

RMAC 2004-NS1 PLC

(Incorporated in England and Wales with limited liability under Registered Number 4980876)

MULTI-CURRENCY MORTGAGE BACKED FLOATING RATE NOTES unconditionally and irrevocably guaranteed in relation to Class A Interest and Class A Principal of the A Notes by Ambac Assurance UK Limited



Notes	Initial Principal Amount	Interest Rate	Maturity Date	Issue Price to Investors
A1a Notes	£100,000,000	Note LIBOR + 0.11%	December 2020	100%
A1b Notes	USD120,000,000	Note USD-LIBOR + 0.11%	December 2020	100%
A1c Notes	€125,000,000	Note EURIBOR + 0.11%	December 2020	100%
A2a Notes	£160,000,000	Note LIBOR + 0.20%	June 2036	100%
A2b Notes	USD200,000,000	Note USD-LIBOR + 0.20%	June 2036	100%
A2c Notes	€240,000,000	Note EURIBOR + 0.20%	June 2036	100%
A3 Notes with A3 Detachable Coupons	£75,000,000	Note LIBOR + 0.26%	June 2036	100% plus premium
C Notes	£3,400,000	Note LIBOR + 2.50%	June 2036	100%

The Mortgage Backed Floating Rate Notes of RMAC 2004-NS1 Plc (the "Issuer") will comprise £100,000,000 A1a Notes (the "A1a Notes"), USD120,000,000 A1b Notes (the "A1b Notes"), €125,000,000 A1c Notes (the "A1c Notes", together with the A1a Notes and the A1b Notes, the "A1 Notes"), £160,000,000 A2a Notes (the "A2a Notes"), USD200,000,000 A2b Notes (the "A2b Notes" and, together with the A1b Notes, the "USD Notes"), €240,000,000 A2c Notes (the "A2c Notes", together with the A1c Notes, the "Euro Notes", and the A2a Notes, the A2b Notes and the A2c Notes shall be defined together as the "A2 Notes"), £75,000,000 A3 Notes (the "A3 Notes" and, together with the A1 Notes and the A2 Notes, the "A Notes" and the holders of the A Notes shall be defined as the "A Noteholders") and £3,400,000 C Notes (the "C Notes" and, together with the A1a Notes, the A2a Notes and the A3 Notes, the "Sterling Notes" and the Sterling Notes, the USD Notes and the Euro Notes, together the "Notes"). The holders of the A1 Notes shall be defined as the "A1 Noteholders", the holders of the A2 Notes shall be defined as the "A2 Noteholders", the holders of the A3 Notes shall be defined as the "A3 Noteholders", and together the "A Noteholders", the holders of C Notes shall be defined as the "C Noteholders" and the holders of the Notes shall be defined as the "Noteholders".

The A Notes will be unconditionally guaranteed as to Class A Interest (including, for the avoidance of doubt, the A3 Detachable Coupons) and Class A Principal pursuant to a financial guarantee policy and the endorsement thereto (the "Ambac Note Policy") to be issued by Ambac Assurance UK Limited ("Ambac") as set out in "Form of Ambac Note Policy" below.

Interest on the Notes is payable in arrear in Sterling (in the case of the Sterling Notes), in US dollars (in the case of the USD Notes) and in Euro (in the case of the Euro Notes) on 14 June 2004 and thereafter quarterly in arrear on the 12th day in September, December, March and June in each year, unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date a "Payment Date"). Interest on the A1a Notes shall accrue at an annual rate of the London Interbank Offered Rate ("LIBOR") for deposits in sterling for three months (or if necessary in respect of the first Interest Period, at an annual rate obtained by linear interpolation of LIBOR for three month sterling deposits and LIBOR for four month sterling deposits) ("Note LIBOR") plus 0.11% per annum. Interest on the A1b Notes shall accrue at an annual rate of LIBOR for deposits in US dollars for three months ("USD-LIBOR") (or if necessary in respect of the first Interest Period, at an annual rate obtained by linear interpolation of USD-LIBOR for three month US dollar deposits and USD-LIBOR for four month US dollar deposits) ("Note USD-LIBOR") plus 0.11% per annum. Interest on the A1c Notes shall accrue at an annual rate of the Eurozone Interbank Offered Rate ("EURIBOR") for deposits in Euro for three months (or if necessary in respect of the first Interest Period, at an annual rate obtained by linear interpolation of EURIBOR for three month Euro deposits and EURIBOR for four month Euro deposits) ("Note EURIBOR") plus 0.11% per annum. Interest on the A2a Notes shall accrue at an annual rate of Note LIBOR plus 0.20% per annum. Interest on the A2b Notes shall accrue at an annual rate of Note USD-LIBOR plus 0.20% per annum. Interest on the A2c Notes shall accrue at an annual rate of Note EURIBOR plus 0.20% per annum. Interest on the A3 Notes shall accrue at an annual rate of Note LIBOR plus 0.26% per annum (the "Ordinary A3 Coupon"). In addition, interest shall accrue at a rate of 4.25% per annum until the Payment Date falling in September 2006 on the A3 Notes as represented by the A3 Detachable Coupons (the "A3 Detachable Coupons"). The Notes will be issued on or about 3 March 2004 (the "Issue Date"). Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 2.50% per annum.

The period from (and including) a Payment Date (or the Issue Date) to (but excluding) the next (or first) Payment Date is an "Interest Period". The rate of interest payable from time to time (the "Rate of Interest") in respect of each class of the Notes will be determined on each Payment Date, or, in the case of the first Interest Period, the Issue Date (each an "Interest Determination Date").

All references herein to "Notes" and "Noteholders" are references to the specified Notes and (where applicable) Coupon or Coupons attached, or originally attached, to such Notes and the holders thereof unless otherwise specified. For the avoidance of doubt, all A3 Detachable Coupons (which do not form a separate class) will, if Coupon Stripping (as defined below) takes place, continue to benefit from, and be subject to, the same security and priority of payments as was the case prior to their separation notwithstanding that any interest entitlement has been separated from the principal entitlement in respect of the relevant Note.

Prior to redemption on the Payment Date falling in December 2020 for the A1 Notes (the "A1 Final Payment Date") and prior to redemption on the Payment Date falling in June 2036 for the A2 Notes, the A3 Notes and the C Notes (the "Final Payment Date"), the Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase any Notes. See "Terms and Conditions of the Notes - Condition 5".

As a condition to the issue of the A Notes, the A Notes are to be rated Aaa by Moody's Investors Service Limited ("Moody's"), AAA by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and AAA by Fitch Ratings Ltd ("Fitch") and, together with Moody's and S&P, the "Rating Agencies"). The rating is based solely on the financial strength and claims paying ability of Ambac. The issue of the C Notes is not conditional upon a rating and the Issuer has not requested any rating of the C Notes. In the event that Coupon Stripping (see below) takes place in respect of the A3 Detachable Coupons (as defined in the Conditions), the A3 Detachable Coupons are expected on issue to be assigned a rating of Aaa by Moody's and AAA by S&P and Fitch. The risk characteristics of the A3 Detachable Coupons differ from those of the Notes as set out under "Risk Factors" below.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the Rating Agencies.

Holders of beneficial interests in the Sterling Notes or the Euro Notes held directly with The Depository Trust Company ("DTC") or through its participants must give advance notice to JPMorgan Chase Bank, New York office, acting as Depository, 15 days prior to each Payment Date that they wish payments on such Notes to be made to them in such respective currency outside DTC. If such instructions are not given, sterling or euro payments on such Notes will be exchanged for US dollars prior to their receipt by DTC and the affected holders will receive US dollars on the relevant Payment Date. See "The Depository Agreement - Exchange Rate Agency Agreement and Denomination of Payments".

Application has been made to the Financial Services Authority in its capacity as the competent authority for listing in the United Kingdom (the "UK Listing Authority") for the Notes to be admitted to the Official List of the UK Listing Authority (the "Official List"). Application has been made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. No application will be made for the A3 Detachable Coupons to be separately admitted. A copy of this document, which comprises approved listing particulars with regard to the Issuer and the Notes, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 83 of the Financial Services and Markets Act 2000 (the "FSM Act"). Application has been made for the Notes to be designated for quotation on the Private Offerings, Resales and Trading through Automated Linkages Market, commonly referred to as the PORTAL[®] Market System of the National Association of Securities Dealers, Inc. ("PORTAL").

See "Risk Factors" below for a description of certain factors which should be considered by prospective investors in connection with an investment in the Notes offered hereby.

**BEAR
STEARNS**

GMAC RFC Securities Europe

A General Motors Company

CREDIT SUISSE FIRST BOSTON

MERRILL LYNCH & CO.

DEUTSCHE BANK

BARCLAYS CAPITAL

HSBC

THE ROYAL BANK OF SCOTLAND

The A3 Notes (and the A3 Detachable Coupons attached thereto) sold in reliance on Rule 144A (“Rule 144A”) under the United States Securities Act of 1933, as amended (the “Securities Act”), will initially be represented by a global note in bearer form (the “Rule 144A Global A3 Note”) incorporating a global A3 Detachable Coupon (the “Rule 144A Global A3 Detachable Coupon”) which will be capable of being subsequently separated from the remainder of the Rule 144A Global A3 Note and which will by its terms constitute a bearer form instrument if so separated. The Notes of each other class sold in reliance upon Rule 144A will initially be represented by a global note in bearer form for each such class of Note (together with the Rule 144A Global A3 Note, each a “Rule 144A Global Note” and together with the Rule 144A Global A3 Detachable Coupon, the “Rule 144A Global Instruments”).

The A3 Notes (and the A3 Detachable Coupons attached thereto) sold in reliance on Regulation S under the Securities Act (“Regulation S”) will initially be represented by a global note in bearer form (the “Reg S Global A3 Note”) incorporating a global A3 Detachable Coupon (the “Reg S Global A3 Detachable Coupon”) which will be capable of being subsequently separated from the Reg S Global A3 Note and which will by its terms constitute a bearer form instrument if so separated. The Notes of each other class sold in offshore transactions in reliance upon Regulation S will initially be represented by a global note in bearer form for each such class of Note (together with the Reg S Global A3 Note referred to above, each a “Reg S Global Note” and together with the Reg S Global A3 Detachable Coupon, the “Reg S Global Instruments”). The Reg S Global Instruments and the Rule 144A Global Instruments (collectively, the “Global Instruments”) will be deposited with or to the order of JPMorgan Chase Bank, New York office, as the book-entry depository (in such capacity, the “Depository”) on or about the Issue Date pursuant to a depository agreement (the “Depository Agreement”) expected to be dated on or about the Issue Date between the Issuer, the Depository and J.P. Morgan Corporate Trustee Services Limited, in its capacity as Trustee.

The Depository will (i) issue a certificateless depository interest in respect of each Rule 144A Global Instrument to DTC or its nominee and (ii) issue a certificated depository interest (each certificateless depository interest and certificated depository interest, a “CDI”) in respect of each Reg S Global Instrument to JPMorgan Chase Bank, London office, as common depository (the “Common Depository”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and also Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). The Depository, acting as agent of the Issuer, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the certificateless depository interests and the Common Depository as owner of the certificated depository interests. Transfers of all or any portion of the interest in the Rule 144A Global Instrument or the Reg S Global Instrument may be made only through the book-entry system maintained by the Depository. Each of DTC, Euroclear and Clearstream, Luxembourg will record the beneficial interests in the CDIs attributable to the relevant Global Notes (“Book-Entry Interests”). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear, Clearstream, Luxembourg or DTC, and their respective participants. Prior to the 40th day after the Issue Date, beneficial interests in the Reg S Global Instruments may be held only through Euroclear or Clearstream, Luxembourg. Except in the limited circumstances described under “*The Depository Agreement – Issuance of Definitive Notes*”, the Notes and, where detached, the A3 Detachable Coupons will not be available in definitive form (“Definitive Notes” and “Definitive A3 Detachable Coupons” respectively, and together, “Definitive Instruments”). Definitive Instruments will be issued in registered form only.

It is contemplated, as set out in “*Description of Notes – Coupon Stripping*” below, that the A3 Detachable Coupons may be separated from the A3 Notes while each is in global form by crediting to the DTC, Euroclear or Clearstream, Luxembourg account (as the case may be) of the purchaser or purchasers of the A3 Detachable Coupons a notional amount equal to the principal amount of the A3 Notes from which the A3 Detachable Coupons were separated (“Coupon Stripping”).

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “COMMISSION”), ANY STATE SECURITIES COMMISSION OR ANY OTHER 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.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS. NEITHER THE NOTES NOR, FOLLOWING COUPON STRIPPING, THE A3 DETACHABLE COUPONS MAY BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OR ACCOUNT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

THE NOTES WILL BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE. THE NOTES WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES OR THE A3 DETACHABLE COUPONS UNDER STATE OR FEDERAL SECURITIES LAW.

THE NOTES AND THE A3 DETACHABLE COUPONS CANNOT BE RESOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES AND TRANSFERS, SEE “*THE DEPOSITORY AGREEMENT – TRANSFERS AND TRANSFER RESTRICTIONS*”.

This Offering Circular is submitted to investors for use solely in connection with the consideration of the purchase of the Notes, or other transactions exempt from registration under the Securities Act.

The Notes will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity (other than, in respect of Class A Principal and Class A Interest on the A Notes, Ambac). In particular, the Notes will not be obligations of, and will not be guaranteed by, GMAC-RFC Limited (“GMAC-RFC”), Bear, Stearns International Limited or Deutsche Bank AG, London (together with Bear, Stearns International Limited, the “Lead Managers”), RFSC International Limited, Barclays Bank PLC acting through its investment bank division, Credit Suisse First Boston (Europe) Limited, Merrill Lynch International, The Royal Bank of Scotland plc or HSBC Bank plc (together with the Lead Managers, the “Managers”), SFM Corporate Services Limited (the “Corporate Services Provider” and the “Share Trustee”), Ambac Financial Services, LLC (the “Currency Swap Counterparty”), Barclays Bank PLC (in its capacity as account bank, the “Account Bank”, in its capacity as cap provider, the “Cap Provider”, in its capacity as liquidity facility provider, the “Liquidity Facility Provider” and in its capacity as GIC provider, the “GIC Provider”) or J.P. Morgan Corporate Trustee Services Limited (in such capacity, the “Trustee”).

The risk characteristics of the C Notes and the A3 Detachable Coupons differ from those of the A Notes generally, as set out under “*Risk Factors – Risks Related to the Notes*”.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this document to listing particulars means this document excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSM Act or the listing rules of the UK Listing Authority. The Issuer believes that none of the information incorporated therein by reference conflicts in any material respect with the information included in the listing particulars.

Each initial and subsequent purchaser of the Notes will be deemed, by its acceptance of such Notes, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Offering Circular and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. See “*Notice to Investors*”.

The Issuer, the Managers, Ambac and the Trustee make no representation to any prospective investor or purchaser of the Notes, regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations. See “*United States Legal Investment Considerations*”.

Ambac accepts responsibility for the information contained in “*Description of Ambac*”, “*Form of Ambac Note Policy*”, “*Relationship between Ambac Assurance UK Limited and Ambac Assurance Corporation*”, “*Ambac Assurance Corporation*”, “*Ambac Assurance UK Limited*” and paragraphs 2, 7, 10, 11 and 13 of the section “*General Information*” below (together the “*Ambac Information*”). To the best of the knowledge and belief of Ambac (having taken all reasonable care to ensure that such is the case) the Ambac Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Ambac as to the accuracy or completeness of any information contained in this Offering Circular (other than the Ambac Information) or any other information supplied in connection with the Notes or their distribution. Other than in respect of the Ambac Information, Ambac has not separately verified the information contained herein and no representation, warranty or undertaking, express or implied, is made and no liability accepted by Ambac as to the accuracy or completeness of such information. Each person receiving this Offering Circular acknowledges that such person has not relied on Ambac or any of its affiliates in connection with its investigation of the information contained herein (other than the Ambac Information).

This Offering Circular does not constitute, and is not intended to be, an offer of, or an invitation by or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “*Purchase and Sale*” and “*Notice to Investors*”. This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by any person 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 no action is being taken to permit an offering of the Notes or the distribution of this Offering Circular in any jurisdiction where such action is required.

The Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

No person has been authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Offering Circular. Nevertheless, if any such information is given by any broker, seller or any other person, it must not be relied upon as having been authorised by the Issuer, Ambac or the Managers. Neither the delivery of this Offering Circular nor any offer, sale or solicitation made in connection herewith shall, in any circumstances, imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular.

In this Offering Circular, unless otherwise noted, all references to specified percentages of the Mortgage Loans are references to those Mortgage Loans as a percentage of the aggregate principal balances of the Initial Mortgage Pool.

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts therefor. References in this Offering Circular to “£”, “Pounds”, “sterling” or “Sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this Offering Circular to “€”, “euro” or “Euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam. References to “USD”, “US dollars” or “U.S. dollars” are to the lawful currency for the time being of the United States of America.

In connection with the issue of the Notes, the Lead Managers or any person acting for them may, on the same terms and conditions contained herein, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However there may be no obligation on the Lead Managers or any agent of the Lead Managers to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

NOTICE TO U.S. INVESTORS

This Offering Circular has been prepared by the Issuer solely for use in connection with the issue of the Notes and the A3 Detachable Coupons. In the United States, this Offering Circular is personal to each person or entity to whom the Issuer, the Managers or an affiliate thereof has delivered it. Distribution in the United States of this Offering Circular to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Offering Circular, agrees to the foregoing and not to reproduce all or any part of this Offering Circular.

Additionally, each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Circular under “Notice to Investors”.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see “Description of the Depository Agreement” and “Notice to Investors”.

Offers and sales of the Notes in the United States will be made by the Lead Managers through affiliates that are registered broker-dealers under the US Securities Exchange Act of 1934, as amended (the “Exchange Act”).

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes pursuant to Rule 144A, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder of such a Note or of any beneficial owner thereof, to such holder, beneficial owner or a prospective purchaser designated by such holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. Not all of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES ("RSA") 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 OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B OF THE RSA 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.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Offering Circular, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgements by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans", or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. 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. The Managers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto.

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SUMMARY INFORMATION

The information set out below is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Offering Circular.

The Issuer

The Issuer's authorised share capital consists of 50,000 ordinary shares of £1 each. The issued share capital consists of 50,000 ordinary shares allotted with £12,502 paid up. All of the Issuer's issued share capital is held by RMAC Holdings Limited ("Holdings"). All of Holdings' issued share capital is held on trust by SFM Corporate Services Limited (the "Share Trustee") for the benefit of charitable institutions, in respect of capital and income, and for the benefit of the Noteholders, in respect of the voting rights.

Ambac

Ambac is a company incorporated in England and Wales which is authorised to issue, *inter alia*, financial guarantees, and is licensed to offer insurance services in the United Kingdom. At the date of this Offering Circular, Ambac's financial strength and claims paying ability is rated triple A by the Rating Agencies. Ambac will guarantee, pursuant to the terms of the Ambac Note Policy, the payment of Class A Interest (including for the avoidance of doubt the A3 Detachable Coupons) and Class A Principal on the A Notes.

Ambac Note Policy

On or about the Issue Date, Ambac will issue the Ambac Note Policy in favour of the Trustee (for itself and on behalf of the A Noteholders). The Ambac Note Policy is an unconditional and irrevocable financial guarantee policy in respect of the following amounts payable under the A Notes:

- (i) interest payable in accordance with Condition 4 (including for the avoidance of doubt the A3 Detachable Coupons);
- (ii) principal payable on the A1 Final Payment Date or the Final Payment Date, as the case may be, in accordance with Condition 5(a);
- (iii) principal payable representing Excess Loss Amounts (as defined under "*Credit Structure – Principal Priority of Payments*" below) (if any) on each Payment Date pursuant to Condition 5(b); and
- (iv) principal payable representing Dissolution Amounts (as defined in "*Form of Ambac Note Policy*" below) (amounts described in (ii) and (iii) above and this paragraph (iv) being "Class A Principal", and together with the amounts described under (i) above, the "Guaranteed Amounts").

To the extent that amounts are available to be drawn under the Liquidity Facility to make payments of interest on the A Notes then the Issuer is obliged to first draw under the Liquidity Facility. **The C Notes will not have the benefit of the Ambac Note Policy.**

The Ambac Note Policy will not guarantee any amounts becoming payable for any other reason, including the early redemption of the A Notes pursuant to Conditions 5(e) or 5(f) or accelerated payment pursuant to Condition 9 (other than in respect of Dissolution Amounts). In these circumstances, Ambac's obligations will continue to be to pay the Guaranteed Amounts as they fall Due for Payment (as defined in "*Form of Ambac Note Policy*" below) on each Payment Date. Ambac will not be obliged under any circumstances to accelerate payment under the Ambac Note Policy. However, if it does so, it may do so in whole or in part in accordance with Condition 5(h).

In relation to the Ambac Note Policy issued by Ambac and the Issuer Swap Policy (as defined below) issued by Ambac Assurance (as defined below), on the Issue Date the Issuer will enter into a reimbursement and indemnity agreement with Ambac and Ambac Assurance (the "Reimbursement and Indemnity Agreement") and will be obliged, *inter alia*, to reimburse Ambac and Ambac Assurance in respect of the payments made by Ambac under the Ambac Note Policy and by Ambac Assurance under the Issuer Swap Policy, respectively, and will be obliged to pay certain fees and expenses of Ambac and Ambac Assurance in respect of the provision of the Ambac Note Policy and the Issuer Swap Policy, respectively. The Issuer will on the Issue Date provide a letter (the "Guarantee Fee Letter") in which it will agree to pay to Ambac an initial fee payable on the Issue Date and a further fee payable on each Payment Date calculated by reference to the principal amount outstanding of the A Notes immediately preceding that Payment Date.

The Mortgage Pool

Sale of Mortgage Pool

The Issuer has been established:

- (a) to acquire on the Issue Date a pool (the "Completion Mortgage Pool") of residential mortgage loans together with the related security for their repayment, including the relevant mortgages and standard securities (the "Related Security") (each such mortgage loan, a "Mortgage Loan", and each such mortgage and standard security, a "Mortgage");
- (b) to acquire further pools of residential mortgage loans (together, the "Pre-Funded Mortgage Pool" and each such Mortgage Loan, a "Pre-Funded Mortgage Loan") together with their Related Security on (i) 31 March 2004 (the "First Month Loan Eligible Date") and (ii), at the option of GMAC-RFC, on one or more Business Days after the Issue Date, but on or prior to the Payment Date falling in June 2004 (the dates so chosen, together with the First Month Loan Eligible Date, being the "Eligible Dates");
- (c) to make further advances in respect of these Mortgage Loans ("Further Advances"); and
- (d) to acquire Substitute Mortgage Loans.

For the avoidance of doubt, reference herein to Mortgage Loans shall, where the context so requires, include the Substitute Mortgage Loans and the Pre-Funded Mortgage Loans.

Each Mortgage is a mortgage or standard security of a residential property in England, Wales or Scotland (a "Property").

The mortgage pool owned by the Issuer from time to time (the "Mortgage Pool") will comprise:

- (a) the Completion Mortgage Pool purchased by the Issuer on the Issue Date pursuant to the mortgage sale agreement to be entered into on the Issue Date between the Issuer, GMAC-RFC and the Trustee (the "Mortgage Sale Agreement");
- (b) the Pre-Funded Mortgage Pool purchased by the Issuer on the Eligible Dates pursuant to the Mortgage Sale Agreement;
- (c) each Substitute Mortgage acquired by the Issuer in accordance with the provisions of the Mortgage Sale Agreement and the Administration Agreement; and
- (d) any further advances made by the Issuer pursuant to the Administration Agreement (a "Further Advance") (see "*Administration of the Mortgage Pool – Further Advances and Substitution*"),

other than Mortgage Loans in each case which have been repaid in full or in respect of which enforcement procedures have been completed and Mortgage Loans which have been repurchased by GMAC-RFC pursuant to the Mortgage Sale Agreement (see "*Sale of the Mortgage Pool – Warranties and Repurchase*").

The Completion Mortgage Pool will be selected from a larger pool (the "Initial Mortgage Pool"). As at 31 January 2004 (the "Cut-Off Date"), the Initial Mortgage Pool has the characteristics described under "*The Mortgage Pool – Introduction*".

Pre-Funded Mortgage Loans

The Issuer will agree to purchase the Pre-Funded Mortgage Loans on the Eligible Dates from GMAC-RFC. The Pre-Funded Mortgage Loans purchased by the Issuer will be required to comply with the same lending criteria as apply to the Mortgage Loans comprising the Completion Mortgage Pool (including verification of receipt of the first Monthly Payment (as defined under "*Sale of the Mortgage Pool*") except in relation to the First Month Loans).

It is a requirement of the Mortgage Sale Agreement that at least one Monthly Payment in respect of a Mortgage Loan due from a Borrower be received in full before the relevant Mortgage Loan is sold by GMAC-RFC to the Issuer on the Closing Date. However, as an exception to this requirement, a Pre-Funded Mortgage Loan in respect of which the first Monthly Payment has not yet fallen due by the second Business Day falling prior to the First Month Loan Eligible Date (each a "First Month Loan"), may be sold on the First Month Loan Eligible Date, on the condition that the first Monthly Payment must be made and received in cleared funds by 1 May 2004 (the "First Month Loan Qualifying Date") and the First Month Loan otherwise complies with the terms of the Mortgage Sale Agreement on the First Month Loan Eligible Date. If the first Monthly Payment has not been made and received in cleared funds by the First Month Loan Qualifying Date with respect to any First Month Loan, GMAC-RFC will be obliged to purchase such First Month Loan as set out below under "*Sale of the Mortgage Pool – Warranties and Repurchase*". Any First Month Loans so repurchased may be replaced with Substitute Mortgage Loans or with Pre-Funded Mortgage Loans, in each case in respect of which the first Monthly Payment has been received in cleared funds and which also meet the other conditions for such replacement.

Of the net proceeds of the A Notes being issued on the Issue Date, £197,340,990.76 will be used to fund the purchase of the Pre-Funded Mortgage Loans (the “Pre-Funded Mortgage Loans Amount”). The purchase of the Pre-Funded Mortgage Pool will be subject to the satisfaction of the following conditions:

- (a) on the Issue Date, the Pre-Funded Mortgage Loans Amount is less than or equal to 26.31% of the aggregate principal amount of the A Notes;
- (b) the amount applied in the purchase of First Month Loans in the Pre-Funded Mortgage Pool does not exceed £50,000,000;
- (c) on the relevant Eligible Date, each Pre-Funded Mortgage Loan complies with the representations and warranties specified in the Mortgage Sale Agreement (except that in relation to First Month Loans no Monthly Payment will have been received);
- (d) the Rating Agencies confirm that the then current ratings (assuming that there is no Ambac Note Policy in force and effect) (the “Underlying Rating”) of the A Notes then outstanding will not be withdrawn or downgraded as a result of the purchase of the Pre-Funded Mortgage Pool; and
- (e) Ambac confirms that in its reasonable opinion the characteristics of the Pre-Funded Mortgages are not materially different from those of the Mortgages purchased by the Issuer on the Issue Date.

Pre-Funded Mortgage Loans Ledger

On the Issue Date, an amount equal to approximately £197,915,058.61, consisting of the Pre-Funded Mortgage Loans Amount and the Pre-Funded Mortgage Loans Interest Shortfall (as defined under “*Credit Structure – Use of Proceeds of the C Notes*”), will be deposited in the Issuer Transaction Account and recorded in a ledger maintained by the Administrator (the “Pre-Funded Mortgage Loans Ledger”). The Pre-Funded Mortgage Loans Amount is intended to be used to acquire the Pre-Funded Mortgage Loans on the Eligible Dates. After the final purchase of the Pre-Funded Mortgage Loans, on the Payment Date falling in June 2004 an amount equal to the difference between the Pre-Funded Mortgage Loans Amount and the aggregate purchase price for the Pre-Funded Mortgage Loans (the “Principal Rebate”) will be distributed to the holders of the A Notes as a mandatory redemption in part in accordance with Condition 5(b). See “*Sale of the Mortgage Pool – Pre-Funded Mortgage Loans*”. Although no assurance can be given, it is intended that the purchase of the Pre-Funded Mortgage Loans on the Eligible Dates will require the application of substantially all of the Pre-Funded Mortgage Loans Amount, and it is not intended that there will be significant amounts of principal being prepaid to Noteholders. However, it is unlikely that the Pre-Funded Mortgage Loans Amount will equal exactly the purchase price for the Pre-Funded Mortgage Loans, and GMAC-RFC may be unable to repurchase or to provide Substitute Mortgage Loans for the First Month Loans, if any, that it is required to repurchase. The Pre-Funded Mortgage Loans Interest Shortfall is intended to be used to make up the difference in the amount of interest received by the Issuer on the Pre-Funded Mortgage Loans Amount during the period from the Issue Date until the relevant Eligible Date.

Initial Overcollateralisation

The Mortgage Loans in the Completion Mortgage Pool will be sold for a price which includes an amount payable on the Issue Date equal to the aggregate Balances of such Mortgage Loans as at the Cut-Off Date less an amount of £8,250,000 which represents the initial overcollateralisation (the “Initial Overcollateralisation”) plus a premium. The Issuer will pay for the Initial Overcollateralisation by means of Deferred Purchase Price as defined in “*Deferred Consideration – Deferred Purchase Price*”.

Mortgage Administration and Servicing

GMAC-RFC (in such capacity, the “Administrator”) will be appointed under the terms of an administration agreement dated on or about the Issue Date between the Issuer, the Administrator and the Trustee (the “Administration Agreement”), to administer the Mortgage Loans and the Related Security and manage all cash transactions and maintain cash management ledgers on behalf of, and as agent for, the Issuer and the Trustee.

Pursuant to the terms of the Administration Agreement, the Administrator is obliged to report on a regular basis to the Trustee and the Issuer regarding the status and the performance of the Mortgage Pool, the administration of the Mortgage Loans and other matters relating to its administrative functions as described in “*Administration of the Mortgage Pool*”.

In March 2003, the Administrator entered into an agreement with Homeloan Management Limited regarding the sub-contracting out of administration services in relation to the mortgage loans the Administrator owns or administers on behalf of others, including the Mortgage Loans. See “*Administration of the Mortgage Pool*”.

The Administrator will not be liable for any payments of principal or interest on the Notes.

The Trustee

The Trustee, which is J.P. Morgan Corporate Trustee Services Limited (with registered office at 125 London Wall, London EC2Y 5AJ and head office at Trinity Tower, 9 Thomas More Street, London E1W 1YT), will be appointed pursuant to a trust

deed (the “Trust Deed”) to be entered into on or prior to the Issue Date between the Issuer, Ambac and the Trustee to represent the interests of the Noteholders and the other secured parties. The Trustee will hold for the benefit of, *inter alios*, Ambac and the Noteholders the security granted by the Issuer under the Deed of Charge. See “*Security for the Notes*” below.

The Notes

The £100,000,000 A1a Mortgage Backed Floating Rate Notes due December 2020, the USD120,000,000 A1b Mortgage Backed Floating Rate Notes due December 2020, the €125,000,000 A1c Mortgage Backed Floating Rate Notes due December 2020, the £160,000,000 A2a Mortgage Backed Floating Rate Notes due June 2036, the USD200,000,000 A2b Mortgage Backed Floating Rate Notes due June 2036, the €240,000,000 A2c Mortgage Backed Floating Rate Notes due June 2036, the £75,000,000 A3 Mortgage Backed Floating Rate Notes with Detachable Coupons due June 2036 and the £3,400,000 C Mortgage Backed Floating Rate Notes due June 2036 will be constituted by the Trust Deed and will share (subject to the priority described below) in the same security.

The A Notes will be secured by the same security that will secure the C Notes although, upon enforcement, the A Notes will rank in priority to the C Notes in point of security. The A Notes will rank *pari passu* without preference or priority amongst themselves for all purposes (other than with respect to differing rates of interest being applicable to the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes, the A2c Notes and the A3 Notes and to distributions of principal on the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes, the A2c Notes and the A3 Notes prior to enforcement of security), but will rank in priority to the C Notes as to payment of interest and, to the extent described in “*Terms and Conditions of the Notes – Condition 2*”, as to payment of principal.

Interest

Payments of interest on the Notes shall be made on 14 June 2004 and thereafter quarterly in arrear on each Payment Date in respect of the Interest Period ending on that Payment Date.

Interest on the A1a Notes shall accrue at an annual rate of Note LIBOR plus 0.11% per annum. Interest on the A1b Notes shall accrue at an annual rate of Note USD-LIBOR plus 0.11% per annum. Interest on the A1c Notes shall accrue at an annual rate of Note EURIBOR plus 0.11% per annum. Interest on the A2a Notes shall accrue at an annual rate of Note LIBOR plus 0.20% per annum. Interest on the A2b Notes shall accrue at an annual rate of Note USD-LIBOR plus 0.20% per annum. Interest on the A2c Notes shall accrue at an annual rate of Note EURIBOR plus 0.20% per annum. Interest on the A3 Notes shall accrue at an annual rate of Note LIBOR plus 0.26% per annum. In addition, interest shall accrue at a rate of 4.25% per annum until the Payment Date falling in September 2006 on the A3 Notes under the A3 Detachable Coupons from the Issue Date. Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 2.50% per annum.

Where interest on the C Notes is not paid in accordance with the above paragraphs it will be deferred until such later Payment Date on which it can be paid in accordance with the Pre-Enforcement Priority of Payments and any amount of interest so deferred will itself accrue interest, but any such deferral will cease on the Final Payment Date, when all accrued interest will become due and payable. See “*Terms and Conditions of the Notes – Condition 4(f)*”.

The A3 Detachable Coupons

Following the initial issuance of the Notes, it is contemplated that Coupon Stripping may be completed such that A3 Detachable Coupons are separated from the A3 Notes. Following Coupon Stripping, holders of the A3 Notes (excluding, for such purposes, the A3 Detachable Coupons) will only receive amounts payable with respect to the Ordinary A3 Coupons and principal payments on the A3 Notes as described herein. Amounts payable with respect to the A3 Detachable Coupons will be payable separately to the holders thereof (the “A3 Detachable Couponholders”). Prior to enforcement of the Security (as defined under “*Security for the Notes*” below), the A3 Detachable Coupons will mature on the earlier of the date on which the A3 Notes are redeemed in full and the Payment Date in September 2006. Except as specified below, the A3 Detachable Coupons will, following any separation from the A3 Notes, continue to benefit from the security for the Notes until their maturity. No application will be made to the UK Listing Authority for the A3 Detachable Coupons to be separately admitted to the Official List or to be separately admitted to trading on the London Stock Exchange.

The A3 Detachable Coupons constitute, until their maturity, part of the interest payable on the A3 Notes and, accordingly, in the event of an early redemption of the A3 Notes or an enforcement of the A3 Notes pursuant to Condition 10 prior to their maturity, no termination payment or other redemption amount (other than amounts of interest payable in accordance with Condition 4) will be payable in respect of the A3 Detachable Coupons and, following the payment of any amounts outstanding pursuant to Condition 4 or the extinguishment of such amounts, the A3 Detachable Coupons will no longer constitute a claim against the Issuer (see further “*Terms and Conditions of the Notes*” below).

The Note Controlling Party

The Deed of Charge will govern the respective rights of the Trustee (in its capacity as trustee under the Trust Deed and as trustee under the Deed of Charge), the Noteholders, the Administrator, the Account Bank, Ambac, Ambac Assurance, the

GIC Provider, the Liquidity Facility Provider, the Currency Swap Counterparty, the Cap Provider and GMAC-RFC and will provide that, *inter alia*, the Trustee will act in relation to the Security (as defined in “*Terms and Conditions of the Notes*”) and exercise certain of its powers thereunder solely in accordance with the instructions of Ambac (if Ambac is then the Note Controlling Party).

The “Note Controlling Party” will be Ambac unless and until such time as (i) an Ambac Event of Default (as defined in “*Terms and Conditions of the Notes*”) has occurred and is continuing and/or (ii) Ambac has no further obligations, actual or contingent, under the Ambac Note Policy and no amounts are then owing to Ambac or Ambac Assurance under the Reimbursement and Indemnity Agreement, in which case it will be the Trustee.

Inter Creditor Rights/Conflicts of Interest

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee in any such case to have regard only to the interests of:

- (a) the A Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the A Noteholders and those of the C Noteholders; and
- (b) following redemption in full of the A Notes, the interests of the C Noteholders.

The Trustee is not entitled to agree to any amendments and/or waivers or exercise any discretion under or in respect of the Charged Obligation Documents (as defined in “*Terms and Conditions of the Notes – Condition 2(g)*”) or the Conditions without the prior written consent of Ambac, if Ambac is the Note Controlling Party.

The Trust Deed contains provisions limiting the powers of the C Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the A Noteholders.

Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders (which, for such purposes, shall, for the avoidance of doubt, exclude the A3 Detachable Couponholders), the exercise of which will be binding on the C Noteholders, irrespective of the effect thereof on each of their interests. The A3 Detachable Couponholders will not have voting rights.

Withholding Tax

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding taxes and the Issuer or any Paying Agent will not be obliged to pay additional amounts in relation thereto.

Redemption and Post Enforcement Call Option

Optional Redemption of Notes

The Notes are subject to redemption (in whole, but not in part and without the prior approval of the Noteholders or the A3 Detachable Couponholders) at the election of the Issuer (subject to the conditions set out in Condition 5) at their Principal Amount Outstanding in each of the following circumstances:

- (a) if on any Payment Date, the Issuer or any Paying Agent is obliged to make any withholding or deduction on account of tax from payments in respect of the A Notes or in the event of certain tax changes affecting the A Notes or the Mortgage Loans comprising the Mortgage Pool at any time (see “*Terms and Conditions of the Notes – Condition 5(f)*”); and
- (b) at the option of the Administrator, on any Payment Date following the Payment Date on which the aggregate Principal Amount Outstanding of the A Notes is less than 10% of the initial aggregate Base Currency PAO of the A Notes (see “*Terms and Conditions of the Notes – Condition 5(e)*”).

The term “Optional Redemption” refers to redemption of the Notes under any of the foregoing circumstances or procedures. **Amounts payable on any Optional Redemption will not be guaranteed by Ambac.**

Mandatory Redemption in Part

Prior to enforcement, the A Notes will be subject to mandatory redemption in part on each Payment Date in accordance with the Principal Priority of Payments and Condition 5(b) of the “*Terms and Conditions of the Notes*” and the C Notes will be subject to mandatory redemption in part on each Payment Date in accordance with the Principal Priority of Payments and Condition 5(c) of the “*Terms and Conditions of the Notes*”. Such mandatory redemption in part will be primarily caused by scheduled principal payments by the borrowers under the Mortgage Loans (the “Borrowers”) and principal prepayments (whether voluntarily by the Borrowers, as a result of enforcement upon the related Property or otherwise) as well as Excess Spread up to a certain aggregate amount (as described in “*Credit Structure – Overcollateralisation*”). Only such part of these redemption amounts which represent Excess Loss Amounts (as defined under “*Credit Structure – Principal Priority of*

Payments”) will be guaranteed by Ambac. Furthermore, on the Payment Date in June 2004, the A1 Notes may be subject to a mandatory redemption in part to the extent that any amounts remain credited to the Pre-Funded Mortgage Loans Ledger after payment of the Pre-Funded Mortgage Loans Purchase Price.

Final Redemption

Unless previously redeemed, each A1 Note will be redeemed on the A1 Final Payment Date and each A2 Note, A3 Note and C Note will be redeemed on the Final Payment Date, in an amount equal in each case to its then Principal Amount Outstanding together with accrued and unpaid interest on the A1 Final Payment Date or the Final Payment Date, as the case may be, in accordance with Condition 5(a) of the “*Terms and Conditions of the Notes*”. Any amounts payable to the holders of the A Notes on the A1 Final Payment Date or the Final Payment Date, as the case may be, will be guaranteed by Ambac.

Post Enforcement Call Option

The Trustee will, on the Issue Date without the prior approval of the Noteholders, grant to Holdings an option (the “Post Enforcement Call Option”) to acquire all (but not part only) of the C Notes (plus accrued interest thereon) for a consideration of one penny per C Note outstanding following any enforcement of the Security for the Notes after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the C Notes and after the application of any such proceeds to the C Notes to pay any further amounts due in respect of the C Notes. The Noteholders are bound by the terms of this Post Enforcement Call Option granted to Holdings pursuant to the terms and conditions of the Trust Deed and by the conditions in the “*Terms and Conditions of the Notes – Condition 5(k)*” and the Trustee is irrevocably authorised to enter into the Post Enforcement Call Option with Holdings. If the Post Enforcement Call Option is exercised, the C Notes will be redeemed and the Issuer’s obligations with respect thereto will be extinguished. See “*Terms and Conditions of the Notes – Condition 5(k)*”.

Ratings

As a condition to the issue of the A Notes, the A Notes are to be rated Aaa by Moody’s, AAA by S&P and AAA by Fitch. The rating is based solely on the financial strength and claims paying ability of Ambac. The issue of the C Notes is not conditional upon a rating and the Issuer has not requested any rating of the C Notes. In the event that Coupon Stripping takes place in respect of the A3 Detachable Coupons, the A3 Detachable Coupons are expected to be rated Aaa by Moody’s and AAA by S&P and Fitch.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any or all of the Rating Agencies.

Security for the Notes

The security for the Notes will be created pursuant to, and on the terms of a deed of charge and assignment to be entered into between, *inter alios*, the Issuer and the Trustee and dated as of the Issue Date (the “Deed of Charge”), as amended or supplemented from time to time, in favour of the Trustee on trust for, *inter alios*, the Noteholders and Ambac.

The Notes will be secured by first ranking fixed security interests over all the Issuer’s interests, rights and entitlements under and in respect of:

- (a) the Mortgage Loans and all monies derived therefrom and all other security for their repayment (including the relevant Mortgages);
- (b) the Mortgage Sale Agreement;
- (c) the Administration Agreement;
- (d) the Reimbursement and Indemnity Agreement;
- (e) the bank agreement entered into in relation to the GMAC-RFC Accounts, the Expenses Account, the Currency Accounts and the Issuer Transaction Account (the “Bank Agreement”);
- (f) the paying agency agreement to be entered into on or prior to the Issue Date between the Issuer, the Trustee, JPMorgan Chase Bank as principal paying agent (the “Principal Paying Agent”, which expression shall include its successors as paying agent), and as agent bank (the “Agent Bank”, which expression shall include its successors as agent bank), J.P. Morgan Bank Luxembourg S.A. and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”) and the Trustee (the “Paying Agency Agreement”);
- (g) the liquidity facility agreement to be entered into on or prior to the Issue Date between the Liquidity Facility Provider, the Issuer and the Trustee (the “Liquidity Facility Agreement”);
- (h) the Guaranteed Investment Contract;
- (i) the Interest Rate Cap Agreement (as defined in “*Credit Structure – Interest Rate Cap Agreement*”), the Currency Swap Agreements (as defined below) and the Counterparty Swap Policy (as defined below);

- (j) an account (the “GIC Account”) in the name of the Issuer which is held at Barclays Bank PLC or such other banking institution with a rating of at least P-1 from Moody’s and A-1+ from S&P;
- (k) the Declaration of Trust and the relevant deed of accession (the “Deed of Accession to the Declaration of Trust”);
- (l) the corporate services agreement (the “Corporate Services Agreement”) to be entered into on or prior to the Issue Date between, *inter alios*, SFM Corporate Services Limited (the “Corporate Services Provider”), the Share Trustee and the Issuer pursuant to which the Corporate Services Provider will agree to provide certain corporate services to the Issuer and Holdings;
- (m) the Scottish Trust Property and any Additional Scottish Trust Property (as defined in the Mortgage Sale Agreement);
- (n) the Issuer Transaction Account;
- (o) the Currency Accounts;
- (p) the Depository Agreement;
- (q) the Exchange Rate Agency Agreement;
- (r) the Issuer’s interest in the insurance contracts entered into by Borrowers; and
- (s) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time.

