearing System Note relating to a Class of Notes may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Clearing System Note (if any) relating to that Class only upon receipt by the Series Note Registrar of a written certificate from the transferor (in the form required by the Series Note Trust Deed) to the effect that, among other things, such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer. Any beneficial interest in a Reg S Clearing System Note that is so transferred will, upon transfer, cease to be represented by a beneficial interest in such Reg S Clearing System Note and will become represented by a beneficial interest in the Rule 144A Clearing System Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such Rule 144A Clearing System Note.

(c) *Transfers of interests from a Rule 144A Clearing System Note to a Reg S Clearing System Note*

A beneficial interest in a Rule 144A Clearing System Note may be transferred to a person who takes delivery in the form of a beneficial interest in the corresponding Reg S Clearing System Note relating to the same Class of Notes, whether during or after the expiration of the Reg S Distribution Compliance Period, only upon receipt by the Series Note Registrar of a written certification from the transferor (in the form required by the Series Note Trust Deed) to the effect that among other things, such transfer is being made outside the United States to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Reg S and that, if such transfer occurs during the Reg S Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream. Each beneficial interest in a Rule 144A Clearing System Note so transferred will, upon transfer, cease to be represented by a beneficial interest in that Rule 144A Clearing System Note and will become represented by a beneficial interest in that Reg S Clearing System Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Reg S Clearing System Note.

11.3 Representations and agreements of Note Transferees

Each purchaser and subsequent transferee of a Note or an interest in a Note (including any interest in a Clearing System Note) (each a "**Note Transferee**") will be deemed to have represented and agreed in favour of the Issuer, Series Note Trustee, Series Note Registrar and Security Trustee as follows:

- (a) in connection with the purchase or transfer of a Note or an interest in a Note:
- (1) the Note Transferee acknowledges that none of the Issuer or any Transaction Party is acting as a fiduciary or financial or investment adviser for such Note Transferee;
 - (2) such Note Transferee is not relying and has not relied (for the purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or any Transaction Party other than (and subject to the terms of) any statements in the Note Programme Memorandum and Note Issue Supplement relating to the issue of such Notes;
 - (3) such Note Transferee has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer or any Transaction Party;
 - (4) in the case of a Reg S Note, such Note Transferee is not a U.S. Person and is acquiring the Notes in reliance on the safe harbour from the registration requirements of the U.S. Securities Act provided by Reg S;
 - (5) in the case of a Rule 144A Note, such Note Transferee is a Qualified Institutional Buyer;
 - (6) such Note Transferee is acquiring its interest in the Notes for its own account and not for distribution in violation of the U.S. Securities Act; and
 - (7) such Note Transferee is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes;
- (b) on each day from the date on which such Note Transferee acquires such Note through and including the date on which such Note Transferee disposes of its interests in such Note, in connection with the

purchase of the Notes, such Note Transferee satisfies each condition (if any) set out under the heading *Note Transfer Additional Regulations* in the relevant Note Specific Conditions;

- (c) such Note Transferee understands that:
 - (1) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
 - (2) the Notes have not been and will not be registered under the U.S. Securities Act, and
 - (3) if in the future such Note Transferee decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Note Conditions, the Note Transfer Regulations and the Series Note Trust Deed;
- (d) such Note Transferee agrees and acknowledges that no representation has been made as to the availability of any exemption under the U.S. Securities Act or any state securities laws for resale of the Notes;
- (e) such Note Transferee is aware that, except as otherwise provided in the Note Conditions and/or the Series Note Trust Deed, the Notes being sold to it in reliance on Reg S will be Reg S Clearing System Notes, and that in each case interests therein may be held only through the relevant Reg S Clearing System;
- (f) such Note Transferee agrees and acknowledges that any resale or other transfer of beneficial interests in a Reg S Note prior to expiry of the Reg S Distribution Compliance Period to U.S. Persons shall not be permitted and any resale or other transfer of beneficial interests in a Rule 144A Note to any person other than a Qualified Institutional Buyer shall not be permitted;
- (g) such Note Transferee understands and agrees that while a Note is a Clearing System Note:
 - (1) the Series Note Trustee and Series Note Registrar shall have no responsibility or obligation to any Note Transferee, a member of, or a participant in, any Clearing System or other person with respect to the accuracy of the records of the Clearing System or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, Note Transferee or other person (other than the Clearing System) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes;
 - (2) all notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Clearing System Noteholder); and
 - (3) the Series Note Trustee and Series Note Registrar may rely and shall be fully protected in relying upon information furnished by the Clearing System with respect to its members, participants and any Note Transferees;
- (h) such Note Transferee will provide notice to each Person to whom it proposes to transfer any interest in the Notes of the Note Transfer Regulations and the Note Conditions;
- (i) such Note Transferee understands that the Issuer will treat the Notes as indebtedness for U.S. federal income tax purposes and such Note Transferee agrees to treat its interest in the Notes for U.S. federal income tax purposes as indebtedness; and
- (j) such Note Transferee agrees and acknowledges the Issuer is permitted to demand that the Holder or purported Holder of:
 - (1) any interest in a Rule 144A Note held by a U.S. Person who is determined not to have been a Qualified Institutional Buyer at the time of acquisition of such Rule 144A Note; and
 - (2) any interest in a Reg S Note held by a U.S. Person at the time of acquisition of such interest if such interest occurred during the relevant Reg S Distribution Compliance Period relating to such Reg S Note,

in each case, sell such interest to a Holder that is permitted under these Note Conditions and the relevant Series Note Trust Deed and, if the Holder does not comply with such demand within 30 days thereof, the Issuer may sell such Holder's interest in such Notes.

11.4 Manner of transfer

The Notes are transferable in units equal to a Note Authorised Denomination by delivery to the Series Note Registrar Specified Office (or such other place as the Series Note Registrar may agree):

- (a) a duly completed Note Transfer Form executed under the hand of the transferor or, where the transferor is a corporation, under such corporation's common seal or under the hand of two of such corporation's officers duly authorised in writing;
- (b) if the Note Transfer Form is executed by some other person on behalf of the transferor or, in the case of the execution of a Note Transfer Form on behalf of a corporation by such corporation's officers, the original of the document conferring authority of that person or those officers to do so (or a copy of such document certified in such manner as the Series Note Registrar may require);
- (c) the relevant Note Certificate (if a Note Certificate has been issued in respect of the Note to be transferred); and
- (d) such other evidence (including legal opinions) as the Issuer and the Series Note Registrar may reasonably require to prove the validity and effect of the Note Transfer Form or documents accompanying it, the title of the transferor or his right to transfer the Note and his identity.

The signature of the person effecting a transfer of a Note shall conform to any list of duly authorised specimen signatures supplied by the registered Holder or be certified by a recognised bank, notary public or in such other manner as the Series Note Registrar may require.

11.5 Meaning of "transferor"

In these Note Transfer Regulations "transferor" shall, where the context permits or requires, include joint transferors and be construed accordingly.

11.6 Restriction on registration of transfers

- (a) *No registrations while payees are being ascertained*

No Noteholder may require the transfer of a Note to be registered during the period from and including a Series Note Register Record Date to and including the date that the relevant payment in respect of such Note becomes due.

- (b) *No registrations while proxy appointments outstanding*

No Noteholder which has executed a proxy instrument in relation to a meeting of Noteholders may require the transfer of a Note covered by such proxy instrument to be registered until the earlier of the conclusion of such meeting and its adjournment for want of a quorum.