The Notes will also be secured by a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property and assets and rights of the Issuer which are not, at any time, covered by the fixed security described above but extending over all of the Issuer’s Scottish assets, including those covered by fixed security. The fixed and floating charges are together the “Security”, and such assets of the Issuer subject to the Security are together the “Charged Assets”. As a matter of English law, certain of the charges which are expressed as fixed charges may only take effect as floating charges.

The Charged Assets will also secure amounts payable by the Issuer to any receiver, the Trustee, the Administrator, the Account Bank, Ambac, Ambac Assurance, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, GMAC-RFC, the Depository and the agents appointed under the Paying Agency Agreement and the Exchange Rate Agency Agreement, pursuant to the Trust Deed, the Administration Agreement, the Bank Agreement, the Guarantee Fee Letter and Reimbursement and Indemnity Agreement, the Liquidity Facility Agreement, the Guaranteed Investment Contract, the Interest Rate Cap Agreement, the Currency Swap Agreements, the Mortgage Sale Agreement, the Paying Agency Agreement and the Deed of Charge (and any supplements thereto) according to their respective interests (the “Secured Creditors”).

The Deed of Charge will contain provisions regulating the priority of application of the Charged Assets (and proceeds thereof) among the persons entitled thereto after the service of an Enforcement Notice by the Trustee. Such priorities are described in “*Terms and Conditions of the Notes – Condition 2*”.

Certain of the charges described above, while expressed to be fixed charges, may take effect as floating charges.

Deferred Consideration

Ordinary Deferred Consideration

On each Payment Date, the Issuer shall pay to GMAC-RFC or its assignees by way of deferred consideration under the Mortgage Sale Agreement such amount as is available for such purpose in accordance with the Pre-Enforcement Priority of Payments provisions. Any such payment to GMAC-RFC or its assignees shall be equal to the residual amount following payment of or provision for all higher ranking items (the “Ordinary Deferred Consideration”) as described in “*Credit Structure*”.

Prepayment Deferred Consideration

The Issuer shall pay to GMAC-RFC or its assignees by way of deferred consideration under the Mortgage Sale Agreement such amount (as and when received by the Issuer) representing amounts recovered as early redemption fees upon early settlement or upon enforcement of a Mortgage Loan (the “Prepayment Deferred Consideration”).

Deferred Purchase Price

On such Payment Date on which funds are available therefor, the Issuer shall pay to GMAC-RFC or its assignees by way of deferred consideration under the Mortgage Sale Agreement such amount as is available on such date for such purpose in accordance with the Principal Priority of Payments (the “Deferred Purchase Price”). This payment is to be made as consideration for the Initial Overcollateralisation.

Following Enforcement

Following service of an Enforcement Notice, all entitlement of GMAC-RFC to any Prepayment Deferred Consideration shall be suspended until such time as the Notes have been repaid in full.

Liquidity Facility

A liquidity facility (the “Liquidity Facility”) (as more particularly described under “*Credit Structure*”) will be available to the Issuer to make good certain shortfalls of funds available to the Issuer to meet its obligations as described under “*Credit Structure*”.

Bank Accounts

The Borrowers under the Mortgage Loans will make all payments into one of two accounts in the name of GMAC-RFC (the two accounts are referred to as the “GMAC-RFC Accounts”). Amounts which represent receipts in respect of the Mortgage Loans and are received by direct debit will be swept on a daily basis into an account in the name of GMAC-RFC (the “Collection Account”). Amounts which represent receipts in respect of the Mortgage Loans and are received other than by direct debit will be transferred into the Collection Account on the business day following the day on which they were received. Amounts standing to the credit of the Collection Account which represent receipts in respect of the Mortgage Loans will be transferred daily from the Collection Account to an account (the “Issuer Transaction Account”) in the name of the Issuer which is held at Barclays Bank PLC or such other banking institution with a rating acceptable to the Rating Agencies. Additionally, the Issuer will maintain a USD account at Barclays Bank PLC for holding funds in US dollars in connection with the A1b Notes, the A2b Notes, the A1b USD Note Currency Swap Agreement and the A2b USD Note Currency Swap Agreement, and a Euro account at Barclays Bank PLC for holding funds in Euro in connection with the A1c Notes, the A2c Notes, the A1c Euro Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement (the “Currency Accounts”).

Pursuant to the terms of a guaranteed investment contract (the “Guaranteed Investment Contract”), amounts standing to the credit of the Issuer Transaction Account (including amounts standing to the credit of the Pre-Funded Mortgage Loans Ledger) will be transferred from such account to the GIC Account.

The Currency Swap Agreements

The Issuer will have the benefit of currency swap agreements in relation to the A1b Notes, the A2b Notes, the A1c Notes and the A2c Notes which will be subject to the terms of four separate agreements to be entered into between the Currency Swap Counterparty and the Issuer in the form of an International Swaps and Derivatives Association, Inc. 1992 Master Agreement (Multicurrency – Cross Border) together with the relevant schedules and confirmations attached thereto (respectively, the “A1b USD Note Currency Swap Agreement”, the “A2b USD Note Currency Swap Agreement” (together, the “USD Currency Swap Agreements”), the “A1c Euro Note Currency Swap Agreement” and the “A2c Euro Note Currency Swap Agreement” (together, the “Euro Currency Swap Agreements” and, together with the USD Currency Swap Agreements, the “Currency Swap Agreements”).

Ambac Assurance

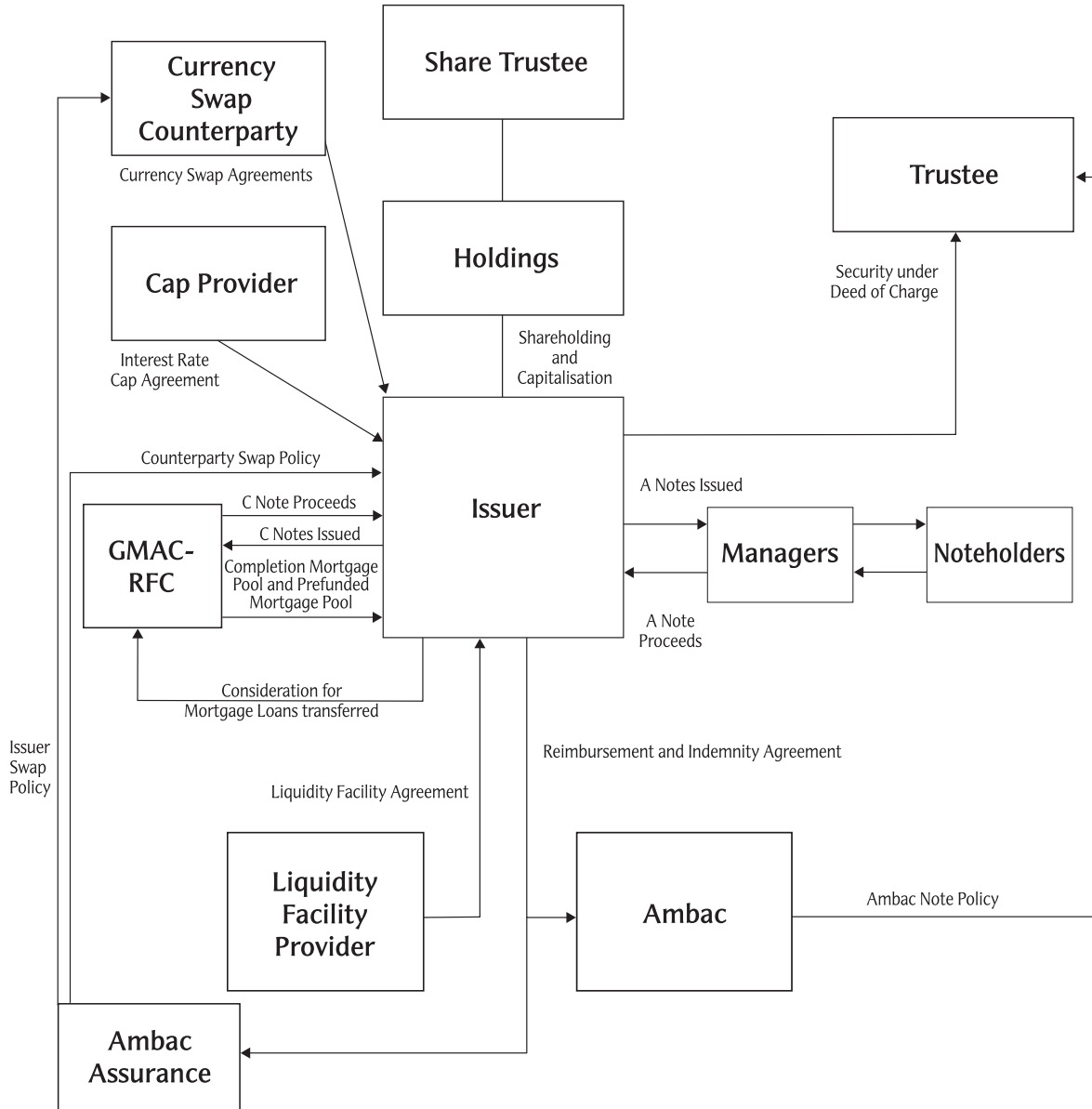
Ambac Assurance is a company incorporated in the State of Wisconsin, U.S.A. which is authorised to issue, *inter alia*, financial guarantees and is licensed to offer insurance services in the U.S.A. At the date of this Offering Circular, Ambac Assurance’s financial strength and claims paying ability is rated triple A by the Rating Agencies. Ambac Assurance will guarantee the payment of certain amounts under the Currency Swap Agreements pursuant to the Issuer Swap Policy and the Counterparty Swap Policy (as defined below).

Issuer Swap Policy and Counterparty Swap Policy

On or about the Issue Date, Ambac Assurance will issue (i) an unconditional and irrevocable financial guarantee policy (the “Issuer Swap Policy”) in respect of certain amounts payable by the Issuer to the Currency Swap Counterparty under the Currency Swap Agreements, and (ii) an unconditional and irrevocable financial guarantee policy (the “Counterparty Swap Policy”) in respect of certain amounts payable by the Currency Swap Counterparty to the Issuer under the Currency Swap Agreements.

STRUCTURE DIAGRAM

This structure diagram is an indicative summary of the principal features of the Notes at issuance. This structure diagram must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this Offering Circular.



RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes about which prospective investors should be aware, but it is not intended to be exhaustive. Prospective investors should carefully consider the risk factors set out in this summary, in addition to the other information contained in this Offering Circular, in evaluating whether to purchase the Notes.

Risks Related to the Notes

Non-Recourse Obligations

The Notes represent obligations of the Issuer and do not constitute obligations or responsibilities of, or guarantees by, any other person (including GMAC-RFC, the Trustee, the Account Bank, the Administrator, the Managers, the Liquidity Facility Provider, the GIC Provider, the Depository, the Currency Swap Counterparty or any affiliates of any of the foregoing) other than, in respect of Class A Interest (including, for the avoidance of doubt, the A3 Detachable Coupons) and Class A Principal on the A Notes, Ambac. Apart from sums available to Noteholders under the Ambac Note Policy, the Issuer will rely solely on monies received or recovered on the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise) or under the Currency Swap Agreements to enable it to make payments in respect of the Notes.

Other than as provided in the Mortgage Sale Agreement, the Issuer and the Trustee will have no recourse to GMAC-RFC or any other entity save in respect of Ambac's obligations under the Ambac Note Policy (see "*Risks Related to the Mortgage Loans – Limitation of GMAC-RFC's Liability*" below).

Yield and Prepayment Considerations

The yield to maturity of the Notes of each class 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 Loan, repurchases by GMAC-RFC due to breaches of warranties under the Mortgage Sale Agreement or requests by Borrowers to convert their current Mortgage Loan to one of a different type) on the Mortgage Loans, the extent of purchases of Pre-Funded Mortgage Loans and the price paid by the Noteholders. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The yield to maturity of the A3 Detachable Coupons will be particularly sensitive to the rate of prepayment on the Mortgage Loans. See "*Risks Relating to A3 Detachable Coupons*".

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. **No assurance can be given as to the level of prepayment that the Mortgage Pool will experience.** See "*Weighted Average Lives of the A Notes*".

Principal prepayments in full may result in connection with refinancings, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance policies. In addition, repurchases or purchases of Mortgage Loans will have the same effect as a prepayment in full of such Mortgage Loans. The extent of purchases of Pre-Funded Mortgage Loans may also have an impact. The rate of prepayment will also be affected by the application of Excess Spread towards the prepayment of the A Notes. See "*Credit Structure – Credit Support for the Notes Provided by Excess Spread*".

Subordination of the C Notes

To the extent set forth in "*Terms and Conditions of the Notes – Condition 2*", the C Notes are subordinate in right of payment to the A Notes. See also "*Credit Structure – The C Notes*".

If, upon default by Borrowers and after exercise by the Administrator of all available remedies in respect of the applicable Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, holders of the C Notes may receive by way of principal repayment an amount less than the face amount of the C Notes and the Issuer may be unable to pay in full interest due on the C Notes. Payments of principal and interest on the C Notes are dependent on the level and application of Excess Spread as set out in "*Credit Structure – Credit Support for the Notes Provided by Excess Spread*".

First Month Loans

On the First Month Loan Eligible Date, Mortgage Loans will be sold to the Issuer which have not yet had their first Monthly Payment fall due. These First Month Loans will form part of the Pre-Funded Mortgage Pool. The First Month Loans will not in any event consist of Mortgage Loans in excess of £50,000,000 in value. If the first Monthly Payment in respect of a First Month Loan is not received in cleared funds by the First Month Loan Qualifying Date, GMAC-RFC will be obliged to purchase such First Month Loan. Any First Month Loans repurchased may thus be replaced with Substitute Mortgage

Loans as well as with Pre-Funded Mortgage Loans, in each case in respect of which the first Monthly Payment has been received in cleared funds and which also meet the other conditions for the same.

Pre-Funded Mortgage Loans

If the purchase price for the Pre-Funded Mortgage Pool is less than 100% of the Pre-Funded Mortgage Loans Amount or if the amount required to be applied in accordance with the Pre-Enforcement Priority of Payments is less than the sum of the Pre-Funded Mortgage Loans Interest Shortfall and the interest earned on the Pre-Funded Mortgage Loans Amount, a prepayment of principal to the holders of the A1 Notes will result. A prepayment of principal on the A1 Notes will also result if there are not sufficient Substitute Mortgage Loans or Pre-Funded Mortgage Loans to replace any First Month Loans repurchased by GMAC-RFC on the First Month Loan Qualifying Date. In addition, prior to the purchase of the Pre-Funded Mortgage Pool, each Pre-Funded Mortgage Loan must comply with certain conditions, including, among others, that the Pre-Funded Mortgage Loans, as at the relevant Eligible Date, must conform to the representations and warranties specified in the Mortgage Sale Agreement (except that in the case of the First Month Loans the first Monthly Payment has not fallen due). Upon inclusion of the Pre-Funded Mortgage Loans in the Mortgage Pool, the aggregate characteristics of the Mortgage Loans will likely vary from those of the Initial Mortgage Pool and the Completion Mortgage Pool. There can be no certainty that the Pre-Funded Mortgage Pool will have a similar proportion of Repayment Mortgage Loans, Interest Only Mortgage Loans and Part and Part Mortgage Loans, owner occupied properties and non-owner occupied properties or similar geographic concentration characteristics as the Initial Mortgage Pool.

Risks Related to the C Notes

The C Notes are generally more speculative investments than the A Notes. The C Notes do not benefit from the Ambac Note Policy. Investors should be aware of the special risks associated with an investment in such securities.

Following the Issue Date, Available Revenue Funds on each Payment Date are only available to pay amounts payable in respect of the C Notes to the extent that there are still funds available after paying or providing for items (i) to (xi) in the Pre-Enforcement Priority of Payments (see "*Credit Structure – Pre-Enforcement Priority of Payments*"). Any interest due on the C Notes not paid on the relevant Payment Date will be deferred until such time as there are sufficient Available Revenue Funds for such purposes, as described in Condition 4(f) of the "*Terms and Conditions of the Notes*". Holders of the C Notes will not be entitled to receive any payment of interest before the Final Payment Date unless and until all amounts then due to the holders of the A Notes and all other amounts ranking ahead of such interest payments in the Pre-Enforcement Priority of Payments have been paid in full. See "*Credit Structure*".

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes, under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to the Depository, DTC, the Common Depository or to holders or beneficial owners of Book-Entry Interests. The Depository or its nominee will be the sole legal Noteholder under the Trust Deed while the Notes are represented by the Global Instruments. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Depository, DTC, Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Holders of beneficial interests in the Rule 144A Global Instruments evidenced by the CDIs held directly with DTC or through its participants must give advance notice to the Depository 15 days prior to each Payment Date that they wish payments on such Rule 144A Global Instruments to be made to them in sterling or euro outside DTC. If such instructions are not given, sterling or euro payments on the Rule 144A Global Instruments will be exchanged for US dollars by the Exchange Rate Agent prior to their receipt by DTC and the affected holders will receive US dollars on the relevant Payment Date. See "*The Depository Agreement – Exchange Rate Agency Agreement and Denomination of Payments*".

Payments of principal and interest on, and other amounts due in respect of, the Global Instruments will be made to the Depository (as holder of the Global Instruments), which will in turn distribute payments to Cede & Co. (as nominee of DTC) in the case of the Rule 144A Global Instruments and to the nominee of the Common Depository in the case of the Reg S Global Instruments. Upon receipt of any payment from the Depository, DTC, Euroclear and Clearstream, Luxembourg as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests, as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, the Depository, any Paying Agent or the Registrar (as defined in "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to, or

payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

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

Because transactions in the Rule 144A Global Instruments will be effected only through DTC, direct or indirect participants in DTC’s book-entry system and certain banks, the ability of a holder to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest.

Certain transfers of Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. See “*Notice to Investors*”.

Exchange Rate Risks

Repayments of principal and payments of interest on the USD Notes and the Euro Notes will be made in US dollars and Euro, respectively, by the Issuer, but payments will be received by the Issuer from the Borrowers under the Mortgage Loans in sterling. In order to mitigate the Issuer’s currency exchange rate exposure, including any interest rate exposure connected with that currency exposure, the Issuer will enter into the Currency Swap Agreements with the Currency Swap Counterparty.

If the Issuer fails to make timely payments of amounts due under either of the Currency Swap Agreements, then it will have defaulted under that swap, although such risk will be reduced because certain payments from the Issuer to the Currency Swap Counterparty will be guaranteed by Ambac Assurance under the Issuer Swap Policy. The Currency Swap Counterparty is only obliged to make payments to the Issuer under the Currency Swap Agreements as long as either the Issuer complies with its payment obligations under such Currency Swap Agreements or Ambac Assurance complies with its obligations under the Issuer Swap Policy. If the Issuer fails to make timely payments under the Currency Swap Agreements and if Ambac Assurance does not make those payments pursuant to the Issuer Swap Policy, the Currency Swap Counterparty will have the right to terminate the Currency Swap Agreements.

If the Currency Swap Counterparty terminates the Currency Swap Agreements or if the Currency Swap Counterparty defaults in its obligations to make payments of amounts in US dollars or Euro, as the case may be, equal to the full amount to be paid to the Issuer on the payment dates under the Currency Swap Agreements (which fall two Business Days (as defined in the relevant Currency Swap Agreement) prior to the Payment Dates for the Notes), the Issuer will be exposed to changes in euro/sterling and US dollar/sterling currency exchange rates and could have insufficient US dollar and Euro funds to enable it to make payments under the USD Notes and the Euro Notes. Such risk is mitigated by the Counterparty Swap Policy whereby Ambac Assurance will guarantee certain payments to be made by the Currency Swap Counterparty to the Issuer and by the Ambac Note Policy, whereby (*inter alia*) Ambac will guarantee all payments to the holders of the USD Notes and the Euro Notes by the Issuer.

If the Currency Swap Counterparty defaults under the Currency Swap Agreements, the Issuer will have the right under certain circumstances to terminate the Currency Swap Agreements. Upon such termination the Issuer is obliged to obtain a replacement swap. There can be no assurance that a suitable swap counterparty could be so obtained. Unless a suitable replacement swap is entered into, the Issuer would be exposed to currency exchange risks in connection with the USD Notes and the Euro Notes.

However, for so long as Ambac continues to meet its obligations under the Ambac Note Policy, the A Noteholders will not be affected by the risks related to the exchange rates described in this section.

Termination Payments on the Currency Swap Agreements

If any of the Currency Swap Agreements terminate, the Issuer may be obliged to make a termination payment to the Currency Swap Counterparty. The amount of the termination payment will be based on the cost of entering into a replacement currency swap agreement. Although there can be no assurance that the Issuer will have sufficient funds available to make any termination payment due under the Currency Swap Agreements, certain of such payments by the Issuer will be guaranteed by Ambac Assurance pursuant to the Issuer Swap Policy.

Except where the Currency Swap Counterparty has caused the relevant Currency Swap Agreement to terminate as a result of the Currency Swap Counterparty's own default or ratings downgrade, any termination payment due by the Issuer following termination of the relevant Currency Swap Agreement (including any extra costs incurred (for example, from entering into "spot" currency or interest rate swaps) if the Issuer cannot immediately enter into a replacement currency swap agreement), will also rank in priority to the relevant class of Notes.

Therefore, if the Issuer is obliged to make a termination payment to the Currency Swap Counterparty or pay any other additional amounts as a result of the termination of the relevant Currency Swap Agreement, this could reduce the Issuer's ability to service payments on the Notes. Again, any such risk may be mitigated because Ambac Assurance will guarantee certain of the payments due by the Issuer upon a termination of the Currency Swap Agreements.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

Risks Related to A3 Detachable Coupons

Following the initial issuance of the Notes, the A3 Detachable Coupons may be separated from the A3 Notes. The A3 Detachable Coupons will represent only the interest entitlement of the A3 Notes which is specified for the A3 Detachable Coupons and A3 Detachable Couponholders will have no claim in respect of principal amounts payable under the A3 Notes. Accordingly, the interest entitlement of the A3 Detachable Couponholders will be contingent upon the A3 Notes remaining outstanding. The A3 Notes will be redeemed as set out above under "*Summary Information – Redemption and Post Enforcement Call Option*" by reference to Actual Redemption Funds (as defined in Condition 5) which will be made up, *inter alia*, from principal receipts and Available Revenue Funds (as defined in Condition 2) in an amount equal to all the amounts credited to the Principal Deficiency Ledger on the relevant Payment Date. A high rate of repayments, prepayments and receipt of principal receipts in respect of the Mortgage Loans or the failure to apply all of the Pre-Funded Mortgage Loans Amount towards the purchase of the Pre-Funded Mortgage Loans is likely to cause the A3 Notes to be redeemed quickly and will therefore reduce the value of the A3 Detachable Coupons and negatively impact their yield to maturity. A3 Detachable Couponholders should note that the Ambac Note Policy does not cover any losses that may be suffered by holders of A3 Detachable Coupons as a result of a high rate of repayments, prepayments and receipt of principal receipts in respect of the Mortgage Loans or the failure to apply all of the Pre-Funded Mortgage Loans Amount towards the purchase of the Pre-Funded Mortgage Loans.

As stated, the yield to maturity of the A3 Detachable Coupons will be particularly sensitive to both the timing of receipt and the overall rate of principal prepayments on the Mortgage Loans, which may fluctuate significantly over time. Investors should make their own investment decisions based on their determinations as to anticipated rates of prepayment under a variety of scenarios. Investors in the A3 Detachable Coupons should fully consider the risk that a rapid rate of prepayments could result in the failure of such investors to recover fully their investments. The rating assigned to the A3 Detachable Coupons only addresses the likelihood of receipt by the A3 Detachable Couponholders of all interest payments to which such A3 Detachable Couponholders are entitled. The ratings do not address the likelihood or rate of prepayments nor the possibility that A3 Detachable Couponholders may suffer a lower than expected yield.

To the extent that A3 Detachable Coupons are separated from the A3 Notes, the A3 Detachable Couponholders will have no voting rights under the Trust Deed or the Conditions.

Limited Liquidity

There is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, no underwriter has indicated that they intend to establish a secondary market in the Notes. In addition, Notes sold in the United States may be subject to restrictions on transferability. See "*Notice to Investors*".

Risks Related to the Mortgage Loans

General

The A Noteholders will have the benefit of the Ambac Note Policy in respect of Class A Interest and Class A Principal. For so long as Ambac continues to meet its obligations under the Ambac Note Policy, the A Noteholders will not be affected by the risks related to the Mortgage Loans described in this section. The C Noteholders and, in the absence of payment under the Ambac Note Policy, the A Noteholders will directly bear the risks associated with the Mortgage Loans.

Lending Criteria

The Mortgage Pool will include Mortgage Loans to Borrowers who (a) may previously have been subject to one or more County Court Judgments or the Scottish equivalent (“CCJs”), Individual Voluntary Arrangements (“IVAs”) or Bankruptcy Orders (“BOs”); (b) are self-employed; and/or (c) are otherwise considered by bank and building society lenders to be non-standard borrowers. Mortgage Loans made to non-standard borrowers 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. The lending criteria are more fully described in “*The Mortgage Pool – Lending Criteria*”.

Limitation of GMAC-RFC's Liability

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their related Mortgages and each will rely instead on the warranties given by GMAC-RFC in the Mortgage Sale Agreement (the “Warranties”). The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement and save as described below) of each of the Issuer and the Trustee in respect of a breach of warranty which could have a material adverse effect on the relevant Mortgage Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer), shall be the requirement that GMAC-RFC repurchase, or substitute a Substitute Mortgage Loan in replacement for, any Mortgage Loan which is the subject of any breach, provided that this shall not limit any other remedies available to the Issuer and/or Trustee if GMAC-RFC fails to repurchase a Mortgage Loan, or substitute a Substitute Mortgage Loan when obliged to do so. There can be no assurance that GMAC-RFC will have the financial resources to honour such obligations under the Mortgage Sale Agreement. Such obligations are not guaranteed by nor will they be the responsibility of any person other than GMAC-RFC and neither the Issuer nor the Trustee will have recourse to any other person in the event that GMAC-RFC, for whatever reason, fails to meet such obligations. See “*Sale of the Mortgage Pool – Warranties and Repurchase*”.

Collectability of Loans

The collectability of the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally vary in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors such as loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

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

Risks of Losses Associated with Declining Property Values

The Security for the Notes consists of the Charged Assets. This Security may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the C Noteholders if such security is required to be enforced. The A Noteholders have the benefit of the Ambac Note Policy in respect of Class A Principal.

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally. The geographic distribution of the Mortgage Loans is not concentrated in any one region. However, the South East of England, Outer Metropolitan London and Greater London represent approximately 18.94%, 9.84% and 11.97%, respectively, of the total balance of Mortgage Loans. Such concentrations may present risk considerations in addition to those generally present for similar mortgage backed securities without such concentrations. See “*Characteristics of the Initial Mortgage Pool*”.

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in “*The Mortgage Pool – Valuation*”), no revaluation of any Property has been undertaken by GMAC-RFC, the Issuer, the Administrator, the Trustee or any other person in respect of the transactions described in this document.

Risk of Losses Associated with Interest Only Mortgage Loans

Approximately 42.40% of the Mortgage Loans constitute Interest Only Mortgage Loans (see “*Characteristics of the Initial Mortgage Pool*”). Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the principal amount outstanding. The ability of such a Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower’s ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies. GMAC-RFC has not required that such policies be established with respect to any Interest Only Mortgage Loans nor has it required that the benefit of any such policies be assigned to them.

The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower’s equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at that time.

Risk of Losses Associated with Non-Owner Occupied Properties

574 of the Properties representing approximately 8.54% of the Mortgage Loans are not owner occupied. These Properties are generally rented to tenants by the relevant Borrowers. It is possible that the rate of delinquencies, enforcement and losses on Mortgage Loans secured by non-owner occupied properties could be higher than for Mortgage Loans secured by the primary residence of the Borrower and it could be difficult to gain possession of the Properties on enforcement of the relevant Mortgages. See “*Characteristics of the Initial Mortgage Pool*”.

Realisation of Charged Assets and Liquidity Risk

The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders, including after the occurrence of an Event of Default, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes. However, the A Noteholders have the benefit of the Ambac Note Policy in respect of Class A Principal. There is not at present an active and liquid secondary market in the United Kingdom for loans with characteristics similar to the Mortgage Loans. It may not, therefore, be possible for the Issuer or, as the case may be, the Trustee or a receiver to sell the Mortgage Loans on appropriate terms should such a course of action be required.

Administration of the Mortgage Loans and Reliance on Third Parties

If the appointment of the Administrator is terminated under the Administration Agreement, it would be necessary for the Trustee to appoint a substitute administrator. Such substitute administrator would be required to assume responsibility for the provision of the administration services in accordance with the terms of the Administration Agreement. The ability of a substitute administrator to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility, the Cap Provider has agreed to provide the Issuer with the Interest Rate Cap Agreement, the GIC Provider has agreed to provide the Issuer with the Guaranteed Investment Contract and the Trustee, the Depository, the Paying Agents, the Currency Swap Counterparty and the Agent Bank have all agreed to provide services with respect to the Notes. In addition, the Administrator has entered into an agreement pursuant to which administration services in relation to the mortgage loans the Administrator owns or administers on behalf of others, including the Mortgage Loans, have been sub-contracted to a third party. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

Buildings Insurance

As a condition to its Mortgage Loans, GMAC-RFC requires that each Property is insured with an acceptable insurance company for its full re-instatement value as stated in the valuation report. If a Borrower insures the Property under GMAC-RFC’s block buildings insurance policy (the “*Block Buildings Policy*”), GMAC-RFC has the option to use any insurance proceeds to reinstate the Property or to use it to reduce or repay the relevant Mortgage Loan. However, if the Property is insured other than under a Block Buildings Policy, GMAC-RFC may only receive notice of the loss or damage to the Property and may not have the ability to influence how any money received under the claim is spent.

Title of the Issuer

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described under “*Title to the Mortgage Pool*”. Prior to the Issuer obtaining legal title to the Mortgages, a

bona fide purchaser from GMAC-RFC for value of any of such Mortgage Loans without notice of any of the interests of the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by GMAC-RFC of its contractual obligations or fraud, gross negligence or mistake on the part of GMAC-RFC or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against GMAC-RFC. Such rights may include the rights of set-off which arise in relation to transactions or deposits made between certain Borrowers and GMAC-RFC and the right of the relevant Borrowers to redeem their Mortgages by repaying the relevant Mortgage Loan directly to GMAC-RFC. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans.

For so long as neither the Issuer nor the Trustee have obtained legal title, GMAC-RFC will undertake for the benefit of the Issuer and the Trustee that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or the Trustee in relation to, any legal proceedings in respect of the Mortgage Loans and their related Mortgages.

In order for legal title to be transferred, transfers and assignments would have to be registered or recorded at H.M. Land Registry, the Land Register of Scotland or the Register of Sasines (the Land Register of Scotland and the Register of Sasines are collectively referred to as the "Registers of Scotland") and notice would have to be given to Borrowers of the transfer. In GMAC-RFC's experience, it is not uncommon for borrowers in the non-standard market who are notified of a change of ownership of their mortgage to cease to make monthly payments. There is no legal justification for borrowers withholding payments because of a change in ownership of their mortgages. However, there can be no assurance that the giving of notice to Borrowers of the transfer to the Issuer would not have an adverse effect on cashflows and, accordingly, on the Issuer's ability to make payments in respect of the Notes.

Regulatory Considerations

A general description of the regulatory environment affecting the UK residential mortgage market is set out herein under "*Regulation of the UK Residential Mortgage Market*".

Office of Fair Trading and Financial Services Authority

The Office of Fair Trading (the "OFT") is responsible for the issue of licences under the Consumer Credit Act 1974 (the "Consumer Credit Act") and the related Consumer Credit Regulations promulgated thereunder. The OFT may review businesses and operations, provide guidelines to follow and take actions when necessary with regard to the mortgage market in the United Kingdom.

In February 2000, the OFT issued a guidance note (the "Guidance Note") on what the OFT considers to be "fair" or "unfair" within the Unfair Terms in Consumer Contracts Regulations 1999 (see further below) for interest variation terms. The Guidance Note provides for a term linking an interest rate to an external rate outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the Mortgage Loans are made on terms that provide for the mortgage rate to be at a fixed margin above LIBOR (in some cases after the expiry of a period during which the mortgage rate is fixed and during which the Guidance Note will therefore not apply), and that explain when and how the tracking will take effect.

The FSM Act represents a major overhaul of financial services regulation in the UK and brings a wide range of financial activities under a single regime of statutory-based regulation. The FSM Act is being brought into effect in stages. The first stage (known as "N2") came into effect on 1 December 2001. Although the date for implementation of a scheme to regulate mortgage related activities had initially been August 2002, announcements by HM Treasury in December 2001 that the Financial Services Authority ("FSA") will also be responsible for the regulation of mortgage sales (including advising and arranging mortgages) has delayed the date for implementation. The FSA has announced that the rules relating to the regulation of mortgages will come into effect on 31 October 2004 (the date known as N(M)).

The FSM Act applies to any "regulated activity". HM Treasury has made the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2001, specifying that, from N(M), entering into a "regulated mortgage contract" and (in certain circumstances) administering a regulated mortgage contract are regulated activities. On 12 December 2001, HM Treasury announced that the FSA will regulate mortgage advice and that regulation by the FSA of mortgage lending and mortgage administration would be postponed. HM Treasury has made the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003, specifying that, from N(M), arranging a regulated mortgage contract and advising on a regulated mortgage contract are also to be regulated activities. The main effects will be that each entity carrying on a regulated activity will ordinarily be required to hold authorisation and permission from the FSA to carry on that activity. If requirements as to authorisation of lenders and brokers and as to advertising are not complied with, a Mortgage Loan will be unenforceable against a borrower except with the approval of a court.

It is likely that GMAC-RFC's mortgage lending business, its correspondent lenders' mortgage lending business, its brokers' mortgage arranging business and mortgage advice business, and the Administrator's mortgage administration business, would constitute regulated activities. It is possible that, depending on the circumstances, the Issuer's business in respect of Further Advances, and GMAC-RFC's intermediaries' business in respect of originating loans on behalf of GMAC-RFC, would constitute regulated activities.

It is likely that the Issuer's business (save, depending on the circumstances, in respect of Further Advances) and the Trustee's business would not constitute a regulated activity, if the Issuer and Trustee arranged for mortgage administration to be carried out by an administrator having the required permission. If such arrangement terminates, however, the Issuer and Trustee will have a period of no more than a month in which to arrange for mortgage administration to be carried out by any replacement administrator having the required permission.

A court order will be necessary to enforce a Mortgage securing a Mortgage Loan to the extent that it is a regulated mortgage contract that would otherwise be regulated by the Consumer Credit Act. In dealing with such application the court has the power, if it appears just to do so, to amend a Mortgage Loan or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

No assurance can be given that the OFT, the FSA or any other regulatory authority will not in the future take action or that future adverse regulatory developments will not arise with regard to the mortgage market in the UK generally, GMAC-RFC's particular sector in that market or specifically in relation to GMAC-RFC. Any such action or developments may have a material adverse effect on the Issuer or the Administrator and their respective businesses and operations. In particular, the cost of compliance with any such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Documents.

GMAC-RFC is currently in the process of preparing to fulfil the FSA authorisation requirements and expects to be in a position to receive authorisation to carry on all of its activities which are regulated activities on and from N(M). GMAC-RFC is also working with its correspondent lenders, brokers and other intermediaries to ensure that they are prepared to fulfil the FSA authorisation requirements but cannot guarantee that such entities will actually be in a position to fulfil the FSA authorisation requirements by N(M).

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

The Unfair Terms in Consumer Contracts Regulations 1999 (the "Regulations"), which together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 apply to agreements made on or after 1 July 1995 and affect all or almost all of the Mortgage Loans, provide that (a) a consumer may challenge a term in an agreement on the basis that it is "unfair" within the Regulations and therefore not binding on the consumer and (b) the OFT, the FSA and any other "qualifying body" may seek to enjoin (or in Scotland, interdict) a business against relying on unfair terms.

This will not generally affect "core terms" which set out the main subject-matter of the contract (for example, the Borrower's obligation to repay the principal) but may affect terms deemed to be ancillary terms, which may well include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the Mortgage Loan and other terms the application of which are in the lender's discretion, or the ability to impose a charge upon redemption by reference to the Mortgage Early Redemption Charges. See "*Administration of the Mortgage Pool – Redemption*".

For example, if a term imposing a charge upon redemption by reference to the Mortgage Early Redemption Charges is unfair, the Borrower will not be liable to pay the charge or, to the extent that he has paid it, will be able, as against GMAC-RFC or any assignee such as the Issuer, to claim restitution of the amount or to set off the amount of such claim against the amount owing by the Borrower under the relevant Mortgage Loan or any other Mortgage Loan that the Borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Noteholders.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals to consolidate the Unfair Contract Terms Act 1977 and the Regulations into a single piece of legislation. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that the legislation should not affect core terms in so far as they are not substantially different from what the consumer should reasonably expect and are transparent. The Commissions' report on the joint consultation exercise, together with a Bill on unfair terms, is expected early in 2004.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Mortgage Loans, GMAC-RFC, the Issuer or the Administrator and their respective businesses and operations.

Non-Status Lending Guidelines for Lenders and Brokers

The OFT issued Non-Status Lending Guidelines for Lenders and Brokers (the "Guidelines") on 18 July 1997 (revised in November 1997). The Guidelines apply to all mortgage loans made to non-standard borrowers, defined for the purposes of

the Guidelines as borrowers with a low or impaired credit rating. The Guidelines are therefore applicable to all of the Mortgage Loans. The Guidelines are not primary or subordinate legislation. As such, they set out certain “principles” to be applied in the context of the non-standard residential mortgage market.

The Guidelines place certain constraints on lenders in the non-standard residential mortgage market in respect of matters such as advertisement of mortgage products, selling methods employed by lenders and their brokers, underwriting, dual interest rates and early redemption payments. See “*Regulation of the UK Residential Mortgage Market*”.

Mortgage Loans Regulated by the Consumer Credit Act

Mortgage loans are regulated by the Consumer Credit Act where the “amount of credit” as defined in the Consumer Credit Act does not exceed the financial limit, which is £25,000 for mortgage loans made on or after 1 May 1998 or £15,000 for mortgage loans made before that date.

Some of the Mortgage Loans (a) are partly regulated by the Consumer Credit Act (and may give rise to liability under Section 75 of the Consumer Credit Act) in that they also finance the supply of insurance under arrangements with the supplier or (b) might be wholly or partly regulated by the Consumer Credit Act because of technical rules on determining whether the financial limit is exceeded or (c) might be treated as wholly or partly regulated by the Consumer Credit Act because of technical rules on agreements varied bilaterally.

A Mortgage Loan that is wholly or partly regulated by the Consumer Credit Act or is to be treated as such has to comply with requirements under the Consumer Credit Act as to content, layout and execution of the Mortgage Loan. If it does not comply, then to the extent that it is regulated or to be treated as such: (a) the Mortgage Loan is totally unenforceable if the form to be signed by the Borrower is not signed by the Borrower or omits or mis-states a “prescribed term” or (b) in other cases, the Mortgage Loan is unenforceable without a court order and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the Borrower and any culpability by the lender.

Although no assurance can be given, assuming (a) that there is no financing for charges that are outside the “total charge for credit” as defined in the Consumer Credit Act; (b) that technical rules on determining whether the financial limit is exceeded have been properly applied; and (c) that no Mortgage Loan has been varied bilaterally, it is unlikely that any of the Mortgage Loans would be totally unenforceable on the basis of non-compliance with requirements under the Consumer Credit Act as to content and layout, save for financing for insurance in certain circumstances, and otherwise save in exceptional circumstances.

A court order is necessary, however, to enforce a Mortgage securing a Mortgage Loan to the extent that it is regulated or to be treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend a Mortgage Loan or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

The Department of Trade and Industry (the “DTI”) published a consultation in July 2001 on raising the financial limit in the Consumer Credit Act, and in March 2002 on raising or removing the financial limit in the Consumer Credit Act. Following a proposal for a new directive on consumer credit (see further below), which would remove the financial limit in the existing directive on consumer credit, and following feedback to the DTI consultation, the DTI announced its intention in November 2002 to remove the financial limit in the Consumer Credit Act (and in July 2003 to retain the financial limit for certain business-to-business lending). If this change is implemented then any Mortgage Loan or Further Advance originated or varied bilaterally after this time, other than a regulated mortgage contract under the FSM Act, will be regulated by the Consumer Credit Act. Such Mortgage Loan or Further Advance will have to comply with requirements as to content, layout and execution of the credit agreement and, if it does not comply, will be totally unenforceable or unenforceable without a court order as mentioned above. In December 2003, the DTI published a White Paper on its review of the Consumer Credit Act, accompanied by a consultation on (among other things) draft regulations, on form and content of credit agreements regulated by the Consumer Credit Act, that may come into force as early as N(M).

Under the Mortgage Sale Agreement, GMAC-RFC will be obliged to repurchase any Mortgage Loan that is wholly or partly regulated or to be treated as such under the Consumer Credit Act if a court finds that such Mortgage Loan was not originated in compliance with the Consumer Credit Act and in respect of which the court has no jurisdiction or refuses to make an enforcement order.

Proposed changes to the Basel Capital Accord

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The third consultative paper on the New Basel Capital Accord was issued on 29 April 2003, with the consultation period ending on 31 July 2003. The Committee intends to finalise the New Basel Capital Accord by no later than the middle of 2004, allowing for implementation of the new framework in each country at year end 2006. If implemented in accordance with their current form, the proposals could affect risk weighting of the issuer notes in respect of certain investors if those investors are

subject to the new framework following the implementation of the New Basel Capital Accord. Consequently, prospective investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the New Basel Capital Accord. The precise effects of potential changes which might result if the proposals were adopted in their current form cannot be predicted.