- (c) *Single Series Note Register entry for entire holding of each Noteholder*

Unless otherwise requested by a Noteholder and agreed by the Issuer and the Series Note Registrar, the Noteholder(s) in respect of Notes in the Series shall be entitled to have only one subsisting entry in the Series Note Register in respect of his or (in the case of a joint holding) their entire holding of Notes.

11.7 Persons entitled upon cessation, death etc of a Holder

In the event of the dissolution, cessation or death of a Holder of Notes:

- (a) which is not a joint Holder, the administrators, executors or similar representatives of such Holder; or
- (b) which is one or more of joint Holders, the remaining or surviving joint Holders;

shall be the only persons recognised by the Series Note Registrar and the Issuer as having any title to such Notes.

Any person becoming entitled to Notes in consequence of the dissolution, cessation, death or official bankruptcy or insolvency of the Holder of such Notes may, upon producing such evidence that such person holds the position in respect of which such person proposes to act under this paragraph or of such person's title as the Issuer and the Series Note Registrar shall require (including legal opinions), be registered as the Holder of such Notes or, subject to Note Transfer Regulations as to transfer, may transfer such Notes.

The Issuer and the Series Note Registrar shall be at liberty to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or such person shall duly transfer the Notes.

11.8 Issue of Note Certificates in relation to transfers

Subject to and without prejudice to Note Standard Condition 2.6 *Note Certificates*:

- (a) Joint Noteholders of a Note shall be entitled to one Note Certificate only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint Holder whose name appears first in the Series Note Register in respect of the joint holding.
- (b) Where a Holder of a Note transfers part only of his holding comprised in such Note there shall:
 - (1) if a Note Certificate is requested by such Holder or is required, be delivered to such Holder a Note Certificate in respect of the balance of such holding; and
 - (2) if a Note Certificate is requested by the relevant transferee or is required, a new Note Certificate in respect of the balance of the Note transferred will be delivered to the transferee;in each case in accordance with these Note Transfer Regulations.
- (c) If a Note Certificate required to be delivered under these Note Transfer Regulations, subject to unforeseen circumstances beyond the control of such Series Note Registrar or the Series Note Registrar arising and to the applicable Note Transfer Regulations having been complied with by the relevant transferor and transferee, the Series Note Registrar will within 5 business days after the date of registration of a transfer of the relevant Note:
 - (1) where the person entitled to the Note Certificate has requested in writing, despatch (at the risk and at the expense of such person) such Note Certificate by mail to such address such person has specified in such request; or
 - (2) if no such request has been made, deliver such Note Certificate at its Series Note Registrar Specified Office to the person entitled to the Note Certificate,

and, for the purposes of this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Series Note Registrar has its Series Note Registrar Specified Office.

11.9 No charge to be made for certain registrations and transfers

The Issuer and the Series Note Registrar shall, save in the case of the issue of replacement Notes and where expressly indicated otherwise in these Note Transfer Regulations, make no charge to any Noteholders for:

- (a) the registration or transfer of any holding of Notes; or
- (b) the issue of any Note Certificates; or
- (c) the delivery of any Note Certificates at the Series Note Registrar Specified Office;

but such registration, transfer, issue or delivery shall be effected against such indemnity from the Holder or the transferee thereof as the Series Note Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration, transfer, issue or delivery.

12. Notices

All notices to Noteholders or any category of them shall be deemed to have been duly given to those Noteholders:

- (a) if sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Series Note Register, and in such case such notice will be deemed to have been given on the seventh day after the date of posting; or
- (b) if information concerned in such notice shall appear on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be approved by the Series Note Trustee and notified to Noteholders, and in such case such notice shall be deemed to have been given on the first date on which such information appeared on such page or other medium; or

- (c) if published in the relevant newspaper specified under the heading *Note Notices Newspaper* in the relevant Note Specific Conditions or, if any such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other leading daily newspaper or newspapers printed in the English language as the Series Note Trustee shall approve in advance having (individually or in combination) a general circulation in the United Kingdom, Europe and, if any such Notes are denominated in USD or any Rule 144A Note remains outstanding, the United States, and in each such case such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper or in one of the newspapers referred to above; or
- (d) whilst the Notes then held by those Noteholders are represented by a Clearing System Note, if delivered to each relevant Clearing System in relation to such Note for communication by such Clearing System to the relevant participants in such Clearing System, and in such case such notice shall be deemed to have been given to the relevant Noteholders on the day of such delivery to each relevant Clearing System; or
- (e) any other method or methods of giving notice sanctioned in advance by the Series Note Trustee if, in the Series Note Trustee's sole opinion, such other method or methods is/are reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method or methods is/are given to those Noteholders in such manner as the Series Note Trustee shall require,

and where a notice is given to those Noteholders using more than one of the methods described in the above paragraphs of this Note Standard Condition, such notice shall be deemed to have been given on the first date on which such notice is deemed to have been given under those paragraphs.

For so long as any of the Rule 144A Notes are a "restricted security" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, unless the Issuer is subject to Section 13 or 15(d) under the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Issuer shall make available to any holder of Rule 144A Notes (or beneficial interest therein designated by such holder) and prospective purchaser of such Rule 144A Notes (or beneficial interest therein), in each case upon request, the information specified in Rule 144A(d)(4) under the U.S. Securities Act.

13. Maintenance and protection of Note Transaction Parties

13.1 Maintenance of Series Note Registrar

If a person is specified under the heading *Series Note Registrar* in the relevant Series Specific Provisions, the Issuer will procure that, so long as any Note remains outstanding, there shall at all times be a person acting as Series Note Registrar in the United Kingdom who covenants with the Issuer and the Series Note Trustee, on and subject to such terms as the Series Note Trustee (in its absolute discretion) accepts, to perform everything expressed to be performed by the Series Note Registrar in the Note Conditions.

The Issuer reserves the right at any time, subject to the terms of the relevant Series Note Services Agreement, to terminate the appointment of the Series Note Registrar and will procure that notice of any such termination will be given to Noteholders.

If any person shall be unable or unwilling to continue to act as the Series Note Registrar, or if the appointment of the Series Note Registrar shall be terminated, the Issuer will, with the prior written consent of the Series Note Trustee, appoint the London office of a leading bank engaged in the London interbank market to act as the Series Note Registrar in such person's place, provided that neither the resignation of nor termination of the appointment of the Series Note Registrar shall take effect until a successor Series Note Registrar approved by the Series Note Trustee has been appointed.

If the Issuer fails to appoint a replacement Series Note Registrar by such date as the Series Note Trustee may reasonably determine the Series Note Trustee shall appoint such replacement Series Note Registrar on behalf of and in the name of the Issuer.

13.2 Maintenance of Series Note Calculation Agent

If a person is specified under the heading *Series Note Calculation Agent* in the relevant Series Specific Provisions, the Issuer will procure that, so long as any Note remains outstanding, there shall at all times be a person acting as Series Note Calculation Agent who covenants with the Issuer and the Series Note Trustee, on and subject to such terms as the Series Note Trustee (in its absolute discretion) accepts, to

perform everything expressed to be performed by the Series Note Calculation Agent in the Note Conditions.

The Issuer reserves the right at any time, subject to the terms of the relevant Series Note Services Agreement, to terminate the appointment of the Series Note Calculation Agent and will procure that notice of any such termination will be given to Noteholders.

If any person shall be unable or unwilling to continue to act as the Series Note Calculation Agent, or if the appointment of the Series Note Calculation Agent shall be terminated, the Issuer will, with the prior written consent of the Series Note Trustee, appoint the London office of a leading bank engaged in the London interbank market to act as the Series Note Calculation Agent in such person's place, provided that neither the resignation of nor termination of the appointment of the Series Note Calculation Agent shall take effect until a successor Series Note Calculation Agent approved by the Series Note Trustee has been appointed.

If the Issuer fails to appoint a replacement Series Note Calculation Agent by such date as the Series Note Trustee may reasonably determine the Series Note Trustee shall appoint such replacement Series Note Calculation Agent on behalf of and in the name of the Issuer.

13.3 Exclusion of third party rights

A person who is not a party to the Notes has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of the Notes provided that:

- (a) this does not affect any right or remedy of a third party which exists or is available apart from that Act; and
- (b) each Note Transaction Party shall have the right under that Act to enforce each provision of, or provision applicable to, the Notes in so far as such provision is expressed to be in favour of or benefit of such Note Transaction Party; and
- (c) each holder of an option under a Series Post Realisation Purchase Option Deed shall have the right under that Act to enforce each provision of, or provision applicable to, the Notes in so far as such provision is expressed to be in favour of or benefit of such holder of such option.

14. Governing law and submission to jurisdiction

14.1 English law

The Notes and Note Conditions are governed by and shall be construed in accordance with English law.

14.2 English courts

The Issuer submits to the jurisdiction of the English courts for all purposes in connection with the Notes and Note Conditions.

13. FORM OF NOTE ISSUE SUPPLEMENT

Note Issue Supplement

dated [].



Clavis Securities plc

(Incorporated with limited liability in England and Wales with registered number: 5778179)

Series []

issued under its

Asset Backed Note Programme

This issue in respect of this Series comprises the following Class[es] of Notes:

<i>Initial principal amount</i>	<i>Class</i>	<i>Final maturity</i>	<i>Issue price</i>	<i>Margin</i>	<i>Moody's</i>	<i>Expected rating</i>	<i>Fitch</i>	<i>S&P</i>
£[]	Class [] Notes	[]	[]%	[]%	[]	[]	[]	[]

This Note Issue Supplement has been prepared in relation to an issue of the Series [] Notes (being Notes of the Issuer) and is supplemental to and must be read in conjunction with the Note Programme Memorandum dated 24 May 2007 (accompanying this Note Issue Supplement) issued under the secured Notes issuance programme of the Issuer. This Note Issue Supplement forms part of the Note Listing Documents in relation to the Notes described in this Note Issue Supplement.

Copies of this Note Issue Supplement, which comprises a supplementary prospectus with regard to the Issuer, the Note Programme Memorandum and the Notes in accordance with Article 16 of the Prospectus Directive and Section 87G of the FSMA and includes the final terms of the Notes for the purposes of Article 5.4 of the Prospectus Directive have been filed with the UK Listing Authority and delivered to the London Stock Exchange. Save as disclosed in this Note Issue Supplement, the Issuer confirms that there has been no significant change and no significant new factor, material mistake or inaccuracy relating to the information in the Note Programme Memorandum which has arisen since publication of the previous Note Listing Documents in relation to the Programme.

This Note Issue Supplement (being a supplementary prospectus, as indicated above) has been prepared for the purpose of providing information with regard to the Issuer and the Notes. The Issuer accepts responsibility for the information contained in this Note Issue Supplement. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Note Issue Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Particular attention is drawn to the following sections of the Note Listing Documents:

- the section entitled **1. Important Information about this Document** in the Note Programme Memorandum;
- the section entitled **3. Risk Factors** in the Note Programme Memorandum; and
- the section entitled **Additional Particular Risk Factors** in this Note Issue Supplement.

Capitalised terms defined in the Note Programme Memorandum have the same meaning in this Note Issue Supplement. Please refer to **14 Glossary** in the Note Programme Memorandum and **Note Issue Supplement Glossary** in this Note Issue Supplement to find the page in the Note Listing Documents on which a capitalised term is defined.

Arranger, Lead Manager[s] and Bookrunner[s]

[]

Co-Manager[s]

[]

CONTENTS

[]

SERIES OVERVIEW DIAGRAM

The following diagram is intended to provide an initial impression of the structure and main parties of Series []-[] under the Programme:

[]

NOTE SPECIFIC CONDITIONS

The following are the Note Specific Conditions relating to the Series [] Notes and form part of the Note Conditions as applied to the Notes (but solely with respect to this Note Issue) by the Series Note Trust Deed and constitute the final terms of the Series Notes for the purposes of Article 5.4 of the Prospectus Directive in relation to this issue of Notes:

1. Issue of the Series Notes

- 1.1 **Issuer**
Clavis Securities plc.
- 1.2 **Series**
[]
- 1.3 **Description of the Notes**
Series [] Notes.
- 1.4 **Note Issue Closing Date**
[]
- 1.5 **Note Issue Supplement Date**
[]
- 1.6 **Note Initial Principal Amount**
[]
- 1.7 **Note Issue Price**
[]
- 1.8 **Note Issue Instrument**
[]
- 1.9 **Note Issue Subscription Agreement**
[]
- 1.10 **Note Issue Lead Managers**
[]
- 1.11 **Note Issue Managers**
[]
- 1.12 **Note Issue Manager Fees**
[]
- 1.13 **Note Issue Stabilising Manager**
[]
- 1.14 **Note Ratings**

Notes	Long Term Rating		
	Fitch	Moody's	S&P
Class [] Notes	[AAA]	[Aaa]	[AAA]

1.15 **Further Tranche Permitted**

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1.16 **Further Tranche Conditions**

.

1.17 **Note Notices Newspaper**

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1.18 **Note Class Tiers**

Tier Class

1.19 **Reg S Notes and Rule 144A Notes**

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2. Form and holdings of the Series Notes

2.1 **Note Denomination Minimum**

[Note: to be a minimum of EUR 50,000 (or its Sterling Equivalent) unless the relevant Notes are (a) NOT admitted to trading on an European Economic Area exchange; and (b) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive].

2.2 **Note Denomination Multiple**

.

2.3 **Note Currency**

.

2.4 **Note Currency Unit**

.

2.5 **Note Currency Centre**

.

2.6 **Clearing System Arrangement**

.

2.7 **Clearing System**

.

2.8 **Clearing System Noteholder**

.

2.9 **Clearing System Codes**

Notes	[CUSIP Number]	Common Code	ISIN
Class <input type="checkbox"/> Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.10 **Clearing System Removal Additional Events**

.

2.11 **Note Listing**

[Listing on the official list of the UK Listing Authority and admission to trading on the London GEFI Market. The Series Notes are expected to be admitted to trading on the first Business Day following the Note Issue Closing Date.]

2.12 **Note Legend**

.

2.13 **Note Transfer Additional Regulations**

.