Proposed European Directive on Consumer Credit

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonization of the laws, regulations and administrative provisions of the member states concerning credit for consumers and including surety agreements entered into by consumers. If the proposed directive is finalised, member states will have two years in which to bring national implementing legislation into force. The proposal includes (among other things) specific documentation and procedural requirements in respect of loan origination and administration; for example, a key requirement under the proposed directive is that each further advance must be subject to new underwriting and a new contract. Penalties for non-compliance with these requirements will be determined by the member states, and may include provision that credit agreements that do not comply will be unenforceable against the borrower.

In its original form, the proposed directive will not apply to residential mortgage loans for home purchase or home improvement, other than loans where all or part of the mortgage credit is for equity release, such as a further advance. Additionally, in its original form, the proposed directive will not apply to residential mortgage loans originated before national implementing legislation comes into force, with exceptions; for example, the requirement for new underwriting will apply to any further advance made after national implementing legislation comes into force. Accordingly, if implemented in its original form, the proposed directive will apply to each Mortgage Loan that includes an equity release element, if the Mortgage Loan is originated, or a Further Advance is made within that Mortgage Loan, after the implementation date.

There has been significant opposition from the European Parliament to the original form of the proposed directive, and in January 2004, the European Parliament published a re-drafted form of the proposed directive. In its re-drafted form, the proposed directive will not apply to any loan secured by a mortgage on land, and will not apply to any loan originated before national implementing legislation comes into force.

The proposed directive may be substantially further amended before it is ultimately brought into effect. Until the final text of the directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Mortgage Loans, GMAC-RFC, the Issuer or the Administrator and their respective businesses and operations. No assurance can be given that the finalised directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

Tax Considerations

United States Federal Income Tax Treatment

The Issuer has obtained an opinion from Allen & Overy, US tax counsel to the Issuer, that although there is no statutory, judicial or administrative authority directly addressing the characterisation of the A Notes (including the A3 Detachable Coupons) or instruments similar to the A Notes (including the A3 Detachable Coupons) for US federal income tax purposes, the A Notes (including the A3 Detachable Coupons), when issued, will be treated as debt for US federal income taxation purposes. See "*United States Federal Income Taxation*" for the relevant limitations relating to the foregoing and a more complete discussion of the characterisation of, and the consequences of investing in, the A Notes and the A3 Detachable Coupons for US federal income tax purposes.

In the case of the C Notes, even though the C Notes will be issued in the form of debt, given their subordination level and other terms, the Issuer intends to take the position that the C Notes are equity interests in the Issuer for US federal income tax purposes. Holders of C Notes that are treated as equity interests in the Issuer will be treated as owning interests in a "passive foreign investment company" for US federal income tax purposes. However, the Issuer does not intend to provide information that would allow investors to elect "qualifying electing fund" treatment with respect to the Issuer. As a result, direct or indirect US Holders of Notes that are deemed to be equity interests in the Issuer will likely be subject to a special tax regime that would tax gain at ordinary income rates and apply an "interest charge" on gain and "excess distributions". See "*United States Federal Income Taxation – Taxation of US Holders of the C Notes - Passive Foreign Investment Company Considerations*".

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Notes and the A3 Detachable Coupons.

EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1 January 2005, to provide to the tax

authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Austria, Belgium and Luxembourg will instead be 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 conditions of certain other agreements relating to information exchange with certain other countries).

UK Tax Consequences of Issuance of Definitive Instruments

Upon the occurrence of certain events, holders of Book-Entry Interests will be entitled to receive Definitive Instruments in registered form. Holders of a Definitive Registered A3 Note (with or without the A3 Detachable Coupon) or a Definitive A3 Detachable Coupon (to the extent detached) in registered form should be aware that, under current UK tax law, UK stamp duty or stamp duty reserve tax may be chargeable on a transfer or an agreement to transfer, as the case may be, of a Definitive Registered A3 Note in registered form (with or without the A3 Detachable Coupon) or a Definitive A3 Detachable Coupon in registered form (to the extent detached).

Legal Considerations

European Monetary Union

Prior to the maturity of the Sterling Notes, the United Kingdom may become a participating member state in the European Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. Adoption of the euro by the United Kingdom may have the following consequences: (i) all amounts payable in respect of the Sterling Notes may become payable in euro; (ii) 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 Sterling Notes and the Mortgage Loans, or changes in the way those rates are calculated, quoted and published or displayed; and (iii) the Issuer may choose to redenominate the Sterling Notes into euro and take additional measures in respect of the Sterling Notes.

The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Mortgage Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

Change of Law

The structure of the issue of the Notes is based on English law in effect as at the date of this document. No assurance can be given as to the impact of any possible judicial decision or changes to English law, the interpretation thereof or administrative practice after the date of this document.

Company Voluntary Arrangement

The Insolvency Act 2000 introduced significant changes to the UK insolvency regime which allow certain "small" companies to obtain protection from their creditors for a period of 28 days as part of the company voluntary arrangement procedure with the option for the company and its creditors to extend the protection period for a further two months.

During this period, no insolvency procedures may be commenced in relation to the company, any security created by the company over its property cannot be enforced and no other legal process can be taken in relation to the company except with the consent of the Court.

A company may continue to make payments in respect of its debts in existence before the beginning of the moratorium only if there are reasonable grounds for believing such payments will benefit the company and the payment is approved by either the moratorium committee of the creditors of the company or, if none, by a nominee of the company appointed under the provisions of the Insolvency Act 2000.

For the purposes of the Insolvency Act 2000, a "small company" is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £2.8 million; (ii) its balance sheet total is not more than £1.4 million; and (iii) the number of its employees is not more than 50.

For as long as the turnover of the Issuer is greater than £2.8 million and its balance sheet total is greater than £1.4 million, the Issuer will not be regarded as a "small" company under the law as it currently stands. The Secretary of State for Trade and Industry may by regulation in the future modify the eligibility requirements for the applicability of the Insolvency Act 2000 and the definition of a "small" company.

Whether or not the Issuer is a "small" company within the provisions of the Insolvency Act 2000 will be an accounting matter determined on a financial year by financial year basis for the relevant company.

Pursuant to Regulations made recently by the Secretary of State which also came into force on 1 January 2003, companies which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment, are excluded from being eligible for the moratorium. The definitions of "capital

market arrangement” and “capital market investment” are broad, such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, may be ineligible to seek the benefit of the small companies protection in any event.

These provisions may serve to limit the Trustee’s ability to enforce the security granted by the Issuer if, first, the Issuer falls within the eligibility criteria for a moratorium at the relevant time; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception: in those circumstances, the enforcement of the security by the Trustee may, for a period, be prohibited by the imposition of the moratorium.

Even if a moratorium could delay enforcement proceedings against the Issuer, this would be for a maximum period of only three months as described above (subject to the Secretary of State increasing, by order, the period for which a moratorium may be obtained). In addition, even if a protection period were granted in relation to it, it could obtain approval to continue to make payments in accordance with the Trust Deed and the Conditions.

The Enterprise Act 2002

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

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in this Offering Circular, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

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

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

The Act also removes the Crown’s preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured creditors take the benefits of this change (section 252). Under this latter provision the unsecured creditors will have recourse to the floating charge assets up to a fixed amount (the “prescribed part”) in priority to the holder of the floating charge concerned. The floating charge assets must be worth at least £10,000 before the prescribed part will apply. The prescribed part will be 50% of the first £10,000; then 20% of the rest up to a total of £600,000. The prescribed part will apply to all floating charges created on or after the date as determined by order of the Secretary of State regardless as to whether they fall within one of the exceptions or not. However, this provision is unlikely to be of practical significance in the case of a special purpose entity such as the Issuer which is subject to substantial restrictions on its activities (see Condition 3). As a result of those restrictions the Issuer will only have a limited ability to incur unsecured liabilities (as would any holding company of the Issuer which is subject to similar restrictions).

CREDIT STRUCTURE

General

The following is a summary of the structure and credit arrangements underlying the Notes. Such summary should be read in conjunction with information appearing elsewhere in this Offering Circular.

The Notes will not be obligations of GMAC-RFC, the Trustee, the Account Bank, the Cap Provider, the GIC Provider, the Currency Swap Counterparty, Ambac, Ambac Assurance, the Liquidity Facility Provider, the Corporate Services Provider, the Share Trustee, the Depository, the Paying Agents, the Exchange Rate Agent, the Managers or any other party other than the Issuer and will not be guaranteed by any such party (other than, in respect of Class A Interest and Class A Principal, Ambac). Neither GMAC-RFC, the Trustee, the Account Bank, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, Ambac Assurance, the Liquidity Facility Provider, the Paying Agents, the Managers nor anyone other than the Issuer and, in respect of Class A Interest and Class A Principal, Ambac, will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

Credit Support for the Notes Provided By Excess Spread

The interest rates payable by Borrowers in respect of the Mortgage Loans may vary. It is anticipated that, on the Issue Date, the revenue generated by applying the weighted average of the interest rates applicable to the Mortgage Loans will exceed items (i) through (vi) of the Pre-Enforcement Priority of Payments by an amount, calculated as a percentage, which, on the Issue Date, will be approximately 0.72%. The actual amount of the excess (the "Excess Spread") will vary during the life of the Notes. Among the key factors determining such variations will be the level of delinquencies and defaults experienced, the level of prepayments and the weighted average of the interest rates from time to time.

On any Payment Date, available Excess Spread will be used to cover, *inter alia*, any Principal Deficiencies, to pay amounts due to Ambac and/or Ambac Assurance pursuant to the Reimbursement and Indemnity Agreement, to be applied as Actual Redemption Funds (to repay principal on the A Notes and/or make payments to the Currency Swap Counterparty) until the Target Overcollateralisation Amount has been reached, and to make interest and principal payments in respect of C Notes. In each case, application of Excess Spread for these purposes is subject to higher ranking items in accordance with the Pre-Enforcement Priority of Payments being satisfied in full.

The application of Excess Spread to:

- (i) cover any Principal Deficiency pursuant to item (vii) of the Pre-Enforcement Priority of Payments;
- (ii) to be applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments; and
- (iii) reimburse Ambac for drawings under the Ambac Note Policy in respect of Excess Loss Amounts pursuant to item (viii) of the Pre-Enforcement Priority of Payments

will be subject to the Excess Spread Credit Support Cap (as defined below). Once an aggregate amount equal to the Excess Spread Credit Support Cap has been so applied, Excess Spread will no longer be available for application under items (vii), (viii) (in respect of Excess Loss Amounts only) and (ix) of the Pre-Enforcement Priority of Payments. Any further Principal Deficiency which arises after the Excess Spread Credit Support Cap has been reached which results in a debit balance on the Overcollateralisation Ledger as at the next Payment Date will then be covered firstly by Initial Overcollateralisation and then under the Ambac Note Policy and not by Excess Spread.

"Excess Spread Credit Support Cap" means the maximum aggregate amount of £45,000,000 available to be applied (i) to cover Principal Deficiency pursuant to item (vii) of the Pre-Enforcement Priority of Payments; (ii) to be applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments; and (iii) to reimburse Ambac for drawings under the Ambac Note Policy in respect of Excess Loss Amounts pursuant to item (viii) of the Pre-Enforcement Priority of Payments.

After making the payments, applications or provisions referred to in the Pre-Enforcement Priority of Payments on each Payment Date, it is not intended that any surplus will be accumulated in the Issuer.

The Mortgage Loans in the Completion Mortgage Pool will be sold for a price which includes an amount payable on the Issue Date equal to the aggregate Balances of such Mortgage Loans as at the Cut-Off Date less the Initial Overcollateralisation plus a premium. The Issuer will pay for the Initial Overcollateralisation by means of Deferred Purchase Price as set out in "*Deferred Consideration – Deferred Purchase Price*".

Liquidity Facility

The Issuer will be entitled on any Payment Date to make drawings up to the Liquidity Maximum Amount under the Liquidity Facility (any such drawing to be initially credited to the Issuer Transaction Account and recorded in a ledger maintained by the Administrator established for such purposes (the "Liquidity Ledger")) to the extent that there are

insufficient amounts available for distribution standing to the credit of the Revenue Ledger to meet items (i) to (vi) of the Pre-Enforcement Priority of Payments on that Payment Date. Drawings credited to the Liquidity Ledger on any Payment Date will be transferred to the Revenue Ledger on that Payment Date for application in accordance with items (i) to (vi) of the Pre-Enforcement Priority of Payments. Likewise, any amounts due to be paid to the Liquidity Facility Provider in accordance with the Pre-Enforcement Priority of Payments will be transferred from the Revenue Ledger to the Liquidity Ledger and the balance adjusted accordingly on the Business Day before the relevant Payment Date and thereafter (but only prior to the Liquidity Drawdown Date as defined below) will be utilised in repaying amounts outstanding under the Liquidity Facility.

If, at any time, the credit rating of the Liquidity Facility Provider falls below P-1 by Moody's, A-1+ by S&P and F1+ by Fitch or the Liquidity Facility Provider has its short term rating withdrawn, or the Liquidity Facility is not renewed and in each case the Liquidity Facility is not replaced by an alternative Liquidity Facility such that the then current ratings (assuming that there is no Ambac Note Policy in force and effect) (the "Underlying Rating") of the A Notes is not adversely affected, the Issuer will forthwith draw down the entirety of the undrawn portion of the Liquidity Facility and credit such amount to the Liquidity Ledger. The date upon which such amount is drawn down is the "Liquidity Drawdown Date".

Amounts paid to the Liquidity Facility Provider in accordance with item (iv) of the Pre-Enforcement Priority of Payments will be capable of being redrawn under the Liquidity Facility (together, as the case may be, with other undrawn amounts under the Liquidity Facility prior to the Liquidity Drawdown Date) or from the Liquidity Ledger (on or after the Liquidity Drawdown Date) on any Payment Date to the extent set out above in this section.

"Liquidity Drawn Amount" means, on any Determination Date: (a) at any time prior to any Liquidity Drawdown Date, the amount then drawn under the Liquidity Facility and not repaid together with all accrued interest up to (but excluding) the related Payment Date pursuant to the Liquidity Facility Agreement; and (b) at any time on or after the Liquidity Drawdown Date, the difference between the Liquidity Maximum Amount and the Available Commitment under the Liquidity Facility as at the last day of the month immediately preceding such Determination Date. "Available Commitment" means the commitment under the Liquidity Facility less the outstanding advances, taking into account any repayment made on that date.

"Liquidity Maximum Amount" means 3 percent of the Principal Amount Outstanding of the Notes (taking the Sterling equivalent of the USD Notes and the Euro Notes) on the Issue Date, subject to reduction in accordance with the terms of the Liquidity Facility.

The Issuer shall not be entitled to make drawings under the Liquidity Facility, to the extent that, after the application of Available Revenue Funds, the Principal Deficiency Ledger would have a debit balance equal to or greater than 50 percent of the Principal Amount Outstanding of the A Notes on the Issue Date (taking the Sterling equivalent of the USD Notes and the Euro Notes).

Under the terms of the Liquidity Facility, the Liquidity Maximum Amount shall be reduced on each Payment Date falling on or after the first Payment Date on which the initial Liquidity Maximum Amount is greater than or equal to 5 percent of the Principal Amount Outstanding of the Notes (taking the Sterling equivalent of the USD Notes and the Euro Notes) following application of the Actual Redemption Funds on such Payment Date, to an amount which is the greater of:

- (a) 5 percent of the Principal Amount Outstanding of the Notes (taking the Sterling equivalent of the USD Notes and the Euro Notes) on the relevant Payment Date; and
- (b) 1 percent of the Principal Amount Outstanding of the Notes (taking the Sterling equivalent of the USD Notes and the Euro Notes) on the Issue Date.

No such reduction shall be permitted on a Payment Date if:

- (a) there is a debit balance on the Principal Deficiency Ledger;
- (b) the Administrator for the time being is in breach of any of its obligations in the Documents;
- (c) any amount is then outstanding under the Liquidity Facility;
- (d) the aggregate value of the principal losses experienced on the Mortgage Pool (whether or not such losses form part of the Principal Deficiency Ledger at such time) at the immediately preceding Determination Date is greater than 1.5 percent of the aggregate Principal Amount Outstanding of the Notes (taking the Sterling equivalent of the USD Notes and the Euro Notes) on the Issue Date;
- (e) as at the immediately preceding Payment Date the aggregate Balance of Mortgage Loans in respect of which payment is 90 days or more in arrears is higher than 5 percent of the aggregate Balance of all Mortgage Loans in the Mortgage Pool; or
- (f) the Target Overcollateralisation Amount has not been reached.

Overcollateralisation

The Initial Overcollateralisation will be credited to the Overcollateralisation Ledger (as defined below) on the Issue Date. To provide limited coverage for Principal Deficiencies, the Issuer will, subject to the Excess Spread Credit Support Cap, apply Available Revenue Funds on each Payment Date (to the extent available after making payments in respect of items (i) to (viii) of the Pre-Enforcement Priority of Payments) as Actual Redemption Funds until an amount equal to 1.70% of the Base Currency PAO of the A Notes as at the Issue Date has been so applied (the “Target Overcollateralisation Amount”). As a result, the principal balance outstanding under the Mortgage Loans will exceed the Base Currency PAO of the A Notes by 1.70% of the Base Currency PAO of the A Notes on the day the Target Overcollateralisation Amount has been reached (“Overcollateralisation”). Each time any amounts are so applied towards the reduction of the Base Currency PAO of the A Notes, the Issuer will credit an equal amount to a ledger created in its books for that purpose (the “Overcollateralisation Ledger”). Each time a Principal Deficiency (as defined below) arises, the Issuer will debit an amount equal to such Principal Deficiency to the Overcollateralisation Ledger. The Overcollateralisation Ledger will be credited in respect of every payment made under item (vii) of the Pre-Enforcement Priority of Payments so that the level of Overcollateralisation will be maintained to the extent that Excess Spread is available for that purpose. However, Overcollateralisation will not be so maintained after the aggregate of the Initial Overcollateralisation and the Excess Spread Credit Support Cap has been reached. If further Principal Deficiencies are incurred in any Determination Period which result in a debit balance on the Overcollateralisation Ledger at the next Payment Date, a drawing will be made under the Ambac Note Policy. An amount equal to such drawing will be credited to the Overcollateralisation Ledger. The Target Overcollateralisation Amount may be reduced provided that certain performance triggers set out in the Reimbursement and Indemnity Agreement are met.

“Base Currency PAO” means, in relation to the Notes the Principal Amount Outstanding in Sterling of any Note denominated in Sterling, and/or the Sterling equivalent of the Principal Amount Outstanding of the USD Notes and the Euro Notes, calculated using the USD Currency Swap Rate and the Euro Currency Swap Rate respectively.

Ambac Note Policy

Under the Ambac Note Policy, Ambac will guarantee certain payments due to the holders of the A Notes in respect of Class A Interest and Class A Principal. See section entitled “*Form of Ambac Note Policy*” for a more detailed description of the extent of Ambac’s obligations under the Ambac Note Policy.

GMAC-RFC Accounts, Collection Account and Expenses Account

The Borrowers under the Mortgage Loans will make all payments (including any amounts calculated by reference to the Mortgage Early Redemption Charges) into one of the GMAC-RFC Accounts. Amounts received by direct debit will be transferred to the Collection Account on a daily basis. Amounts received other than by direct debit will, to the extent they represent receipts in respect of the Mortgage Loans, be transferred to the Collection Account on the following business day. Amounts standing to the credit of the Collection Account will be swept on a daily basis into the Issuer Transaction Account. GMAC-RFC will declare a trust over the Expenses Account, the Collection Account and the GMAC-RFC Accounts in favour of the Issuer, the Trustee and itself (the “Declaration of Trust”). The “Expenses Account” is an account in the name of GMAC-RFC from which amounts are debited to make Permitted Withdrawals in the manner described in “*Permitted Withdrawals from the Issuer Transaction Account*” below.

Issuer Accounts

Pursuant to the terms of the Guaranteed Investment Contract, amounts standing to the credit of the Issuer Transaction Account will be transferred from such account to the GIC Account. The GIC Provider will contract to pay a specific rate of interest on funds on deposit in the GIC Account. The short term, unsecured, unguaranteed and unsubordinated debt obligations of Barclays Bank PLC are currently rated P-1 by Moody’s, A-1+ by S&P and F1+ by Fitch. Additionally, the Issuer will maintain the Currency Accounts.

Use of Ledgers

The Issuer will be required to record or cause to be recorded all amounts received from Borrowers in respect of the Mortgage Loans or otherwise paid or recovered in respect of the Mortgage Loans (other than principal amounts received representing monthly repayments of principal, redemption proceeds and amounts recovered on enforcement, sale or repurchase in each case representing principal (the “Principal Funds”) and other than amounts calculated by reference to the Mortgage Early Redemption Charges) in a ledger for that purpose (the “Revenue Ledger”). The Issuer will be required to record Principal Funds in a ledger for that purpose (the “Principal Ledger”).

The amounts standing to the credit, at any time, of the Further Advances Ledger, the Liquidity Ledger, the Pre-Funded Mortgage Loans Ledger, the Principal Ledger and the Revenue Ledger (collectively, the “Ledgers”) will, in the aggregate, represent all sums standing to the credit of the Collection Account, the GMAC-RFC Accounts (to the extent they represent receipts in respect of Mortgage Loans within the Mortgage Pool), the GIC Account, the Currency Accounts and the Issuer Transaction Account other than amounts calculated by reference to the Mortgage Early Redemption Charges. The Ledgers

will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited in the manner described in “Pre-Enforcement Priority of Payments” below.

Income Deficiencies

On each day which falls five Business Days prior to a Payment Date (a “Determination Date”), the Administrator will determine whether the credit balance of the Revenue Ledger (the “Initial Available Revenue”) as at the last Business Day of the month immediately preceding such Determination Date is sufficient to pay or provide for payment of items (i) to (vi) inclusive under the Pre-Enforcement Priority of Payments. To the extent that such credit balance is insufficient (the amount of any deficit being an “Income Deficiency”), the Issuer shall pay or provide for such Income Deficiency first (but only to the extent permitted as set out under “Liquidity Facility” above) by applying amounts standing to the credit of the Liquidity Ledger. To the extent the application of such amounts is insufficient to cover payments due under item (vi) of the Pre-Enforcement Priority of Payments, the Trustee will make a demand under the Ambac Note Policy to cover such shortfall.

Principal Deficiency Ledger

A principal deficiency ledger (the “Principal Deficiency Ledger”) will be established in order to record any principal deficiency (the “Principal Deficiency”). A Principal Deficiency will be recorded on the Principal Deficiency Ledger in respect of any amount of principal which remains outstanding under any Mortgage Loan after completion by the Administrator of the arrears and default procedures (as more particularly described in the section “Administration of the Mortgage Pool – Arrears and Default Procedures”). Amounts allocated to the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Funds available therefor on any Payment Date in accordance with the Pre-Enforcement Priority of Payments, or by amounts paid under the Ambac Note Policy in respect of Excess Loss Amounts.

Use of Proceeds of the C Notes

The proceeds of the issue of the C Notes will be used to fund (a) the costs and expenses arising in respect of the Notes which are issued on the Issue Date and (b) the Pre-Funded Mortgage Loans Interest Shortfall which will be credited to the Pre-Funded Mortgage Loans Ledger. The “Pre-Funded Mortgage Loans Interest Shortfall” is calculated as follows:

$$\frac{(A-B) \times C \times D}{366}$$

- A = weighted average Rate of Interest for the Sterling Notes payable to the holders of the Sterling Notes, the USD Notes payable to the Currency Swap Counterparty and the Euro Notes payable to the Currency Swap Counterparty for the first Interest Period.
- B = the rate of interest payable by the GIC Provider during the first Interest Period pursuant to the Guaranteed Investment Contract.
- C = the Pre-Funded Mortgage Loans Amount.
- D = the number of days from and including the Issue Date to but excluding the first Payment Date.

The C Notes

C Noteholders will not be entitled to receive any payment of interest, unless and until all amounts then due to, *inter alios*, the A Noteholders and (after Coupon Stripping) the A3 Detachable Couponholders, the Currency Swap Counterparty and Ambac have been paid in full, in accordance with the Pre-Enforcement Priority of Payments.

If on any Determination Date there are insufficient Available Revenue Funds to make payment in full of amounts of interest due and payable on the C Notes then, to that extent, interest on such Notes shall be deferred until the next Payment Date on which there are sufficient Available Revenue Funds, as more fully described in Condition 4(f) of the “Terms and Conditions of the Notes”.

Each class of Notes will be constituted by the Trust Deed and will share the same security although, upon enforcement, the A Notes will rank in priority to the C Notes in point of security. See also “Risk Factors – Risks Related to the Notes – Subordination of the C Notes, – Risks Related to the C Notes and – Risks Related to the Mortgage Loans”.

Interest Rate Matching

All but 740 of the Mortgage Loans in the Initial Mortgage Pool are currently LIBOR-linked mortgages, which means that the interest payable thereunder is calculated as a specified margin in excess of Note LIBOR from time to time. The remaining Mortgage Loans are fixed rate mortgage loans all of which will convert to LIBOR-linked rates at the expiry of the relevant fixed-rate period which expires no later than 1 April 2006. As described below, following such conversion, LIBOR on these Mortgage Loans will be re-set on a quarterly basis.

LIBOR on the Mortgage Loans is set on the 12th day in June, September, December and March or, where that day is not a Business Day, the next Business Day (each such date a "Re-Set Date"). LIBOR as established on such Re-Set Date shall be effective two Business Days thereafter until the day preceding two Business Days after the next Re-Set Date.

Interest Rate Cap Agreement

To hedge against a possible rise in Note LIBOR to a rate in excess of 10%, the Issuer will enter into an interest rate cap agreement with the Cap Provider (the "Interest Rate Cap Agreement") from the Issue Date for a period of four years. Under the Interest Rate Cap Agreement, the difference between (a) the amount produced by applying Note LIBOR for the relevant Interest Period to the notional amount of £52,500,000 (the "Notional Amount") and (b) the amount produced by applying 10% to the Notional Amount for the same period will be paid (if such figure is positive) by the Cap Provider to the Issuer on the next following Payment Date.

In the event that the short-term unsecured and unsubordinated debt obligations of the Cap Provider are downgraded below A-1 by S&P or F1 by Fitch (each a "Cap Provider Downgrade Event") or such rating is withdrawn, then the Issuer has the right to terminate the Interest Rate Cap Agreement thereunder unless the Cap Provider, within 30 days of such downgrade, at its own cost either:

- (i) obtains a guarantee of its obligations under the Interest Rate Cap Agreement from a third party, whose short-term unsecured and unsubordinated debt obligations are rated A-1 or above by S&P and F1 or above by Fitch or who is otherwise approved by S&P or Fitch respectively; or
- (ii) transfers all of its rights and obligations under the Interest Rate Cap Agreement to a third party provided that such third party's short-term unsecured and unsubordinated debt obligations are rated A-1 or above by S&P and F1 or above by Fitch or who is otherwise approved by S&P or Fitch respectively; or
- (iii) provides collateral for its obligations in accordance with the terms of the Interest Rate Cap Agreement and on terms acceptable to S&P and Fitch; or
- (iv) establishes any other arrangement or takes such other action satisfactory to S&P and Fitch to maintain the then current ratings of the A Notes.

In the event that the short-term unsecured and unsubordinated debt obligations of the Cap Provider are downgraded below F2 by Fitch, then the Issuer has the right to terminate the Interest Rate Cap Agreement thereunder unless the Cap Provider, within 30 days of such downgrade, at its own cost either:

- (i) obtains a guarantee of its obligations under the Interest Rate Cap Agreement from a third party, whose short-term unsecured and unsubordinated debt obligations are rated F1 or above by Fitch or who is otherwise approved by Fitch; or
- (ii) transfers all of its rights and obligations under the Interest Rate Cap Agreement to a third party provided that such third party's short-term, unsecured and unsubordinated debt obligations are rated F1 or above by Fitch or who is otherwise approved by Fitch; or
- (iii) establishes any other arrangement or takes such other action satisfactory to Fitch to maintain the then current ratings of the A Notes.

Pending compliance with any of (i), (ii) or (iii) above, the Cap Provider must, at its own cost, provide collateral for its obligations in accordance with the terms of the Interest Rate Cap Agreement and on terms acceptable to Fitch. If any of (i), (ii) or (iii) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) so transferred by the Cap Provider will be retransferred to the Cap Provider and the Cap Provider will not be required to transfer any additional collateral.

Where the Cap Provider provides collateral in accordance with the terms of the Interest Rate Cap Agreement, such collateral will, upon receipt by the Issuer, be credited to a separate ledger (created to record such amounts) and transferred (if in cash form) to the GIC Account or such other account established for such purpose. Any collateral provided by the Cap Provider will not form part of the Available Revenue Funds or the Actual Redemption Funds except in accordance with the terms of the collateral agreement providing for the payment of such collateral.

Currency Swap Agreements

The USD Notes and the Euro Notes will be denominated in US dollars and Euro respectively, and the Issuer will pay interest and principal on the USD Notes in US dollars and on the Euro Notes in Euro. However, payments of interest and principal by Borrowers under the Mortgage Loans will be made in sterling. In addition, each of the USD Notes and the Euro Notes will bear interest at a rate based on a margin over Note USD-LIBOR and Note EURIBOR respectively. In order to protect itself against currency exchange rate exposure (and any related interest rate exposure in connection with such currency

exchange rate exposure) in respect of the USD Notes and the Euro Notes, the Issuer will enter into the Currency Swap Agreements with the Currency Swap Counterparty on or prior to the Issue Date.

Under the terms of each Currency Swap Agreement, the Issuer will pay to the Currency Swap Counterparty:

- (a) on the Issue Date, the net US dollar and euro proceeds received on the issue of the USD Notes and the Euro Notes respectively;
- (b) two Business Days (as defined in the relevant Currency Swap Agreement) prior to each Payment Date, an amount in sterling based on Note LIBOR applied to a principal amount equal to the Base Currency PAO of the USD Notes and the Euro Notes; and
- (c) two Business Days (as defined in the relevant Currency Swap Agreement) prior to each Payment Date, an amount in sterling equal to the amount available to be applied in repayment of principal on the USD Notes and the Euro Notes on that Payment Date.

Under the terms of each Currency Swap Agreement, the Currency Swap Counterparty will pay to the Issuer or to its order:

- (a) on the Issue Date, an amount in sterling equal to the net US dollars and euro proceeds of the issue of the USD Notes and the Euro Notes, respectively, such proceeds to be converted into sterling at the relevant Currency Swap Rate (as defined below);
- (b) two Business Days (as defined in the relevant Currency Swap Agreement) prior to each Payment Date, an amount in US dollars and euro equal to the interest to be paid in US dollars and euro on the USD Notes and the Euro Notes, respectively, on such Payment Date; and
- (c) two Business Days (as defined in the relevant Currency Swap Agreement) prior to each Payment Date, an amount in US dollars and euro equal to the amount of principal to be repaid on the USD Notes and the Euro Notes, respectively, on such Payment Date.

The relevant euro/sterling and USD/sterling exchange rates will be determined on or prior to the Issue Date (respectively the "Euro Currency Swap Rate" (being the euro/sterling exchange rates under the A1c Euro Note Currency Swap Agreement and/or the A2c Euro Note Currency Swap Agreement, as applicable) and the "USD Currency Swap Rate" (being the USD/sterling exchange rates under the A1b USD Note Currency Swap Agreement and/or the A2b USD Note Currency Swap Agreement, as applicable) and, together and each of them, the "Currency Swap Rate").

Each Currency Swap Agreement may be terminated by the Currency Swap Counterparty in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments or if a withholding tax is imposed. Each Currency Swap Agreement may be terminated by the Issuer in circumstances including, *inter alia*, where the Currency Swap Counterparty is in default by reason of the failure by the Currency Swap Counterparty to make payments, where the Currency Swap Counterparty is otherwise in breach of the Currency Swap Agreement and where certain insolvency related or corporate reorganisation events affect the Currency Swap Counterparty.

Each Currency Swap Agreement may also terminate early in the event that there are changes in law resulting in the illegality of the obligations to be performed by either party.

Promptly upon the termination of the Currency Swap Agreement, the Issuer will notify the Trustee of each such termination.

Upon termination of a Currency Swap Agreement, either the Issuer or the Currency Swap Counterparty will be liable to make a termination payment to the other in accordance with the terms of the relevant Currency Swap Agreement. The amount of such a termination payment will be based on market quotations of the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss in the event that market quotations cannot be determined). Except where it is a Currency Swap Counterparty Default Payment, the termination payment due by the Issuer will rank *pari passu* with the relevant class of Notes. The Currency Swap Counterparty is not bound to make any other payments. In particular, the Currency Swap Counterparty is not obliged to make or guarantee any payments.

In the event that the financial strength rating of Ambac Assurance, as issuer of the Counterparty Swap Policy (or its successor or assignee) or, where not available, its long-term unsecured and unsubordinated debt obligations, ceases to be rated as high as "AA –" by S&P or "A1" by Moody's or "AA –" by Fitch (or its equivalent) (the "Currency Swap Trigger Ratings"), then the Issuer has the right to terminate the Currency Swap Agreements unless the Currency Swap Counterparty, within 30 days of such downgrade and at its own cost, either:

- (i) provides collateral for its obligations in accordance with the terms of each of the Currency Swap Agreements; or
- (ii) obtains a guarantee of its obligations under each of the Currency Swap Agreements from a third party whose ratings are equal to or higher than the Currency Swap Trigger Ratings; or
- (iii) transfers all of its rights and obligations under each of the Currency Swap Agreements to a third party, provided that such third party's ratings are equal to or higher than the Currency Swap Trigger Ratings; or

- (iv) delivers to the Issuer written notices obtained from each of S&P, Moody's and Fitch confirming that the then-current ratings of the Notes will not be downgraded as a result of the downgrading of Ambac Assurance's debt obligations.

In the event that the financial strength rating of Ambac Assurance, as issuer of the Counterparty Swap Policy (or its successor or assignee), or, where not available, its long-term unsecured and unsubordinated debt obligations, ceases to be rated as high as "A-" by Fitch, then the Issuer has the right to terminate the Currency Swap Agreements unless the Currency Swap Counterparty, within 30 days of such downgrade and at its own cost, either:

- (i) obtains a guarantee of its obligations under each of the Currency Swap Agreements from a third party whose long-term unsecured and unsubordinated debt obligations are rated at least as highly as "AA-" by Fitch; or
- (ii) transfers all of its rights and obligations under each of the Currency Swap Agreements, provided that such third party's long-term unsecured and unsubordinated debt obligations are rated at least as highly as "AA-" by Fitch; or
- (iii) establishes any other agreement or takes such other action satisfactory to Fitch to maintain the then current ratings of the A Notes.

Pending compliance with any of (i), (ii) or (iii) above, the Currency Swap Counterparty must, at its own cost, provide collateral for its obligations in accordance with the terms of the Currency Swap Agreement and on terms acceptable to Fitch. If any of (i), (ii) or (iii) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) so transferred by the Currency Swap Counterparty will be retransferred to the Currency Swap Counterparty and the Currency Swap Counterparty will not be required to transfer any additional collateral.

In the event that (i) the financial strength rating of Ambac Assurance, as issuer of the Counterparty Swap Policy (or its replacement in such capacity), or where not available, its long-term unsecured and unsubordinated debt obligations, ceases to be rated as high as "Baa2" (or its equivalent) by Moody's or (ii) if Ambac Assurance is replaced as issuer of the Counterparty Swap Policy, the short-term unsecured and unsubordinated debt obligations of any such replacement (if such entity has a short-term rating) ceases to be rated at least as high as "Prime-2" (or its equivalent) by Moody's (each, a "Subsequent Moody's Rating Event"), then the Issuer has the right to terminate the Currency Swap Agreements unless the Currency Swap Counterparty, within 30 days of such Subsequent Moody's Rating Event, provides collateral for its obligations in accordance with Moody's criteria (as set out in the Currency Swap Agreements) and uses its best efforts at its own cost, either to:

- (i) transfer all of its rights and obligations under each of the Currency Swap Agreements to a third party with an applicable rating prescribed by Moody's; or
- (ii) procure a third party with an applicable rating prescribed by Moody's to become a co-obligor in respect of its obligations under the Currency Swap Agreements; or
- (iii) take such other action as agreed with Moody's.

If one of the above three conditions is satisfied at any time, the collateral posted by the Currency Swap Counterparty following the Subsequent Moody's Rating Event will be transferred back to it in full.

Where the Currency Swap Counterparty provides collateral in accordance with the terms of any Currency Swap Agreement, such collateral will be credited by the Issuer to a separate ledger created to record such amounts. Any collateral provided by the Currency Swap Counterparty will not form part of the Available Revenue Funds or the Actual Redemption Funds except in accordance with the terms of the collateral agreement providing for the payment of such collateral.

The Currency Swap Counterparty may terminate the Currency Swap Agreements in the event that proceedings are taken against the Issuer to enforce payment of the Notes.

The Currency Swap Counterparty may in certain circumstances transfer its obligations in respect of a Currency Swap Agreement to another entity provided that the Rating Agencies confirm that such transfer of obligations would not result in a downgrade of the then current ratings of the A Notes.

The Issuer is not obliged under the Currency Swap Agreements to gross up payments made by it under the Currency Swap Agreements if withholding taxes are imposed on such payments.

The Currency Swap Counterparty is obliged to gross up payments made by it to the Issuer under the Currency Swap Agreements if withholding taxes are imposed on such payments, although in such circumstances the Currency Swap Agreements may be terminated early by the Currency Swap Counterparty.

Each of the Currency Swap Agreements will be governed by New York law.

Issuer Swap Policy and Counterparty Swap Policy

On or about the Issue Date, Ambac Assurance will issue the Issuer Swap Policy in respect of certain amounts payable by the Issuer to the Currency Swap Counterparty under the Currency Swap Agreements. Under the Reimbursement and Indemnity

Agreement, the Issuer will be obliged to reimburse Ambac Assurance in respect of the payments made by Ambac Assurance under the Issuer Swap Policy.

On or about the Issue Date, Ambac Assurance will issue the Counterparty Swap Policy in respect of certain amounts payable by the Currency Swap Counterparty to the Issuer under the Currency Swap Agreements. The Issuer will not be obliged to reimburse Ambac Assurance in respect of any such payments.

Permitted Withdrawals from the Issuer Transaction Account

On any date (including any Payment Date), the Administrator shall be permitted to make the following withdrawals and corresponding payments from amounts on deposit in the Issuer Transaction Account to make the following payments, either (i) directly or (ii) in respect of items (a) to (c) inclusive, (g), (i) and (j) below, indirectly by transferring sufficient funds from the Issuer Transaction Account to the Expenses Account and making those payments from such account:

- (a) to make Further Advances to Borrowers;
- (b) to pay when due (but subject to any right to refuse or withhold payment or offset that has arisen by reason of the Borrower's breach of the terms of the Mortgage Loan concerned) any amount payable by the Issuer to a Borrower under the terms of the Mortgage Loan to which that Borrower is a party or by operation of law;
- (c) if any amount has been received from a Borrower for the express purpose of payment being made by the Issuer to a third party for the provision of a service (including giving insurance cover) to either that Borrower or the Issuer to pay such amount when due to such third party or, in the case of the payment of an insurance premium, where such third party and GMAC-RFC have agreed that payment of commission to GMAC-RFC should be made by deduction from such insurance premium, to pay such amount less such commission when due to such third party and to pay such commission to GMAC-RFC;
- (d) to pay to any person (including GMAC-RFC and the Administrator) any amounts due arising from any overpayment by any person to the Issuer in respect of the Mortgage Loans or arising from any reimbursement by any person of any such overpayment;
- (e) to pay to the Inland Revenue any amount due;
- (f) other than on a Payment Date, to pay when due and payable any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Trust Deed and not provided for payment elsewhere in items (a) to (e) above or (g) to (l) below and to pay any premia in respect of any insurance policy relating to any Mortgage Loan;
- (g) to make payments to the Administrator pursuant to the Administration Agreement;
- (h) to refund any amounts due arising from the rejection of any direct debit payments in respect of a Mortgage Loan;
- (i) to refund any other overpayments made by a Borrower and all other amounts not relating to the Mortgage Loans owned by the Issuer or in respect of which the Issuer has no entitlement pursuant to the Mortgage Sale Agreement, or amounts credited to the Issuer Transaction Account in error;
- (j) to make payments of any Prepayment Deferred Consideration;
- (k) to refund to GMAC-RFC any amounts which represent amounts received from Borrowers and which are amounts owed by such Borrowers in respect of any period prior to the Issue Date as and when identified by the Administrator and if a Borrower fails to pay the full amount that it owes, the Administrator shall be obliged to refund to GMAC-RFC only such portion of the amount received which relates to any period prior to the Issue Date;
- (l) to make payment to GMAC-RFC of the Pre-Funded Mortgage Loans Purchase Price on the Eligible Dates;
- (m) to make payment to the holders of the C Notes towards redemption of the C Notes of the amount standing to the credit of the Pre-Funded Mortgage Loans Ledger which is not required to be paid to the holders of the A Notes; and
- (n) to make payments into the GIC Account pursuant to the terms of the Guaranteed Investment Contract.

Each of the above payments shall be referred to as "Permitted Withdrawals". To the extent that any of the above Permitted Withdrawals are made by the Administrator from and including the last Business Day of the month preceding such Determination Date to and including a Payment Date (or in the case of a payment described in (g) above to but excluding such Payment Date), any such withdrawals in respect of items (b) through (n), inclusive, shall be made prior to the Pre-Enforcement Priority of Payments and, therefore, shall not be included in Available Revenue Funds for such Payment Date.

Pre-Enforcement Priority of Payments

Prior to enforcement of the Security, the Issuer is required to apply monies available for distribution as at the last Business Day of the month preceding each Payment Date (the "Available Revenue Funds" which, for the avoidance of doubt, excludes any principal receipts) in or towards the satisfaction of the payments or provisions in the following order of priority (the "Pre-Enforcement Priority of Payments") (in each case only to the extent that the payments or provisions of a higher priority have been made in full):

- (i) first, to pay when due the remuneration payable to the Trustee (plus Value Added Tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;
- (ii) second, to pay when due amounts, including audit fees and company secretarial expenses (plus Value Added Tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer's liability or possible liability for corporation tax;
- (iii) third, to pay *pro rata*:
 - (A) the administration fee payable to the Administrator (plus Value Added Tax, if any), such fee being an amount equal to one quarter of 0.15% per annum of the average total principal balance of the Mortgage Loans outstanding on the first day of each of the three months immediately prior to the relevant Determination Date or if the appointment of the Administrator is terminated and a substitute administrator, which is not an affiliate of GMAC-RFC, is appointed, the figure 0.15% above shall be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement and subject always to the consent of the Trustee acting on the direction of Ambac (if Ambac is then the Note Controlling Party); and
 - (B) amounts due to the Principal Paying Agent, the Paying Agent and Agent Bank under the Paying Agency Agreement, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement, Barclays Bank PLC under the Bank Agreement and the Guaranteed Investment Contract and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iv) fourth, to pay all fees, costs, expenses, principal, interest and any other amounts due to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);
- (v) fifth, to pay or provide the amounts then due to Ambac in respect of the guarantee fees under the Guarantee Fee Letter, plus any previous unpaid guarantee fees with interest thereon provided that no Ambac Event of Default as described in paragraph (i) of Condition 10 has occurred and is continuing;
- (vi) sixth, (A) first, to pay *pari passu* and *pro rata* (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders and the A3 Detachable Couponholders), (b) amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the Currency Swap Agreements (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Currency Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the credit rating of the Currency Swap Counterparty (as such terms are defined in the Currency Swap Agreements) (a "Currency Swap Counterparty Default Payment")), and if any or all of the A1b USD Note Currency Swap Agreement, the A2b USD Note Currency Swap Agreement, the A1c Euro Note Currency Swap Agreement or the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu* and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or Euro in the spot exchange market in order to meet the interest then due on the relevant class of A Notes and (c) amounts (if any) credited to the Liquidity Ledger, relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, in respect of amounts reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an

interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred; and

- (B) second, to the extent that in relation to any spot exchange for US dollars or Euro, an amount is obtained which is insufficient to pay interest due on the USD Notes and/or the Euro Notes as the case may be, to apply such further amounts in exchange for US dollars or Euro in the spot exchange market in order to meet such shortfall;

(all US dollar amounts and/or Euro amounts received pursuant to exchange in the spot market under this item (vi) are to be applied in payment of interest due in respect of the USD Notes and/or the Euro Notes, respectively);

- (vii) seventh, subject to the Excess Spread Credit Support Cap, an amount equal to the debit balance on the Principal Deficiency Ledger to be applied as Actual Redemption Funds in accordance with Condition 5 of the “*Terms and Conditions of the Notes*”;
- (viii) eighth, (A) first, provided that no Ambac Event of Default has occurred which is continuing, to pay Ambac amounts due to it under the Reimbursement and Indemnity Agreement, other than (once the Excess Spread Credit Support Cap has been reached) for drawings under the Ambac Note Policy made in respect of Excess Loss Amounts and (B) second, to pay Ambac Assurance any amounts due to it under the Reimbursement and Indemnity Agreement;
- (ix) ninth, subject to the Excess Spread Credit Support Cap, to apply amounts as Actual Redemption Funds until an amount equal to the Target Overcollateralisation Amount has been so applied;
- (x) tenth, (A) first, to pay Ambac any other amounts due to it under the Reimbursement and Indemnity Agreement and (B) second, to pay Ambac such amounts which would have been payable to Ambac pursuant to items (v) and (viii) above but for an Ambac Event of Default having occurred;
- (xi) eleventh, to retain in the Issuer Transaction Account, an amount (the “Issuer’s Profit”) equal to 0.01% of the product of the time weighted average Mortgage Rate of the Mortgage Loans during the preceding Determination Period and the aggregate principal balance outstanding of the Mortgage Loans (the “Issuer’s Turnover”) at the beginning of the preceding Determination Period, so that in each year 0.01% of the Issuer’s Turnover for that year comprises the Issuer’s Profit;
- (xii) twelfth, to pay amounts payable in respect of the C Notes other than in respect of principal on the C Notes;
- (xiii) thirteenth, to apply an amount not greater than the C Note Redemption Amount to repay principal in respect of the C Notes;
- (xiv) fourteenth, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty under the terms of the relevant Currency Swap Agreement;
- (xv) fifteenth, to pay GMAC-RFC or its assignees Ordinary Deferred Consideration; and
- (xvi) sixteenth, to pay any remaining amount to the Issuer or other persons entitled thereto.

All amounts received on each Payment Date from the Currency Swap Counterparty by the Issuer following the application of Available Revenue Funds under the Pre-enforcement Priority of Payments or Actual Redemption Funds under the Principal Priority of Payments under the terms of: (i) the A1b USD Note Currency Swap Agreement shall be paid to the holders of the A1b Notes; (ii) the A1c Euro Note Currency Swap Agreement shall be paid to the holders of the A1c Notes; (iii) the A2b USD Note Currency Swap Agreement shall be paid to the holders of the A2b Notes and (iv) the A2c Euro Note Currency Swap Agreement shall be paid to the holders of the A2c Notes, in each case in satisfaction of the Issuer’s interest and/or principal payment obligations under the USD Notes and the Euro Notes respectively on such Payment Date.

To the extent any amount so due to be received from the Currency Swap Counterparty is not paid to the Issuer and Ambac makes a payment to the Trustee under the Ambac Note Policy in respect of the amount due by the Issuer to the holders of the USD Notes or the Euro Notes in respect of the same, the Issuer will take reasonable action to recover from the Currency Swap Counterparty the amounts due from the Currency Swap Counterparty. Under the terms of the Deed of Charge, any amounts so recovered up to the amount of the actual payment by Ambac under the Ambac Note Policy will be paid by the Issuer to Ambac by way of reimbursement and will not constitute Available Revenue Funds or Actual Redemption Funds.

In the event that the A1b USD Note Currency Swap Agreement and/or the A1c Euro Note Currency Swap Agreement and/or the A2b USD Note Currency Swap Agreement and/or the A2c Euro Note Currency Swap Agreement terminates and a termination payment is paid by the Currency Swap Counterparty to the Issuer, such amount shall, upon the instruction of Ambac (for so long as Ambac is the Note Controlling Party), be applied towards payment of a suitably rated replacement currency swap counterparty in consideration for such replacement currency swap counterparty entering into a suitable replacement currency swap agreement with the Issuer and in such event shall not constitute Available Revenue Funds.

Principal Priority of Payments

Prior to the enforcement of the Security, the Issuer is required to apply the Actual Redemption Funds determined on the date which falls five Business Days prior to such Payment Date (each such date a "Determination Date") in the following manner and order of priority (the "Principal Priority of Payments"):

- (i) first, *pari passu* and at a ratio of 40.4 to 25.5 to 34.1 (being the ratio of the Base Currency PAO at issue of A1a Notes to A1b Notes to A1c Notes) to (a) the holders of the A1a Notes in respect of principal of the A1a Notes, (b) the Currency Swap Counterparty in respect of principal under the terms of the A1b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A1c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in the case of (b) and/or (c) above, if there is no A1b USD Note Currency Swap Agreement and/or A1c Euro Note Currency Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all US dollar and/or Euro amounts received under part (b) and (c) above or in the spot exchange market (the "A1b USD Redemption Amounts" and the "A1c Euro Redemption Amounts", respectively) (as the case may be) shall be applied in redemption of the A1b Notes or the A1c Notes as provided in Condition 5(b)) until the A1 Notes are redeemed in full;
- (ii) second, *pari passu* and at a ratio of 37.4 to 24.6 to 38.0 (being the ratio of Base Currency PAO at issue of A2a Notes to A2b Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes (b) the Currency Swap Counterparty in respect of principal under the terms of the A2b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in the case of (b) and/or (c) above, if there is no A2b USD Note Currency Swap Agreement and/or A2c Euro Note Currency Swap Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all US dollar and/or Euro amounts received under part (b) and (c) above or in the spot exchange market (the "A2b USD Redemption Amounts" and the "A2c Euro Redemption Amounts", respectively) (as the case may be) shall be applied in redemption of the A2b Notes or the A2c Notes as provided in Condition 5(b)) until the A2 Notes are redeemed in full;
- (iii) third, in redeeming the A3 Notes until the A3 Notes have been redeemed in full;
- (iv) fourth, in paying amounts due to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement until all such amounts have been paid in full;
- (v) fifth, in redeeming the C Notes until the C Notes have been redeemed in full; and
- (vi) sixth, in paying to GMAC-RFC or its assignees the Deferred Purchase Price under the terms of the Mortgage Sale Agreement.

The Administrator is responsible, pursuant to the Administration Agreement, for determining the amount of the Actual Redemption Funds as at any Determination Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, Ambac, the Trustee and all Noteholders and no liability to the Noteholders shall attach to the Issuer, Ambac, the Trustee or (in such absence as aforesaid) the Administrator in connection therewith. Such Actual Redemption Funds will be applied in accordance with the Principal Priority of Payments as set out in Condition 2(e) of the "Terms and Conditions of the Notes".

On each Determination Date, the aggregate of (a) the amount of Further Advances which the Issuer is committed to advancing (but has not yet advanced) as at the relevant Determination Date and (b) the amount, advised to the Issuer by the Administrator, which the Issuer anticipates it will require for future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than £500,000 (such aggregate amount, the "Committed Further Advances") will be transferred from the Principal Ledger to a ledger for that purpose (the "Further Advances Ledger"). Available Capital Funds may be applied or set aside by the Issuer on any day for the making of Further Advances after any amounts then standing to the credit of the Further Advances Ledger have been exhausted.

The amount of "Actual Redemption Funds" as at any Determination Date is an amount calculated as the aggregate of:

- (a) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of the Further Advances Ledger (before the transfer of the Committed Further Advances calculated on that Determination Date from the Principal Ledger) in each case as at the last Business Day of the month immediately preceding such Determination Date;
- (b) the amount (if any) calculated on the Determination Date to be the amount by which the debit balance on the Principal Deficiency Ledger is expected to be reduced by the application of Available Revenue Funds on the immediately succeeding Payment Date;

- (c) the amount (if any) of Available Revenue Funds calculated on the Determination Date to be the amount which is expected to be applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments on the immediately succeeding Payment Date;
- (d) the amount (the "Excess Loss Amount") (if any) calculated on the Determination Date to be (after application of Available Revenue Funds as described in paragraphs (b) and (c) above) the amount standing to the debit of the Overcollateralisation Ledger; and
- (e) on the first Determination Date after the final Eligible Date, the amount (if any) of the Principal Rebate standing to the credit of the Pre-Funded Mortgage Loans Ledger,

LESS

the Committed Further Advances calculated on such Determination Date.

For the purpose of the foregoing:

"Available Capital Funds" means, on any day during an Interest Period (including on a Determination Date), an amount represented by the amount standing to the credit of the Principal Ledger at the close of business on the preceding day, less, in the period between the last Business Day of the month immediately preceding a Determination Date and the application of such Actual Redemption Funds, (a) any commitments to purchase Substitute Mortgage Loans on the immediately succeeding Payment Date and (b) the amount of such Actual Redemption Funds calculated on the relevant Determination Date. The amount of Actual Redemption Funds will be applied to redeem Notes in the order provided in Condition 5(b) of the "*Terms and Conditions of the Notes*".

The "C Note Redemption Amount" as at any Determination Date will be the lower of (i) the principal amount outstanding of the C Notes as at that Determination Date and (ii) the principal amount outstanding of the C Notes minus the aggregate of the amount applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments, plus the aggregate amount of Principal Deficiencies.

THE ISSUER

Introduction

The Issuer was originally incorporated and registered in England and Wales with registered number 4980876 under the Companies Act 1985 as a company with limited liability on 1 December 2003. The Issuer's issued share capital of £50,000 (of which £12,502 is paid up) is held by Holdings.

Directors

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

<i>Name</i>	<i>Address</i>	<i>Principal Activities</i>
Colin Walter Bradley	Eastern Gate Brants Bridge Bracknell Berkshire RG12 9BZ	Director of securitisation issuance companies Director, GMAC-RFC Limited
SFM Directors Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose vehicles
SFM Directors (No. 2) Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose vehicles

The Company Secretary of the Issuer is Karen Edmonds.

The registered office and the head office of the Issuer is at Eastern Gate, Brants Bridge, Bracknell, Berkshire RG12 9BZ.

The Issuer has no subsidiaries.

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited are Jonathan E. Keighley, James G.S Macdonald and Robert W. Berry.

The Issuer is wholly owned by its UK holding company Holdings which is wholly owned by the Share Trustee subject to a trust for the benefit of charitable institutions, in respect of capital and income, and for the benefit of the Noteholders, in respect of the voting rights relating to the shares of Holdings.

In accordance with the Corporate Services Agreement, GMAC-RFC and the Corporate Services Provider will each provide directors and other corporate services to the Issuer. The Issuer will pay the Corporate Services Provider and GMAC-RFC an annual fee.

Activities

The Issuer has been established specifically to acquire the Mortgage Pool. Its activities will be restricted by the terms and conditions of the Notes and the Documents and will be limited to the issue of the Notes, the ownership of the Mortgage Loans and their Related Security and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include (a) the collection of all payments of (principal and interest) due from Borrowers on Mortgage Loans; (b) the operation of arrears procedures; (c) the enforcement of Mortgage Loans and their Related Security against Borrowers in default; (d) the determination of the making of Further Advances; and (e) the purchasing of Substitute Mortgage Loans and the Pre-Funded Mortgage Loans. Substantially all of the above activities will be sub-contracted to the Administrator on an agency basis under the Administration Agreement. The Issuer (with the consent of the Trustee) or the Trustee may revoke the agency (and, simultaneously, the rights) of the Administrator in certain circumstances, following an Event of Default in relation to the Notes. Following such an event, the Issuer (with the consent of the Trustee) or the Trustee may, subject to certain conditions, appoint substitute administrators.

USE OF PROCEEDS

The net proceeds of the issue of the A Notes (including the A3 Detachable Coupons and after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net Euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) are expected to amount to approximately £755,934,375 and will be applied in the purchase by the Issuer of the Completion Mortgage Pool from GMAC-RFC on the Issue Date and may also be applied in the purchase of the Pre-Funded Mortgage Loans on the Eligible Dates. To the extent that, on the Issue Date, the net proceeds of the A Notes (after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net Euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) exceed the purchase price for the Completion Mortgage Pool, all of that excess will be credited to the Pre-Funded Mortgage Loans Ledger on the Issue Date to be used to acquire the Pre-Funded Mortgage Loans on the Eligible Dates. The net proceeds of the issue of the C Notes are expected to amount to £3,400,000 and will be used to fund the expenses of the issue being start-up costs, the Pre-Funded Mortgage Loans Interest Shortfall and the underwriting and selling commissions in respect of the A Notes. The start-up costs (other than underwriting and selling commissions payable in respect of the A Notes but including expenses incurred in connection with the offering of the Notes and the fee payable to the Cap Provider under the Interest Rate Cap Agreement) relating to the issue of the Notes (after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net Euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) are estimated not to exceed £1,325,932.15.

CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at the date hereof, adjusted for the issue of the Notes:

	£
Share Capital	
<i>Authorised</i>	
50,000 Ordinary Shares of £1 each	50,000
<i>Issued</i>	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid and the remaining 49,998 paid up to 25%	12,502
	<u>12,502</u>
Borrowings	
The Notes ¹	£753,400,000

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

The current financial period of the Issuer will end on 31 December 2004.

¹ £753,400,000 of which £84,500,000 is denominated in euro and has been converted at the exchange rate of one euro to 0.6760000000 pounds sterling, of which £162,500,000 is denominated in euro and has been converted at the exchange rate of one euro to 0.6770833333 pounds sterling, of which £63,000,000 is denominated in US dollars and has been converted at the exchange rate of one pound sterling to 1.9047619048 US dollars and of which £105,000,000 is denominated in US dollars and has been converted at the exchange rate of one pound sterling to 1.9047619048 US dollars.

ACCOUNTANTS' REPORT

The following is the text of a report received by the Board of Directors of the Issuer from PricewaterhouseCoopers, Chartered Accountants, the reporting accountants to the Issuer:

The Directors

RMAC 2004-NS1 Plc
Eastern Gate
Brants Bridge
Bracknell
Berkshire RG12 9BZ

26 February 2004

RMAC 2004-NS1 Plc (the "Company")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular of the Company dated 26 February 2004, relating to the issue of Mortgage Backed Floating Rate Notes (the "Offering Circular").

The Company was originally incorporated as a public limited company on 1 December 2003. The Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of Preparation

The financial information set out below is based on the financial records of the Company to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the Directors of the Company.

The Directors of the Company are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular dated 26 February 2004, a true and fair view of the state of affairs of the Company as at the date stated.

Financial Information
Balance Sheet of the Company
as at 26 February 2004

	<i>Note</i>	<i>£</i>
Current Assets		
Cash at bank		12,502
Total Current Assets		<u>12,502</u>
Capital and Reserves		
Called up Share Capital	2	<u>12,502</u>
Equity Shareholders' Fund		<u>12,502</u>

Notes to the Financial Information

1. Accounting Convention

The balance sheet has been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

2. Called up Share Capital

Authorised – 50,000 ordinary shares of £1 each

Allotted, issued and fully paid – 2 ordinary shares of £1

Partly paid – 49,998 ordinary shares partly paid to 25 pence each.

3. Ultimate Parent Undertakings

The UK holding company and the ultimate holding company is RMAC Holdings Limited.

The first accounting period of RMAC Holdings Limited ended on 31 December 2001.

4. Reporting Financial Performance

The Company has not traded since incorporation. As a result, no profit and loss account, no statement of total recognised gains and losses or reconciliation of movements in shareholders' funds are provided. Any expenses incurred by the Company are borne by a group company.

Yours faithfully,

PricewaterhouseCoopers LLP

GMAC-RFC

GMAC-RFC is a private limited company and was incorporated in England and Wales under the Companies Act 1985 on 6 January 1998. GMAC-RFC was formed by GMAC Residential Funding Corporation, an indirectly wholly owned subsidiary of General Motors Acceptance Corporation, a wholly owned subsidiary of General Motors Corporation. GMAC-RFC's primary business is to provide mortgage services in the UK through intermediaries and other financial institutions. GMAC-RFC originates mortgage loans to borrowers in England, Wales, and Scotland and has also in the past originated mortgage loans to borrowers in Northern Ireland.

The registered office of GMAC-RFC is at Eastern Gate, Brants Bridge, Bracknell, Berkshire RG12 9BZ.

THE ACCOUNT BANK, CAP PROVIDER, LIQUIDITY FACILITY PROVIDER AND GIC PROVIDER

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered and head office at 54 Lombard Street, London EC3P 3AH. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of assets employed, it is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world and is leading provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres. The whole of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term senior unsecured obligations of Barclays Bank PLC are rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch and the long term senior unsecured obligations of Barclays Bank PLC are rated Aa1 by Moody's, AA by S&P and AA+ by Fitch.

As at 30 June 2003, the Group had total assets of £446,731 million, total net loans and advances of £291,830 million, total deposits of £291,317 million and equity shareholders funds of £16,064 million. The profit before taxation of the Group in respect of the six months ended 30 June 2003 was £1,963 million after charging net provisions for bad and doubtful debts of £652 million.

As at 31 December 2002, the Group had total assets of £403,066 million (31 December 2001: £356,612 million), total net loans and advances of £260,572 million (31 December 2001: £228,382 million), total deposits of £258,932 million (31 December 2001: £231,227 million) and equity shareholders funds of £15,205 million (31 December 2001: £14,483 million). The profit before taxation of the Group in respect of the year ended 31 December 2002 was £3,205 million (31 December 2001: £3,423 million) after charging net provisions for bad and doubtful debts of £1,484 million (31 December 2001: £1,149 million).

THE CURRENCY SWAP COUNTERPARTY

Ambac Financial Services, LLC (being the Currency Swap Counterparty, as defined above) of One State Street Plaza, New York, New York 10004, USA is the currency swap counterparty in respect of the A1b Notes, the A1c Notes, the A2b Notes and the A2c Notes. The Currency Swap Counterparty is a Delaware limited liability company and direct wholly-owned subsidiary of Ambac Financial Group, Inc. a 100% publicly held company. The Currency Swap Counterparty's obligations in respect of the Currency Swap Agreements will be guaranteed under the Counterparty Swap Policy to be issued by Ambac Assurance on the Issue Date in relation to certain amounts payable to the Issuer by the Currency Swap Counterparty under the Currency Swap Agreements.

THIRD PARTY INFORMATION

The information contained in this Offering Circular with respect to GMAC-RFC, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, Ambac Assurance, Ambac and the Administrator relates to and has been obtained from each of them. The delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of GMAC-RFC, the Account Bank, the Liquidity Facility Provider,

the GIC Provider, the Cap Provider, the Currency Swap Counterparty, Ambac Assurance, Ambac or the Administrator since the date stated in respect of the relevant information in this Offering Circular, or that the information contained or referred to in this Offering Circular is correct as of any time subsequent to its date. None of the Noteholders will have any right to proceed directly against GMAC-RFC, Ambac Assurance, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty or the Administrator in respect of their respective obligations under any of the agreements to which they are party.

DESCRIPTION OF AMBAC

General

Ambac is a direct wholly-owned subsidiary of Ambac Assurance Corporation (“Ambac Assurance”), a monoline insurance company incorporated under the laws of the State of Wisconsin, U.S.A. Ambac was incorporated with limited liability in England and Wales on 11 September 1996 pursuant to the Companies Act 1985 with registered number 3248674. Ambac became authorised to transact a credit, suretyship and financial loss insurance business in the United Kingdom on 8 February 1997. Ambac is also licensed to offer insurance services into twelve other European countries on a freedom of service basis. Ambac’s registered office is located at Hasilwood House, 60 Bishopsgate, London EC2N 4BE, United Kingdom. Ambac has no subsidiaries.

Ratings

Ambac has obtained AAA/Aaa/AAA financial strength rating from S&P, Moody’s and Fitch, Inc.

Information

Copies of the annual regulatory return filed by Ambac with the Financial Services Authority (the “FSA”) and the annual financial statements filed with the Registrar of Companies in the United Kingdom are available upon request to Ambac at its registered office. Copies of the statutory quarterly and annual statements filed by Ambac Assurance in the United States are available upon request to Ambac Assurance at its principal place of business, One State Street Plaza, New York, NY 10004, U.S.A.

Recent Developments

Since 30 June 2003, the date as at which its latest interim unaudited accounts were prepared, Ambac has continued to conduct its insurance business in the United Kingdom and the other European countries into which it is licensed to offer insurance services. There has been no material adverse change in its financial or trading position since 30 June 2003.

Directors

The following sets forth a list of the directors of Ambac by name and principal activities:

<i>Name</i>	<i>Function</i>	<i>Principal Activities</i>
Robert John Genader	Executive	President and Chief Operating Officer, Ambac Assurance Corporation and Ambac Financial Group, Inc
John Wyatt Uhlein III	Executive	Executive Vice President, Ambac Assurance Corporation and Chairman of Ambac Assurance UK Limited
Martin Roberts	Non-Executive	Independent Consultant; Director, Financial Management Assurance Consultants Ltd.
David William Wallis	Executive	Managing Director, Ambac Assurance Corporation
David Ronald Larwood	Executive	Independent Consultant (Part-time); Director, The Underwriter Insurance Co. Ltd; Director, The Underwriter Management Services Co. Ltd; Director, Probroker Company Ltd; Director, Stonebridge International Insurance Co. Ltd.

The business address of Messrs Genader, Uhlein and Wallis is One State Street Plaza, New York, NY 10004 U.S.A. The business address of Mr. Roberts is 1 Westbury Close, Highcliffe, Christchurch, Dorset BH23 4PE, United Kingdom. The business address of Mr. Larwood is Hasilwood House, 60 Bishopsgate, London EC2N 4BE, United Kingdom.

Insurance Regulation

Ambac is subject to regulation by the FSA in the conduct of its insurance business in the United Kingdom. Under United Kingdom regulations, Ambac is subject to certain limits and requirements, including the maintenance of a minimum margin

of solvency and the establishment of loss and unearned premium reserves. Other FSA requirements include regulation of transactions with connected persons and investments made by Ambac.

Financial Information

The audited accounts of Ambac for the year ended 31 December 2002 are annexed hereto and the unaudited interim financial statements for the six months ended 30 June 2003 are annexed hereto.

Capitalisation and Indebtedness

The following table sets forth the unaudited interim capitalisation and indebtedness of Ambac prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers as at 30 June 2003.

	<i>As at</i> <i>30 June 2003</i> <i>(unaudited)</i> <i>(£)</i>
Short-Term Debt ⁽¹⁾	0
Long-Term Debt ⁽²⁾	0
Total Issued and Paid up Share Capital ⁽²⁾	17,000,000
Profit and Loss account	3,166,000
Total Shareholders' Equity	<u>20,166,000</u>

Notes:

- (1) On 30 June 2003 Ambac did not have any reserves, loan capital outstanding or created but unissued, term loans or any other borrowings or indebtedness in the nature of a borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, mortgages, charges, finance lease commitments, hire purchase obligations or guarantees or contingent liabilities.
- (2) The issued and paid up share capital of Ambac comprises 17,000,000 ordinary shares of £1 each. The authorised share capital of Ambac was £30 million as at 30 June 2003 and was increased to £60 million by a resolution dated 3 September 2003.

There has been no material change in the authorised and issued share capital, capitalisation or indebtedness (including guarantees and contingent liabilities) of Ambac since 30 June 2003 save as indicated in footnote (2) above.

Auditors

Ambac's auditors are KPMG Audit Plc, 8 Salisbury Square, London EC4Y 8BB.

Their reports on the audited accounts of Ambac for the year ended 31 December 2002 are included in "Ambac Assurance UK Limited – Director's Report and Financial Statements for the year ended 31 December 2002" on pages 133 to 152 and on the unaudited interim accounts of Ambac for the six months ended 30 June 2003 are included under "Ambac Assurance UK Limited – Director's Report and Interim Financial Statements for the six months ended 30 June 2003" on pages 153 to 164.

RELATIONSHIP BETWEEN AMBAC ASSURANCE UK LIMITED AND AMBAC ASSURANCE CORPORATION

General

Ambac is a direct wholly-owned subsidiary of Ambac Assurance. Ambac does not have any subsidiaries.

Net Worth Maintenance Agreement

Ambac and Ambac Assurance have entered into a net worth maintenance agreement dated as of 1 January 1997 (the “Net Worth Maintenance Agreement”) governed by the laws of the State of Wisconsin. Pursuant to the Net Worth Maintenance Agreement, Ambac Assurance is required to cause Ambac to maintain free assets of £10,500,000 or such greater amount as may be required by FSA provided that no contribution can be required to be made which would have the effect of reducing Ambac Assurance’s financial strength ratings from S&P, Moody’s or Fitch, Inc.

Reinsurance Agreement

The obligations of Ambac under the Ambac Note Policy will be reinsured with Ambac Assurance pursuant to a reinsurance agreement dated as of 1 January 1997 (the “Reinsurance Agreement”) which is governed by the laws of the State of New York.

Pursuant to the Reinsurance Agreement, a substantial portion of all liabilities on financial guarantee insurance policies issued by Ambac are reinsured by Ambac Assurance. Such reinsurance is utilised as a risk management device and to comply with certain statutory and rating agency requirements; it does not alter or limit the obligations of Ambac under any financial guarantee insurance policy.

In addition, the Reinsurance Agreement also contains “stop loss” provisions that require Ambac Assurance to make payments to Ambac if Ambac’s losses exceed a certain amount. Under these provisions Ambac Assurance will reimburse Ambac for the amount by which annual net losses incurred by Ambac (paid losses plus any interest in loss reserves, net of reinsurance) exceed £500,000.

Noteholders should note that the Net Worth Maintenance Agreement and the Reinsurance Agreement (together, the “Ambac Assurance Agreements”) are entered into for the benefit of Ambac and are not, and should not be regarded as, guarantees by Ambac Assurance of the payment of any indebtedness, liability or obligations of the Issuer or Ambac including the A Notes or the Ambac Note Policy.

Information in this Offering Circular concerning Ambac Assurance is provided for background purposes only in view of the importance to Ambac of the Ambac Assurance Agreements. It does not imply that Ambac Assurance Agreements are guarantees for the benefit of Noteholders. Payment of principal and interest on the A Notes will be guaranteed by Ambac pursuant to the Ambac Note Policy and will not be additionally guaranteed by Ambac Assurance.

Noteholders should note that Ambac’s ability to perform its obligations under the Ambac Note Policy and to maintain its current rating substantially depends on the ability of Ambac Assurance to perform its obligations under the Ambac Assurance Agreements.

General

Ambac Assurance is a leading financial guarantee insurance company that is primarily engaged in insuring municipal and structured finance obligations and is the successor of the oldest U.S. municipal bond insurance company, which wrote the first U.S. municipal bond insurance policy in 1971. Ambac Assurance was incorporated in the State of Wisconsin, U.S.A. with limited liability on 25 February 1970. Ambac Assurance maintains its principal executive offices at One State Street Plaza, New York, New York 10004, U.S.A. Ambac Assurance is a wholly-owned subsidiary of Ambac Financial Group, Inc., a holding company that provides financial guarantee insurance and financial services to both public and private clients around the world.

Financial guarantee insurance policies written by Ambac Assurance in both the primary and secondary markets guarantee payment when due of the principal and interest on the obligation insured. In the case of a default on the insured obligation, payments under the insurance policy may not be accelerated by the policyholder without Ambac Assurance's consent. Ambac Assurance primarily insures newly issued obligations and seeks to maintain a diversified insurance portfolio which spreads its risk across a number of criteria, including issue size, type of bond, geographic area and issuer. At 31 December 2003, Ambac Assurance's net par outstanding and net insurance in force was \$425.9 billion and \$625.6 billion, respectively.

Ambac Assurance has been assigned triple-A financial strength ratings by Moody's, S&P, Fitch, Inc. and Rating and Investment Information, Inc. These ratings are an essential part of Ambac Assurance's ability to provide credit enhancement. See "Rating Agencies" below.

Ambac Assurance has eight wholly-owned subsidiaries, Ambac Assurance UK Limited, a UK licensed insurance company, Ambac Credit Products, LLC, Ambac Capital Services LLC and Ambac Credit Products Limited, derivatives companies, Ambac Private Holdings, LLC, a company that owns and invests in securities, Ambac Japan Co., Ltd., a Japanese services company which markets financial guarantees in Japan, and Connie Lee Holdings, Inc., a holding company for Connie Lee Insurance Company ("Connie Lee"). Ambac Assurance acquired Connie Lee in December 1997. Connie Lee, a triple-A rated financial guarantee insurance company, which guaranteed bonds issued primarily for college and hospital infrastructure projects, is not expected to write any new business.

Financial guarantee industry overview

Financial guarantee insurance generally guarantees to the holder of the underlying obligation the timely payment of principal of and interest on such obligation in accordance with such obligation's original payment schedule. Accordingly, in the case of an issuer default on the insured obligation, payments under the insurance policy may not be accelerated by the policyholder without Ambac Assurance's consent.

Financial guarantee insurance provides a form of credit enhancement that benefits both the issuer and the investor. Issuers benefit because their securities are generally sold with a higher credit rating than securities sold on a stand-alone basis, resulting in interest cost savings and greater marketability. In addition, for complex financings and obligations of issuers that are not well known by investors, insured obligations receive greater market acceptance than uninsured obligations. Investors benefit from greater marketability and a reduction in the risk of loss associated with an issuer's default.

Structured finance obligations

Insurance on structured finance or asset-backed obligations is typically issued in connection with transactions in which the securities being issued are secured by or payable from a specific pool of assets having an ascertainable cash flow or market value and held by a special purpose issuing entity. While most structured finance obligations are secured by or represent an interest in pools of assets, monoline financial guarantors have also insured asset-backed obligations secured by one of a few assets.

Municipal obligations

Municipal obligations and municipal bonds include taxable and tax-exempt bonds, notes and other evidences of indebtedness issued by states, political subdivisions (cities, counties, towns and villages), water, sewer and other utility districts, higher educational institutions, hospitals, transportation and housing authorities and other similar agencies. Municipal obligations are supported by the taxing authority of the issuer or the issuer's or underlying obligor's ability to collect fees or assessments for certain projects or public services. References herein to "municipal bonds" and "municipal obligations" are to debt obligations of states and other political subdivisions in the United States.

International Finance Obligations

Outside of the United States, structured and asset-backed issuers, utilities, sovereign and sub-sovereign issuers, and other issuers are increasingly using financial guarantee products, particularly in markets throughout Western Europe. A number

of important trends in international markets have contributed to this expansion. In the United Kingdom, Australia and elsewhere, ongoing privatisation efforts have shifted the burden of funding from the government to the public and private capital markets, where investors may seek the security of financial guarantee products. In Europe, Australia, Japan and the emerging markets, there is also growing interest in asset-backed securitisations.

Insurance Written

Ambac Assurance sells most of its insurance in the new issue US bond market. During the year ended 31 December 2003, Ambac Assurance insured gross par amount of \$115.3 billion, of which \$44.7 billion, or 39 percent, was related to new issue and secondary market policies on municipal bonds. Approximately \$48.5 billion, or 42 percent, of gross par written during the year ended 31 December 2003 represented domestic (US) structured finance exposure. Approximately \$22.1 billion, or 19 percent, of gross par written during the year ended 31 December 2003 represented international exposure.

Rating Agencies

Moody's, S&P, Fitch, Inc. and Rating and Investment Information, Inc. periodically review the business and financial condition of Ambac Assurance and other companies providing financial guarantee insurance. Rating agency reviews focus on the insurer's underwriting policies and procedures and the quality of the obligations insured. The rating agencies frequently perform assessments of the credits insured by Ambac Assurance to confirm that Ambac Assurance continues to meet the capital allocation criteria considered necessary by the particular rating agency to maintain Ambac Assurance's triple-A financial strength ratings. A rating by Moody's, S&P, Fitch, Inc. or Rating and Investment Information, Inc., however, is not a "market rating" or a recommendation to buy, hold or sell any security. Ambac Assurance's ability to attract new business, or to compete with other triple-A rated financial guarantors, and its results of operations and financial condition, would be materially adversely affected by any reduction in its financial strength ratings.

Reinsurance

U.S. state insurance laws and regulations (as well as the rating agencies) impose minimum capital requirements on financial guarantee insurance companies, limiting the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. Such companies can use reinsurance to diversify risk, increase underwriting capacity, reduce additional capital needs, stabilise shareholder returns and strengthen financial ratios. See "*Insurance Regulatory Matters*" below.

As a primary insurer, Ambac Assurance is required to honour its obligations to its policyholders whether or not its reinsurers perform their obligations under the various reinsurance agreements with Ambac Assurance. Ambac Assurance has surplus share treaties with various reinsurers, which provide for a program of reinsurance with respect to large risks underwritten by Ambac Assurance in the public finance and structured finance sectors.

Ambac Assurance has entered into municipal bond and structured and international finance facultative reinsurance agreements. These agreements allow Ambac Assurance to reduce its large risks, to manage its portfolio of insurance by bond type and geographic distribution, and to provide additional capacity for frequent municipal bond issuers. Under these agreements, portions of Ambac Assurance's interests and liabilities are ceded on an issue-by-issue basis. A ceding commission is withheld to defray Ambac Assurance's underwriting expenses.

As of 31 December 2003, Ambac Assurance had retained 88 percent of its gross insurance in force of \$707.1 billion and had ceded approximately 12 percent to its treaty and facultative reinsurers.

Insurance Regulatory Matters

General Law

Ambac Assurance is licensed to do business as an insurance company in all 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the territory of Guam and the U.S. Virgin Islands. It is subject to the insurance laws and regulations of the State of Wisconsin, its state of incorporation, and the insurance laws and regulations of other states in which it is licensed to transact business, particularly the State of New York, which has a comprehensive financial guarantee insurance law. These laws and regulations, as well as the level of supervisory authority that may be exercised by the various state insurance departments, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, meet certain financial tests, including single risk limits and minimum policyholders' surplus and reserve level, file certain reports with regulatory authorities, including information concerning their capital structure, ownership and financial condition, and require prior approval of certain changes in control of domestic insurance companies and their direct and indirect parents and the payment of certain dividends and distributions. In addition, these laws and regulations require approval of certain intercorporate transfers of assets and certain transactions between insurance companies and their direct and indirect parents and affiliates, and generally require that all such transactions have terms no less favourable than terms that would result from transactions between parties negotiating at arm's length.

Ambac Assurance is required to file quarterly and annual statutory financial statements in each jurisdiction in which it is licensed, and is subject to single and aggregate risk limits and other statutory restrictions concerning the types and quality of investments and the filing and use of policy forms and premium rates. Additionally, Ambac Assurance's accounts and operations are subject to periodic examination by the Wisconsin Insurance Commissioner and other state insurance regulatory authorities.

Investments and Investment Policy

As of 31 December 2003, Ambac Assurance's investment portfolio had an aggregate fair value of \$7.6 billion and an aggregate amortised cost of \$7.2 billion. The investment policy established by the board of directors for Ambac Assurance's investments is designed to achieve diversification of the portfolio and generally to preclude investments in obligations insured by Ambac Assurance. Ambac Assurance's investment policy only permits investment in investment grade fixed-income securities, consistent with its goal to achieve the highest after-tax, long-term return.

Capitalisation

The following table sets forth Ambac Assurance's consolidated capitalisation as of 31 December 2001, 31 December 2002 and 31 December 2003, respectively, on the basis of accounting principles generally accepted in the United States of America.

Ambac Assurance Corporation
Consolidated Capitalisation Table
(US Dollars in Millions)

	<i>31 December</i> <i>2001</i>	<i>31 December</i> <i>2002</i>	<i>31 December</i> <i>2003</i>
Unearned premiums	1,790	2,137	2,553
Other liabilities	908	1,865	2,202
Long term debt	64	60	12
Short term debt	0	51	72
Total liabilities	2,762	4,113	4,839
Stockholders' equity			
Preferred stock, par value \$1,000 per share; authorised shares – 285,000; issued and outstanding shares – none	–	–	–
Common stock, par value \$2.50 per share; authorised shares – 40,000,000; issued and outstanding shares – 32,800,000	82	82	82
Additional paid-in capital	928	920	1,144
Accumulated other comprehensive income	81	231	243
Retained earnings	2,386	2,849	3,425
Total stockholders' equity	3,477	4,082	4,894
Total liabilities and stockholders' equity	6,239	8,195	9,733

There has been no material change in the capitalisation of Ambac Assurance and its subsidiaries from 31 December 2003 to the date of this Offering Circular.

Directors of Ambac Assurance

The following information for each director of Ambac Assurance is set forth below – name, business or home address and description of principal activities performed outside the Ambac Financial Group, Inc. group but which are significant with respect to the Ambac Financial Group, Inc. group:

<i>Name</i>	<i>Home or Business Address</i>	<i>Principal Activities</i>
Phillip B Lassiter	Ambac Financial Group, Inc. One State Street Plaza New York, NY 10004	Chairman of the Board of Ambac Financial Group, Inc. and Ambac Assurance; Director of Diebold, Inc., Certegy Inc. and Worldinsure Limited
Robert J Genader	Ambac Financial Group, Inc. One State Street Plaza New York, NY 10004	President and Chief Executive Officer of Ambac Financial Group, Inc. and Ambac Assurance
Michael A Callen	Avalon Argus & Associates, LLC 10901 Riverwood Drive Potomac, MD 20854	Non-executive director; President of Avalon Argus & Associates, LLC since April 1996; Director of Interinvest Corporation of New York and Interinvest Bancshares Corporation
Renso L Caporali	9376 Hunting Valley South Clarence, NY 14031	Non-executive director; Director of Bank of Akron
Jill M Considine	The Depository Trust & Clearing Corporation 55 Water Street New York, NY 10041	Non-executive director; Chairman and Chief Executive Officer of The Depository Trust Company and The Depository Trust & Clearing Corporation; Director of the Atlantic Mutual Insurance Companies and The Interpublic Group of Companies, Inc.
Richard Dulude	PO Box 537 1106 Lake Avenue George Mills, NH 03751	Non-executive director; Director of Landec Corporation Inc.
W Grant Gregory	Gregory & Hoenemeyer, Inc. Two Greenwich Plaza Greenwich, CT 06830	Non-executive director; Chairman of Gregory & Hoenemeyer, Inc., Director of Double Click Inc.
Laura S Unger	3308 N Street, N.W. Washington, D.C. 20007	Non-executive director; Former Acting Chairperson of the U.S. Securities and Exchange Commission

FORM OF AMBAC NOTE POLICY

Ambac Assurance UK Limited
Hasilwood House
60 Bishopsgate
London EC2N 4BE
Telephone: 020 7786 4300
Registered No.: 3248674
Registered in England

Financial Guarantee Policy

Policy Number:	UK00102
Guaranteed Obligations:	RMAC 2004-NS1 Plc £100,000,000 Class A1a Mortgage Backed Floating Rate Notes due December 2020 (“A1a Notes”), USD120,000,000 Class A1b Mortgage Backed Floating Rate Notes due December 2020 (“A1b Notes”), €125,000,000 Class A1c Mortgage Backed Floating Rate Notes due December 2020 (“A1c Notes”), £160,000,000 Class A2a Mortgage Backed Floating Rate Notes due June 2036 (“A2a Notes”), USD200,000,000 Class A2b Mortgage Backed Floating Rate Notes due June 2036 (“A2b Notes”), €240,000,000 Class A2c Mortgage Backed Floating Rate Notes due June 2036 (“A2c Notes”) and £75,000,000 Class A3 Mortgage Backed Floating Rate Notes due June 2036, including the A3 Detachable Coupons (“A3 Notes” and, together with the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes and the A2c Notes, the “A Notes”)
Beneficiary:	J.P.Morgan Corporate Trustee Services Limited or any successor trustee appointed pursuant to the Trust Deed, as trustee for the Holders of the Guaranteed Obligations.

Ambac Assurance UK Limited (“Ambac”) in consideration of the payment of the Guarantee Fee and subject to the terms of this Policy (including the Endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the Trustee for the benefit of the Holders of the Guaranteed Obligations an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but shall be unpaid by reason of Non-payment.

Ambac will make any such payments which are due under this Policy to the Trustee from its own funds by the later of (a) the second Business Day following receipt by Ambac of a Notice of Claim specifying that Non-payment will occur or that Non-payment has occurred on the applicable Scheduled Payment Date or (b) the applicable Scheduled Payment Date, or if that is not a Business Day, on the next succeeding Business Day. Payments due under this Policy will be satisfied by payment in full by Ambac to the account specified in the relevant Notice of Claim. Payment in full to such account shall discharge the obligations of Ambac under this Policy to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Trustee or any Paying Agent. Once payment by Ambac of an amount in respect of a Guaranteed Amount has been made in the manner referred to above, Ambac shall have no further obligation under this Policy in respect of such Guaranteed Amounts.

Such payments shall be made only upon presentation of an instrument of assignment in form and substance satisfactory to Ambac, transferring to Ambac all rights in respect of the relevant Guaranteed Amounts to receive the principal of and interest in respect of such Guaranteed Amounts, free of any adverse claim. Ambac shall be fully subrogated to all the Holder’s rights to payment of the Guaranteed Amounts to the extent of any payments made by Ambac pursuant to this Policy.