3. Interest on the Series Notes

3.1 Note Interest Liability

In respect of each Class of Notes, the Issuer will pay interest on each Note in such Class on the basis that such interest shall accrue, be calculated and be paid in accordance with and subject to the terms of the provisions set out in section 1. *Standard Interest Liability Provisions* of the Standard Liability Provisions, and for such purpose:

- (1) **Interest Liability**
means the Issuer's liability in respect of such interest on each Note in such Class as accrued, calculated and to be paid in accordance with and subject to the terms of the provisions set out in section 1. *Standard Interest Liability Provisions*;
- (2) **Interest Scheduled Charging Balance**
[____];
- (3) **Interest Payment Date**
[____];
- (4) **Interest Payment Period**
[in respect of any Notes means the relevant Interest Accrual Period in relation to the relevant Interest Liability in respect of interest payable by the Issuer on such Notes];
- (5) **Interest Rate Setting Date**
[____];
- (6) **Interest Rate Setting Time**
[____];
- (7) **Interest Rate**
[means in relation to any Interest Accrual Period relating to that Interest Liability in relation to the relevant Class of Notes in the Series:
 - (a) the Benchmark Rate specified in relation to that Class, and calculated in the manner indicated, under the heading *Note Interest Rate Benchmark Rate* in these Note Specific Conditions; plus
 - (b) the percentage specified in relation to that Class under the heading *Note Interest Rate Margin* in these Note Specific Conditions].
- (8) **Interest Rate Maximum**
[____];
- (9) **Interest Rate Minimum**
[____];
- (10) **Interest Start Date**
[____];
- (11) **Interest Scheduled Start Date**
[____];
- (12) **Interest Accelerated Start Additional Date**
[____];
- (13) **Interest Deferral**
[Applicable/Not applicable];
- (14) **Interest Saving**
[Applicable/Not applicable];
- (15) **Interest Saving Start Date**
[____];
- (16) **Business Day Convention**
[____];
- (17) **Day Count Fraction**
[____];

(18) **Interest Calculation Agent**
[means the Series Note Calculation Agent]; and

(19) **Interest Creditor Representative**
[means the Series Note Trustee].

3.2 **Note Interest Rate Benchmark Rate**

The following Benchmark Rate which shall be calculated and determined in accordance with and subject to the terms of the provisions set out in section 5 *Standard Benchmark Rate Provisions* of the Standard Liability Provisions, and for such purpose:

- (1) **Benchmark Rate**
[_____];
- (2) **Benchmark Rate Primary Source**
[means [_____] in relation to [_____]];
- (3) **Benchmark Rate Reference Banks**
[means [_____] in relation to [_____]];
- (4) **Benchmark Rate Quotation**
[means [_____] in relation to [_____]]; and
- (5) **Benchmark Rate Interpolation**
[means [_____] in relation to [_____]].

3.3 **Note Interest Rate Margin**

[In relation to a Class of Notes in the Series, the percentage indicated in the Margin column in respect of each Interest Payment Period relating to such Notes, in each case in the row relating to that Class appearing in the following table (each such percentage being a rate per annum) (being the "Note Interest Rate Margin" in respect of such Notes):]

<i>Class of Notes</i>	<i>Margin</i>
Class [] Notes	[_____]%

3.4 **Business Day**
[_____].

4. **Repayment of the Series Notes**

4.1 **Note Principal Repayment Liability**

Without prejudice to Note Standard Conditions 6.2 *Redemption for taxation and other reasons* and 6.3 *Full redemption at the option of the Issuer*, in respect of each Class of Notes, the Issuer shall repay principal on each Note in such Class on the basis that the principal repayments shall be calculated and be made in accordance with and subject to the terms of the Standard Principal Repayment Liability Provisions, and for such purpose:

- (1) **Principal Repayment Liability**
means the Issuer's liability in respect of such repayment of principal on each Note in such Class;
- (2) **Principal Repayment Start Date**
[_____];
- (3) **Principal Repayment Date**
[_____];
- (4) **Principal Repayment Deferral**
[Applicable/Not applicable].
- (5) **Principal Repayment Saving**
[Applicable/Not applicable].
- (6) **Principal Repayment Saving Start Date**
[_____];
- (7) **Principal Repayment Scheduled Date**
[_____];

- (8) **Principal Repayment Final Maturity Date**
[____];
 - (9) **Principal Repayment Due Amount**
[in relation to each Note in such Class shall be from (and including) the Principal Repayment Final Maturity Date, the Note Principal Amount Outstanding of that Note; and at any other time shall be zero];
 - (10) **Principal Early Repayment Date**
[____];
 - (11) **Principal Repayment Limit**
[____]; and
 - (12) **Principal Repayment Calculation Agent**
[shall be the Series Note Calculation Agent].
- 4.2 **Note Event Of Default Additional Events**
[____].
 - 4.3 **Note Tax Redemption Additional Event**
[____].
 - 4.4 **Note Tax Redemption Conditions**
[____].
 - 4.5 **Note Optional Redemption Permitted**
[Applicable/Not applicable].
 - 4.6 **Note Optional Redemption Conditions**
[____].
 - 4.7 **Note Optional Redemption Amount**
[____].
 - 4.8 **Note Partial Redemption Permitted**
[Applicable/Not applicable].
 - 4.9 **Note Partial Redemption Conditions**
[____].
 - 4.10 **Note Partial Redemption Amount**
[____].
 - 4.11 **Issuer Note Purchases Permitted**
[Applicable/Not applicable].

SERIES SPECIFIC PROVISIONS

The following are the Series Specific Provisions relating to the Series [____] Notes:

- 1. Series Portfolio**
 - 1.1 **Series Portfolio Purchase Agreement**
[____].
 - 1.2 **Series Portfolio Seller**
[____].
 - 1.3 **Series Portfolio Originator**
[____].
 - 1.4 **Series Portfolio Previous Owner**
[____].
 - 1.5 **Series Portfolio Previous Purchase Agreement**
[____].

- 1.6 **Series Portfolio Legal Title Holder**
[].
- 1.7 **Scottish Mortgage Trust Deed**
[].
- 1.8 **Series Portfolio Purchase Initial Consideration**
[].
- 1.9 **Series Portfolio Purchase Deferred Consideration**
[].
- 1.10 **Series Notes Under-collateralisation**
[].
- 1.11 **Series Portfolio Warranty Date**
[].
- 1.12 **Series Portfolio Warranty Guarantor**
[].
- 1.13 **English Mortgages**
[Applicable/Not applicable].
- 1.14 **Scottish Mortgages**
[Applicable/Not applicable].
- 1.15 **Northern Irish Mortgages**
[Applicable/Not applicable].
- 1.16 **Corporate Mortgages**
[Applicable/Not applicable].
- 1.17 **Corporate Mortgagor Jurisdiction**
[Applicable/Not applicable].
- 1.18 **Non-Conforming Mortgages**
[Applicable/Not applicable].
- 1.19 **Self-Certified Mortgages**
[Applicable/Not applicable].
- 1.20 **Owner Occupied Mortgages**
[Applicable/Not applicable].
- 1.21 **Investment Home Mortgages**
[Applicable/Not applicable].
- 1.22 **Right To Buy Mortgages**
[Applicable/Not applicable].
- 1.23 **Mortgage Amortising Loans**
[Applicable/Not applicable].
- 1.24 **Mortgage Non-Amortising Loans**
[Applicable/Not applicable].
- 1.25 **Mortgage Prepayment Charges**
[Applicable/Not applicable].
- 1.26 **Mortgage Variable Rate Loans**
[Applicable/Not applicable].
- 1.27 **Mortgage Restricted Rate Loans**
[Applicable/Not applicable].
- 1.28 **Mortgage Fixed Rate Loans**
[Applicable/Not applicable].