In the event the Trustee has notice that any payment of Guaranteed Amounts which have become Due for Payment and which have been made to the Trustee or to a Holder by or on behalf of the Issuer has been declared (in whole or in part) a preference and recovered from the Trustee or such Holder pursuant to any Insolvency Law in accordance with a final non-appealable order or decree of a court of competent jurisdiction, the Trustee or such Holder (as applicable) will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available from any source.

All payments by Ambac under this Policy shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision or taxing authority therein or thereof unless such withholding or deduction is required by law. If any withholding or deduction is so required, Ambac shall pay such amounts (“Additional Amounts”)

for the account of each Holder in respect of which a withholding or deduction has been made as may be necessary in order that the net amounts receivable by the relevant Holder after such withholding or deduction shall equal the Guaranteed Amounts which would have been receivable by such Holder from the Issuer in respect of the Guaranteed Obligations in the absence of such withholding or deduction, provided, however, that no such Additional Amounts shall be payable in respect of any Guaranteed Obligation which Ambac has reasonably determined will result from any payment of Guaranteed Amounts:

- (a) to or in respect of any Holder which is liable or subject to such withholding or deduction by reason of its having some connection with the United Kingdom other than the mere holding of the Guaranteed Obligations;
- (b) to or in respect of any Holder which would not be subject to such withholding or deduction if it had made a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- (c) if such Guaranteed Obligation was presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had presented the Guaranteed Obligations for payment on the last day of such period of 30 days;
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) if such Guaranteed Obligation was presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note and/or Detachable A Coupon to another paying agent in a Member State of the European Union.

This Policy is not cancellable by Ambac for any reason, including the failure of Ambac to receive payment of any Guarantee Fee due in respect of this Policy. The Guarantee Fee is not refundable for any reason. This Policy does not guarantee against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Guaranteed Obligation, other than at the sole option of Ambac as specified below, nor against any risk other than Non-payment, including failure of the Trustee or any Paying Agent to make any payment due to Holders of Guaranteed Amounts. There shall be no accelerated payment of any Guaranteed Amount due under this Policy unless such accelerated payment is made at the sole option of Ambac, communicated in writing to the Trustee.

To the fullest extent permitted by applicable law, Ambac hereby waives and agrees not to assert any and all rights (whether by counterclaim, rescission, set-off or otherwise), equities and defences (including, without limitation, in respect of (i) fraud or fraudulent misrepresentation, fraud or fraudulent misrepresentation on the part of any agent for the Trustee but excluding fraud or fraudulent misrepresentation by the Trustee itself, or (ii) misrepresentation, breach of warranty, or non-disclosure of information by any person), to the extent such rights, equities and defences may be available to Ambac to avoid, rescind or repudiate, cancel or terminate this Policy or to wholly or partly avoid payment of its obligations under this Policy in accordance with the express provisions hereof but without prejudice to any subsequent recourse Ambac may have to or against any person.

The obligations of Ambac under this Policy shall not be affected by any redenomination of the Guaranteed Obligations into euro.

No person, other than the Trustee, shall have rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Policy.

This Policy (including the Endorsement attached hereto) constitutes the entire agreement between Ambac and the Trustee in relation to Ambac's obligations to make payments to the Trustee in respect of the Guaranteed Amounts and, save for the provision of a Notice of Claim as provided for above, nothing in this Policy constitutes a warranty or condition precedent to this Policy.

Any capitalised terms not defined herein shall have the meaning given to such terms in the Master Definitions Schedule dated on or about 3 March 2004 between, *inter alios*, the Issuer, the Trustee and Ambac or in the Endorsement hereto. This Policy shall be governed by and construed in accordance with the laws of England.

In witness whereof, Ambac has caused this Policy to be duly executed on its behalf by two duly authorised officers of Ambac.

Authorised Officer

Authorised Officer

Effective Date: 3 March 2004

Ambac Assurance UK Limited
Hasilwood House
60 Bishopsgate
London EC2N 4BE
Telephone: 020 7786 4300
Registered No.: 324 8674
Registered in England

Financial Guarantee Policy Endorsement

Effective Date of Endorsement: 3 March 2004

Attachment to and forming a part of the Policy No. UK00102 issued to the Trustee in respect of:

RMAC 2004-NS1 Plc

£100,000,000 Class A1a Mortgage Backed Floating Rate Notes due December 2020 ("A1a Notes"), USD120,000,000 Class A1b Mortgage Backed Floating Rate Notes due December 2020 ("A1b Notes"), €125,000,000 Class A1c Mortgage Backed Floating Rate Notes due December 2020 ("A1c Notes"), £160,000,000 Class A2a Mortgage Backed Floating Rate Notes due June 2036 ("A2a Notes"), USD200,000,000 Class A2b Mortgage Backed Floating Rate Notes due June 2036 ("A2b Notes"), €240,000,000 Class A2c Mortgage Backed Floating Rate Notes due June 2036 ("A2c Notes") and £75,000,000 Class A3 Mortgage Backed Floating Rate Notes due June 2036, including the A3 Detachable Coupons ("A3 Notes" and, together with the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes and the A2c Notes, the "A Notes").

For all purposes of this Policy, the following terms shall have the following meanings:

"Affiliate" means in relation to any person, a Person that has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar rights of ownership or control of another Person.

"Business Day" means any day (other than a Saturday or Sunday) on which banks are open for business in London.

"Class A Interest" means interest in respect of the A Notes payable in accordance with Condition 4.

"Class A Principal" means in respect of the A Notes, (i) the final redemption amount payable in accordance with Condition 5(a), (ii) the amounts payable in accordance with paragraphs (i), (ii) and (iii) of the Principal Priority of Payments representing Excess Loss Amounts less any amounts payable under Conditions 2(e)(i)(b) or (c) or 2(e)(ii)(b) or (c) representing Excess Loss Amounts, but only (in the case of amounts payable under Condition 2(e)(i)(b) or 2(e)(ii)(b)) to the extent that the USD equivalent (converted at the USD Currency Swap Rate) of such amounts, and (in the case of amounts payable under Condition 2(e)(i)(c) or 2(e)(ii)(c)) to the extent that the euro equivalent (converted at the Euro Currency Swap Rate) of such amounts, have been received by the Issuer from the Currency Swap Counterparty and applied to discharge the Issuer's obligations in respect of the A1b Notes, the A1c Notes, the A2b Notes and the A2c Notes, as applicable, in accordance with Conditions 2(e)(i) and 2(e)(ii) as applicable, and (iii) amounts representing Dissolution Amounts.

"Conditions" means the terms and conditions of the A Notes as set out in the Fourth Schedule of the Trust Deed.

"Dissolution Amounts" means, upon the occurrence of a Dissolution Event the aggregate of the A Note Principal Amount Outstanding on the first Business Day following a Dissolution Event for each class of A Notes less the funds standing to the credit of the Issuer Transaction Account and the Currency Accounts that are available to make payments on the first Business Day following a Dissolution Event at items (v)(B), (v)(C) or (v)(D) of Condition 2(f) (Post-Enforcement Priority of Payments).

"Dissolution Event" means, the disposal of all the Mortgage Loans by or on behalf of the Trustee, acting on the instructions of Ambac if it is then the Note Controlling Party or otherwise with the consent of Ambac in accordance with Condition 2(f) following enforcement of the Security.

"Due for Payment" means, in relation to any Guaranteed Amount, that the Scheduled Payment Date for such amount has been reached. For the avoidance of doubt, Due for Payment does not refer to any dates other than those set out in the definition of Scheduled Payment Date.

"Guarantee Fee" means the fee payable for issue of this Policy, as specified in a letter of even date between Ambac and the Issuer.

"Guaranteed Amounts" means, with respect to any Scheduled Payment Date, (i) Class A Interest payable on such Scheduled Payment Date and (ii) Class A Principal payable on such Scheduled Payment Date.

"Guaranteed Obligations" means the A Notes and shall include, where the context so requires, the coupons relating to such A Notes but shall exclude any A Notes which have been purchased by the Issuer, or any other member of the Issuer Group

(the “**Issuer Holders**”) during any period in which any Issuer Holders, or any person acting on behalf of any Issuer Holders, is the Holder of such A Notes, but not thereafter.

“**Holder**” means (i) if and to the extent the Guaranteed Obligations are represented by definitive notes held outside of the Depository Trust Company (“**DTC**”), Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and, together with DTC, Euroclear and any additional or alternative clearing systems nominated by the Issuer and/or the Trustee and approved by Ambac, the “**Clearing Systems**” and each, a “**Clearing System**”), the registered holders thereof and (ii) if and to the extent the Guaranteed Obligations are represented by a global note or definitive notes held in a Clearing System, the persons for the first time being shown in the records of the relevant Clearing System (except for a Clearing System in its capacity as an accountholder of another clearing system) as being holders of Guaranteed Obligations (each an “**Accountholder**”) in which regard any certificate or other document issued by the relevant Clearing System as to the principal amount of the Guaranteed Obligations standing to the account of any Accountholder shall be conclusive and binding for all purposes hereof.

“**Holding Company**” means any Person of which the first mentioned Person is a Subsidiary.

“**Insolvency Law**” means any applicable United Kingdom bankruptcy or insolvency law, including the Insolvency Act 1986, the Insolvency Rules 1986, the Insolvency Regulations 1994 or any legislation passed in substitution or replacement therefore or amendment thereof.

“**Issuer**” means RMAC 2004-NS1 Plc.

“**Issuer Group**” means any Person that is either an Affiliate, Holding Company or Subsidiary of the Issuer.

“**Non-payment**” means, as of any Scheduled Payment Date, the failure of the Issuer to have paid any Guaranteed Amounts which are due on such Scheduled Payment Date.

“**Note Controlling Party**” means Ambac unless and until such time as (i) an Ambac Event of Default (as defined in the Conditions) has occurred and is continuing and/or (ii) Ambac has no further obligations, actual or contingent, under this Policy and no amounts are then owing to Ambac under the Reimbursement and Indemnity Agreement, in which case it will be the Trustee.

“**Notice of Claim**” means a Notice of Claim and Certificate in the form attached hereto, duly executed by the Trustee.

“**Paying Agent**” has the meaning given to that term in the Trust Deed.

“**Person**” means any person, firm, company or body corporate, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the foregoing.

“**Receipt**” means actual delivery to Ambac at the address specified above prior to 12.00 noon, London time, on a Business Day. Delivery either on a day that is not a Business Day or after 12.00 noon, London time, shall be deemed to be Receipt on the next succeeding Business Day.

“**Relevant Date**” means whichever is the later of (a) the date on which any Guaranteed Amount becomes Due for Payment and (b) if the full amount payable has not been paid by Ambac on or prior to such date, the date on which the full amount payable has been paid by Ambac.

“**Scheduled Payment Date**” means each Payment Date on which any Class A Interest or any Class A Principal is due and payable or in respect of Dissolution Amounts, the first Business Day immediately following the Dissolution Event.

“**Subsidiary**” means in relation to any Person:

- (i) a Person controlled, directly or indirectly, by the first mentioned Person;
- (ii) a Person where more than half its issued share capital (or equivalent right of ownership) of which is beneficially owned directly or indirectly by the first mentioned Person; or
- (iii) a Person that is a Subsidiary of another subsidiary of the first mentioned Person, and for these definitions a Person shall be treated as being controlled by the other if that other Person is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Trust Deed**” means the trust deed dated on or about 3 March 2004 between the Issuer, Ambac and the Trustee.

“**Trustee**” means J.P. Morgan Corporate Trustee Services Limited, or any successor trustee appointed pursuant to the terms of the Trust Deed.

This Endorsement to this Policy shall be governed by and construed in accordance with the laws of England.

In witness whereof, Ambac has caused this Endorsement to this Policy to be duly executed on its behalf by two duly authorised officers of Ambac.

Authorised Officer

Authorised Officer

Effective Date: 3 March 2004

Notice of Claim and Certificate

Ambac Assurance UK Limited
Hasilwood House
60 Bishopsgate
London EC2N 4BE
Telephone: 020 7786 4300
Registered No.: 324 8674
Registered in England

Attention: General Counsel

The undersigned, a duly authorised officer of the Trustee, hereby certifies to Ambac Assurance UK Limited ("Ambac"), with reference to Financial Guarantee Policy No. UK00102 (and Endorsement thereto) dated on or about 3 March 2004 (the "Policy") issued by Ambac in respect of RMAC 2004-NS1 Plc £100,000,000 Class A1a Mortgage Backed Floating Rate Notes due December 2020 ("A1a Notes"), USD120,000,000 Class A1b Mortgage Backed Floating Rate Notes due December 2020 ("A1b Notes"), €125,000,000 Class A1c Mortgage Backed Floating Rate Notes due December 2020 ("A1c Notes"), £160,000,000 Class A2a Mortgage Backed Floating Rate Notes due June 2036 ("A2a Notes"), USD200,000,000 Class A2b Mortgage Backed Floating Rate Notes due June 2036 ("A2b Notes"), €240,000,000 Class A2c Mortgage Backed Floating Rate Notes due June 2036 ("A2c Notes") and £75,000,000 Class A3 Mortgage Backed Floating Rate Notes due June 2036, including the A3 Detachable Coupons ("A3 Notes" and, together with the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes and the A2c Notes, the "A Notes"), that:

- (i) The Trustee is the trustee under the Trust Deed for the Holders.
- (ii) The Trustee has calculated that the deficiency in respect of the Guaranteed Amounts which [are/were] Due for Payment on [insert Payment Date] [will be/were] [£/USD/€] [insert applicable amount] (the "Shortfall"). Of such Shortfall, £[insert applicable amount] is Class A Interest on the A1a Notes; £[insert applicable amount] is Class A Principal on the A1a Notes; USD [insert applicable amount] is Class A Interest on the A1b Notes; USD [insert applicable amount] is Class A Principal on the A1b Notes; € [insert applicable amount] is Class A Interest on the A1c Notes; € [insert applicable amount] is Class A Principal on the A1c Notes; £[insert applicable amount] is Class A Interest on the A2a Notes; £[insert applicable amount] is Class A Principal on the A2a Notes; USD [insert applicable amount] is Class A Interest on the A2b Notes; USD [insert applicable amount] is Class A Principal on the A2b Notes; € [insert applicable amount] is Class A Interest on the A2c Notes; € [insert applicable amount] is Class A Principal on the A2c Notes; £[insert applicable amount] is Class A Interest on the A3 Notes of which £[insert applicable amount] is for the A3 Detachable Coupons; and £[insert applicable amount] is Class A Principal on the A3 Notes.
- (iii) The Trustee is making a claim under the Policy for the Shortfall to be applied to the payment of Guaranteed Amounts which are Due for Payment.
- (iv) The Trustee agrees that, following payment of funds by Ambac, it shall use reasonable endeavours to procure (a) that such amounts are applied directly to the payment of Guaranteed Amounts which are Due for Payment; (b) that such funds are not applied for any other purpose; and (c) the maintenance of an accurate record of such payments in respect of each Insured Obligation and the corresponding claim on the Policy and the proceeds thereof.

Payment should be made by Ambac in [Pounds Sterling/US dollars/Euro] by credit to an account of the [Trustee/Principal Paying Agent] at [insert account details] with [insert bank details].

Unless the context otherwise requires, capitalised terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Policy.

This Notice of Claim and Certificate may be revoked by written notice by the Trustee to Ambac at any time prior to the date specified above on which Guaranteed Amounts are Due for Payment to the extent that moneys are actually received in respect of the Guaranteed Obligations prior to such date from a source other than Ambac.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Claim and Certificate as of the [insert date] day of [insert date].

[TRUSTEE]

By:

Title:

MORTGAGE POOL

Introduction

The Mortgage Pool will comprise:

- (a) the Completion Mortgage Pool;
- (b) any Further Advances;
- (c) any Substitute Mortgage Loans acquired by the Issuer in accordance with the provisions of the Mortgage Sale Agreement and the Administration Agreement; and
- (d) the Pre-Funded Mortgage Pool,

other than, in any such case, Mortgage Loans which have been repaid and discharged or in respect of which funds representing the principal outstanding have otherwise been received in full, or which have been repurchased by GMAC-RFC pursuant to the Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed.

The Completion Mortgage Pool will comprise the Mortgage Loans selected by GMAC-RFC from the Initial Mortgage Pool. As of the Cut-Off Date, the Initial Mortgage Pool had the characteristics shown below. See "*Characteristics of the Initial Mortgage Pool*".

Aggregate Balance	£601,088,715
Number of Mortgage Loans	7,103
Average Mortgage Loan Balance	£84,625
Weighted Average Original Loan to Value Ratio	72.12%
Weighted Average Margin over LIBOR	2.78% per annum
Weighted Average Remaining Term	267 months
Largest Mortgage Loan Balance	£504,957
Percentage of Total Portfolio in Arrears	2.66%

All of the Mortgage Loans in the Initial Mortgage Pool have been originated in accordance with the Lending Criteria.

Prior to the Issue Date, in forming the Completion Mortgage Pool, GMAC-RFC will exclude from the Initial Mortgage Pool all Mortgage Loans which do not comply with the Lending Criteria (as described below), or with the warranties to be given in respect of the Mortgage Loans in the Mortgage Sale Agreement. Accordingly, the aggregate balance of the Completion Mortgage Pool may be less than the aggregate balance of the Initial Mortgage Pool.

Characteristics of the Mortgage Loans

Repayment Terms

The Mortgage Loans will have different repayment methods as follows:

"Repayment Mortgage Loan": monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.

"Interest Only Mortgage Loan": a Mortgage Loan in respect of which the Borrower is obliged to pay interest only during the term of that Mortgage Loan with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest Only Mortgage Loan is repayable only upon the maturity of the Mortgage Loan, a life insurance or endowment policy or other repayment vehicle is recommended. However, GMAC-RFC does not require the Borrower to provide evidence as to the existence of any such policies, and such policies are not charged by way of collateral security.

"Part and Part Mortgage Loan": a Mortgage Loan which by its terms allows the Borrower to effect (at its option) a separation of the repayable amounts into two portions, one in respect of which it will only pay interest until the date of the Mortgage Loan's maturity (the "interest-only portion") and the other in respect of which the Borrower will make payments incorporating both interest and principal components (the "repayment portion"). As the principal amount associated with the interest-only portion of a Part and Part Mortgage Loan is only repayable upon the maturity of the Mortgage Loan, a life insurance or endowment policy or other repayment vehicle is recommended. However, as with Interest Only Mortgage Loans, GMAC-RFC does not require evidence as to the existence of any such policies, and such policies are not charged by way of collateral security.

Of the Mortgage Loans in the Initial Mortgage Pool, approximately 54.72% are Repayment Mortgage Loans, approximately 42.40% are Interest Only Mortgage Loans and approximately 2.88% are Part and Part Mortgage Loans.

Interest Rate Setting

6,363 of the Mortgage Loans comprised in the Initial Mortgage Pool are currently LIBOR-linked mortgage loans under which interest accrues at a rate (the "Mortgage Rate") equal to LIBOR plus a fixed margin expressed as a fixed percentage over LIBOR. LIBOR is determined on the 12th day in September, December, March and June by the Administrator on behalf of the Issuer. The margin for the Mortgage Loans will differ, depending upon the characteristics of each Borrower and Mortgage Loan, such as the loan to value ratio (the "LTV"), the Borrower's credit history and the amount of the Mortgage Loan. Once the margin over LIBOR is determined for any Mortgage Loan, such margin is fixed (in relation to LIBOR) for the term of that Mortgage Loan subject to conditions relating to conversion of the Mortgage Loans. In respect of a certain number of these Mortgage Loans, representing approximately 88.43% by loan count and 86.23% by balance of the Mortgage Loans in the Initial Mortgage Pool, the Mortgage Rate has been discounted by between 1.25% and 1.50% until one of 7 dates between 1 April 2004 and 1 January 2005.

Approximately 10.42% by loan count and 12.33% by balance of the Mortgage Loans in the Initial Mortgage Pool are fixed rate mortgage loans that will convert to LIBOR-linked rates at the expiry of the relevant fixed-rate period on one of 10 dates between 1 April 2004 and 1 April 2006.

Mortgage Payment Dates

All Borrowers are obliged to make payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans (the "Mortgage Conditions"). Each of the Mortgage Loans in the Initial Mortgage Pool has one of the same three payment dates, which are the 1st, 15th and the last working day of each month (the "Mortgage Payment Dates"). All payments by direct debit are made on one of these three specific days. Payments by methods other than direct debit are received throughout the month. See "*Administration of the Mortgage Pool – Collection of Payments*".

Origination Procedures and Monitoring of Brokers

GMAC-RFC currently derives its mortgage business from the following sources: through a network of Packagers (as defined below), through correspondent lenders, through remote processors, and through intermediaries. None of GMAC-RFC's business is derived from direct dealings with consumers.

GMAC-RFC sources its mortgage business primarily through a network of authorised packagers that have been approved by GMAC-RFC (the "Packagers") for the submission of loan applications and the introduction of potential borrowers to GMAC-RFC and its mortgage and related financial products. GMAC-RFC has approximately 90 such Packagers operating throughout the United Kingdom, and many of these Packagers have their own network of mortgage intermediaries attracting business on their behalf. In addition, GMAC-RFC sources business direct from mortgage intermediaries that are authorised to conduct mortgage business by the Mortgage Code Compliance Board (the "MCCB"). This business is processed through GMAC-RFC's headquarters in Bracknell. From time to time, a number of these intermediaries also carry on packaging activities for GMAC-RFC.

GMAC-RFC requires professional and business standards to be met as a precondition to becoming one of its Packagers. Before becoming a GMAC-RFC Packager, a packager must, among other things, confirm that: (a) it is registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000) the MCCB, where applicable; (b) it is (before 1 March 2000) registered under the Data Protection Act 1984 or (on and after 1 March 2000) notified under the Data Protection Act 1998; (c) it will comply with the OFT Guidelines for non-standard lending; and (d) it holds, and will maintain, a Consumer Credit Licence.

GMAC-RFC operates a correspondent lending programme. Under the programme, the participating firms (the "CL Originators") originate loans in their own name but on terms which mirror GMAC-RFC's standard terms mortgage documentation. The CL Originators apply GMAC-RFC's Lending Criteria (as defined below). An underwriter who is employed by GMAC-RFC and located on the CL Originator's premises gives the final approval for each Mortgage application. For each Mortgage Loan written under the programme (a "CL Mortgage") GMAC-RFC receives a certificate of title from a firm of solicitors representing both the CL Originator and GMAC-RFC confirming the title to the property to be charged and compliance with GMAC-RFC's guidelines and instructions. GMAC-RFC then funds the Mortgage Loan and the title deeds are forwarded to it directly from the solicitors involved. Under the terms of mortgage transfer agreements with each CL Originator, each CL Mortgage is immediately transferred or assigned to GMAC-RFC (subject to registration or (in Scotland) recording in respect of the legal title only) together with all rights the CL Originator has against third parties such as solicitors and valuers in connection with the CL Mortgage and its origination. GMAC-RFC registers the transfer within the priority period afforded by the relevant legislation. The programme accounts for approximately 9.02% of the Mortgage Pool.

GMAC-RFC also operates a remote processing programme. In contrast to the correspondent lending programme, the participating firms in the remote processing programme (the “Remote Processors”) originate loans on behalf of GMAC-RFC using GMAC-RFC’s standard terms mortgage documentation. The Remote Processors use underwriters who are trained and supervised by GMAC-RFC to apply GMAC-RFC’s Lending Criteria (as defined below). An underwriter who is employed by GMAC-RFC and located on the Remote Processor’s premises gives the final approval for each mortgage application. The programme accounts for approximately 36.14% of the Mortgage Pool.

Right-to-buy scheme

Approximately 16.72% of the Mortgage Loans in the Initial Mortgage Pool by value and 25.71% by number were extended to the relevant Borrowers in connection with the purchase by those Borrowers of properties from the Local Authority under the “right-to-buy” scheme governed by the Housing Act 1985 or (as applicable) the Housing (Scotland) Act 1987 (the “RTB Loans”). Properties sold under this scheme are sold by the Local Authority at a discount to market value calculated in accordance with the Housing Act 1985 or (as applicable) the Housing (Scotland) Act 1987. A purchaser under this scheme must repay the whole of the discount if he sells the property within one year of acquiring it from the Local Authority, two-thirds if he does so within two years, and one-third if within three years. The Local Authority obtains a statutory charge (or, in Scotland, a Standard Security) over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. This statutory charge (or Standard Security) ranks senior to other charges including that of any mortgage lenders, unless (i) the mortgage lender has extended the mortgage loan to the purchaser for the purpose of enabling him to exercise the right to buy and (except in Scotland) is an approved lending institution for the purposes of the Housing Act 1985 or (ii) the relevant Local Authority issues a deed of postponement postponing its statutory charge to that of a mortgage lender.

GMAC-RFC is an approved lending institution under the Housing Act 1985. There is a concern that any funds advanced by an approved lending institution which are in excess of the purchase price payable by the purchaser would be considered not to be for the purpose of enabling him to exercise the right to buy and therefore would not benefit from the subordination of the statutory charge. GMAC-RFC will, in the Mortgage Sale Agreement, warrant that all Mortgage Loans originated by it were made to the person exercising the right-to-buy wholly for the purpose of enabling the recipient thereof to purchase the relevant Property (save where insurance cover has been obtained (see “Other Title insurance” below) or a deed of postponement has been granted by the local authority).

None of the CL Originators are approved lending institutions under the Housing Act 1985. Approximately 3.72% of the Mortgage Loans in the Initial Mortgage Pool by value and 5.77% by number were RTB Loans originated by the CL Originators. No deeds of postponement were issued by the relevant Local Authority in respect of these Mortgage Loans. These Mortgage Loans are therefore subordinated to the statutory charge in favour of the relevant Local Authority for the first three years from the date of origination. To mitigate the risk of losses arising as a result of such temporary subordination, GMAC-RFC has obtained insurance cover from London and European Title Insurance Services Limited in respect of such risk and GMAC-RFC will covenant in the Mortgage Sale Agreement to maintain similar insurance at the Issuer’s expense in its capacity as Administrator. The benefit of the relevant policy will be transferred to the Issuer under the terms of the Mortgage Sale Agreement.

Lending Criteria

Credit applications are sent to the underwriting department or passed through an electronic credit analysis system in the first instance to determine whether a potential Borrower meets the general underwriting guidelines of GMAC-RFC (the “Lending Criteria”) pursuant to which the Mortgage Loans have been originated.

GMAC-RFC has warranted to the Issuer and the Trustee in the Mortgage Sale Agreement (a) that the nature and amount of each Mortgage Loan, the circumstances of the relevant Borrower and the nature of the relevant Property satisfied the relevant lending criteria or the permitted exceptions to the criteria and (b) that, immediately prior to the execution of the Mortgage Sale Agreement and subject to the completion of any pending registrations, legal and beneficial title of all the Mortgage Loans in the Initial Mortgage Pool was vested absolutely in GMAC-RFC.

General

The Mortgage Loans were underwritten generally in accordance with the Lending Criteria. They would generally be acceptable to residential mortgage lenders lending to borrowers who have an impaired credit history or do not satisfy the standard requirements of building societies or high street banks.

In order to obtain a Mortgage Loan, each prospective Borrower must complete an application form which includes information with respect to the applicant’s income (if applicable), current employment details, bank account information (if applicable), current mortgage information (if applicable) and certain other personal information. A consumer credit search is made in all cases which will give details of any CCJs, BOs and IVAs and which will indicate persons who are listed on the voters’ roll as being the residents of the Property.

Discretion to Lend Outside Lending Criteria

Subject to approval in accordance with internal procedures, GMAC-RFC may have determined on a loan-by-loan basis that, based upon compensating factors, a prospective Borrower who did not strictly qualify under its Lending Criteria warranted an underwriting exception. Compensating factors may include, but are not limited to, a low LTV, stable employment and time in residence at the applicant's current residence.

Mortgage Loan Term

Each Mortgage Loan in the Initial Mortgage Pool has an original term of between 5 and 30 years.

Age of Borrower

Borrowers must be at least 18 years of age prior to the completion of the Mortgage Loan. Furthermore, the term of Mortgage Loans usually must end before the primary applicant reaches his/her 76th birthday (subject to approved exceptions).

Maximum Number of Borrowers

No more than four Borrowers may be parties to a Mortgage Loan.

Employment Details

The policies of GMAC-RFC in regard to the verification of the details of a Borrower's income distinguish between two different categories of Borrower, employed and self-employed.

The income of employed Borrowers can be substantiated by:

- (a) a formal reference from the applying Borrower's employer;
- (b) a P60 or 3 months' supporting payslips; or
- (c) self-certification by the Borrower (only for Mortgage Loans up to certain maximum amounts).

For the purpose of calculating a Borrower's gross income not only is base salary considered but also additional compensation such as a certain percentage of guaranteed overtime, bonuses and commissions, confirmed pension income, regular investment and rental income, employer subsidies and maintenance payments.

The income of self-employed Borrowers can be confirmed either by:

- (a) a signed certificate of income or a minimum of one (or where the LTV exceeds 85%, two) year's accounts in each case prepared and signed by an accountant with acceptable qualifications. For Mortgage Loans up to £100,000 preparation and signature by a bookkeeper is sufficient; or
- (b) self-certification by the Borrower (only if the Borrower has been trading for a minimum of six months and for Mortgage Loans up to certain maximum amounts).

Property Types

GMAC-RFC requires that each Mortgage Loan is secured by a first legal charge (an "English Mortgage") over a freehold or long leasehold residential property in England or Wales governed by English law or a first ranking standard security (a "Scottish Mortgage") over a heritable or long leasehold residential property located in Scotland governed by Scottish law (but see "*Right-to-buy scheme*" above in respect of RTB Loans originated by the CL Originators). The expiry of a leasehold property that serves as security for a Mortgage Loan must post-date the maturity of the Mortgage Loan by at least 30 years.

Generally, only properties intended for use exclusively or at least primarily as a principal place of residence will be acceptable. Properties under 10 years old are generally required to have the benefit of an NHBC guarantee (or, if the Property was built after 1 April 2003, a New Home Warranty Certificate), a Zurich Municipal warranty, a Premier Guarantee or an architect's certificate.

Certain property types will not be considered for the purposes of providing security for a Mortgage Loan. Examples of properties that would not be deemed acceptable as security include: (a) freehold flats and freehold maisonettes in England and Wales; (b) properties with agricultural restrictions; (c) properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party; (d) properties of 100% timber construction; (e) flats over commercial premises (subject to certain exceptions); and (f) flats in blocks of more than ten floors (subject to the valuer's comments on marketability).

Mortgage Loan Amount

GMAC-RFC will not originate, and will not allow a CL Originator or Remote Processor to originate, a Mortgage Loan that will be £25,000 or less at the time of completion. A Mortgage Loan, including Further Advances, will usually not exceed £750,000.

Maximum LTV

The LTV is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Mortgage Loan by the lower of the valuation of the Property as established by the valuer selected from the approved panel of surveyors (see “ – *Valuation*” below) or, in the case of a Mortgage Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price reflects a discount). The current policy of GMAC-RFC is not to originate, or allow a CL Originator or Remote Processor to originate, Mortgage Loans with an LTV higher than 95% although a higher LTV may be permitted in certain circumstances.

Income Multiples

Unless an exception is approved, a Mortgage Loan will not exceed either (a) the income of the primary Borrower multiplied by 3.50 and added to the income of any secondary Borrower or (b) the Borrowers’ joint income multiplied by 3.00, except where LTV is higher than 85% in which case a Mortgage Loan will not exceed either (a) the income of the primary Borrower multiplied by 3.00 and added to the income of any secondary Borrower or (b) the Borrowers’ joint income multiplied by 2.75.

Affordability Test

For Mortgage Loans originated prior to 10 February 2003, the CL Originators and Remote Processors sometimes incorporated into their underwriting procedures an affordability test, which attempted to estimate the ability of a Borrower to make payments under a Mortgage Loan. The affordability test served merely as an underwriting tool and, as such, was a contributing factor in an underwriter’s decision of whether to accept or reject an application for a Mortgage Loan. Since 10 February 2003, the CL Originators and Remote Processors have not used this test. In addition, GMAC-RFC no longer uses this test.

Changes to Lending Criteria

GMAC-RFC may vary the Lending Criteria from time to time. Such revisions may include extending mortgage loans to borrowers who are recently self-employed, independent contractors and temporary employees. Further Advances and Substitute Mortgage Loans may only be included in the Mortgage Pool if they were originated in accordance with the Lending Criteria (varied as specified herein) and the conditions contained in “*Administration of the Mortgage Pool – Further Advances and Substitution*” have been satisfied, and may include other types of Mortgage Loans if the Rating Agencies have confirmed that the then current ratings of the A Notes would not be adversely affected thereby.

Credit History

In addition to employer and valuer references, GMAC-RFC may, depending upon the particular circumstances, require Borrowers to furnish other references, e.g. from previous lenders and landlords. GMAC-RFC may also review a Borrower’s bank or building society statements but only does so in limited circumstances. In addition, GMAC-RFC requires that an approved credit search covering the preceding three years be undertaken for all Borrowers.

Where a CCJ relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders’ or landlords’ references or a Borrower has been subject to a BO or its Scottish equivalent or an IVA, explanations are generally obtained.

GMAC-RFC generally considers the accumulated aggregate value of the CCJs lodged against a Borrower in the preceding three-year period in its consideration of that Borrower’s Mortgage Loan application and/or in its setting of the rate to be charged on the Mortgage Loan. See “– *Interest Rate Setting*” above. Where satisfaction of a CCJ is a requirement of the Mortgage Loan, a certificate of satisfaction must have been provided or entry on the Experian search bearing the word “satisfied” against it obtained.

Borrowers who were extended a Mortgage Loan despite being previously subject to a BO are generally required to provide a certificate of discharge. Borrowers who are subject to an IVA are generally required to provide a confirmation of satisfactory conduct of the IVA where appropriate.

Repossessions in the preceding three years of previously mortgaged property will also be considered as relevant to a Borrower’s application for a Mortgage Loan. The Borrower is required to submit information relating to any outstanding debt and/or ongoing debt recovery in relation to the repossession for the review of GMAC-RFC. Borrowers who have been subject to such repossessions will have an additional percentage margin attached to the applicable Mortgage Rate.

Valuation

For the Mortgage Loans, Properties are required to be valued by a qualified surveyor chosen from a panel of GMAC-RFC approved valuation firms. For all Mortgage Loans, the valuer will be instructed by GMAC-RFC or the Packager.

Drive-by valuations are required for a proportion of remortgages, purchase transactions, higher loan amounts and higher LTV ratios. If the original and audit valuations deviate to a substantial degree, the audit figure can be used where it is lower

than the original valuation figure or a second valuer can be instructed. Drive-by valuations may also be used to assess the current value of the properties which are the subject of litigation.

Retentions

In cases where the property valuer determines that there is a need for additional remedial (or, in respect of new construction, completion) work to be performed on a Property, GMAC-RFC may retain, in full or in part, the monies to be extended to the Borrower under the Mortgage Loan until such time as the work deemed to be necessary is successfully completed. Accordingly, the completion of the work serves as a condition for the release of the retained funds under the Mortgage Loan. The retention is released when the required work is completed to a satisfactory standard and has been reinspected. Often a time for completion of the required work is specified in the offer conditions for the Mortgage Loan. In the event that a time for completion is not so specified, the work is to be completed in a timely fashion which GMAC-RFC generally considers to be no longer than 6 months. The Administrator will be responsible for releasing any existing outstanding retentions on Mortgage Loans in the Mortgage Pool.

As at the Cut-Off Date, approximately £18,152 in retention monies relating to the Mortgage Loans in the Initial Mortgage Pool were being held by GMAC-RFC awaiting the completion of required works on the Properties.

Borrower Maintenance Covenants

In relation to each of the Mortgage Loans in the Initial Mortgage Pool, the relevant Borrower has covenanted to keep the Property in good repair and condition, to comply with all covenants and statutory requirements in respect of the Property and to pay in a timely fashion all taxes and other amounts required to be paid in connection with the Property. Each of the Borrowers has also agreed to allow GMAC-RFC to carry out an inspection of the condition of the relevant Property at any reasonable time. If GMAC-RFC become aware that the relevant Borrower is in violation of his covenants, statutory requirements or other obligations, it will take appropriate action to protect its security.

Buildings Insurance

It is a condition of each Mortgage Loan that each Property be insured for its full re-instatement value as stated in the valuation report with an acceptable insurance company and at the Borrower's cost (subject to certain exceptions in the case of leasehold properties). GMAC-RFC requires that the firm of solicitors or licensed conveyancers acting on behalf of the Borrower confirms prior to completion that the current insurance policy complies with the CML Lenders Handbook. In all of these cases, the interest of GMAC-RFC is noted on the relevant policy from the date of completion of the Mortgage Loan.

GMAC-RFC has the option to use any monies received under any insurance policy affecting the property to make good the loss or damage in respect of which the monies were received or to use them to reduce or repay the relevant Mortgage Loan.

Further Advances

Further Advances are governed by the Lending Criteria and, together with the initial advances, must not exceed the maximum loan amount permitted by the Lending Criteria. Generally, the Borrower must not be in arrears in relation to the existing Mortgage Loan, and should not have been in arrears for any significant period of time. This policy is, however, subject to some exceptions, taken on a case-by-case basis.

Express Completion Service

In January 1999, GMAC-RFC began offering its Express Completion Service, which enables a Borrower to remortgage a Property under an expedited procedure that can allow completion within five days from the offer by GMAC-RFC to extend the remortgage loan. The process differs from traditional conveyancing practice in that there is no in-depth investigation of title. Instead, First Title Insurance plc ("First Title"), a company which provides title insurance and whose address is Walkden House, 3-10 Melton Street, London NW1 2EB, provides a homeloan protection policy on a Property for the sole benefit of GMAC-RFC. Among other things, this policy provides protection (a) that there is good and marketable title to the Property; (b) that the Property was built, and (if relevant) modified or extended since, in compliance with all necessary planning and building regulation approvals; (c) that there is nothing in the Local Authority records to the detriment of the owner of the Property; and (d) against costs or legal expenses necessary to defend the title. After an agent of First Title checks ownership of the Property, First Title provides a certificate of insurance to GMAC-RFC. The agent then arranges execution of the relevant documents, requests the funds from GMAC-RFC and, upon receipt, disburses such funds under GMAC-RFC's instructions and completes the transaction. The Express Completion Service may also be conducted by CL Originators and Remote Processors.

There are 78 Mortgage Loans in the Initial Mortgage Pool which have been originated pursuant to the Express Completion Service, representing an aggregate principal loan balance of approximately 1.32% of the Initial Mortgage Pool balance. The benefit of the First Title policy is assigned by GMAC-RFC to the Issuer pursuant to the Mortgage Sale Agreement.

Other Title Insurance

Occasionally, no local search is carried out by the solicitors involved in the mortgaging of a Property. Where a local search is not concluded, GMAC-RFC (jointly with the CL Originator in respect of CL Mortgages) enters into a local search indemnity insurance policy with Legal & Insurance Services Limited, P.O. Box 234, Tunbridge Wells, Kent TN3 0LX.

The benefit of the Legal & Insurance Services Limited policy is assigned by GMAC-RFC to the Issuer pursuant to the Mortgage Sale Agreement. In addition, the Mortgage Sale Agreement will contain a general assignment of any other title policy linked to an individual Property.

GMAC-RFC sometimes requires its solicitors to obtain a title insurance policy for a particular Property if a title issue has been identified in relation to that Property. For example, a Property may only have good leasehold title or may have been subject to a suspected transfer at an undervalue in the past. GMAC-RFC requires its solicitors to check each policy to ensure that the limit on cover is at least 100% of the valuation of the Property and that all policies are assignable.

GMAC-RFC has obtained insurance cover ("Right to Buy Insurance") from London and European Title Insurance Services Limited of 5th Floor, Minerva House, Valpy Street, Reading, Berkshire RG1 1AQ. The policy is a full title insurance policy plus it allows GMAC-RFC and CL Originators to complete RTB Loans without obtaining a deed of postponement from the Local Authority.

In July 2003 GMAC-RFC began obtaining stand alone right to buy insurance. This is a policy (also offered through London and European Title Insurance Services Limited) which removes the need to obtain a deed of postponement and is not a full title insurance policy.

Solicitors

The Borrower will instruct a firm of solicitors or licensed conveyancers to act on its behalf as well as on behalf of GMAC-RFC on the origination of the Mortgage Loan. The nominated firm must meet certain minimum requirements. For instance, the solicitors firm acting on behalf of GMAC-RFC must have a minimum of two registered partners and the licensed conveyancers must be one of three approved firms. If the nominated firm of solicitors or licensed conveyancers does not meet the minimum requirements, GMAC-RFC has reserved the right to instruct other solicitors or licensed conveyancers to act on its behalf at the expense of the Borrower.

Mortgages on Let Properties

GMAC-RFC offers a new type of mortgage loan exclusively for investment properties (the "Investment Mortgage Loan"). Under an Investment Mortgage Loan, a Borrower can include a single or a number of different Properties held for the purposes of investment (each an "Investment Property"). Prohibited from occupying an Investment Property itself, the Borrower must let an Investment Property within three months of completion on a short-term basis not exceeding 36 months to residential tenants who have demonstrated themselves to be of acceptable character and able to meet their obligations to pay rent. No sub-letting by the tenants is permitted.

Investment Mortgage Loans are extended only with the Investment Properties as collateral. GMAC-RFC takes no additional security for the purposes of the Investment Mortgage Loans.

The lending criteria for Investment Mortgage Loans also differ from the criteria applied to other Mortgage Loans in certain respects, including the following:

1. As Investment Mortgage Loans are seen as self-financing, there is no requirement for the Borrower to achieve certain income multiples. However, the gross monthly rental income must be at least 130% of the monthly mortgage interest payment.
2. For similar reasons, GMAC-RFC may sometimes extend an Investment Mortgage Loan to a Borrower for a term that will last up to that particular Borrower's 76th birthday (see "*Age of Borrower*" above). The minimum age for a Borrower is 25 for this product.
3. The maximum LTV for an Investment Mortgage Loan is 85%.
4. As the primary assessment on the Borrower's ability to pay is based on expected rental income, this is assessed as part of the valuation (see "*Valuation*" above).
5. No more than two Borrowers may be party to the Investment Mortgage Loan.

Only 574 of the Mortgage Loans in the Initial Mortgage Pool (representing an aggregate principal loan balance of approximately £51,320,783) are Investment Mortgage Loans. These Mortgage Loans represent approximately 8.54% of the Initial Mortgage Pool.

The general policy of GMAC-RFC in relation to its Mortgage Loans is to restrict the ability of the Borrower to let the relevant Property. However, in addition to the Investment Mortgage Loans, exceptions have been granted in relation to certain of the other Mortgage Loans in the Initial Mortgage Pool to allow the Borrowers to let their Properties. In such circumstances, GMAC-RFC increases the Mortgage Rate on such Mortgage Loans.

CHARACTERISTICS OF THE INITIAL MORTGAGE POOL

The Initial Mortgage Pool has the aggregate characteristics indicated in Tables 1-13. (Columns of percentages may not add up to 100% due to rounding). The valuations quoted in this section are as at the date of the initial origination of the Mortgage Loans.

Table 1
Distribution of Mortgage Loans by Original Loan to Value Ratios

<i>Original LTV</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
00.01% – 25.00%	67	0.94	2,923,096	0.49
25.01% – 50.00%	655	9.22	43,045,562	7.16
50.01% – 55.00%	335	4.72	23,712,176	3.94
55.01% – 60.00%	532	7.49	38,814,256	6.46
60.01% – 65.00%	639	9.00	49,381,915	8.22
65.01% – 70.00%	619	8.71	48,318,228	8.04
70.01% – 75.00%	1,711	24.09	140,649,796	23.40
75.01% – 80.00%	991	13.95	90,177,477	15.00
80.01% – 85.00%	1,197	16.85	128,915,366	21.45
85.01% – 90.00%	269	3.79	26,709,138	4.44
90.01% – 95.00%	88	1.24	8,441,706	1.40
	<u>7,103</u>	<u>100.00</u>	<u>601,088,715</u>	<u>100.00</u>
Weighted Average LTV:	72.12%			
Minimum LTV:	7.69%			
Maximum LTV:	95.00%			

Table 2
Distribution of Mortgage Loans by Current Principal Balance

<i>Current Principal Balance (£)</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
20,000.01 – 30,000.00	379	5.34	10,240,434	1.70
30,000.01 – 40,000.00	741	10.43	25,659,127	4.27
40,000.01 – 50,000.00	787	11.08	35,113,243	5.84
50,000.01 – 60,000.00	758	10.67	41,149,275	6.85
60,000.01 – 70,000.00	743	10.46	47,850,741	7.96
70,000.01 – 80,000.00	620	8.73	46,147,775	7.68
80,000.01 – 90,000.00	547	7.70	46,264,085	7.70
90,000.01 – 100,000.00	446	6.28	42,083,310	7.00
100,000.01 – 110,000.00	451	6.35	46,979,799	7.82
110,000.01 – 120,000.00	304	4.28	34,818,757	5.79
120,000.01 – 130,000.00	262	3.69	32,539,015	5.41
130,000.01 – 140,000.00	214	3.01	28,770,644	4.79
140,000.01 – 150,000.00	163	2.29	23,559,943	3.92
150,000.01 – 175,000.00	286	4.03	45,700,710	7.60
175,000.01 – 200,000.00	142	2.00	26,372,581	4.39
200,000.01 – 225,000.00	103	1.45	21,713,718	3.61
225,000.01 – 250,000.00	48	0.68	11,245,321	1.87
250,000.01 – 350,000.00	79	1.11	22,560,754	3.75
350,000.01 – 500,000.00	27	0.38	10,812,458	1.80
500,000.01 – 1,000,000.00	3	0.04	1,507,024	0.25
Total	7,103	100.00	601,088,715	100.00

Average Balance: £84,624.63
 Minimum: £24,674.48
 Maximum: £504,956.83

Table 3
Distribution of CCJs by Loan to Value Ratios

<i>Loan to Value</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>No. 0 CCJs</i>	<i>% 0 CCJs</i>	<i>No. 1 CCJs</i>	<i>% 1 CCJs</i>	<i>No. >1 CCJs</i>	<i>% >1 CCJs</i>
00.01% – 50.00%	722	10.16	562	7.91	98	1.38	62	0.87
50.01% – 55.00%	335	4.72	266	3.74	39	0.55	30	0.42
55.01% – 60.00%	532	7.49	431	6.07	52	0.73	49	0.69
60.01% – 65.00%	639	9.00	505	7.11	75	1.06	59	0.83
65.01% – 70.00%	619	8.71	448	6.31	112	1.58	59	0.83
70.01% – 75.00%	1,711	24.09	1,242	17.49	283	3.98	186	2.62
75.01% – 80.00%	991	13.95	739	10.40	140	1.97	112	1.58
80.01% – 85.00%	1,197	16.85	895	12.60	167	2.35	135	1.90
85.01% – 90.00%	269	3.79	236	3.32	21	0.30	12	0.17
90.01% – 95.00%	88	1.24	83	1.17	4	0.06	1	0.01
Total	7,103	100.00	5,407	76.12	991	13.95	705	9.93

Note: all percentages are presented as a percentage of the total number of Mortgage Loans in the Initial Mortgage Pool.

Table 4
Distribution of CCJs by Margin over LIBOR

<i>Margin Over LIBOR</i>	<i>No. of</i>	<i>% of</i>	<i>No. > 1</i>					
	<i>Mortgage</i>	<i>Mortgage</i>	<i>No. 0 CCJs</i>	<i>% 0 CCJs</i>	<i>No. 1 CCJs</i>	<i>% 1 CCJs</i>	<i>CCJs</i>	<i>% > 1 CCJs</i>
	<i>Loans</i>	<i>Loans</i>						
0.01% – 2.00%	1,487	20.93	1,298	18.27	133	1.87	56	0.79
2.01% – 2.50%	2,313	32.56	1,863	26.23	283	3.98	167	2.35
2.51% – 3.00%	1,611	22.68	1,157	16.29	263	3.70	191	2.69
3.01% – 3.50%	869	12.23	669	9.42	115	1.62	85	1.20
3.51% – 4.00%	477	6.72	240	3.38	119	1.68	118	1.66
4.01% – 4.50%	202	2.84	134	1.89	37	0.52	31	0.44
4.51% – 5.00%	109	1.53	36	0.51	30	0.42	43	0.61
5.01% – 5.50%	22	0.31	5	0.07	9	0.13	8	0.11
5.51% – 6.00%	4	0.06	0	0.00	1	0.01	3	0.04
6.01% – 7.00%	9	0.13	5	0.07	1	0.01	3	0.04
Total	7,103	100.00	5,407	76.12	991	13.95	705	9.93

Weighted Average Margin Over LIBOR: 2.78%
 Minimum: 1.75%
 Maximum: 6.75%

Note: All percentages are presented as a percentage of the total number of Mortgage Loans in the Initial Mortgage Pool.

Table 5
Distribution of Mortgage Loans by Loan Purpose

<i>Loan Purpose</i>	<i>No. of</i>	<i>% of</i>	<i>Current</i>	<i>% of Total</i>
	<i>Mortgage</i>	<i>Mortgage</i>	<i>Principal</i>	<i>Balance</i>
	<i>Loans</i>	<i>Loans</i>	<i>Balance (£)</i>	<i>Balance</i>
Purchase	3,425	48.22	273,268,097	45.46
Remortgage	3,678	51.78	327,820,617	54.54
Total	7,103	100.00	601,088,715	100.00

Table 6
Distribution of Mortgage Loans by Tenure by Original LTV

<i>Original Loan to</i>	<i>No. of</i>	<i>% of</i>	<i>No. of</i>	<i>% of</i>	<i>No. of</i>	<i>% of</i>	<i>No. of</i>	<i>% of</i>
	<i>Mortgage</i>	<i>Mortgage</i>	<i>Freehold</i>	<i>Freehold</i>	<i>Leasehold</i>	<i>Leasehold</i>	<i>Feuhold</i>	<i>Feuhold</i>
<i>Value Ratio %</i>	<i>Loans</i>	<i>Loans</i>						
0.01 – 25.00	67	0.94	63	0.89	4	0.06	0	0.00
25.01 – 50.00	655	9.22	581	8.18	62	0.87	12	0.17
50.01 – 55.00	335	4.72	305	4.29	25	0.35	5	0.07
55.01 – 60.00	532	7.49	481	6.77	42	0.59	9	0.13
60.01 – 65.00	639	9.00	560	7.88	66	0.93	13	0.18
65.01 – 70.00	619	8.71	555	7.81	56	0.79	8	0.11
70.01 – 75.00	1,711	24.09	1,477	20.79	197	2.77	37	0.52
75.01 – 80.00	991	13.95	815	11.47	148	2.08	28	0.39
80.01 – 85.00	1,197	16.85	995	14.01	137	1.93	65	0.92
85.01 – 90.00	269	3.79	199	2.80	46	0.65	24	0.34
90.01 – 95.00	88	1.24	58	0.82	22	0.31	8	0.11
Total	7,103	100.00	6,089	85.72	805	11.33	209	2.94

Note: All percentages are presented as a percentage of the total number of Mortgage Loans in the Initial Mortgage Pool.

Table 7
Distribution of Mortgage Loans by Property Type

<i>Property Type</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Detached Bungalow	123	1.73	15,119,064	2.52
Detached House	681	9.59	98,133,615	16.33
End Terraced	1,054	14.84	78,694,794	13.09
Leasehold Flat	561	7.90	53,882,614	8.96
Maisonette	75	1.06	7,738,706	1.29
Semi-detached Bungalow	76	1.07	6,460,366	1.07
Semi-detached House	2,457	34.59	191,601,139	31.88
Terraced	2,062	29.03	148,682,990	24.74
Terraced Bungalow	14	0.20	775,427	0.13
Total	7,103	100.00	601,088,715	100.00

Table 8
Distribution of Mortgage Loans by Region

<i>Region</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
East Anglia	250	3.52	20,834,760	3.47
East Midlands	556	7.83	41,089,434	6.84
Greater London	515	7.25	71,937,327	11.97
North	490	6.90	25,527,463	4.25
North West	1,116	15.71	74,336,058	12.37
Outer Metropolitan	455	6.41	59,131,936	9.84
Scotland	209	2.94	15,112,341	2.51
South East	1,004	14.13	113,840,484	18.94
South West	574	8.08	52,901,635	8.80
Wales	521	7.33	32,611,061	5.43
West Midlands	770	10.84	55,155,079	9.18
Yorkshire	643	9.05	38,611,137	6.42
Total	7,103	100.00	601,088,715	100.00

Table 9
Distribution of Mortgage Loans by Time to Maturity

<u>Months to Maturity</u>	<u>No. of Mortgage Loans</u>	<u>% of Mortgage Loans</u>	<u>Current Principal Balance (£)</u>	<u>% of Total Balance</u>
52 – 72	17	0.24	1,797,307	0.30
73 – 96	31	0.44	2,152,680	0.36
97 – 120	199	2.80	16,167,662	2.69
121 – 144	119	1.68	9,890,129	1.65
145 – 168	125	1.76	9,766,283	1.62
169 – 192	544	7.66	42,913,999	7.14
193 – 216	260	3.66	21,056,752	3.50
217 – 240	1,012	14.25	82,457,680	13.72
241 – 264	338	4.76	29,412,007	4.89
265 – 288	374	5.27	30,909,005	5.14
289 – 312	3,831	53.93	331,096,513	55.08
313 – 336	17	0.24	1,534,050	0.26
337 – 360	236	3.32	21,934,648	3.65
Total	7,103	100.00	601,088,715	100.00
Weighted Average (months):	267			
Minimum (months):	56			
Maximum (months):	360			

Table 10
Distribution of Mortgage Loans by Repayment Method

<u>Repayment Method</u>	<u>No. of Mortgage Loans</u>	<u>% of Mortgage Loans</u>	<u>Current Principal Balance (£)</u>	<u>% of Total Balance</u>
Interest Only	2,194	30.89	254,888,505	42.40
Part & Part Repayment	185	2.60	17,294,532	2.88
	4,724	66.51	328,905,678	54.72
Total	7,103	100.00	601,088,715	100.00

Table 11
Distribution of Mortgage Loans Currently in Arrears

<u>Days Past Due</u>	<u>No. of Mortgage Loans</u>	<u>% of Mortgage Loans</u>	<u>Current Principal Balance (£)</u>	<u>% of Total Balance</u>
Current	6,948	97.82	585,088,056	97.34
30 – 59 days	100	1.41	9,952,509	1.66
60 – 89 days	43	0.61	4,984,085	0.83
90 + days	12	0.17	1,064,066	0.18
Total	7,103	100.00	601,088,715	100.00

Table 12
Distribution of Mortgage Loans by Status/Self-Certified

<u>Status/Self-Certified</u>	<u>No. of Mortgage Loans</u>	<u>% of Mortgage Loans</u>	<u>Current Principal Balance (£)</u>	<u>% of Total Balance</u>
Self-Certified	5,037	70.91	446,505,326	74.28
Status	2,066	29.09	154,583,388	25.72
Total	7,103	100.00	601,088,715	100.00

Table 13
Distribution of Mortgage Loans by Rate Type

<i>Rate Type</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Variable Rate (LIBOR)	82	1.15	8,625,817	1.44
Discount of 1.25% until 01 April 2004	26	0.37	2,763,800	0.46
Discount of 1.25% until 01 July 2004	196	2.76	16,119,823	2.68
Discount of 1.25% until 01 October 2004	1,340	18.87	101,694,654	16.92
Discount of 1.25% until 01 January 2005	4,530	63.78	385,147,886	64.08
Discount of 1.35% until 01 April 2005	4	0.06	407,590	0.07
Discount of 1.50% until 01 June 2004	37	0.52	1,869,229	0.31
Discount of 1.50% until 01 September 2004	148	2.08	10,344,811	1.72
Total Discount	6,281	88.43	518,347,793	86.23
Fixed 5.29% until 01 September 2005	8	0.11	578,702	0.10
Fixed 5.45% until 01 June 2005	6	0.08	357,122	0.06
Fixed 5.45% until 01 August 2005	2	0.03	162,085	0.03
Fixed 5.45% until 01 September 2005	30	0.42	2,394,174	0.40
Fixed 5.45% until 01 January 2006	46	0.65	4,042,648	0.67
Fixed 5.55% until 01 June 2005	5	0.07	545,541	0.09
Fixed 5.55% until 01 September 2005	15	0.21	1,230,300	0.20
Fixed 5.55% until 01 January 2006	12	0.17	896,560	0.15
Fixed 5.59% until 01 August 2005	1	0.01	153,808	0.03
Fixed 5.59% until 01 September 2005	28	0.39	2,353,059	0.39
Fixed 5.60% until 01 September 2005	3	0.04	268,426	0.04
Fixed 5.65% until 01 April 2005	1	0.01	151,425	0.03
Fixed 5.69% until 01 January 2005	3	0.04	265,086	0.04
Fixed 5.69% until 01 September 2005	2	0.03	170,081	0.03
Fixed 5.75% until 01 April 2005	1	0.01	204,942	0.03
Fixed 5.75% until 01 June 2005	9	0.13	997,766	0.17
Fixed 5.75% until 01 August 2005	11	0.15	1,377,242	0.23
Fixed 5.75% until 01 September 2005	109	1.53	11,909,930	1.98
Fixed 5.75% until 01 January 2006	79	1.11	8,254,643	1.37
Fixed 5.79% until 01 September 2005	2	0.03	111,032	0.02
Fixed 5.85% until 01 January 2006	25	0.35	1,986,964	0.33
Fixed 5.89% until 01 January 2005	5	0.07	473,527	0.08
Fixed 5.89% until 01 April 2005	3	0.04	326,989	0.05
Fixed 5.89% until 01 September 2005	35	0.49	3,995,552	0.66
Fixed 5.89% until 01 January 2006	22	0.31	1,574,007	0.26
Fixed 5.95% until 01 June 2005	4	0.06	403,338	0.07
Fixed 5.95% until 01 August 2005	1	0.01	71,373	0.01
Fixed 5.95% until 01 September 2005	27	0.38	3,380,024	0.56
Fixed 5.95% until 01 January 2006	137	1.93	15,794,088	2.63
Fixed 5.95% until 01 April 2006	1	0.01	108,823	0.02
Fixed 5.99% until 01 August 2004	1	0.01	63,676	0.01
Fixed 5.99% until 01 September 2004	1	0.01	60,901	0.01
Fixed 5.99% until 01 January 2006	8	0.11	544,063	0.09
Fixed 6.04% until 01 September 2005	6	0.08	465,151	0.08
Fixed 6.09% until 01 January 2006	6	0.08	311,202	0.05
Fixed 6.10% until 01 September 2005	1	0.01	30,669	0.01
Fixed 6.15% until 01 January 2006	16	0.23	1,625,519	0.27
Fixed 6.19% until 01 April 2004	1	0.01	145,368	0.02
Fixed 6.19% until 01 September 2005	5	0.07	437,324	0.07
Fixed 6.19% until 01 January 2006	45	0.63	4,219,672	0.70
Fixed 6.34% until 01 January 2006	9	0.13	832,428	0.14
Fixed 6.49% until 01 September 2004	1	0.01	128,891	0.02
Fixed 6.49% until 01 January 2005	2	0.03	156,900	0.03
Fixed 6.49% until 01 April 2005	1	0.01	167,135	0.03
Fixed 6.49% until 01 January 2006	4	0.06	386,945	0.06
Total Fixed	740	10.42	74,115,104	12.33
	7,103	100.00	601,088,715	100.00

Table 14
Distribution of Mortgage Early Redemption Charges¹

<i>Mortgage Early Redemption Charges with reference to redemption in years 1, 2 and 3</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Balance</i>
6%, 5%, 4% of Outstanding Balance	6,507	91.61	539,617,536.65	89.77
6%, 6%, 0% of Outstanding Balance	578	8.14	59,733,627.46	9.94
7%, 6%, 5% of Outstanding Balance	2	0.03	188,681.17	0.03
5%, 3%, 2% of Outstanding Balance	16	0.23	1,548,869.28	0.26
Totals	7,103	100.00	601,088,714.56	100.00

¹ Mortgage Early Redemption Charges are paid to GMAC-RFC and are not for the benefit of the Issuer. See also "Risk Factors – Regulatory Considerations – Unfair Terms in Consumer Contracts Regulations 1994 and 1999."

TITLE TO THE MORTGAGE POOL

The Mortgage Loans and the Mortgages will be sold by GMAC-RFC to the Issuer. The sale of the English Mortgage Loans will take effect in equity only, and the sale of the Scottish Mortgage Loans will take effect by means of a trust (save as mentioned below). The Issuer will grant a first fixed equitable charge (or, in the case of Scottish Mortgage Loans, a first fixed charge over its beneficial interest therein) in favour of the Trustee over its interest in the Mortgage Loans and the Mortgages.

The Administrator is required under the terms of the Administration Agreement to ensure the safe custody of title deeds. The Administrator will have custody of title deeds in respect of the Mortgage Loans and the Mortgages as agent of the Issuer. The Administrator has sub-contracted this responsibility to Homeloan Management Limited. See "*Administration of the Mortgage Pool - Sub-Contracting by the Administrator*".

GMAC-RFC has legal and beneficial title to all the Mortgages in the Initial Mortgage Pool.

Save in respect of the Mortgages originated by the CL Originators (legal and beneficial title to which was assigned or, in the case of Scottish Mortgages, transferred to GMAC-RFC immediately upon origination), legal title to the Mortgages securing the Mortgage Loans originated by GMAC-RFC has, since origination, remained, and will remain, with GMAC-RFC. The holding by GMAC-RFC of legal title to Mortgages only recently transferred to or originated by GMAC-RFC will be subject to completion of registration or recording (as applicable) at H.M. Land Registry or the Registers of Scotland, as appropriate.

Neither the Issuer nor the Trustee will require legal title to be transferred, conveyed or assigned to the Issuer or apply to H.M. Land Registry, the Central Land Charges Registry or the Registers of Scotland to register or record their interest in such Mortgages except in the limited circumstances referred to below.

Save as mentioned below, notice of the assignment to the Issuer and the equitable charge in favour of the Trustee will not be given to the Borrowers.

Under the Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) and the Trustee will each be entitled to require legal title to be transferred, conveyed or assigned to the Issuer and to 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 Trustee (as chargee) in the Mortgage Loans and the Mortgages, *inter alia*, where (a) it is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority, (b) an Enforcement Notice (as defined in the Deed of Charge) has been given, (c) the Trustee acting on the instructions of Ambac (if Ambac is then the Note Controlling Party) considers that the Security (as defined in the Deed of Charge) or any part thereof is in jeopardy (including the possible insolvency of GMAC-RFC) or (d) any action is taken for the winding-up, dissolution, administration or reorganisation of GMAC-RFC. These rights are supported by irrevocable powers of attorney given by, *inter alios*, the Issuer and GMAC-RFC.

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages and not registering or recording their respective interest in H.M. Land Registry, the Central Land Charges Registry or the Registers of Scotland (where applicable) a bona fide purchaser from GMAC-RFC for value of any of such Mortgages without notice of any of the interests of the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Borrowers or insurance companies and GMAC-RFC). However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by GMAC-RFC of its contractual obligations or fraud, negligence or mistake on the part of GMAC-RFC or the Issuer or their respective personnel or agents.

Furthermore, for so long as neither the Issuer nor the Trustee have obtained legal title, they must join GMAC-RFC as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage.

SALE OF THE MORTGAGE POOL

On the Issue Date, the Issuer will purchase the Completion Mortgage Pool. Each Mortgage Loan in the Completion Mortgage Pool will be a Mortgage Loan in respect of which the relevant Borrower has made at least one scheduled payment of interest and/or interest and principal (each a “Monthly Payment”) and such Monthly Payment has been verified by the second Business Day prior to the Issue Date. On the Eligible Dates, the Issuer will purchase the Pre-Funded Mortgage Loans from GMAC-RFC to the extent that such Pre-Funded Mortgage Loans comply with the terms of the Mortgage Sale Agreement on the relevant Eligible Date (including for the avoidance of doubt, the warranties set out in “ – *Warranties and Repurchase*” below) (except in relation to First Month Loans purchased on the First Month Loan Eligible Date, when the first Monthly Payment has not yet fallen due). In addition, further Mortgage Loans may from time to time be included in the Mortgage Pool. These further Mortgage Loans, which will be Further Advances or Substitute Mortgage Loans, will be originated under the same underwriting standards as the Completion Mortgage Pool or may include other types of Mortgage Loans if the Rating Agencies have confirmed that the Underlying Rating of the A Notes would not be adversely affected thereby.

Consideration

The consideration payable by the Issuer to GMAC-RFC for the Completion Mortgage Pool on the Issue Date is an amount equal to the aggregate Balances (as defined below) of the Mortgage Loans comprised in the Completion Mortgage Pool as at the Cut-Off Date (31 January 2004) less the Initial Overcollateralisation plus a premium. Interest accruing and all other sums received by GMAC-RFC on the Mortgage Loans up to but not including the Cut-Off Date will be for the account of GMAC-RFC and interest accruing and all other sums received by GMAC-RFC on or after the Cut-Off Date will be for the account of the Issuer. On the Eligible Dates, the Issuer shall purchase the Pre-Funded Mortgage Loans from GMAC-RFC for an amount equal to the aggregate Balance of the Pre-Funded Mortgage Loans (“Pre-Funded Mortgage Loans Purchase Price”) as at the last day of the month immediately preceding the relevant Eligible Date (each a “Pre-Funded Completion Date”). Interest accruing on the Pre-Funded Mortgage Loans up to but not including the relevant Pre-Funded Completion Date will be for the account of GMAC-RFC, and interest accruing on the Pre-Funded Mortgage Loans on or after the relevant Pre-Funded Completion Date will be for the account of the Issuer.

The Issuer will also pay Ordinary Deferred Consideration, Prepayment Deferred Consideration and Deferred Purchase Price as described in the “*Summary – Deferred Consideration*”.

Pre-Funded Mortgage Loans

The Pre-Funded Mortgage Loans purchased by the Issuer will be required to comply with the same lending criteria as apply to the Mortgage Loans comprising the Completion Mortgage Pool (including verification of receipt of the first Monthly Payment) (except in relation to First Month Loans purchased on the First Month Loan Eligible Date, when the first Monthly Payment on those Mortgage Loans has not yet fallen due). The purchase of the Pre-Funded Mortgage Pool will be subject to the satisfaction of the following conditions:

- (a) on the Issue Date, the Pre-Funded Mortgage Loans Amount is less than or equal to 26.31% of the aggregate principal balance of the A Notes;
- (b) the amount applied in the purchase of First Month Loans sold to the Issuer does not exceed £50,000,000;
- (c) on the relevant Eligible Date, each Pre-Funded Mortgage Loan complies with the representations and warranties specified in the Mortgage Sale Agreement (except that in relation to First Month Loans no Monthly Payment will have been received);
- (d) the Rating Agencies confirm that the Underlying Rating of the A Notes then outstanding will not be withdrawn or downgraded as a result of the purchase of the Pre-Funded Mortgage Pool; and
- (e) Ambac confirms that in its reasonable opinion the characteristics of the Pre-Funded Mortgages are not materially different from those of the Mortgages purchased by the Issuer on the Issue Date.

The Pre-Funded Mortgage Loans Amount together with the following amounts will be deposited in the Issuer Transaction Account and credited to the Pre-Funded Mortgage Loans Ledger:

- (a) part of the proceeds of the issue of the C Notes, in an amount equal to the Pre-Funded Mortgage Loans Interest Shortfall, which will be credited on the Issue Date;
- (b) interest earned on the sum of the Pre-Funded Mortgage Loans Amount and the Pre-Funded Mortgage Loans Interest Shortfall at the rate of interest payable pursuant to the Guaranteed Investment Contract for the period from the Issue Date up to (but excluding) the second business day prior to the relevant Eligible Date (the “Eligible Advance Date”), which will be credited on the Eligible Advance Date; and

- (c) to the extent that after the final Eligible Date there are funds standing to the credit of the Pre-Funded Mortgage Loans Ledger, interest earned on such amount at the rate of interest payable pursuant to the Guaranteed Investment Contract for the period from the final Eligible Date up to (but excluding) the Payment Date falling in June 2004.

It is a requirement of the Mortgage Sale Agreement that at least one Monthly Payment in respect of a Mortgage Loan due from a Borrower be received in full, before the relevant Mortgage Loan is sold by GMAC-RFC to the Issuer on the Closing Date. However, as an exception to this requirement, a First Month Loan may be sold on the First Month Loan Eligible Date, on the condition that the first Monthly Payment must be made and received in cleared funds by the First Month Loan Qualifying Date and the First Month Loan otherwise complies with the terms of the Mortgage Sale Agreement on the First Month Loan Eligible Date. If a First Month Loan has not had its first Monthly Payment made and received in cleared funds by the First Month Loan Qualifying Date, GMAC-RFC will be obliged to purchase such First Month Loan as set out below in “*Sale of the Mortgage Pool-Warranties and Repurchase*”.

The Issuer, or the Administrator on its behalf, may on the Eligible Dates utilise the Pre-Funded Mortgage Loans Amount towards payment of the Pre-Funded Mortgage Loans Purchase Price. To the extent that there are funds standing to the credit of the Pre-Funded Mortgage Loans Ledger after the payment of the Pre-Funded Mortgage Loans Purchase Price, these funds shall be applied on the Payment Date falling in June 2004 as follows:

- (a) an amount equal to the Principal Rebate will be remitted to the holders of the A Notes as part of the mandatory repayment of the A Notes on such date in accordance with Condition 5(b);
- (b) an amount equal to the interest on the Pre-Funded Mortgage Loans Amount (calculated at the weighted average of the Rate of Interest (as defined in Condition 4(c)) for the A Notes for the period from the Issue Date to the final Eligible Date) will be distributed in accordance with the Pre-Enforcement Priority of Payments; and
- (c) any remaining amounts standing to the credit of the Pre-Funded Mortgage Loans Ledger will be remitted to the C Noteholders as part of the mandatory repayment of the C Notes on such date in accordance with Condition 5(c).

Warranties and Repurchase

The Mortgage Sale Agreement contains warranties given by GMAC-RFC in relation to the Completion Mortgage Pool and the Pre-Funded Mortgage Pool. No searches, enquiries or independent investigations have been or will be made by the Issuer or the Trustee, each of whom is relying upon the warranties in the Mortgage Sale Agreement and the results of an audit of the Initial Mortgage Pool.

If there is an unremedied or unremediable breach of any of these warranties which could have a material adverse effect on the Mortgage Loan and related Mortgage or if a Monthly Payment is not received from a First Month Loan by the First Month Loan Qualifying Date then GMAC-RFC is required to repurchase the relevant Mortgage Loan and its related Mortgage for a consideration in cash equal to the Balance of the relevant Mortgage Loan and all other amounts due and unpaid under such Mortgage Loan plus accrued and unpaid (but not capitalised) interest less interest not then accrued but paid in advance to the Issuer (which the Issuer shall be entitled to retain) (the “Repurchase Price”). Performance of the obligation to repurchase a Mortgage Loan and its related Mortgage will be in satisfaction of all GMAC-RFC's liabilities in respect of the warranties relating to that Mortgage Loan and related Mortgage.

“Balance” means, in relation to any Mortgage Loan and on any date, the original principal amount advanced to the Borrower plus any other disbursement, legal expenses, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Mortgage Loan on or prior to such date (including, for the avoidance of doubt, capitalised interest) plus, in relation to a Mortgage Loan and the Mortgage relating thereto, any advance of further monies to the Borrower thereof on the security of the relevant Mortgage after the date of completion of such Mortgage Loan (including advances of any retention) less any repayments of such amounts.

The warranties referred to will include, *inter alia*, statements to the following effect:

- (a) each Mortgage Loan and its related Mortgage constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (save any terms which are (i) not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or 1999 or (ii) which are unenforceable by the Consumer Credit Act 1974 or (iii) which are deemed to be ancillary terms which may well include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the terms of the Mortgage Loan or (iv) other terms the application of which are in the lender's discretion, or (v) the ability to require an additional payment upon redemption calculated with reference to the Mortgage Early Redemption Charges) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to GMAC-RFC in priority to any other charges registered against the relevant Property save where the Right-to-Buy Insurance applies;
- (b) subject to completion of any registration or recording which may be pending at H.M. Land Registry or the Registers of Scotland, and save where the Right-to-Buy Insurance applies, each Mortgage constitutes a first ranking legal mortgage or first ranking standard security (as the case may be) over the relevant Property;

- (c) no lien or right of set-off or counterclaim has been created or has arisen between GMAC-RFC and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan save in relation to the Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and save in relation to Section 75 of the Consumer Credit Act;
- (d) save for where the Mortgage Loan is covered by a valid title insurance policy, prior to making a Mortgage Loan to a Borrower, GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) instructed, or required to be instructed on its behalf, solicitors or licensed conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) acting in accordance with its normal standard, when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind generally permitted under the Lending Criteria and a certificate of title was received by or on behalf of GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) from such solicitors or licensed conveyancers which, either initially or after further investigation, revealed no material matter which would cause GMAC-RFC or the relevant CL Originator to decline the Mortgage Loan having regard to the Lending Criteria;
- (e) prior to making a Mortgage Loan, the relevant Property was valued by a valuer from the panel of valuers from time to time appointed by GMAC-RFC. That valuer complied with its obligation to GMAC-RFC relating to conflicts of interest, impartiality and independence.
- (f) prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower and the nature of the relevant Property satisfied the Lending Criteria in all material respects;
- (g) each Mortgage Loan and its related Mortgage has been made on the terms of GMAC-RFC's mortgage documentation (so far as applicable) or the documentation of the CL Originators, which has not been varied in any material respect;
- (h) GMAC-RFC or, where applicable, a CL Originator took all reasonable steps to ensure that each Property was at the date of completion of the relevant Mortgage Loan (or, where appropriate, in the case of self-build properties, at the date of completion of the relevant property) insured (i) under a buildings policy arranged by the Borrower with the approval of GMAC-RFC (or, in relation to the CL Mortgage Loans, with the approval of the relevant CL Originators), or (ii) under a Block Buildings Policy or, in relation to certain CL Mortgage Loans, a block buildings policy used by the relevant CL Originator providing equivalent cover, or (iii) with respect to leasehold properties, by the relevant landlord with the approval of GMAC-RFC (or, in relation to the CL Mortgage Loans, with the approval of the relevant CL Originator), and in all cases against risks usually covered by a comprehensive buildings insurance policy and with the interest of GMAC-RFC noted thereon with effect from the origination of the relevant Mortgage Loan (or, in the case of certain CL Mortgage Loans, with effect following the transfer of the Mortgage Loan to GMAC-RFC);
- (i) no Mortgage Loan was acquired by GMAC-RFC subject to any discount and no Mortgage Loan has been written down by GMAC-RFC in its accounts;
- (j) no Mortgage Loan has a final maturity beyond the date falling two years prior to the final maturity of the Notes;
- (k) the interest payable under all the Mortgage Loans is determined by reference to a fixed margin over LIBOR subject only to certain Mortgage Loans having fixed interest rates until one of 10 dates between 1 April 2004 and 1 April 2006;
- (l) the Borrower under each Mortgage Loan has made at least one monthly payment (except in relation to the First Month Loans, in respect of which a Monthly Payment must be received in cleared funds by the First Month Loan Qualifying Date);
- (m) to the best of GMAC-RFC's knowledge and belief, having made all reasonable enquiries, the Right to Buy Insurance has been complied with; and
- (n) in the case of each Mortgage Loan secured on leasehold property, the relevant leasehold interest has an unexpired term left to run of not less than 30 years after the maturity of the relevant Mortgage Loan.

ADMINISTRATION OF THE MORTGAGE POOL

Mortgage Administration

The Administrator

The Administrator will be appointed under the terms of the Administration Agreement dated on or about the Issue Date between, *inter alios*, the Issuer and the Trustee to administer the Mortgage Loans and the Related Security (as defined in the “*Terms and Conditions of the Notes – Condition 2*”) and to manage all cash transactions and maintain cash management ledgers on behalf of, and as agent for, the Issuer and the Trustee.

Pursuant to the terms of the Administration Agreement, the Administrator is obliged to report on a regular basis to the Trustee and the Issuer on the status and the performance of the Mortgage Pool, the administration of the Mortgage Loans and other matters relating to its administrative functions as described herein.

The appointment of GMAC-RFC as Administrator may be terminated by the Issuer (with the consent of the Trustee, acting on the instructions of Ambac (if Ambac is then the Note Controlling Party) and Ambac (if Ambac is then the Note Controlling Party)) or by the Trustee (acting on the instructions of Ambac, if then the Note Controlling Party) on the occurrence of certain events of default, including non-performance of its obligations under the Administration Agreement or if insolvency or similar events occur in relation to GMAC-RFC.

In the event that the Administrator ceases to be 100% directly or indirectly owned by General Motors Acceptance Corporation, the Trustee shall procure that the Administrator appoints a back-up administrator which has been approved in writing by the Rating Agencies and the Trustee (acting at the direction of Ambac if Ambac is then the Note Controlling Party).

The Administrator may administer mortgage loans other than the Mortgage Loans.

Collection of Payments

The Administrator is responsible for collecting payments made by Borrowers in respect of the Mortgage Loans which will be made into one of the GMAC-RFC Accounts. The amounts standing to the credit of the GMAC-RFC Accounts will be transferred on a daily basis into the Issuer Transaction Account to the extent they represent receipts in respect of Mortgage Loans within the Mortgage Pool. Approximately 95.07% of the payments from the Borrowers are made by direct debit and the remaining 4.93% are made by cash, cheques, paying-in books and standing orders. Although Borrowers have the option of choosing from the various methods of payments, GMAC-RFC recommends that the Borrower make payments by direct debit. Borrowers who choose to make payments by direct debit complete a direct debit form and the instructions are sent to the relevant Borrower’s bank. Three days prior to the relevant Mortgage Payment Date, the Administrator sends a file to the Bankers Automated Clearing System (“BACS”) of all direct debit payments. Currently, one of the GMAC-RFC Accounts is credited on the first, the fifteenth and the last working day of each month for Mortgage Loans. Payments by methods other than direct debit are received throughout the month. The Administrator will receive on-line and written confirmation from BACS on the direct debits. The Administrator will also receive information on the rejection of direct debits with a description of the rejection. To the extent possible the Administrator will resubmit the direct debits two weeks after the first submission of the direct debit and a fixed fee will be debited to the Borrower’s Mortgage Loan. For so long as the Mortgage Loans are serviced by HML, payments made other than by direct debit will be paid via HML, which will deposit such funds in the Collection Account within one day of receipt. See “*Sub-Contracting by the Administrator*”. All amounts received from Borrowers in the GMAC-RFC Accounts and credited to the Collection Account will be transferred daily from the Collection Account to the Issuer Transaction Account.

All amounts credited to the GMAC-RFC Accounts, the Collection Account and the Expenses Account are held on trust, express or implied, by the Administrator for relevant beneficiaries including the Issuer. The trusts in favour of the Issuer are in respect of all amounts credited to the GMAC-RFC Accounts and the Collection Account which represent receipts in respect of the Mortgage Loans within the Mortgage Pool.

The GMAC-RFC Accounts, the Collection Account and the Expenses Account are held with Barclays Bank PLC.

The GMAC-RFC Accounts, the Collection Account, the Expenses Account and the Issuer Transaction Account will be operated by the Administrator in accordance with the Bank Agreement, and the GIC Account will be operated by the Administrator in accordance with the Guaranteed Investment Contract, until the Account Bank receives notice that an Enforcement Notice has been served. The Account Bank will operate the GMAC-RFC Accounts, the Issuer Transaction Account and the GIC Account in accordance with the instructions of the Administrator.

Arrears and Default Procedures

The Administrator will endeavour to collect payments due under the Mortgage Loans in accordance with the arrears procedures guidelines, but having regard to the circumstances of the relevant Borrower in each case. When a direct debit has been rejected after the second resubmission or a payment has not been received during the month for other methods

of payments, the Administrator will follow the arrears procedures guidelines to collect the payment due under the Mortgage Loan. The procedures include telephone calls to the Borrower to assess the circumstances of the Borrower in arrears in order to find a solution to any financial difficulties, letters requesting payment and visits by a field counsellor to the premises of the Borrower. When the Borrower has missed the second payment, the procedures will usually include taking legal action for possession of the relevant Property and the subsequent sale of that Property. The time involved (assuming the institution of legal proceedings) from the point when a second payment is missed by the Borrower to the Administrator taking possession of the Property may be approximately nine to twelve months; however, there can be significant variations in the time taken to sell repossessed Properties. A court has discretion (the scope of which may be narrower in Scotland) as to whether, on application by a lender, it will order the borrower to vacate the property pursuant to a possession order after a default. A lender will usually apply for such an order so that it can sell the property with vacant possession. Broadly, the net proceeds of sale of the 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 Loan. The Administrator will attempt to recover any shortfall from the Borrower to the extent that in its reasonable judgment it is cost-effective to do so. The Administrator will be forced to take such action in a minority of cases and, in such cases, the Administration Agreement provides for expenses to be paid to the Administrator in the event of recovery.

Until recently, on court applications 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. This position has been altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of this Act is to confer on the court discretion, on the application of the Borrower (or the Borrower's spouse or partner) within certain time limits, to suspend the exercise of the lender's 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 and the availability of alternative accommodation.

Sub-Contracting by the Administrator

The Administrator is permitted in specified circumstances, or with the prior written consent of the Issuer, Ambac (if Ambac is then the Note Controlling Party) and the Trustee (acting on the instructions of Ambac, if Ambac is then the Note Controlling Party), to sub-contract or delegate its obligations under the Administration Agreement subject to the proposed arrangement not adversely affecting the Underlying Rating of the A Notes assigned by the Rating Agencies.

On 6 March 2003, the Administrator entered into an agreement with Homeloan Management Limited ("HML") whereby HML provides mortgage settlement and related administration services for the Administrator's post-completion activities, including in relation to the Mortgage Loans. These services include payments collection, title deeds, buildings insurance, redemptions, further advances, release of retentions, financial control and reporting services, as well as general customer services, in accordance with the Administration Agreement and the Administrator's other policies and procedures. Under the sub-contracting agreement, cash and cheques received by HML from Borrowers are required to be deposited in the Collection Account within 24 hours of receipt. Direct debit payments continue to be made to a GMAC-RFC Account. HML is also responsible for arrears management but has only limited discretion in that regard and will act under the direct supervision of the Administrator, subject to a detailed collections policy.

The sub-contracting agreement relates solely to post-completion services. GMAC-RFC Limited continues to manage its new business – including underwriting and application processing up to and including completion – from its Head Office in Bracknell, Berkshire, and remotely through the Remote Processors and CL Originators.

The Issuer and the Trustee will consent to the sub-contracting of these activities to HML pursuant to the Administration Agreement to be entered into on or before the Issue Date.

Notwithstanding the sub-contracting to HML or any other sub-contract or delegation of the performance of any of its obligations under the Administration Agreement, the Administrator will remain primarily responsible for the performance of its obligations under the Administration Agreement.

Administration Fees

The Administration Agreement makes provision for payments to be made to the Administrator. On each Payment Date, the Issuer will pay to the Administrator an administration fee (the "Administration Fee") (plus Value Added Tax, if any), such fee being an amount equal to one quarter of 0.15% per annum of the average total principal Balance of the Mortgage Loans outstanding on the first day of each of the three months immediately prior to the relevant Determination Date.

If the appointment of the Administrator is terminated and a substitute administrator which is not an affiliate of GMAC-RFC is appointed, the figure of 0.15% per annum referred to in the paragraph above will be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement, subject always to the consent of the Trustee acting at the direction of Ambac (if Ambac is then the Note Controlling Party).

The Administrator will be entitled to receive from the Issuer for its own account any commissions from insurers out of premiums paid by Borrowers to the Issuer as a result of the Administrator having placed building insurance in relation to the Mortgage Loans with such insurers.

The Administration Fee, certain costs and expenses of the Administrator or any substitute administrator and the aforesaid commissions are to be paid as provided in the Pre-Enforcement Priority of Payments. This order of priority has been agreed with a view to procuring the continuing performance by the Administrator of its duties in relation to the Issuer, the Mortgage Loans and the Notes.

Redemption

A Borrower may repay all or any part of the relevant Mortgage Loan at any time before the end of the mortgage term (a "Mortgage Early Redemption Amount"), subject to the Borrower paying any applicable early redemption charge calculated on the basis provided under the Mortgage Loan (the "Mortgage Early Redemption Charge"). Interest is calculated on the reduced balance starting with the next following interest period.

The Mortgage Early Redemption Charges for the Mortgage Loans are calculated as a percentage of the Mortgage Early Redemption Amount.

Early repayment will generally occur in two circumstances: (a) a Borrower may voluntarily prepay all or part of the Mortgage Loan or (b) a Borrower may default (or another event of acceleration may occur) and Enforcement Procedures, including the sale of the Property, may take place.

If a Borrower defaults and Enforcement Procedures are initiated, the proceeds arising from such Enforcement Procedures, including the sale proceeds of the relevant Property may be insufficient to repay the entirety of the amounts owed by the Borrower under the Mortgage Loan.

Under the Administration Agreement, the Administrator will be responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised by the Trustee and the Issuer to release the relevant Mortgage Loan documents to the person or persons entitled thereto upon redemption. The Administrator may charge a fixed fee for the procedures in connection with the redemption.