- 1.29 **Mortgage Capped Rate Loans**
[Applicable/Not applicable].
- 1.30 **Mortgage Tracker Rate Loans**
[Applicable/Not applicable].
- 1.31 **Mortgage Tracker Rates**
[].
- 1.32 **Mortgage Discount Rate Loans**
[Applicable/Not applicable].
- 1.33 **Mortgage Restricted Rate Conversion**
[Applicable/Not applicable].
- 1.34 **Arrears Mortgages**
[Applicable/Not applicable].
- 1.35 **Mortgage Type Conversion**
[Applicable/Not applicable].
- 1.36 **Mortgage Type Conversion Conditions**
[Applicable/Not applicable].
- 1.37 **Borrower Buildings Insurance Tied Policies**
[].
- 1.38 **Borrower Buildings Insurance Untied Policies**
[].
- 1.39 **Borrower Insurance Other Policy**
[Applicable/Not applicable].
- 1.40 **Borrower Insurance Other Policy Cover**
[Applicable/Not applicable].
- 1.41 **Mortgagee Buildings Insurance Untied Policy**
[].
- 1.42 **Mortgagee Insurance Other Policy**
[].
- 1.43 **Mortgagee Insurance Other Policy Cover**
[].
- 1.44 **Mortgage Further Purchases**
[Applicable/Not applicable].
- 1.45 **Mortgage Further Purchase Requirements**
[].
- 1.46 **Mortgage Mandatory Further Advances**
[Applicable/Not applicable].
- 1.47 **Mortgage Discretionary Further Advances**
[Applicable/Not applicable].
- 1.48 **Mortgage Further Advance Requirements**
[].
- 1.49 **Mortgage Retention Advance Amount**
GBP []
- 1.50 **Flexible Mortgages**
[Applicable/Not applicable].
- 1.51 **Flexible Mortgage Commitment Fee Feature**
[Applicable/Not applicable].

- 1.52 **Flexible Drawing Scheduled Available Amount**
[Applicable/Not applicable].
- 1.53 **Flexible Mortgage Commitment Fee Minimum Rate**
[Applicable/Not applicable].

2. Series Portfolio Services Aspects

- 2.1 **Series Portfolio Servicer**
[].
- 2.2 **Series Portfolio Services Agreement**
[].
- 2.3 **Series Portfolio Servicer Senior Fees**
[].
- 2.4 **Series Portfolio Servicer Subordinated Fee**
[].
- 2.5 **Series Portfolio Servicer Replacement Feature**
[Applicable/Not applicable].
- 2.6 **Series Portfolio Servicer Replacement**
[].
- 2.7 **Series Portfolio Servicer Replacement Agreement**
[].
- 2.8 **Series Portfolio Servicer Replacement Fee**
[].
- 2.9 **Series Special Servicer Feature**
[Applicable/Not applicable].
- 2.10 **Series Special Servicer**
[].
- 2.11 **Series Special Services Agreement**
[].
- 2.12 **Series Special Servicer Fee**
[].
- 2.13 **Series Special Additional Services**
[].

3. Series Treasury Services Aspects

- 3.1 **Series Treasurer**
[].
- 3.2 **Series Treasury Services Agreement**
[].
- 3.3 **Series Treasurer Fee**
[].
- 3.4 **Series Treasurer Replacement Feature**
[Applicable/Not applicable].
- 3.5 **Series Treasurer Replacement**
[Applicable/Not applicable].
- 3.6 **Series Treasurer Replacement Agreement**
[Applicable/Not applicable].
- 3.7 **Series Treasurer Replacement Fee**
[Applicable/Not applicable].

3.8 **Series Additional Ledger**
[].

4. Series Account Services Aspects

4.1 **Series Transaction Account Provider**
[].

4.2 **Series Transaction Account Services Agreement**
[].

4.3 **Series Transaction Account Interest Rate**
[].

4.4 **Series Transaction Account**
[].

4.5 **Series Investment Account Provider**
[].

4.6 **Series Investment Account Services Agreement**
[].

4.7 **Series Investment Account Interest Rate**
[].

4.8 **Series Investment Account**
[].

4.9 **Series Other Accounts**
[].

4.10 **Series Authorised Investments Additional Permitted Types**
[].

4.11 **Series Authorised Investments Additional Conditions**
[].

4.12 Series Portfolio Collection Account

<i>Account description</i>	<i>Series Portfolio Collection Account Holder</i>	<i>Name</i>	<i>Series Portfolio Collection Account Provider Branch at which account held</i>
[]	[]	[]	[]

4.13 **Series Portfolio Collection Account Protection Document**
[].

4.14 **Series Portfolio Collection Account Termination Additional Event**
[Applicable/Not applicable].

5. Series Note Trustee Aspects

5.1 **Series Note Trustee**
[].

5.2 **Series Note Trustee Specified Office**
[].

5.3 **Series Note Trust Deed**
[].

5.4 **Series Note Trustee Fee**
[].

6. Series Note Services Aspects

- 6.1 **Series Note Services Agreement**
[].
- 6.2 **Series Note Registrar**
[].
- 6.3 **Series Note Registrar Specified Office**
[].
- 6.4 **Series Note Registrar Fee**
[].
- 6.5 **Series Note Calculation Agent**
[].
- 6.6 **Series Note Calculation Agent Specified Office**
[].
- 6.7 **Series Note Calculation Agent Fee**
[].

7. Series Additional Services Aspects

- 7.1 **Series Additional Services Agreement**
[Applicable/Not applicable].
- 7.2 **Series Additional Servicer**
[Applicable/Not applicable].
- 7.3 **Series Additional Services**
[Applicable/Not applicable].
- 7.4 **Series Servicer Resignation Notice Period**
[3] months.

8. Series Credit Support

- 8.1 **Series Credit Support Documents**
[].
- 8.2 **Series Credit Support Provider**
[].

9. Series General Credit Features

9.1 Series Minimum Ratings

<i>Type of Series Minimum Ratings</i>	<i>Short Term Rating</i>			<i>Long Term Rating</i>		
	<i>Fitch</i>	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>	<i>Moody's</i>	<i>S&P</i>
[]	[]	[]	[]	[]	[]	[]

- 9.2 **Series Reserve Funds**
[].
- 9.3 **Series Reserve Support Fund**
[].
- 9.4 **Series Reserve Support Initial Amount**
GBP [].
- 9.5 **Series Reserve Support Required Amount**
GBP [].
- 9.6 **General Security Action Fund Required Amount**
GBP [].

10. Series Liquidity Facility

10.1 Series Liquidity Facility Feature

[Applicable/Not applicable].

10.2 Series Liquidity Facility Agreement

[].

10.3 Series Liquidity Facility Provider

[].

10.4 Series Liquidity Facility Amount

[].

10.5 Series Liquidity Permitted Purposes

[].

10.6 Series Liquidity Facility Repayment Provisions

[].

10.7 Series Liquidity Facility Interest Provisions

[].

10.8 Series Liquidity Provider Fee

[].

10.9 Series Liquidity Provider Minimum Ratings protection

[].

10.10 Series Liquidity Facility Period Provisions

[].

10.11 Series Liquidity Facility Event Of Default

[].

11. Series Hedge Agreements

11.1 Series Basis Hedge Agreements

[].

11.2 Series Basis Hedge Provider

[].

11.3 Series Basis Hedge Summary

[].

11.4 Series Basis Hedge Rates

[].

11.5 Series Basis Hedge Periods

[].

11.6 Series Currency Hedge Agreements

[].

11.7 Series Currency Hedge Provider

[].

11.8 Series Currency Hedge Summary

[].

11.9 Series Currency Hedge Exchange Rates

[].

11.10 Series Currency Hedge Periods

[].

11.11 Series Hedge Credit Support Document

[].

11.12 Series Hedge Credit Support Provider

[].

12. Series Subordinated Facility

12.1 Series Subordinated Facility Agreement

[Applicable/Not applicable].

12.2 Series Subordinated Facility Provider

[Applicable/Not applicable].

12.3 Series Subordinated Facility Amount

[Applicable/Not applicable].

12.4 Series Subordinated Facility Permitted Purposes

[Applicable/Not applicable].

12.5 Series Subordinated Facility Repayment Provisions

[Applicable/Not applicable].

12.6 Series Subordinated Facility Interest Provisions

[Applicable/Not applicable].

12.7 Series Subordinated Facility Fee Provisions

[Applicable/Not applicable].

12.8 Series Subordinated Facility Period Provisions

[Applicable/Not applicable].

13. Series Distribution Procedures

13.1 Series Waterfall Assets

[].

13.2 Series Waterfall Additional Assets

[].

13.3 Series Additional Security

[].

13.4 Series Waterfall Additional Creditors

[].

13.5 Series Additional Documents

[].

13.6 Distribution Additional Date

[].

13.7 Distribution Calculation Normal Date

[].

13.8 Distribution Calculation Additional Date

[].

13.9 Series Distribution Scheme

The "Series Distribution Scheme" comprises the following procedures in the following order:

[].

13.10 Series Waterfall

[].

13.11 Series Revenue Waterfall

[The "Series Revenue Waterfall" refers to the making of the following allocations in the order of the Levels applying the Series Waterfall Rules (in each case only if and to the extent that relevant funds are available at the relevant Level on the relevant Distribution Date, having not been allocated at a higher Level):

[____].]

13.12 Series Principal Waterfall

[The "Series Principal Waterfall" means [____].]

13.13 Series Waterfall Rules

Each of the following is a "Series Waterfall Rule" in relation to the Series:

[____].

13.14 Series Distribution Administrator

"Series Distribution Administrator" means:

[____].

13.15 Series Principal Deficiency Record

[Applicable/Not applicable].

13.16 Series Profit Accrual Amount

[____].

14. Series Miscellaneous Features

14.1 Standard Provisions Document

The Clavis Securities Standard Provisions Document, Edition [], signed by way of identification on [____] 20[] by WestLB AG, London Branch in its capacity as Note Programme Arranger.

14.2 Series Controlling Creditor

[____].

14.3 Series Basic Terms Additional Modification

[____].

14.4 Series Post Realisation Purchase Option Deed

[____].

14.5 Series Post Realisation Purchase Option Holder

[____].

14.6 Series Post Realisation Purchase Option Price

[____].

Expressions used in these Series Specific Conditions shall have the meanings indicated in the Standard Interpretation Provisions appearing in the Clavis Securities Standard Provisions Document, Edition [], signed by way of identification on [____] 20[] by WestLB AG, London Branch in its capacity as Note Programme Arranger.

PROGRAMME SPECIFIC PROVISIONS

The following are the Programme Specific Provisions relating to the Programme (until such time as they are modified or replaced in accordance with the Transaction Documents):

1. Security

1.1 Security Trustee

HSBC Trustee (C.I.) Limited, PO Box 88, 1 Grenville Street, St Helier, Jersey JE4 9PF, Channel Islands.

1.2 Security Trustee Specified Office

PO Box 88, 1 Grenville Street, St Helier, Jersey JE4 9PF, Channel Islands.

1.3 Security Deed

The Security Deed dated on or about the Note Programme Establishment Date between the Issuer and the Security Trustee.

1.4 Security Trustee Fee

The Issuer will pay a fee to the Security Trustee at the rate and on the terms specified in the Security Deed.

1.5 Security Supplemental Deed

[Applicable/Not applicable].

2. General Distribution Scheme

2.1 General Waterfall Additional Creditors

None.

2.2 Distribution Calculation General Waterfall Date

The last Business Day of the month immediately preceding the month in which each Distribution Date occurs.

2.3 Distribution General Waterfall Date

Each Distribution Date in relation to any Series and, if no Series is outstanding, the 9th day of each month.

2.4 General Distribution Scheme

The General Distribution Scheme includes the following procedures:

[].

2.5 General Waterfall

The "**General Waterfall**" refers to the making of the following allocations in the order of the Levels applying the General Waterfall Rules (in each case only if and to the extent that relevant funds are available at the relevant Level on the relevant Distribution Date, having not been allocated at a higher Level):

[].

2.6 General Waterfall Rules

Each of the following is a "**General Waterfall Rule**":

[].

2.7 General Distribution Administrator

"**General Distribution Administrator**" means:

[].

2.8 General Waterfall - Series Referable Amounts and Series Pro Rata Amounts

[].

2.9 General Profit Annual Distribution Amount

GBP [].

2.10 General Profit Accrual Amount

[].

2.11 General Additional Documents

[].

3. General Account Services Aspects

3.1 General Account Provider

HSBC Bank plc acting through its branch at 8 Canada Square, London E14 5HQ.

3.2 General Account Services Agreement

The General Account Services Agreement dated on or about the Note Programme Establishment Date between the Issuer, the General Treasurer, the General Account Provider and the Security Trustee.

3.3 General Account

Clavis Securities plc - General Account No.1 maintained with the General Account Provider.

4. General Treasury Services Aspects

4.1 General Treasurer

Basinghall Finance PLC, (company registration number 2305213) Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA.

4.2 General Treasury Services Agreement

The General Treasury Services Agreement dated on or about the Note Programme Establishment Date between the Issuer, the General Treasurer and the Security Trustee.

4.3 General Treasurer Fee

The Issuer will pay a fee to the General Treasurer at the rate and on the terms specified in the General Treasury Services Agreement.

4.4 General Additional Ledger

None.

5. Corporate Services Aspects

5.1 Corporate Servicer

Structured Finance Management Limited, (company registration number 3853947) 35 Great St. Helen's, London EC3A 6AP.

5.2 Corporate Services Agreement

The Corporate Services Agreement dated on or about the Note Programme Establishment Date among the Issuer, the Corporate Servicer and the Security Trustee.

5.3 Corporate Servicer Fee

The Issuer will pay a fee to the Corporate Servicer at the rate and on the terms specified in the Corporate Services Agreement.

6. Programme Financial Services Aspects

6.1 Programme Financial Servicer

WestLB AG, London Branch of Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA.

6.2 Note Programme Arranger

WestLB AG, London Branch of Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA.

6.3 Programme Financial Services Agreement

The Programme Financial Services Agreement dated on or about the Note Programme Establishment Date among the Issuer, the Programme Financial Servicer, the Note Programme Arranger and the Security Trustee.

6.4 Programme Financial Servicer Fee

The Issuer will pay a fee to each of the Programme Financial Servicer and the Note Programme Arranger at the rates and on the terms specified in the Programme Financial Services Agreement.

7. General Additional Services Aspects

7.1 General Additional Service Providers

[].

7.2 General Additional Services Agreements

[].

7.3 General Additional Services

[].

7.4 General Servicer Resignation Notice Period

[] months.

8. Additional Documents Incorporated by Reference

[].

9. General Subordinated Facility

9.1 General Subordinated Facility Agreement

[].

9.2 General Subordinated Facility Provider

[].

- 9.3 **General Subordinated Facility Amount**
[].
- 9.4 **General Subordinated Facility Permitted Purposes**
[].
- 9.5 **General Subordinated Facility Repayment Provisions**
[].
- 9.6 **General Subordinated Facility Interest Provisions**
[].
- 9.7 **General Subordinated Facility Fee Provisions**
[].
- 9.8 **General Subordinated Facility Period Provisions**
[].