Further Advances and Substitution

The Issuer may make Further Advances to Borrowers after each Mortgage Loan has completed or thereafter subject to the following:

- (a) the relevant Borrower should not be in material breach of any of the conditions of the relevant Borrower's existing mortgage and during the six-month period prior to the making of any Further Advance, the relevant Borrower is not in arrears of any payment;
- (b) in making the Further Advance, the Lending Criteria are met (subject to permitted exceptions to such criteria as described in "*The Mortgage Pool – Lending Criteria – Discretion to Lend Outside Lending Criteria*");
- (c) the provisions of the Consumer Credit Act and the regulations promulgated thereunder have been complied with to the extent that they apply to any such Further Advance;
- (d) prior to making the Further Advance no second mortgage, charge or standard security has been created over the relevant Property unless such second mortgage or charge has been expressly postponed by deed to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the making of the Further Advance;
- (e) no Enforcement Notice has been given by the Trustee which remains in effect;
- (f) the amount of the Further Advance (together with all other Further Advances made with respect to other Mortgage Loans and the aggregate balances of Substitute Mortgage Loans acquired by the Issuer on that day) when added to the amount of any Further Advances previously made and the aggregate balances of Substitute Mortgage Loans previously purchased does not exceed 10% of the aggregate Balances of the Mortgage Loans on the Issue Date, save the figure of 10% referred to above may be increased from time to time upon the Rating Agencies agreeing that such increase will not adversely affect the Underlying Rating by the Rating Agencies of the A Notes and subject to the consent of the Trustee (acting at the direction of Ambac if Ambac is then the Note Controlling Party);
- (g) GMAC-RFC is not in breach of any obligation on its part to repurchase any Mortgage Loan in accordance with the Mortgage Sale Agreement;
- (h) the amount of the Further Advance (together with all other Further Advances made with respect to other Mortgage Loans on that day) does not exceed an amount equal to the aggregate of the Available Capital Funds at such time and the amount standing to the credit of the Further Advances Ledger at such time;

- (i) the effect of the Further Advance would not be to extend the final maturity date of the Mortgage Loan to beyond the date falling two years prior to the final maturity of the Notes;
- (j) the Issuer has no reason to believe that the making of the relevant Further Advance will adversely affect the Underlying Rating of the A Notes; and
- (k) all conditions set out in the Administration Agreement relating to Further Advances have been satisfied.

All Further Advances made by GMAC-RFC on behalf of the Issuer will be covered by the existing Mortgage and will not create a second charge. This notwithstanding, GMAC-RFC may make an advance to a Borrower secured by a second or more junior charge on a Property or related security provided that such advance is made as a separate loan that will not be included in the Mortgage Pool and GMAC-RFC's security for such advance ranks in priority of payment after the priority of the relevant Mortgage Loan in the Mortgage Pool.

At any time that GMAC-RFC is entitled or obliged to repurchase a Mortgage Loan, GMAC-RFC will be entitled to sell to the Issuer a Mortgage Loan (a "Substitute Mortgage Loan") subject to the following conditions:

- (a) the Substitute Mortgage Loan will not, unless confirmed by the Trustee (acting at the direction of Ambac if Ambac is then the Note Controlling Party) and the Rating Agencies as not affecting the Underlying Rating of the A Notes, be a different type of Mortgage Loan to those Mortgage Loans in the Completion Mortgage Pool or the Pre-Funded Mortgage Pool;
- (b) all conditions set out in the Mortgage Sale Agreement and the Administration Agreement relating to the sale and purchase of Substitute Mortgage Loans will be satisfied;
- (c) if the Substitute Mortgage Loan is secured by a Scottish Mortgage, the Issuer and Trustee will obtain a legal opinion from Scottish counsel in respect of such Substitute Mortgage Loan confirming that the documents are legal, valid and binding in relation to such Substitute Mortgage Loan under Scots law;
- (d) no Enforcement Notice has been given by the Trustee which remains in effect;
- (e) GMAC-RFC is not in breach of any obligation on its part to repurchase any Mortgage Loan in accordance with the Mortgage Sale Agreement; and
- (f) the balance of the Substitute Mortgage Loan to be sold (together with the amount of all Further Advances made and the aggregate balances of the other Substitute Mortgage Loans acquired by the Issuer on that day) when added to the amount of any Further Advances previously made and the aggregate balances of Substitute Mortgage Loans previously purchased does not exceed 10% of the aggregate Balances of the Mortgage Loans on the Issue Date, save that the figure of 10% referred to above may be increased from time to time upon the Rating Agencies agreeing that such increase will not adversely affect the Underlying Rating by the Rating Agencies of the A Notes and subject to the consent of the Trustee (acting at the direction of Ambac if Ambac is then the Note Controlling Party).

Conversion of Mortgage Loans

The Issuer is not permitted to convert a Mortgage Loan into any other type of mortgage product. To the extent the Administrator receives a request from a Borrower to convert a Mortgage Loan into another type of mortgage product, the Administrator may approve the conversion of the Mortgage Loan if the request complies with its standard policies and procedures. GMAC-RFC will be required under the Mortgage Sale Agreement to repurchase the Mortgage Loan before it is converted, provided that the cumulative total principal amount of Mortgage Loans so repurchased may not exceed 1 percent of the total Principal Amount Outstanding of the Notes on the Issue Date. In any event, if a Borrower pursues a conversion to another mortgage product, the inability of the Issuer to agree to conversions and retain converted Mortgage Loans in the Mortgage Pool may lead to an early repayment of the Notes in respect of the Mortgage Loan concerned.

Information and Reporting

The Administrator is, under the Administration Agreement, responsible for keeping and maintaining records, on a Mortgage Loan-by-Mortgage Loan basis, and shall prepare quarterly management accounts in respect of the Issuer for the Issuer and the Trustee, to be delivered to the Issuer, the Trustee, the Currency Swap Counterparty and to the Rating Agencies, if requested within thirty days of the end of each three-month period. The Administrator shall also, prior to the end of each month following each Payment Date, deliver to the Issuer, the Rating Agencies, the Currency Swap Counterparty and the Trustee the form of a quarterly report prescribed by the Administration Agreement.

In addition, the Administrator shall give notice to the Rating Agencies, the Currency Swap Counterparty and the Trustee of (i) the Notes being repaid in full; (ii) any repurchase of any Mortgage Loan by GMAC-RFC pursuant to the Mortgage Sale Agreement; (iii) the occurrence of any Event of Default under the Notes; and (iv) the occurrence of an Ambac Event of Default upon becoming aware of such an occurrence.

Introduction

The UK residential mortgage market currently is not specifically regulated by statute although certain aspects of consumer lending (whether secured or unsecured) are regulated by the Consumer Credit Act and additional consumer protection is also provided under the Unfair Terms in Consumer Contracts Regulations 1994 and 1999. The following summary of certain regulatory considerations does not discuss all aspects of applicable legislation and other authorities which may be important to prospective investors.

The Mortgage Code

Self-regulation within the market is under the Mortgage Code (the "CML Code") issued by the Council of Mortgage Lenders (the "CML") and to which several mortgage lenders subscribe. GMAC-RFC is a member of the CML and subscribes to the CML Code. There is no legal requirement for a lender in the UK residential mortgage market to be a member of the CML. Membership of the CML and compliance with the CML Code are therefore voluntary.

The CML Code sets out minimum standards of good mortgage lending practice for lender-subscribers in respect of all aspects of their mortgage lending business, from initial marketing of mortgage products to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998, lender-subscribers to the CML Code may not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000) the Mortgage Code Compliance Board.

Voluntary Code of Conduct on Pre-contractual Information for Home Loans

In March 2001, the European Commission published a Recommendation to member states urging their lenders to subscribe to the code issued by the European Mortgage Federation. On 26 July 2001, the CML decided to subscribe to the code collectively on behalf of its members. An important element of the Code is provision to consumers of a "European Standardised Information Sheet" ("ESIS") similar to the pre-application illustration proposed by the FSA. Following postponement of regulation by the FSA of the UK mortgage market, UK lenders are not currently in compliance with this requirement although the official deadline was 30 September 2002. The CML continues to discuss this with the European Commission and the European Mortgage Federation. Whilst compliance with the code is voluntary, if the code is not effective, the European Commission is likely to see further pressure from consumer bodies to issue a Directive on mortgage credit or to extend its proposal for a new directive on consumer credit to all mortgage credit. It is not certain what effect any such Directive or extension of the proposal for a new directive would have on the Mortgage Loans, GMAC-RFC, the Issuer or the Administrator and their respective businesses and operations.

Non-Status Lending Guidelines for Lenders and Brokers

GMAC-RFC follows the Guidelines which were issued by the Office of Fair Trading on 18 July 1997 and revised in November 1997.

The Guidelines regulate the activities of lenders in relation to their activities in the non-standard residential mortgage market in areas such as advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates and early redemption payments.

The actions of any broker or other intermediary involved in marketing the lender's products can jeopardise the lender's fitness to hold a consumer credit licence, and the Guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with the Guidelines and all relevant statutory requirements. This is so even if the lender has no formal or informal control or influence over the broker.

The Guidelines, like the CML Code, provide that lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay, taking into account all relevant circumstances, such as the purpose of the loan, the borrower's income, outgoings, employment and previous credit history. Lenders must take all reasonable steps to verify the accuracy of information provided by borrowers on or in support of the loan application and all underwriting staff must be properly trained and supervised.

Charges payable on any early redemption (in whole or in part) are also restricted under the Guidelines. Essentially, partial repayments must be permitted and any early repayment charges must do no more than cover the costs reasonably incurred by the lender in processing the payments. Certain lenders had previously used the Rule of 78 to set the charges due from borrowers on early redemption, but the Guidelines state that this is unfair and oppressive and that lenders must discontinue its use at the earliest opportunity for loans not regulated by the Consumer Credit Act. GMAC-RFC has never used the Rule of 78 to set such charges.

The Financial Services and Markets Act 2000

In January 2000, HM Treasury announced that the FSA will regulate mortgage business. HM Treasury has made the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2001 (the "Order"), specifying that, from N(M), entering into a "regulated mortgage contract" and (in certain circumstances) administering a regulated mortgage are regulated activities. On 12 December 2001, HM Treasury announced that the FSA will regulate mortgage advice and that regulation by the FSA of mortgage lending and mortgage administration would be postponed. HM Treasury has made the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003, specifying that, from N(M), arranging a regulated mortgage contract and advising on a regulated mortgage contract are also to be regulated activities. On 15 October 2003, the FSA published the Mortgages: Conduct of Business Sourcebook ("MCOB"). MCOB provides rules and guidance in respect of the conduct of business requirements for authorised persons, including in relation to disclosure, fair treatment of consumers, the extension of the complaints/compensation regime to cover regulated mortgage contracts and client money rules.

Further, in March 2003, the FSA published a consultation paper covering the changes the FSA is proposing to make to the FSA Handbook relating to the prudential and authorisation-related requirements placed on authorised persons in respect of regulated mortgage activities. The FSA's Policy Statement and near-final rules on the prudential and other requirements were published in September 2003 and the FSA made those rules on 15 January 2004.

The date for the implementation of all such regulation is 31 October 2004. It is likely that GMAC-RFC's mortgage lending business, its correspondent lenders' mortgage lending business, its brokers' mortgage arranging business and mortgage advice business and the Administrator's mortgage administration business would constitute regulated activities. The Issuer's activities in making Further Advances through GMAC-RFC, and GMAC-RFC's intermediaries' business in respect of originating loans on behalf of GMAC-RFC, could (depending on the circumstances) constitute regulated activities.

The main effects will be that each entity carrying on a regulated activity will ordinarily be required to hold authorisation and permission from the FSA to carry on that activity. If requirements as to authorisation of lenders and brokers as to advertising are not complied with, a Mortgage Loan will be unenforceable against a borrower except with the approval of a court.

It is likely that the Issuer's business (save, depending on the circumstances, in respect of Further Advances) and the Trustee's actions in accordance with the Trust Deed would not constitute a regulated activity, if the Issuer and Trustee arranged for mortgage administration to be carried out by an administrator having the required permission, as contemplated pursuant to the terms of the Mortgage Administration Agreement. If such arrangement terminates, however, the Issuer and Trustee will have a period of no more than a month in which to arrange for mortgage administration to be carried out by any replacement administrator having the required permission.

The FSA has announced that, to avoid dual regulation once the new regulation applies, all mortgages regulated by the FSM Act will not be covered by the Consumer Credit Act. This carve-out only affects mortgages entered into on or after N(M). Before N(M), the Consumer Credit Act will continue to be the relevant legislation.

WEIGHTED AVERAGE LIVES OF THE A NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the A Notes will be influenced by, among other things, the actual rate of redemption of the Mortgage Loans and the application of Excess Spread towards redemption of the Notes pursuant to the Pre-Enforcement Priority of Payments.

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

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

- (a) there are no arrears (other than those specified herein) or enforcements;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) GMAC-RFC are not in breach of the terms of the Mortgage Sale Agreement;
- (e) no Mortgage Loan is repurchased by GMAC-RFC;
- (f) no Substitute Mortgage Loans are purchased;
- (g) no Further Advances are made;
- (h) the portfolio mix of loan characteristics remains the same throughout the life of the Notes;
- (i) following the expiry of the fixed rate/discount period (if applicable), the interest rate on each Mortgage Loan is equal to LIBOR plus a margin;
- (j) the Notes are issued on 3 March 2004 and all payments on the Notes are received on the 12th day of the month commencing from the Payment Date falling in June 2004;
- (k) LIBOR is equal to 4.01% and is applied to the aggregate Base Currency PAO;
- (l) in the case of tables stating "with optional redemption" the Notes are redeemed at their Principal Amount Outstanding on the Payment Date following the Payment Date on which the aggregate Base Currency PAO of the A Notes is less than 10% of the Initial Principal Amount Outstanding of the A Notes;
- (m) interest on the A Notes is always calculated on the basis of actual days elapsed in a 365 year (without adjustment);
- (n) the Pre-Funded Mortgage Loans are purchased by the Issuer within one month from the Issue Date;
- (o) the Mortgage Pool consists of six Mortgage Loans acquired on the Issue Date and six Pre-Funded Mortgage Loans acquired on the relevant Eligible Date, each having the characteristics defined below (the characteristics relative to the Pre-Funded Mortgage Loans are prefixed with a "P"); and
- (p) the Notes will be redeemed in accordance with the Conditions.

<i>Collateral Line</i>	<i>Current Principal Balance (£)</i>	<i>Mortgage Rate (%)</i>	<i>Fully Indexed Margin (%)</i>	<i>Remaining Term to Maturity (months)</i>	<i>Next Interest Reset (months)</i>	<i>Interest Only Period (months)</i>	<i>Discount (%)</i>	<i>Months to Full Floating Rate</i>
1	219,808,374.78	5.698	2.943	262	2	261	1.255	10
2	263,890,520.38	5.522	2.769	270	2	0	1.256	10
3	30,491,711.54	5.850	2.346	262	21	261	0	21
4	38,669,177.33	5.815	2.273	280	21	0	0	21
5	3,688,907.11	6.728	2.718	255	2	254	0	0
6	4,360,318.10	6.810	2.800	281	2	0	0	0
P1	77,333,759.56	5.698	2.943	262	2	261	1.255	10
P2	92,842,895.88	5.522	2.769	270	2	0	1.256	10
P3	10,727,701.76	5.850	2.346	262	21	261	0	21
P4	13,604,726.69	5.815	2.273	280	21	0	0	21
P5	1,297,844.34	6.728	2.718	255	2	254	0	0
P6	1,534,062.53	6.810	2.800	281	2	0	0	0

Structuring the actual characteristics and performance of the Mortgage Loans are likely to differ from the assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Loans will prepay at a

constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Mortgage Loans. Moreover, the diverse remaining terms to maturity and mortgage rates of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Mortgage Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans, or actual prepayment of loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

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

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the A1 Notes, the A2 Notes and the A3 Notes. These average lives have been calculated on a 30/360 basis.

**Percentage of the Original Principal Amount Outstanding of the A1 Notes at the Specified CPRs
(Without Optional Redemption)**

Date	0%	15%	20%	25%	30%	35%	40%	15%/35% ¹
3 March 2004	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2005	94.2%	46.3%	30.5%	14.7%	0.0%	0.0%	0.0%	42.2%
12 March 2006	90.7%	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2007	87.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2008	83.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2009	78.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2010	74.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2011	69.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2012	64.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2013	58.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2014	52.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2015	46.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2016	39.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2017	31.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2018	24.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2019	15.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2020	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2021	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2022	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2027	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Weighted Average Life (years)	9.79	1.12	0.86	0.70	0.59	0.52	0.46	0.95
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Payment Window (start)	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04
Payment Window (end)	Dec 20	Jun 06	Dec 05	Jun 05	Mar 05	Mar 05	Dec 04	Sep 05

(With Optional Redemption)

Weighted Average Life (years)	9.79	1.12	0.86	0.70	0.59	0.52	0.46	0.95
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Payment Window (start)	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04	Jun 04
Payment Window (end)	Dec 20	Jun 06	Dec 05	Jun 05	Mar 05	Mar 05	Dec 04	Sep 05

¹This relates to a CPR of 15 percent for the first 12 months followed by a CPR of 35 percent following the first 12 months.

**Percentage of the Original Principal Amount Outstanding of the A2 Notes at the Specified CPRs
(Without Optional Redemption)**

<u>Date</u>	<u>0%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>	<u>15%/35%¹</u>
3 March 2004	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2005	100.0%	100.0%	100.0%	100.0%	99.4%	90.3%	81.3%	100.0%
12 March 2006	100.0%	100.0%	88.7%	75.1%	62.4%	50.7%	39.9%	72.6%
12 March 2007	100.0%	83.4%	65.8%	50.3%	36.8%	25.2%	15.2%	39.2%
12 March 2008	100.0%	66.6%	47.6%	31.9%	19.1%	8.8%	0.6%	17.8%
12 March 2009	100.0%	52.4%	33.2%	18.2%	6.8%	0.0%	0.0%	4.0%
12 March 2010	100.0%	40.5%	21.7%	8.1%	0.0%	0.0%	0.0%	0.0%
12 March 2011	100.0%	30.4%	12.7%	0.5%	0.0%	0.0%	0.0%	0.0%
12 March 2012	100.0%	22.0%	5.5%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2013	100.0%	14.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2014	100.0%	8.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2015	100.0%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2016	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2017	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2018	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2019	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2020	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2021	98.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2022	92.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2023	86.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2024	79.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2025	72.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2027	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	21.02	5.88	4.42	3.50	2.86	2.40	2.04	3.00
Payment Window (start)	Dec 20	Jun 06	Dec 05	Jun 05	Mar 05	Mar 05	Dec 04	Sep 05
Payment Window (end)	Mar 26	Mar 16	Mar 13	Jun 11	Mar 10	Mar 09	Jun 08	Sep 09

(With Optional Redemption)

Weighted Average Life (years)	21.02	5.88	4.42	3.50	2.86	2.40	2.04	3.00
Payment Window (start)	Dec 20	Jun 06	Dec 05	Jun 05	Mar 05	Mar 05	Dec 04	Sep 05
Payment Window (end)	Mar 26	Mar 16	Mar 13	Jun 11	Mar 10	Mar 09	Jun 08	Sep 09

¹This relates to a CPR of 15 percent for the first 12 months followed by a CPR of 35 percent following the first 12 months.

**Percentage of the Original Principal Amount Outstanding of the A3 Notes at the Specified CPRs
(Without Optional Redemption)**

<u>Date</u>	<u>0%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>	<u>15%/35%¹</u>
3 March 2004	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2005	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2006	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2007	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2008	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
12 March 2009	100.0%	100.0%	100.0%	100.0%	100.0%	90.0%	54.3%	100.0%
12 March 2010	100.0%	100.0%	100.0%	100.0%	90.2%	51.4%	25.1%	72.5%
12 March 2011	100.0%	100.0%	100.0%	100.0%	56.8%	26.7%	7.8%	40.2%
12 March 2012	100.0%	100.0%	100.0%	71.3%	33.7%	10.9%	0.0%	19.4%
12 March 2013	100.0%	100.0%	99.5%	47.9%	17.7%	0.7%	0.0%	6.2%
12 March 2014	100.0%	100.0%	74.1%	30.6%	6.8%	0.0%	0.0%	0.0%
12 March 2015	100.0%	100.0%	54.1%	17.8%	0.0%	0.0%	0.0%	0.0%
12 March 2016	100.0%	97.9%	38.3%	8.4%	0.0%	0.0%	0.0%	0.0%
12 March 2017	100.0%	77.8%	25.9%	1.5%	0.0%	0.0%	0.0%	0.0%
12 March 2018	100.0%	61.0%	16.2%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2019	100.0%	46.9%	8.6%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2020	100.0%	35.1%	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2021	100.0%	25.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2022	100.0%	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2023	100.0%	10.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2024	100.0%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2025	100.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2026	8.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 March 2027	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	22.05	15.41	11.82	9.41	7.71	6.45	5.49	7.05
Payment Window (start)	Mar 26	Mar 16	Mar 13	Jun 11	Mar 10	Mar 09	Jun 08	Sep 09
Payment Window (end)	Jun 26	Jun 25	Dec 20	Sep 17	Mar 15	Jun 13	Dec 11	Dec 13

(With Optional Redemption)

Weighted Average Life (years)	22.05	12.27	9.27	7.51	6.25	5.25	4.50	5.76
Payment Window (start)	Mar 26	Mar 16	Mar 13	Jun 11	Mar 10	Mar 09	Jun 08	Sep 09
Payment Window (end)	Jun 26	Jun 16	Jun 13	Sep 11	Jun 10	Jun 09	Sep 08	Dec 09

¹This relates to a CPR of 15 percent for the first 12 months followed by a CPR of 35 percent following the first 12 months.

SENSITIVITY OF THE A3 DETACHABLE COUPONS TO PREPAYMENTS

The yield to an investor in the A3 Detachable Coupons will be highly sensitive to both the timing of receipt of prepayments and the overall rate of principal prepayment on the Mortgage Loans, which rate may fluctuate significantly from time to time. Their yield would also be negatively affected by any failure to apply all of the Pre-Funded Mortgage Loan Amount towards the purchase of Pre-Funded Mortgage Loans. An investor in the A3 Detachable Coupons should fully consider the associated risks, including the risk that a rapid rate of principal prepayments could result in the failure of an investor in the A3 Detachable Coupons fully to recover its initial investment.

The table below indicates the sensitivity of yield of the A3 Detachable Coupons with respect to the A3 Notes to various assumptions based upon, amongst other things, the Modelling Assumptions set forth under “*Weighted Average Lives of the A Notes*”.

Price (%)	Yield Sensitivity of the A3 Detachable Coupons							
	CPR							
	0%	15%	20%	25%	30%	35%	40%	15%/35% ¹
9.59	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
9.69	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%
9.79	6.91%	6.91%	6.91%	6.91%	6.91%	6.91%	6.91%	6.91%
9.89	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%
9.99	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
10.09	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%
10.19	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%
10.29	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%
10.39	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%

¹This relates to a CPR of 15 percent for the first 12 months followed by a CPR of 35 percent following the first 12 months.

THE DEPOSITORY AGREEMENT

General

The A3 Notes (and the A3 Detachable Coupons attached thereto) will, on issue, be represented by a Reg S Global A3 Note and a Rule 144A Global A3 Note in bearer form incorporating a Reg S Global A3 Detachable Coupon and a Rule 144A Global A3 Detachable Coupon, respectively, each of which will be capable of being subsequently separated from the remainder of the relevant Global A3 Note and which will by their terms constitute bearer form instruments if so separated. Each other class of Notes will, on the Issue Date, be represented by a Reg S Global Note and a Rule 144A Global Note of the relevant class in bearer form (all such Global Notes being referred to as the “Global Notes”). All capitalised terms not defined in this paragraph shall be as defined in “*Terms and Conditions of the Notes – Condition 1*”).

The Global Instruments will be deposited on or about the Issue Date with JPMorgan Chase Bank, New York office, as Depository pursuant to the terms of the Depository Agreement.

The Depository will (i) issue certificateless depository interests in respect of each of the Rule 144A Global Instruments to DTC or its nominee and (ii) issue certificated depository interests in respect of each of the Reg S Global Instruments to the Common Depository registered in the nominee name of both Euroclear and Clearstream, Luxembourg, in both cases such CDIs representing a 100% interest in the underlying Global Instrument relating thereto. The Depository, acting as agent of the Issuer, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the certificateless depository interests and the Common Depository or a nominee of the Common Depository as owner of the certificated depository interests.

Upon confirmation by the Common Depository that the Depository has custody of the relevant Reg S Global Instruments and acceptance by the Common Depository of the CDIs, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

Upon confirmation by DTC that the Depository has custody of the relevant Rule 144A Global Instruments, and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representations sent by the Depository and the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

For the avoidance of doubt, all references in this section to a “Book-Entry Interest” in a Reg S Global Note or a Rule 144A Global Note shall be construed as a reference to a Book-Entry Interest in the CDIs attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in initial minimum denominations of USD 100,000 (in the case of the USD Notes), €100,000 (in the case of the Euro Notes) and £100,000 (in the case of the Sterling Notes, including for the avoidance of doubt the A3 Detachable Coupons) and increments of USD 10,000 (in the case of the USD Notes), €10,000 (in the case of the Euro Notes) and £10,000 (in the case of the Sterling Notes, including, for the avoidance of doubt, the A3 Detachable Coupons) thereafter (each an “Authorised Denomination”) and will be numbered by the Depository as appropriate. Ownership of Book Entry Interests will be limited to persons that have accounts with Euroclear, Clearstream, Luxembourg or DTC (“Participants”) or persons that hold interests in the Book-Entry Interests through participants (“Indirect Participants”), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the participants’ accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by the Managers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdiction or otherwise subject to the laws thereof to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Instruments underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder or Couponholder for all purposes under the Trust Deed. Except as set forth below under “ – *Issuance of Definitive Instruments*”, Participants or Indirect Participants will not be entitled to have Notes or A3 Detachable Coupons registered in their names, will not receive or be entitled to receive physical delivery of Notes or A3 Detachable Coupons in definitive bearer or registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participant or Indirect Participants through which such person

owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes or A3 Detachable Coupons under the Trust Deed. See “ – *Action in Respect of the Global Notes and the Book-Entry Interests*”.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Issuer Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Instruments are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear, Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Reg S Global Instruments, unless and until Book-Entry Interests are exchanged for Definitive Instruments, the CDIs held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

In the case of the Rule 144A Global Instruments, unless and until Book-Entry Interests are exchanged for Definitive Instruments, the CDIs held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Instrument pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Instrument relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Instrument directly through DTC if they are Participants in such system, or indirectly through organisations which are Participants in such system. All Book-Entry Interests in the Rule 144A Global Instruments will be subject to the procedures and requirements of DTC.

Purchasers of Book-Entry Interests in a Global Instrument pursuant to Regulation S will hold Book-Entry Interests in the Reg S Global Instrument relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Instrument directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under “ – *Transfers and Transfer Restrictions*”), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. After the expiration of the Distribution Compliance Period (as defined below) but not earlier, investors may also hold such Book-Entry Interests through organisations, other than Euroclear or Clearstream, Luxembourg, that are Participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Reg S Global Instrument on behalf of their account holders through securities accounts in the respective account holders’ names on Euroclear’s and Clearstream, Luxembourg’s respective book-entry registration and transfer systems.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among Participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Instruments

Payment of principal of and interest on, and any other amount due in respect of, the Global Instruments will be made in US dollars (in the case of the USD Notes), Euro (in the case of the Euro Notes) and sterling (in the case of the Sterling Notes) by the Principal Paying Agent on behalf of the Issuer to the Depository as the holder thereof. Each holder of Book-Entry Interests must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of any amounts paid by or on behalf of the Issuer to the Depository in respect of those Book-Entry Interests. Upon receipt of any payment of principal or interest or any other amount in respect of a Global Instrument, the Depository will distribute all such payments in US dollars (in case of the USD Notes), Euro (in the case of the Euro Notes) and sterling (in case of the Sterling Notes), subject to as provided below under “ – *Exchange Rate Agency Agreement and Denomination of Payments*”, to (in the case of the Reg S Global Instruments) the nominee for the Common Depository and (in the case of the Rule 144A Global Instruments) the nominee for DTC. All such payments will be distributed without deduction or withholding for any UK taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Depository to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of payments made in dollars (as provided under " – *Exchange Rate Agency Agreement and Denomination of Payments*"), upon receipt of any payment from the Depository, DTC will promptly credit its Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, the Trustee or any other agent of the Issuer or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests, specifying to the Issuer the rates upon which the same are based and (where relevant) the names of the banks quoting such rates, provided that the Agent Bank shall make such determination and calculation in relation to each class of Notes on the basis of Condition 4 of the "*Terms and Conditions of the Notes*".

Exchange Rate Agency Agreement and Denomination of Payments

DTC is unable to accept payments denominated in sterling or euro in respect of the Rule 144A Global Instruments. Accordingly, holders of beneficial interests in Rule 144A Global Instruments must, in accordance with the Depository Agreement, notify the Depository not less than 15 days prior to each Payment Date (i) that they wish to be paid in sterling or euro outside DTC and (ii) of the relevant bank account details into which such sterling or euro payments are to be made.

If such instructions are not received by DTC, JPMorgan Chase Bank, will, as exchange rate agent (the "Exchange Rate Agent") of the Issuer pursuant to an exchange rate agency agreement (the "Exchange Rate Agency Agreement") among the Exchange Rate Agent, the Depository and the Issuer, exchange the relevant sterling or euro amounts into dollars at the highest exchange rate quoted by three foreign exchange dealers (which may include the Exchange Rate Agent) in New York City from time to time chosen by the Exchange Rate Agent and approved by the Issuer, and the relevant holders of beneficial interests will receive the US dollar equivalent of such sterling or euro payment converted at such exchange rate. In the event that bid quotations for exchange rates are unavailable, the Exchange Rate Agent shall, upon notifying the Issuer, cease to have any further responsibility with respect to such payments. In addition, in certain cases, the appointment of the Exchange Rate Agent may be terminated without a successor being appointed. In such cases, Noteholders may experience delays in obtaining payment. Upon written request by a holder of beneficial interests in Rule 144A Global Instruments, the Exchange Rate Agent will provide information regarding the exchange rate (and any relevant commission) with respect to any sterling or euro amounts converted into US dollars.

The Issuer has agreed in the Exchange Rate Agency Agreement to indemnify the Exchange Rate Agent in connection with its activities thereunder.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

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

DTC

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 Exchange Act. DTC holds securities that its Participants deposit with it. DTC also facilitates the settlement of transactions among its Participants in such securities through electronic computerised book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Participant – the Indirect Participants. The rules applicable to DTC and its Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

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

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

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

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depository, in the case of the Reg S Global Notes, and to the nominee of DTC, in the case of the Rule 144A Global Notes, and, upon final payment, surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, the Depository shall allocate reductions in the Principal Amount Outstanding on a pro rata basis among the CDIs. Upon any redemption in part, the Depository will cause the Principal Paying Agent to mark down or to cause to be marked down the schedule to such Global Note by the principal amount so redeemed. Upon redemption in full of the A3 Global Notes, the Global A3 Detachable Coupons shall become void. Upon payment in full of the accrued interest due on the Global A3 Detachable Coupons, the Depository will surrender the Global A3 Detachable Coupons to or to the order of the Paying Agent for cancellation.

Transfers and Transfer Restrictions

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

Each Rule 144A Global Instrument will bear a legend substantially identical to that appearing under “*Notice to Investors*”, and the holder of any Rule 144A Global Instrument and any Book-Entry Interest in such Rule 144A Global Instrument will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Instrument of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Instrument of the same class, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Depository of a written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Each Reg S Global Instrument will bear a legend substantially identical to that appearing under “*Notice to Investors*”. Until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the “Distribution Compliance Period”), Book-Entry Interests in a Reg S Global Instrument may be held only through Euroclear or Clearstream, Luxembourg, unless transfer and delivery is made through the Rule 144A Global Instrument of the same class. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Instrument of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Instrument of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that

such person and such account or accounts is a “qualified institutional buyer” within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Instrument of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Instrument of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Instrument and will become represented by a Book-Entry Interest in such Rule 144A Global Instrument and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Instrument for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Instrument of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Instrument of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Instrument and will become represented by a Book-Entry Interest in such Reg S Global Instrument and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Instrument as long as it remains such a Book-Entry Interest.

Issuance of Definitive Instruments

Holders of Book-Entry Interests in a Rule 144A Global Instrument or Reg S Global Instrument will be entitled to receive Definitive Notes of the relevant class in registered form and, if detached, Definitive A3 Detachable Coupons representing A3 Detachable Coupons in registered form in exchange for their respective holdings of Book-Entry Interests if (i) (in the case of Rule 144A Global Instruments) DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the CDIs or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification, or (in the case of Reg S Global Instruments) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Trustee is available, or (ii) if the Depository notifies the Issuer that it is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days, or (iii) an Enforcement Notice has been given by the Trustee to the Issuer, or (iv) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction (including payments being made net of tax), which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in a Rule 144A Global Instrument or a Reg S Global Instrument will be registered by a registrar in such name or names as the Depository shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be (in the case of Reg S Global Instruments), or DTC (in the case of Rule 144A Global Instruments). It is expected that such instructions will be based upon directions received by Euroclear, Clearstream, Luxembourg or DTC from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Instruments issued in exchange for Book-Entry Interests in a Rule 144A Global Instrument or a Reg S Global Instrument, as the case may be, will not be entitled to exchange such Definitive Instruments for Book-Entry Interests in a Reg S Global Instrument or a Rule 144A Global Instrument, as the case may be. Any Definitive Instruments will be issued in registered form only.

HOLDERS OF A3 NOTES AND A3 DETACHABLE COUPONS SHOULD BE AWARE THAT, UNDER CURRENT UK TAX LAW, FOLLOWING THE ISSUANCE TO A HOLDER OF DEFINITIVE A3 NOTES IN REGISTERED FORM (WITH OR WITHOUT THE A3 DETACHABLE COUPON) OR DEFINITIVE A3 DETACHABLE COUPONS IN REGISTERED FORM, UNITED KINGDOM STAMP DUTY OR STAMP DUTY RESERVE TAX MAY BE CHARGEABLE ON THE TRANSFER OF A DEFINITIVE A3 NOTE IN REGISTERED FORM (WITH OR WITHOUT THE A3 DETACHABLE COUPON) OR A DEFINITIVE A3 DETACHABLE COUPON IN REGISTERED FORM, IF AND TO THE EXTENT COUPON STRIPPING OCCURS. SEE FURTHER “UNITED KINGDOM TAXATION”. IN SUCH CIRCUMSTANCES NEITHER THE ISSUER NOR ANY OTHER PERSON WILL BE OBLIGED TO PAY ADDITIONAL AMOUNTS WITH RESPECT TO ANY DEFINITIVE INSTRUMENT.

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

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

respective Participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to Euroclear, Clearstream, Luxembourg and DTC a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. All notices regarding the Global Notes will be sent to Euroclear, Clearstream, Luxembourg, DTC and the Depository. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are admitted to and listed on the official list of the UK Listing Authority is expected to be the Financial Times); provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters Screen, the Bloomberg Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee, publication in any such leading newspaper shall not be required with respect to such information.

Action by Depository

Subject to certain limitations, upon the occurrence of an Event of Default with respect to the Global Notes, or in connection with any other right of the holder of the Global Notes under the Trust Deed or the Depository Agreement, if requested in writing by DTC, Euroclear or Clearstream, Luxembourg, as applicable (acting on the instructions of their respective Participants in accordance with their respective procedures), the Depository will take any such action as shall be requested in such notice, subject to, if required by the Depository, such reasonable security or indemnity from the Participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository

The Issuer has agreed to pay all charges of the Depository under the Depository Agreement. The Issuer has also agreed to indemnify the Depository against certain liabilities incurred by it under the Depository Agreement.

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Trustee. The consent of Euroclear, Clearstream, Luxembourg and DTC or the holders of any Book-Entry Interests shall not be required in connection with any amendment made to the Depository Agreement (i) to cure any inconsistency, omission, defect or ambiguity in such Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuer; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act or the US Investment Company Act of 1940, as amended; or (v) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to Euroclear, Clearstream, Luxembourg and DTC or the holders of Book-Entry Interests. Except as set forth above, no amendment that adversely affects Euroclear, Clearstream, Luxembourg or DTC or the holders of the Book-Entry Interests may be made to the Depository Agreement or the Book-Entry Interests without the consent of Euroclear, Clearstream, Luxembourg or DTC or the holders of any Book-Entry Interests.

Upon the issuance of Definitive Instruments, the Depository Agreement will terminate.

Resignation or Removal of Depository

The Depository may at any time resign as Depository upon 90 days' written notice delivered to each of the Issuer and the Trustee. The Issuer may by board resolution remove the Depository at any time upon 90 days' written notice. No resignation or removal of the Depository and no appointment of a successor Depository shall become effective until (i) the acceptance of appointment by the successor Depository or (ii) the issue of Definitive Instruments.

Obligation of Depository

The Depository will assume no obligation or liability under the Depository Agreement other than to act in good faith in the performance of its duties under such agreement.

The Depository will only be liable to perform such duties as are expressly set out in the Depository Agreement. The Depository Agreement contains provisions relieving the Depository from liability and permitting it to refrain from acting in certain circumstances. The Depository Agreement also contains provisions permitting any entity into which the Depository is merged or converted or with which it is consolidated or any successor in business to the Depository to become the successor depository.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which will be endorsed or attached on each Global Note and Global Coupon (to the extent detached) and each Definitive Note and Definitive A3 Detachable Coupon (to the extent detached) (if applicable) and (subject to the provisions thereof) will apply to each such Note.

The Notes of RMAC 2004-NS1 Plc (the “Issuer”) are constituted by a trust deed (the “Trust Deed”) expected to be dated 3 March 2004 (the “Issue Date”) between the Issuer, J.P. Morgan Corporate Trustee Services Limited (the “Trustee”, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Noteholders and Ambac Assurance UK Limited (“Ambac”). The Notes will have the benefit of (to the extent applicable) a paying agency agreement (the “Paying Agency Agreement”) dated on or about the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, JPMorgan Chase Bank as principal paying agent (the “Principal Paying Agent” and as agent bank (the “Agent Bank”), J.P. Morgan Bank Luxembourg S.A. and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”).

In these Conditions, all references to “Registrar”, “Agent Bank” and “Paying Agent” shall mean any agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement and shall include any successors thereto or to the Principal Paying Agent appointed from time to time in accordance with the Paying Agency Agreement and any reference to an “Agent” or “Agents” shall mean any or all (as applicable) of the above persons.

In these Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the master definitions schedule (the “Master Definitions Schedule”) dated the Issue Date between, *inter alios*, the Issuer, the Trustee, Ambac and the Principal Paying Agent.

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the form of the Notes and the interest coupons), a depository agreement (the “Depository Agreement”) dated on or about the Issue Date, as amended or supplemented from time to time, between the Issuer, the Trustee and JP Morgan Chase Bank, New York office, as depository (the “Depository”), an exchange rate agency agreement (the “Exchange Rate Agency Agreement”), the Ambac Note Policy, the Paying Agency Agreement and a deed of charge dated on or about the Issue Date between, *inter alios*, the Issuer and the Trustee (the “Deed of Charge”). Copies of the Trust Deed, the Paying Agency Agreement, the Depository Agreement, the Deed of Charge, the Ambac Note Policy and the Master Definitions Schedule are available for inspection during usual business hours at the principal office of the Trustee (presently at Trinity Tower, 9 Thomas More Street, London E1W 1YT) and at the specified office of the Principal Paying Agent. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, the Ambac Note Policy and the Deed of Charge.

If Notes in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Note would be as set out below. While the Notes remain in global form, the same terms and conditions govern such Notes, except to the extent that they are appropriate only to Notes in definitive form.

Condition 1: Form, Denomination and Title

Notes

The A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes, the A2c Notes, the A3 Notes and the C Notes initially offered and sold outside the United States to non-U.S. Persons pursuant to Regulation S under the Securities Act (the “Reg S A1a Notes”, the “Reg S A1b Notes”, the “Reg S A1c Notes”, the “Reg S A2a Notes”, the “Reg S A2b Notes”, the “Reg S A2c Notes”, the “Reg S A3 Notes” and the “Reg S C Notes”, respectively and, collectively, the “Reg S Notes”) will each be represented by a global note in bearer form (a “Reg S Global A1a Note”, a “Reg S Global A1b Note”, a “Reg S Global A1c Note”, a “Reg S Global A2a Note”, a “Reg S Global A2b Note”, a “Reg S Global A2c Note”, a “Reg S Global A3 Note” and a “Reg S Global C Note”, respectively, and each a “Reg S Global Note”). The A1a Notes, A1b Notes, A1c Notes, A2a Notes, A2b Notes, A2c Notes, A3 Notes and C Notes initially offered and sold within the United States to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), in reliance on Rule 144A under the Securities Act (the “Rule 144A A1a Notes”, the “Rule 144A A1b Notes”, the “Rule 144A A1c Notes”, the “Rule 144A A2a Notes”, the “Rule 144A A2b Notes”, the “Rule 144A A2c Notes”, the “Rule 144A A3 Notes” and the “Rule 144A C Notes”, respectively and, collectively, the “Rule 144A Notes”) will each be represented by a global note in bearer form (a “Rule 144A Global A1a Note”, a “Rule 144A Global A1b Note”, a “Rule 144A Global A1c Note”, a “Rule 144A Global A2a Note”, a “Rule 144A Global A2b Note”, a “Rule 144A Global A2c Note”, a “Rule 144A Global A3 Note” and a “Rule 144A Global C Note”, respectively, and each a “Rule 144A Global Note” and, together with the Reg S Global Notes, the “Global Notes”), in each case, apart from the Reg S Global A3 Note and the Rule 144A Global A3 Note, without coupons or talons attached and which, in aggregate, will represent the aggregate principal amount of the outstanding A1a Notes, A1b Notes, A1c Notes, A2a Notes, A2b Notes, A2c Notes, A3 Notes and C Notes, respectively.

The Reg S Global A3 Note and the Rule 144A Global A3 Note will have no coupons or talons attached apart from a global A3 Detachable Coupon (the “Reg S Global A3 Detachable Coupon” and the “Rule 144A A3 Global Detachable Coupon”, respectively), which will be capable of being subsequently separated from the remainder of the relevant Global A3 Note and which will by its terms constitute a bearer instrument if so separated. A Global A3 Detachable Coupon may be detached from a Global A3 Note at any time by crediting the nominal value of the Principal Amount Outstanding of the Global A3 Note from which it was separated to the account of the purchaser or purchasers of the Global A3 Detachable Coupon at The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), as the case may be (“Coupon Stripping”). In the event that the A3 Detachable Coupon is at any time detached from an A3 Note, the A3 Detachable Coupon shall have a notional amount until its maturity equal to the Principal Amount Outstanding, from time to time, of the A3 Note (“Coupon Value”).