Expressions used in these Programme Specific Provisions shall have the meanings indicated in the Standard Interpretation Provisions appearing in the Clavis Securities Standard Provisions Document, Edition [], signed by way of identification on [] 20[] by WestLB AG, London Branch in its capacity as Note Programme Arranger.

ADDITIONAL PARTICULAR RISK FACTORS

The following are certain aspects relating to the Series Notes by way of supplement to the aspects in the section entitled 3. *Risk Factors* in the Note Programme Memorandum.
[]

ADDITIONAL INFORMATION ABOUT THE SERIES PORTFOLIO

The information contained in this section headed *Additional Information about the Series Portfolio* relates to and has been obtained from [] in relation to []. The delivery of the Note Listing Documents shall not create any implication that there has been no change in such information since the date of this Note Issue Supplement, or that the information contained or referred to in this section is correct as of any time subsequent to the date of this Note Issue Supplement.

The following is a summary of certain aspects relating to the Series by way of supplement to the aspects summarised in the section entitled 5 *Series Portfolios* in the Note Programme Memorandum.

Series Portfolio Originator and Series Portfolio Previous Owner

[].

Origination and underwriting of Series Portfolio

[].

Lending criteria used in origination of Series Portfolio

[]

- **Mortgage term**
[].
- **Age of Borrower**
[].
- **Mortgage Property types**
[].
- **Maximum LTV**
[].

- **Income multiples**
[].
- **Credit history**
[].
- **Valuation**
[].
- **Buildings Insurance**
[].

Warranties in relation to the Series Portfolio

The following are further details of the Series Portfolio Warranties in relation to the Series Portfolio by way of supplement to the information set out in 5.5 *Warranties in relation to Series Portfolios* in the Note Programme Memorandum.

[].

SERIES PORTFOLIO SELECTED SUMMARY DATA

The tables in this section give further information about the Series Portfolio at []. In those tables all percentages have been taken to either one or two decimal places (as indicated), the "**Current Balance**" includes all sums owing by a Borrower under a Mortgage including:

- the outstanding principal balance,
- all arrears of interest which have become due and payable but which remained unpaid, and
- all fees and expenses which have been added to the Borrower's account,

and "**Non-Status History**" means Borrowers who have been or are subject to one or more CCJs, bankruptcy orders and/or IVAs. There has been no revaluation of any of the Mortgage Properties for the purposes of the issue of the Notes and the details of valuations of the Mortgage Properties indicated below are as at the date of the original initial Mortgage Loan origination.

Summary table of Series Portfolio

Aggregate Current Balance	£[]	Remortgage	[]%
Number of Mortgages	[]	Investment Home Mortgage	[]%
Average Mortgage size	£[]	Owner Occupied Right To Buy Mortgage	[]%
Largest principal balance	£[]		
		Self certified	[]%
Mortgage Amortising Loans	[]%	Borrowers with bankruptcy orders /IVAs	[]%
Mortgage Non-Amortising Loans	[]%	Borrowers with CCJs	[]%
Weighted average current interest rate	[]%	First charge	[100.0]%
Weighted average stabilised margin	[]%	Second charge	[0.0]%
Weighted average original LTV	[]%		
Weighted average indexed LTV	[]%	Weighted average remaining term to maturity	[] months
Weighted average seasoning	[] months		

Distribution of Mortgages by origination value LTV

<i>Origination value LTV range</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>0% <= 30%	[]	[]%	[]	[]%
>30% <= 40%	[]	[]%	[]	[]%
>40% <= 50%	[]	[]%	[]	[]%
>50% <= 60%	[]	[]%	[]	[]%
>60% <= 70%	[]	[]%	[]	[]%
>70% <= 80%	[]	[]%	[]	[]%
>80% <= 90%	[]	[]%	[]	[]%
>90% <= 100%	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by indexed LTV

<i>Indexed LTV range</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>0% <= 30%	[]	[]%	[]	[]%
>30% <= 40%	[]	[]%	[]	[]%
>40% <= 50%	[]	[]%	[]	[]%
>50% <= 60%	[]	[]%	[]	[]%
>60% <= 70%	[]	[]%	[]	[]%
>70% <= 80%	[]	[]%	[]	[]%
>80% <= 90%	[]	[]%	[]	[]%
>90% <= 100%	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by Current Balance

<i>Current Balance range</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>£0 <= £20,000	[]	[]%	[]	[]%
>£20,000 <= £40,000	[]	[]%	[]	[]%
>£40,000 <= £60,000	[]	[]%	[]	[]%
>£60,000 <= £80,000	[]	[]%	[]	[]%
>£80,000 <= £100,000	[]	[]%	[]	[]%
>£100,000 <= £120,000	[]	[]%	[]	[]%
>£120,000 <= £140,000	[]	[]%	[]	[]%
>£140,000 <= £160,000	[]	[]%	[]	[]%
>£160,000 <= £180,000	[]	[]%	[]	[]%
>£180,000 <= £250,000	[]	[]%	[]	[]%
>£250,000 <= £300,000	[]	[]%	[]	[]%
>£300,000 <= £500,000	[]	[]%	[]	[]%
>£500,000 <= £1,500,000	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by current interest rate

<i>Current interest rate range</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
> 0.0% <= 1.0%	[]	[]%	[]	[]%
> 1.0% <= 2.0%	[]	[]%	[]	[]%
> 2.0% <= 3.0%	[]	[]%	[]	[]%
> 3.0% <= 4.0%	[]	[]%	[]	[]%
> 4.0% <= 5.0%	[]	[]%	[]	[]%
> 5.0% <= 6.0%	[]	[]%	[]	[]%
> 6.0% <= 7.0%	[]	[]%	[]	[]%
> 7.0% <= 8.0%	[]	[]%	[]	[]%
> 8.0% <= 9.0%	[]	[]%	[]	[]%
> 9.0%	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by stabilised margin

<i>Stabilised margin range</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
> 0.0% <= 0.5%	[]	[]%	[]	[]%
> 0.5% <= 1.0%	[]	[]%	[]	[]%
> 1.0% <= 1.5%	[]	[]%	[]	[]%
> 1.5% <= 2.0%	[]	[]%	[]	[]%
> 2.0% <= 2.5%	[]	[]%	[]	[]%
> 2.5% <= 3.0%	[]	[]%	[]	[]%
> 3.0% <= 3.5%	[]	[]%	[]	[]%
> 3.5% <= 4.0%	[]	[]%	[]	[]%
> 4.0% <= 4.5%	[]	[]%	[]	[]%
> 5.0%	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by current rate type

<i>Rate type</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Discounted	[]	[]%	[]	[]%
No discount	[]	[]%	[]	[]%
Fixed	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by method of amortisation

<i>Method of amortisation</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Amortising	[]	[]%	[]	[]%
Non-Amortising	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by income verification

<i>Income verification</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Fully verified	[]	[]%	[]	[]%
Self certified	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by Mortgage Loan purpose

<i>Mortgage purpose</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Purchase	[]	[]%	[]	[]%
Remortgage	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by Mortgage priority

<i>Mortgage priority</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
First charge	[]	[]%	[]	[]%
Second charge	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by region

<i>Region</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
East Anglia	[]	[]%	[]	[]%
East Midlands	[]	[]%	[]	[]%
Greater London	[]	[]%	[]	[]%
North West	[]	[]%	[]	[]%
North	[]	[]%	[]	[]%
Northern Ireland	[]	[]%	[]	[]%
Outer London	[]	[]%	[]	[]%
South East	[]	[]%	[]	[]%
Scotland	[]	[]%	[]	[]%
South West	[]	[]%	[]	[]%
Wales	[]	[]%	[]	[]%
West Midlands	[]	[]%	[]	[]%
Yorkshire and Humberside	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by property type

<i>Property type</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Detached bungalow	[]	[]%	[]	[]%
Detached house	[]	[]%	[]	[]%
Flat/maisonette	[]	[]%	[]	[]%
Converted flat	[]	[]%	[]	[]%
Flat	[]	[]%	[]	[]%
Purpose built flat	[]	[]%	[]	[]%
Maisonette	[]	[]%	[]	[]%
Semi-house	[]	[]%	[]	[]%
Semi-bungalow	[]	[]%	[]	[]%
Terraced house	[]	[]%	[]	[]%
Terraced bungalow	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by occupancy type

<i>Occupancy type</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
Owner Occupied	[]	[]%	[]	[]%
Investment Home	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by number of months in arrears

<i>Number of months in arrears</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
0	[]	[]%	[]	[]%
> 0 < 1	[]	[]%	[]	[]%
≥ 1 < 2	[]	[]%	[]	[]%
≥ 2 < 3	[]	[]%	[]	[]%
≥ 3 < 4	[]	[]%	[]	[]%
≥ 4 < 5	[]	[]%	[]	[]%
≥ 5	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans with county court judgments

<i>Number of county court judgments</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
0	[]	[]%	[]	[]%
1	[]	[]%	[]	[]%
2	[]	[]%	[]	[]%
3 or more	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by bankruptcy orders and individual voluntary arrangements

<i>Existence of bankruptcy orders and individual voluntary arrangements</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
0	[]	[]%	[]	[]%
1 or more	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by seasoning

<i>Seasoning in months</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>0 <= 5	[]	[]%	[]	[]%
>5 <= 6	[]	[]%	[]	[]%
>6 <= 7	[]	[]%	[]	[]%
>7 <= 8	[]	[]%	[]	[]%
>8 <= 9	[]	[]%	[]	[]%
>9 <= 10	[]	[]%	[]	[]%
>10 <= 11	[]	[]%	[]	[]%
>11 <= 12	[]	[]%	[]	[]%
>12 <= 13	[]	[]%	[]	[]%
>13 <= 14	[]	[]%	[]	[]%
>14 <= 15	[]	[]%	[]	[]%
>15	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by remaining maturity

<i>Remaining maturity in months</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>0 <= 30	[]	[]%	[]	[]%
>30 <= 60	[]	[]%	[]	[]%
>60 <= 90	[]	[]%	[]	[]%
>90 <= 120	[]	[]%	[]	[]%
>120 <= 150	[]	[]%	[]	[]%
>150 <= 180	[]	[]%	[]	[]%
>180 <= 210	[]	[]%	[]	[]%
>210 <= 240	[]	[]%	[]	[]%
>240 <= 270	[]	[]%	[]	[]%
>270 <= 300	[]	[]%	[]	[]%
>300 <= 330	[]	[]%	[]	[]%
>330 <= 360	[]	[]%	[]	[]%
>360 <= 480	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

Distribution of Mortgage Loans by remaining term to reversion

<i>Remaining term to reversion in months</i>	<i>Number of Mortgage Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>
>0 <= 1	[]	[]%	[]	[]%
>1 <= 5	[]	[]%	[]	[]%
>5 <= 10	[]	[]%	[]	[]%
>10 <= 15	[]	[]%	[]	[]%
>15 <= 20	[]	[]%	[]	[]%
>20 <= 25	[]	[]%	[]	[]%
>25 <= 30	[]	[]%	[]	[]%
>30	[]	[]%	[]	[]%
Total	[]	100.0%	[]	100.0%

ADDITIONAL INFORMATION ABOUT CERTAIN TRANSACTION PARTIES

The information contained in this section headed *Additional Information about Certain Transaction Parties* relates to and has been obtained respectively from each of the persons to which the information relates. The delivery of the Note Listing Documents shall not create any implication that there has been no change in the affairs of those persons since the date of this Note Issue Supplement, or that the information contained or referred to in this section is correct as of any time subsequent to the date of this Note Issue Supplement.

[].

ADDITIONAL INFORMATION ABOUT THE SERIES NOTES

The following is a summary of certain aspects relating to the Series Notes by way of supplement to the aspects summarised in the sections entitled 1 *Important Information about this Document* and 10 *Issue and Certain Features of the Notes* in the Note Programme Memorandum.

Note Issue Initial Subscribers

The Note Issue Initial Subscribers in relation to the Note Issue to which this Note Issue Supplement relates are [].

Selling and investment restrictions

The Series Notes are subject to the following restrictions [].

Yield in respect of the Series Notes

The following table indicates the estimated yield in respect of each Class of Notes, such yield being calculated on the basis that [____]:

<i>Class of Notes</i>	<i>Yield</i>
Class [] Notes	[____]%

Use of proceeds

The gross proceeds from the issue of the Notes on the Note Issue Closing Date will be GBP [____].

The net proceeds of the issue of the Notes on the Note Issue Closing Date (after payment to the Note Issue Managers of their management and underwriting fees and selling commission, being part of the expenses of the issue of the Notes) are expected to amount to approximately GBP [____] of which an amount equal to GBP [____] will be applied in payment of [____].

Expenses related to admission to trading on Regulated Market

The Issuer estimates that the total expenses incurred or to be incurred by the Issuer in relation to the admission of the Notes to trading on the London GEFI Market will be approximately GBP [____].

NOTE ISSUE SUPPLEMENT GLOSSARY

The following terms used in this Note Issue Supplement are defined on the page number specified below:

[____]

14. GLOSSARY

The following terms used in this Note Programme Memorandum are defined on the page number specified below:

\$	9	Fee Accelerated Start Date	98
£	9	Fee Accrual Date	98
€	9	Fee Accrual Period	98
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30E/360	102	Fee Allocated Amount	99
Actual/360	101	Fee Business Day	99
Actual/365	101	Fee Calculation Agent	99
Actual/365 (Fixed)	101	Fee Charging Balance	99
Actual/365 (Sterling)	101	Fee Charging Rate	99
Actual/Actual - ISDA	101	Fee Creditor Representative	99
Actual/Actual - ISMA	102	Fee Deferral	99
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Applicable	10	Fee Liability	99
Arrears Mortgages	35	Fee Payment Amount	99
Authorised Investments Standard Minimum Ratings	66	Fee Payment Date	100
Benchmark Rate	102	Fee Payment Period	100
Benchmark Rate Financial Centre	102	Fee Rate	100
Benchmark Rate Interpolation	102	Fee Rate Maximum	100
Benchmark Rate Primary Source	102	Fee Rate Minimum	100
Benchmark Rate Quotation	102	Fee Rounding Convention	100
Benchmark Rate Reference Banks	102	Fee Saved Up Amount	100
Bond Basis	101	Fee Saving	100
Book Entry Interest	110	Fee Saving Start Date	100
Borrower	32	Fee Scheduled Amount	100
Borrower Buildings Insurance Policy	38	Fee Scheduled Charging Balance	100
Borrower Buildings Insurance Tied Policy	38	Fee Scheduled Start Date	100
Borrower Buildings Insurance Untied Policy	38	Fee Start Date	100
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