Once detached from a Global A3 Note, the A3 Detachable Coupon will be subject to the same restrictions on transferability as the related Global A3 Note. Although following Coupon Stripping there is no prohibition on the same person holding both A3 Detachable Coupons and A3 Notes, there is no facility for re-attaching the A3 Detachable Coupons to the A3 Notes.

References to the “Reg S Global Instruments” are to the Reg S Global A3 Detachable Coupon and the Reg S Global Notes, and references to the “Rule 144A Global Instruments” are to the Rule 144A Global A3 Detachable Coupons and the Rule 144A Global Notes. References to “Global Instruments” are to the Rule 144A Global Instruments and the Reg S Global Instruments.

Title to the Global Instruments will pass by delivery and the holder of any Global Instrument shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payments) regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

Transfers and exchanges of beneficial interests in Global Instruments and entitlement to payments thereunder will be effected subject to and in accordance with the detailed provisions of the Depository Agreement and the rules of DTC, Euroclear and Clearstream, Luxembourg (as the case may be).

Issuance of Definitive Instruments

If Notes in definitive form are issued pursuant to Condition 13, definitive notes in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 5(d)) of the relevant Reg S Global Note (“Reg S Definitive Notes”) and Rule 144A Global Note (“Rule 144A Definitive Notes” and, together with the Reg S Definitive Notes, the “Definitive Notes”) will be issued in registered form in initial minimum denominations of USD 100,000 (in the case of the USD Notes), €100,000 (in the case of the Euro Notes) and £100,000 (in case of the Sterling Notes, including, for the avoidance of doubt, the A3 Detachable Coupon) and increments of USD10,000 (in the case of the USD Notes), €10,000 (in the case of the Euro Notes) and £10,000 (in the case of the Sterling Notes, including, for the avoidance of doubt, the A3 Detachable Coupons) thereafter (an “Authorised Denomination”). The issue of Definitive Notes will include an issue of A3 Detachable Coupons in definitive form (“Definitive A3 Detachable Coupons” and, together with the Definitive Notes, the “Definitive Instruments”) if Coupon Stripping has occurred. If Coupon Stripping has not occurred, the A3 Detachable Coupons will be comprised within the Definitive A3 Notes.

Title to Global Instruments and Definitive Instruments

Title to the Global Notes of each class and (in respect of the A3 Detachable Coupons) Global Coupons will pass by delivery. Title to the Definitive Instruments of each class will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the “Register”). The bearer of any Global Note or Global Coupon and the registered holder of any Definitive Instrument may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note, Global Coupon or Definitive Instrument, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than, in the case of a Definitive Instrument, a duly executed transfer of such Definitive Instrument in the form endorsed thereon. Each Note will be serially numbered.

For so long as the Notes and the A3 Detachable Coupons are represented by Global Notes or Global Coupons respectively, the Issuer and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes or a particular Coupon Value of A3 Detachable Coupons (each an “Accountholder”) as the holder of such principal amount of Notes or Coupon Value of A3 Detachable Coupons (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes or (in respect of the A3 Detachable Coupons) Global Coupons, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note or (in respect of the A3 Detachable Coupons) Global Coupon in accordance with and subject to the terms of the Trust Deed.

Transfers of Global Instruments and Definitive Instruments

Transfers and exchanges of beneficial interests in Global Instruments of the same class will be effected subject to and in accordance with the detailed provisions of the Depository Agreement. All transfers of Definitive Instruments and entries on the Register in the case of any Definitive Instruments will be made subject to any restrictions on transfers set forth on such Definitive Instruments and the detailed regulations concerning transfers of such Definitive Instruments scheduled to the Paying Agency Agreement. The regulations may be charged by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Definitive Instrument who so requests.

A Definitive Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor provided that neither the part transferred nor the balance not transferred may be less than an Authorised Denomination. Definitive A3 Detachable Coupons may be transferred in whole only by surrender of the Definitive A3 Detachable Coupons, with a form of transfer duly endorsed on them, at the specified office of the Registrar.

Each new Definitive Instrument to be issued upon transfer of Definitive Instruments will, within five Business Days (in the place of the specified office of the Registrar) of receipt of such request for transfer, be available for delivery at the specified office of the Registrar stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Instrument to such address as may be specified in such request.

Registration of Definitive Instruments on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

No holder of a Definitive Instrument may require the transfer of such Definitive Instrument to be registered during the period of 15 days ending on a Payment Date.

Condition 2: Status, Security, Ambac Note Policy and Administration

(a) Status and relationship between classes of Notes

The A Notes of each class constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst A Notes of the same class (for the avoidance of doubt, the A1a Notes, the A1b Notes, the A1c Notes, the A2a Notes, the A2b Notes, the A2c Notes and the A3 Notes are deemed to be of one class and will rank *pari passu* without preference or priority amongst themselves).

In accordance with the provisions of this Condition 2, but subject always to the provisions of Condition 5(b), the Trust Deed and the Deed of Charge, payments of principal and interest on the C Notes are subordinated to, *inter alia*, the payments of principal and interest on the A Notes (including for the avoidance of doubt, the A3 Detachable Coupons).

The Notes are all constituted by the Trust Deed and are secured by the same security, but the A Notes will rank in priority to the C Notes in the event of the security created by the Deed of Charge being enforced. As regards interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders (including, for the avoidance of doubt, the A3 Detachable Couponholders) as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of:

- (i) the A Noteholders (including for the avoidance of doubt, the A3 Detachable Couponholders) if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and those of the C Noteholders;
- (ii) the A Noteholders (excluding the A3 Detachable Couponholders) if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and the A3 Detachable Couponholders; or
- (iii) following redemption in full of the A Notes (including, for the avoidance of doubt, the A3 Detachable Coupons) the interests of the C Noteholders.

The Trust Deed contains provisions limiting the powers of the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect thereof on their interests.

For so long as Ambac is the Note Controlling Party, the Trustee will act on the instruction of Ambac in relation to the granting or withholding of consent or approving or rejecting amendments, waiver or variation, or exercise of any rights in respect of matters relating to the Charged Obligation Documents or these Conditions.

(b) Ambac Note Policy

The A Notes have the benefit of the Ambac Note Policy which has been issued pursuant to the Reimbursement and Indemnity Agreement under which Ambac has unconditionally and irrevocably agreed to pay to the Trustee, or to the Trustee's order for the benefit of holders of the A Notes, subject to the next paragraph, all sums due and payable but unpaid by the Issuer in respect of Class A Interest or Class A Principal and the A Notes, all as more particularly described in the Ambac Note Policy.

Ambac does not guarantee any amounts payable by the Issuer upon an early redemption of the A Notes pursuant to Conditions 5(e) or (f) or accelerated repayment pursuant to Condition 9 (other than in respect of Dissolution Amounts) nor any amount payable upon mandatory redemption of the Notes pursuant to Condition 5(b) (other than Excess Loss Amounts). Upon any such early redemption, if not paid, Ambac's obligations will continue to be to pay the Guaranteed Amounts (as defined in the Ambac Note Policy) as they fall Due for Payment (as defined in the Ambac Note Policy) on each Payment Date. Ambac will not be obliged under any circumstances to accelerate payment under the Ambac Note Policy. However, if it does so, it may do so in whole or in part and the amount payable will be applied (having previously paid *pari passu* all amounts of interest then due and payable in respect of the A1 Notes, the A2 Notes and the A3 Notes in accordance with Condition 4) firstly to pay the outstanding principal amount of the A1 Notes, secondly to pay the outstanding principal amount of the A2 Notes and thirdly to pay the outstanding principal amount of the A3 Notes (any amounts due in excess of such outstanding principal amounts and any accrued interest thereon will not be guaranteed by Ambac under the Ambac Note Policy).

The Ambac Note Policy provided by Ambac in respect of the A Notes constitutes a direct, unsecured obligation of Ambac which will rank at least *pari passu* with all other unsecured obligations of Ambac.

(c) Security

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to, *inter alios*, the Administrator in respect of amounts payable to it under the Administration Agreement, GMAC-RFC under the Mortgage Sale Agreement, Ambac under the Ambac Note Policy and the Reimbursement and Indemnity Agreement, Ambac Assurance under the Reimbursement and Indemnity Agreement, JPMorgan Chase Bank as the Principal Paying Agent under the Paying Agency Agreement, JPMorgan Chase Bank, New York office, as Depository and Exchange Rate Agent under the Depository Agreement and the Exchange Rate Agency Agreement, Ambac Financial Services, LLC as Currency Swap Counterparty under the Currency Swap Agreements, Ambac Assurance under the Counterparty Swap Policy and the Reimbursement and Indemnity Agreement, Barclays Bank PLC as the Liquidity Facility Provider under the Liquidity Facility Agreement, the Account Bank under the Bank Agreement, the GIC Provider under the Guaranteed Investment Contract and as the Cap Provider under the Interest Rate Cap Agreement, J.P. Morgan Bank Luxembourg S.A. as a Paying Agent and JPMorgan Chase Bank as the Agent Bank under the Paying Agency Agreement (the "Secured Creditors"), the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed charges in favour of the Trustee over the Issuer's interests in the Mortgage Loans, the Mortgages and certain other collateral security relating to the Mortgage Loans (such collateral security, together with the Mortgages, the "Related Security");
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the insurance contracts to the extent that they relate to the Mortgage Loans;
- (iii) an assignment in favour of the Trustee of the benefit of the Administration Agreement, the Corporate Services Agreement, the Mortgage Sale Agreement, the Guaranteed Investment Contract, the Reimbursement and Indemnity Agreement, the Bank Agreement, the Liquidity Facility Agreement, the Interest Rate Cap Agreement, the Currency Swap Agreements, the Counterparty Swap Policy, the Declaration of Trust, the Depository Agreement, the Exchange Agency Agreement, and the Paying Agency Agreement (the "Charged Obligation Documents");
- (iv) a first fixed equitable charge in favour of the Trustee over the Issuer's interest in the Issuer Transaction Account, the GIC Account, the Currency Accounts and any other bank account in which the Issuer has an interest; and

- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer (and extending to all of the Issuer's Scottish assets, including those charged by the fixed security) (the fixed and floating charges collectively, the "Security").

(d) Pre-Enforcement Priority of Payments

Prior to enforcement of the Security, the Issuer is required to apply monies available for distribution as at the last Business Day of the month preceding each Payment Date (the "Available Revenue Funds" which, for the avoidance of doubt, excludes any principal receipts) in or towards the satisfaction of the payments or provision in the following order of priority (the "Pre-Enforcement Priority of Payments") (in each case only to the extent that the payments or provisions of a higher priority have been made in full):

- (i) first, to pay when due the remuneration payable to the Trustee (plus Value Added Tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;
- (ii) second, to pay when due amounts, including audit fees and company secretarial expenses (plus Value Added Tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer's liability or possible liability for corporation tax;
- (iii) third, to pay *pro rata*:
 - (A) the administration fee payable to the Administrator (plus Value Added Tax, if any), such fee being an amount equal to one quarter of 0.15% per annum of the average total principal balance of the Mortgage Loans outstanding on the first day of each of the three months immediately prior to the relevant Determination Date or if the appointment of the Administrator is terminated and a substitute administrator, which is not an affiliate of GMAC-RFC is appointed, the figure 0.15% above shall be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement subject always to the consent of the Trustee acting on the direction of Ambac (if Ambac is then the Note Controlling Party); and
 - (B) amounts due to the Principal Paying Agent, the Paying Agent and Agent Bank under the Paying Agency Agreement, Barclays Bank PLC under the Bank Agreement and the Guaranteed Investment Contract, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iv) fourth, to pay all fees, costs, expenses, principal, interest and any other amounts due to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);
- (v) fifth, to pay or provide the amounts then due to Ambac in respect of guarantee fees under the Guarantee Fee Letter, plus any previous unpaid guarantee fees with interest thereon provided that no Ambac Event of Default as described in paragraph (i) of Condition 10 has occurred and is continuing;
- (vi) sixth, (A) first, to pay *pari passu* and *pro rata* (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders and the A3 Detachable Couponholders), (b) amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the Currency Swap Agreements (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Currency Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the credit rating of the Currency Swap Counterparty (as such terms are defined in the Currency Swap Agreements) (a "Currency Swap Counterparty Default Payment")), and if any or all of the A1b USD Note Currency Swap Agreement, the A1c Euro Note Currency Swap Agreement, the A2b USD Note Currency Swap Agreement or the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu*

and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or Euro in the spot exchange market in order to meet the interest then due on the relevant class of A Notes and (c) amounts (if any) credited to the Liquidity Ledger, relating to a period where the Liquidity Facility has been fully drawn for reasons of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, in respect of amounts reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred; and

- (B) second, to the extent that in relation to any spot exchange for US dollars or Euro, an amount is obtained which is insufficient to pay interest due on the USD Notes and/or the Euro Notes, as the case may be, to apply such further amounts in exchange for US dollars or Euro in the spot exchange market in order to meet such shortfall;

(all US dollar and/or Euro amounts received pursuant to exchange in the spot market under this item (vi) are to be applied in payment of interest due in respect of the USD Notes and/or the Euro Notes, respectively);

- (vii) seventh, subject to the Excess Spread Credit Support Cap, an amount equal to the debit balance on the Principal Deficiency Ledger to be applied as Actual Redemption Funds in accordance with Condition 5;
- (viii) eighth, (A) first, provided that no Ambac Event of Default has occurred which is continuing, to pay Ambac amounts due to it under the Reimbursement and Indemnity Agreement, other than (once the Excess Spread Credit Support Cap has been reached) for drawings under the Ambac Note Policy made in respect of Excess Loss Amounts; and

(B) second, to pay Ambac Assurance any amounts due to it under the Reimbursement and Indemnity Agreement;

- (ix) ninth, subject to the Excess Spread Credit Support Cap, to apply amounts as Actual Redemption Funds until an amount equal to the Target Overcollateralisation Amount has been so applied;
- (x) tenth, (A) first, to pay Ambac any other amounts due to it under the Reimbursement and Indemnity Agreement; and

(B) second, to pay Ambac such amounts which would have been payable to Ambac pursuant to items (v) and (viii) above but for an Ambac Event of Default having occurred;

- (xi) eleventh, to retain in the Issuer Transaction Account an amount (the "Issuer's Profit") equal to 0.01% of the product of the time weighted average Mortgage Rate of the Mortgage Loans during the preceding Determination Period and the aggregate principal balance outstanding of the Mortgage Loans (the "Issuer's Turnover") at the beginning of the preceding Determination Period, so that in each year 0.01% of the Issuer's Turnover for that year comprises the Issuer's Profit;
- (xii) twelfth, to pay amounts payable in respect of the C Notes other than in respect of principal on the C Notes;
- (xiii) thirteenth, to apply an amount not greater than the C Note Redemption Amount to repay principal in respect of the C Notes;
- (xiv) fourteenth, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty under the terms of the relevant Currency Swap Agreement;
- (xv) fifteenth, to pay GMAC-RFC or its assignees Ordinary Deferred Consideration; and
- (xvi) sixteenth, to pay any remaining amount to the Issuer or other persons entitled thereto.

All amounts received on each Payment Date from the Currency Swap Counterparty by the Issuer following the application of Available Revenue Funds under the Pre-Enforcement Priority of Payments or Actual Redemption Funds under the Principal Priority of Payments under the terms of: (i) the A1b USD Note Currency Swap Agreement shall be paid to the holders of the A1b Notes; (ii) the A1c Euro Note Currency Swap Agreement shall be paid to the holders of the A1c Notes; (iii) the A2b USD Note Currency Swap Agreement shall be paid to the holders of the A2b Notes and (iv) the A2c Euro Note Currency Swap Agreement shall be paid to the holders of the A2c Notes, in each case in satisfaction of the Issuer's interest and/or principal payment obligations under the USD Notes and the Euro Notes respectively on such Payment Date.

To the extent any amount so due to be received from the Currency Swap Counterparty is not paid to the Issuer and Ambac makes a payment to the Trustee under the Ambac Note Policy in respect of the amount due by the Issuer to the holders of

the USD Notes or the Euro Notes in respect of the same, the Issuer will take reasonable action to recover from the Currency Swap Counterparty the amounts due from the Currency Swap Counterparty. Under the terms of the Deed of Charge, any amounts so recovered up to the amount of the actual payment by Ambac under the Ambac Note Policy will be paid by the Issuer to Ambac by way of reimbursement and will not constitute Available Revenue Funds or Actual Redemption Funds.

In the event that the A1b USD Note Currency Swap Agreement and/or the A1c Euro Note Currency Swap Agreement and/or the A2b USD Note Currency Swap Agreement and/or the A2c Euro Note Currency Swap Agreement terminates and a termination payment is paid by the Currency Swap Counterparty to the Issuer, such amount shall, upon the instruction of Ambac (for so long as Ambac is the Note Controlling Party), be applied towards payment of a suitably rated replacement currency swap counterparty in consideration for such replacement currency swap counterparty entering into a suitable replacement currency swap agreement with the Issuer and in such event shall not constitute Available Revenue Funds.

“Base Currency PAO” means in relation to the Notes the Principal Amount Outstanding in Sterling of any Note denominated in Sterling, and/or the Sterling equivalent of the Principal Amount Outstanding of the USD Notes and the Euro Notes, calculated using the USD Currency Swap Rate and the Euro Currency Swap Rate respectively.

“C Note Redemption Amount” as at any Determination Date shall be the lower of (i) the principal amount outstanding of the C Notes as at that Determination Date and (ii) the principal amount outstanding of the C Notes minus the aggregate of the amount applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments, plus the aggregate amount of Principal Deficiencies.

“Excess Spread Credit Support Cap” means the maximum aggregate amount of £45,000,000 available to be applied (i) to cover Principal Deficiency pursuant to item (vii) of the Pre-Enforcement Priority of Payments; (ii) to be applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments; and (iii) to reimburse Ambac for drawings under the Ambac Note Policy in respect of Excess Loss Amounts pursuant to item (viii) of the Pre-Enforcement Priority of Payments.

(e) Principal Priority of Payments

Prior to the enforcement of the Security, the Issuer is required to apply the Actual Redemption Funds determined on the date which falls five Business Days prior to such Payment Date (each such date a “Determination Date”) in the following manner and order of priority (the “Principal Priority of Payments”):

- (i) first, *pari passu* and at a ratio of 40.4 to 25.5 to 34.1 (being the ratio of the Base Currency PAO at issue of A1a Notes to A1b Notes to A1c Notes) to (a) the holders of the A1a Notes in respect of principal of the A1a Notes, (b) the Currency Swap Counterparty in respect of principal under the terms of the A1b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A1c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in the case of (b) and/or (c) above, if there is no A1b USD Note Currency Swap Agreement and/or A1c Euro Note Currency Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all US dollar and/or Euro amounts received under part (b) and (c) above or in the spot exchange market (the “A1b USD Redemption Amounts” and the “A1c Euro Redemption Amounts”, respectively) (as the case may be) shall be applied in redemption of the A1b Notes or the A1c Notes as provided in Condition 5(b)) until the A1 Notes are redeemed in full;
- (ii) second, *pari passu* and at a ratio of 37.4 to 24.6 to 38.0 (being the ratio of Base Currency PAO at issue of A2a Notes to A2b Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes and (b) the Currency Swap Counterparty in respect of principal under the terms of the A2b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in case of (b) and/or (c) above, if there is no A2b USD Note Currency Swap Agreement and/or A2c Euro Note Currency Swap Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all US dollar and/or Euro amounts received under (b) and (c) above or in the spot exchange market (the “A2b USD Redemption Amounts” and the “A2c Euro Redemption Amounts”, respectively) (as the case may be) shall be applied in redemption of the A2b Notes or the A2c Notes as provided in Condition 5(b)) until the A2 Notes are redeemed in full;
- (iii) third, in redeeming the A3 Notes until the A3 Notes have been redeemed in full;
- (iv) fourth, in paying amounts due to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement until all such amounts have been paid in full;
- (v) fifth, in redeeming the C Notes until the C Notes have been redeemed in full; and

- (vi) sixth, in paying to GMAC-RFC or its assignees the Deferred Purchase Price under the terms of the Mortgage Sale Agreement.

On each Determination Date, the aggregate of (a) the amount of Further Advances which the Issuer is committed to advance (but has not yet advanced) as at the relevant Determination Date and (b) the amount, advised to the Issuer by the Administrator, which the Issuer anticipates it will require for future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than £500,000 (such aggregate amount, the "Committed Further Advances") will be transferred from the Principal Ledger to a ledger for that purpose (the "Further Advances Ledger"). Available Capital Funds (as defined below) may be applied or set aside by the Issuer on any day for the making of Further Advances after any amounts then standing to the credit of the Further Advances Ledger have been exhausted.

The amount of "Actual Redemption Funds" as at any Determination Date is an amount calculated as the aggregate of:

- (i) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of the Further Advances Ledger (before the transfer of the Committed Further Advances calculated on that Determination Date from the Principal Ledger) in each case as at the last day of the month immediately preceding such Determination Date;
- (ii) the amount (if any) calculated on the Determination Date to be the amount by which the debit balance on the Principal Deficiency Ledger is expected to be reduced by the application of Available Revenue Funds on the immediately succeeding Payment Date;
- (iii) the amount (if any) of Available Revenue Funds calculated on the Determination Date to be the amount which is expected to be applied as Actual Redemption Funds pursuant to item (ix) of the Pre-Enforcement Priority of Payments on the immediately succeeding Payment Date;
- (iv) the amount (the "Excess Loss Amount") (if any) calculated on the Determination Date to be (after application of Available Revenue Funds as described in paragraphs (ii) and (iii) above) the amount standing to the debit of the Overcollateralisation Ledger (as defined in the Master Definitions Schedule); and
- (v) on the first Determination Date after the final Eligible Date, the amount (if any) of the Principal Rebate standing to the credit of the Pre-Funded Mortgage Loans Ledger (each as defined in the Master Definitions Schedule),

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the Committed Further Advances calculated on such Determination Date.

For the purpose of the foregoing, "Available Capital Funds" means, on any day during an Interest Period (including on a Determination Date) an amount represented by the amount standing to the credit of the Principal Ledger at the close of business on the preceding day, less, in the period between the last Business Day of the month preceding a Determination Date and the application of such Actual Redemption Funds, (a) any commitments to purchase Substitute Mortgage Loans on the immediately succeeding Payment Date and (b) the amount of such Actual Redemption Funds calculated on the relevant Determination Date.

(f) Post-Enforcement Priority of Payments

- (i) After the Trustee has given notice to the Issuer pursuant to Condition 9(a) declaring the Notes to be due and repayable, the Trustee shall apply all funds received by or on behalf of the Issuer to make payments in the following order of priority pursuant to, in accordance with and as set out in the Deed of Charge:
 - (i) first, to pay, *pro rata*, any remuneration then due to any liquidator or receiver and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus Value Added Tax, if any);
 - (ii) second, to pay, *pro rata*, the fees, costs, interest, expenses and liabilities due to the Administrator under the Administration Agreement, the Principal Paying Agent, the Agent Bank and the Paying Agent under the Paying Agency Agreement, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement, Barclays Bank PLC under the Bank Agreement and the Guaranteed Investment Contract and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
 - (iii) third, to pay any amount due to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on

- the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of the commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);
- (iv) fourth, to pay or provide the amounts then due to Ambac in respect of guarantee fees under the Guarantee Fee Letter, plus any previous unpaid guarantee fees with interest thereon, provided that no Ambac Event of Default as described in paragraph (i) of Condition 10 has occurred and is continuing;
 - (v) fifth, to pay *pari passu* and *pro rata*:
 - (A) (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders and the A3 Detachable Couponholders) and amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the Currency Swap Agreements (except for any Currency Swap Counterparty Default Payment) and if any or all of the A1b USD Note Currency Swap Agreement, the A1c Euro Note Currency Swap Agreement, the A2b USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu* and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or Euro, as applicable, in the spot exchange market in order to meet the interest then due on the relevant class of A Notes; and (b) to the extent that in relation to any spot exchange for US dollars or Euro, an amount is obtained which is insufficient to pay interest due on the USD Notes and/or the Euro Notes as the case may be, to apply such further amounts in exchange for US dollars or Euro, as applicable, in the spot exchange market in order to meet such shortfall (all US dollar and/or Euro amounts received pursuant to exchange in the spot market under (a) and (b) above are to be applied in payment of interest due in respect of the USD Notes and Euro Notes, respectively);
 - (B) at a ratio of 40.4 to 25.5 to 34.1 (being the ratio of the Base Currency PAO at issue of A1a Notes to A1b Notes to A1c Notes) to (a) the holders of the A1a Notes in respect of principal of the A1a Notes, (b) the Currency Swap Counterparty in respect of principal under the terms of the A1b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A1c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in the case of (b) and/or (c) above, if there is no A1b USD Note Currency Swap Agreement and/or A1c Euro Note Currency Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all A1b USD Redemption Amounts and/or A1c Euro Redemption Amounts (as the case may be) shall be applied in redemption of the A1b Notes and/or the A1c Notes as provided in Condition 5(b)) until the A1 Notes are redeemed in full;
 - (C) at a ratio of 37.4 to 24.6 to 38.0 (being the ratio of Base Currency PAO at issue of A2a Notes to A2b Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes, (b) the Currency Swap Counterparty in respect of principal under the terms of the A2b USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in case of (b) and/or (c) above, if there is no A2b USD Note Currency Swap Agreement and/or A2c Euro Note Currency Swap Agreement (as the case may be) then in place, to exchange for US dollars and/or Euro respectively in the spot exchange market (all A2b USD Redemption Amounts and/or A2c Euro Redemption Amounts (as the case may be) shall be applied in redemption of the A2b Notes and/or A2c Notes as provided in Condition 5(b)) until the A2 Notes are redeemed in full;
 - (D) in redeeming the A3 Notes until the A3 Notes have been redeemed in full; and
 - (E) amounts (if any) due, relating to a period when the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account

during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred.

- (vi) sixth, to pay:
 - (A) if an Ambac Event of Default has occurred, the amounts to Ambac that would otherwise have been payable under item (iv) above but were not so paid; and
 - (B) to Ambac and Ambac Assurance any other amounts due under the Reimbursement and Indemnity Agreement other than (once the Excess Spread Credit Support Cap has been reached) for drawings under the Ambac Note Policy made in respect of Excess Loss Amounts;
- (vii) seventh, to pay *pro rata*:
 - (A) all amounts of interest then due and payable in respect of the C Notes in accordance with Condition 4; and
 - (B) all amounts of principal due thereon until redemption in full of the C Notes;
- (viii) eighth, to pay in or towards satisfaction of all amounts of Ordinary Deferred Consideration;
- (ix) ninth, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty under the terms of the relevant Currency Swap Agreement; and
- (x) tenth, to pay any remaining amounts to the Issuer and to any other persons entitled thereto.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9(a)) or upon the Issuer requesting the Trustee to exercise any of its powers under the Deed of Charge relating to the enforcement of the Security or a petition or application being presented for the making of an administration order in relation to the Issuer or any person who is entitled to do so giving written notice of its intention to appoint an administrator of the Issuer or filing such a notice with the court. If the Security has become enforceable, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part unless either (A) it is directed to do so by Ambac, provided Ambac is then the Note Controlling Party or (B) if Ambac is not then the Note Controlling Party either (x) Ambac consents to such disposal or (y) the Trustee is satisfied sufficient amounts would be realised to allow discharge in full of all amounts owing in respect of the A Notes including, for the avoidance of doubt, the A3 Detachable Coupons and any amounts owing to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement or, if the reason for Ambac no longer being the Note Controlling Party is the occurrence of an Ambac Event of Default described in paragraph (i) of Condition 10, the Trustee is of the opinion, reached after considering the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing in respect of the A Notes (including, for the avoidance of doubt, the A3 Detachable Coupons) and to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement.

If the Trustee, in exercising its discretion or upon instructions of the Noteholders and without the consent of Ambac, disposes of all or part of the assets comprised in the Security and the proceeds are not sufficient to discharge in full all amounts owing in respect of the A Notes (including, for the avoidance of doubt, the A3 Detachable Coupons) and any amounts owing to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement, such principal shortfall shall not constitute Dissolution Amounts and unless Ambac elects otherwise, Ambac will not make payments under the Ambac Note Policy in respect of such shortfall. This shall be without prejudice to any obligations on the Issuer and Ambac to continue to pay Class A Interest and Class A Principal, including without limitation amounts due under Condition 5(a).

All amounts received from the Currency Swap Counterparty by the Issuer under the terms of: (i) the A1b USD Note Currency Swap Agreement shall be paid to the holders of the A1b Notes; (ii) the A1c Euro Note Currency Swap Agreement shall be paid to the holders of the A1c Notes; (iii) the A2b USD Note Currency Swap Agreement shall be paid to the holders of the A2b Notes and (iv) the A2c Euro Note Currency Swap Agreement shall be paid to the holders of the A2c Notes, in each case in satisfaction of the Issuer's payment obligations under the USD Notes and the Euro Notes respectively.

(g) Control of Trustee

- (i) The Notes are subject to the Deed of Charge pursuant to which the claims and exercise of rights by the Secured Creditors against the Issuer are regulated.
- (ii) Subject to the terms of the Deed of Charge, the Note Controlling Party (if Ambac) has the exclusive right, power and authority to direct, or to refrain from directing, the Trustee in the exercise of its rights to accelerate the Notes in accordance with Condition 9(a) following the occurrence of an Event of Default and in the

exercise of certain other of its rights in respect of the Notes and the other Charged Obligation Documents and the Issuer, all as more particularly described in the Trust Deed and the Deed of Charge.

“Note Controlling Party” means Ambac unless and until such time as (A) an Ambac Event of Default has occurred and is continuing and/or (B) Ambac has no further obligations, actual or contingent, under the Ambac Note Policy and no amounts are then owing to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement, in which case the Trustee is the Note Controlling Party.

Condition 3: Covenants

Save with the prior written consent of the Trustee and Ambac (if Ambac is then the Note Controlling Party) or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Administration Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, the Mortgage Sale Agreement, the Currency Swap Agreements, the Corporate Services Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Declaration of Trust, the Post Enforcement Call Option, the Bank Agreement, the Ambac Note Policy, the Issuer Swap Policy, the Counterparty Swap Policy, the Reimbursement and Indemnity Agreement and the Interest Rate Cap Agreement (collectively, the “Documents”), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) Negative Pledge

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) Restrictions on Activities

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;
- (ii) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2;
- (iii) have any subsidiaries or employees or premises; or
- (iv) act as a director of any company;

(c) Borrowings

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(d) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(e) Disposal of Assets

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;

(f) Tax Grouping

become a member of a group of companies for the purposes of Value Added Tax; or

(g) Other

permit any of the Documents, the insurance contracts relating to the Mortgage Loans owned by the Issuer or the priority of the security interest created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may, subject to the consent of Ambac (if Ambac is then the Note Controlling Party), require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

Condition 4: Interest

(a) Period of Accrual

Each Note of each class bears interest from (and including) the Issue Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Condition (after as well as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 15) that it has received all sums due in respect of such Note (except to the extent that there is any subsequent default in payment). Any interest shortfall shall accrue interest during each Interest Period during which it remains outstanding in accordance with Condition 4(f). Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including an Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year (in the case of Sterling Notes) or in a 360 day year (in the case of USD Notes or Euro Notes).

(b) Payment Dates and Interest Periods

Subject to Condition 6, interest on the Notes is payable in arrear on 14 June 2004 and thereafter quarterly in arrear on the 12th day in September, December, March and June in each year, unless such day is not a Business Day, in which case interest shall be payable on the following day which is a Business Day (each such date, a "Payment Date"). "Business Day" (other than for the purposes of Condition 6) means a day (other than Saturday or Sunday) on which banks are open for business in London, Luxembourg and New York and on which the TARGET system settles payments in euro. The period from (and including) a Payment Date (or the Issue Date) to (but excluding) the next (or first) Payment Date is called an "Interest Period" in these Conditions.

(c) Rate of Interest

Subject to Condition 7, the rate of interest payable from time to time (the "Rate of Interest") and the Interest Amount (as defined below) in respect of the Notes will be determined on the basis of the provisions set out below:

- (i) in relation to the Sterling Notes and for the purpose of determining London Interbank Offered Rate ("LIBOR") for three month sterling deposits (or, in each case and in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for three month sterling deposits and LIBOR for four month sterling deposits) ("Note LIBOR"), on each Payment Date or in respect of the first Interest Period, on the Issue Date (each an "Interest Determination Date"), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits (or if necessary in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for three month sterling deposits and LIBOR for four month sterling deposits) by reference to the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Telerate Screen Page No. 3750 (or (A) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Telerate Screen Page No. 3750) as at or about 11.00 am (London time) on that date (the "Sterling Screen Rate"). Note LIBOR in relation to the Sterling Notes for such Interest Period shall be the Sterling Screen Rate;
- (ii) in relation to the USD Notes and for the purpose of determining LIBOR for three month US dollar deposits ("USD-LIBOR") (or, in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for three month USD deposits and LIBOR for four month USD deposits) ("Note USD-LIBOR"), on the second London Business Day preceding each Payment Date or in respect of the first Interest Period, two London Business Days prior to the Issue Date (each an "Interest Determination Date"), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month USD deposits (or if necessary in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for three month USD deposits and LIBOR for four month USD deposits) by reference to the Telerate Screen No. 3750 (or (A) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Telerate Screen No. 3750) as at or about 11.00 am (London time) on that date (the "USD Screen Rate"). Note USD-LIBOR in relation to the USD Notes for such Interest Period shall be the USD Screen Rate;
- (iii) in relation to the Euro Notes and for the purpose of determining the Eurozone Interbank Offered Rate for three month euro deposits ("EURIBOR") (or, in each case and in respect of the first Interest Period, an annual rate obtained by linear interpolation of EURIBOR for three month euro deposits and EURIBOR for four month euro

deposits) (“Note EURIBOR”), on the second TARGET Business Day preceding each Payment Date or in respect of the first Interest Period, two TARGET Business Days prior to the Issue Date (each an “Interest Determination Date”), the Agent Bank will determine the offered quotation to leading banks in the Euro interbank market for three month Euro deposits (or if necessary in respect of the first Interest Period, an annual rate obtained by linear interpolation of EURIBOR for three month Euro deposits and EURIBOR for four month Euro deposits) by reference to the Bridge/Telerate Page 248 (or (A) such other page as may replace Bridge/Telerate Page 248 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Bridge/Telerate Page 248) as at or about 11.00 am (London time) on that date (the “Euro Screen Rate”). Note EURIBOR in relation to the Euro Notes for such Interest Period shall be the Euro Screen Rate;

Note LIBOR, Note USD-LIBOR and Note EURIBOR are together defined as the “Base Rates”, and each of them as a “Base Rate”. The Sterling Screen Rate, the USD Screen Rate and the Euro Screen Rate are together defined as the “Screen Rates”, and each of them as a “Screen Rate”.

- (iv) if a Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 am (London time) on that date to leading banks for the applicable currency deposits for a period of three months (or in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for three month and four month applicable currency deposits respectively). The applicable Base Rate for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the quotations of the Reference Banks;
- (v) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the applicable Base Rate for the relevant Interest Period shall be determined (in accordance with (c)(i) above) on the basis of the quotations of the two quoting Reference Banks;
- (vi) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the applicable Base Rate for the relevant Interest Period shall be the Reserve Interest Rate. The “Reserve Interest Rate” shall be either (aa) the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 am (London time) on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic means, the average of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (bb) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Base Rate in effect for the interest Period ending on the relevant Interest Determination Date;
- (vii) the Rate of Interest for any Interest Period will be equal to the Relevant Margin (as defined below) above Note USD-LIBOR (in the case of the USD Notes), Note EURIBOR (in the case of the Euro Notes) and Note LIBOR (in the case of the Sterling Notes) (as determined in the manner provided above) plus, in the case of the A3 Notes only, 4.25% per annum until maturity of the A3 Detachable Coupons on the Payment Date in September 2006.

For the purposes of these Conditions:

the “Relevant Margin” for the A1a Notes shall be 0.11% per annum; for the A1b Notes shall be 0.11% per annum; for the A1c Notes shall be 0.11% per annum; for the A2a Notes shall be 0.20% per annum; for the A2b Notes shall be 0.20% per annum; for the A2c Notes shall be 0.20% per annum; for the A3 Notes shall be 0.26% per annum (the “Ordinary A3 Coupon”); and for the C Notes shall be 2.50% per annum;

“London Business Day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

“TARGET Business Day” means a day on which the TARGET system settles payments in Euro; and

“TARGET System” means the Trans-European Automated Real-time Gross Settlement Express Transfer system or any successor or replacement system;

- (viii) For the avoidance of doubt, no further payment of interest needs to be made by the Issuer on the A3 Detachable Coupons after the Payment Date in September 2006 and the Issuer shall cancel the A3 Detachable

Coupons upon payment of all amounts due and payable in respect of the A3 Detachable Coupons on the Payment Date in September 2006.

(d) Determination of Rates of Interest and Calculation of Interest Amounts

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Administrator, the Trustee, the London Stock Exchange plc (the "London Stock Exchange") and the Principal Paying Agent of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of each Note and (ii) the amount of interest (the "Interest Amount") payable in respect of such Interest Period in respect of each Note (and each A3 Detachable Coupon). The Interest Amount will be calculated by applying the Rate of Interest in respect of each Note (including for the avoidance of doubt, each A3 Detachable Coupon) multiplied by the Principal Amount Outstanding of such Note (or, to the extent detached, the Coupon Value of such A3 Detachable Coupon) and then multiplied by the actual number of days elapsed in the Interest Period and divided by (i) in the case of Sterling Notes (including for the avoidance of doubt the A3 Detachable Coupon), 365 (or 366, where the last day of such period falls in a leap year) rounded to the nearest penny with half a penny being rounded upwards or (ii) in the case of Notes other than the Sterling Notes, 360 rounded to the nearest cent with half a cent being rounded upwards.

(e) Publication of Rate of Interest, Interest Amount

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount for each Interest Period and the immediately succeeding Payment Date to be notified to each stock exchange (if any) on which notice is to be given in accordance with Condition 15. The Interest Amount and Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) Deferral of Interest

Interest on the Notes shall be payable in accordance with this Condition 4 and Condition 6 subject to the following terms of this sub-paragraph:

In the event that, whilst there are A Notes outstanding, the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on the C Notes on such Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the "C Residual Amount") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on the C Notes on such Payment Date, there shall be payable on such Payment Date, by way of interest on each C Note, a *pro rata* share of the C Residual Amount.

In the event that, by virtue of the provisions of the preceding paragraph, a *pro rata* share of the C Residual Amount is paid to Noteholders of the relevant class in accordance with such provisions, the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the C Notes on any Payment Date in accordance with this Condition 4(f) falls short of the aggregate amount of interest payable on the relevant class of Notes on that date pursuant to the other provisions of this Condition 4. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable Base Rate plus the Relevant Margin for the relevant class of Notes for such Interest Period, as applicable. A *pro rata* share of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of this Condition as if it were interest due, subject to this Condition 4(f), on each C Note on the next succeeding Payment Date. This provision shall cease to apply on the Payment Date referred to in Condition 5(a) at which time all accrued interest shall become due and payable.

(g) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in paragraph (d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Trustee or the Noteholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in

connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(i) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be an Agent Bank. The initial Agent Bank shall be JPMorgan Chase Bank, London office. In the event of JPMorgan Chase Bank being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed. The reference banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank Plc and HSBC Bank PLC or any other three major banks engaged in the London interbank market as may be selected by the Agent Bank (each a "Reference Bank").

(j) Issuer Undertaking to Maintain EU Paying Agent Not Obligated to Withhold or Deduct Tax

The Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Condition 5: Redemption and Post Enforcement Call Option

(a) Final Redemption of the Notes

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes at their Principal Amount Outstanding on the Payment Date falling in December 2020 (in the case of the A1 Notes) and falling in June 2036 (in the case of the A2 Notes, the A3 Notes and the C Notes).

The Issuer may not redeem Notes in whole or in part prior to such Payment Date except as provided in this Condition but without prejudice to Condition 9.

(b) Mandatory Redemption in Part

On each Payment Date, other than the Payment Date on which the Notes are to be redeemed under paragraphs (a) above or (e) or (f) below, the Issuer shall apply the following amounts (each as determined on the Determination Date immediately preceding such Payment Date): the amounts determined pursuant to paragraph (i)(a) of the Principal Priority of Payments, the A1b USD Redemption Amounts and the A1c Euro Redemption Amounts in redeeming the A1 Notes until the A1 Notes have been redeemed in full; after the A1 Notes have been redeemed in full the Issuer shall apply the amounts determined pursuant to paragraph (ii)(a) of the Principal Priority of Payments, the A2b USD Redemption Amounts and the A2c Euro Redemption Amounts in redeeming the A2 Notes until the A2 Notes have been redeemed in full; after the A2 Notes have been redeemed in full the Issuer shall apply the amounts determined pursuant to paragraph (iii) in redeeming the A3 Notes until the A3 Notes have been redeemed in full; after the A3 Notes have been redeemed in full and if no amounts are due to Ambac and Ambac Assurance under the Reimbursement and Indemnity Agreement, in redeeming the C Notes until the C Notes have been redeemed in full.

The Administrator is responsible, pursuant to the Administration Agreement, for determining the amount of the Actual Redemption Funds as at any Determination Date and each determination so made shall (in the absence of gross negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Trustee, Ambac and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee, Ambac or (in such absence as aforesaid) to the Administrator in connection therewith.

Under the terms of the Ambac Note Policy, Ambac does not guarantee any amounts payable by the Issuer upon mandatory redemption of the Notes pursuant to Condition 5(b) other than Excess Loss Amounts or Dissolution Amounts.

(c) Redemption of the C Notes

On each Payment Date, other than the Payment Date on which the C Notes are to be redeemed under paragraphs (a) above or (e) or (f) below, the Issuer shall apply an amount equal to the amounts available in accordance with item (xiii) in the Pre-Enforcement Priority of Payments to redeem the C Notes, in accordance with the terms of the Administration Agreement.

(d) Note Principal Payments, Principal Amount Outstanding and Pool Factor

The principal amount redeemable in respect of each Note of each class other than the C Notes (the "Note Principal Payment") on any Payment Date under paragraph (b) above shall be the amount of the Actual Redemption Funds on the Determination Date immediately preceding that Payment Date to be applied in redemption of Notes (and in the case of USD Notes and Euro Notes, the amount converted into sterling by reference to the relevant Currency Swap

Rate under the Currency Swap Agreements) of that class divided by the number of Notes of that class outstanding on the relevant Payment Date (rounded down to the nearest pound or US dollar or euro); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note (and in the case of USD Notes and Euro Notes, the amount converted into sterling by reference to the relevant Currency Swap Rate).

The principal amount redeemable in respect of each C Note (the "C Note Principal Payment") on any Payment Date under paragraph (c) above shall be the amount of the funds on the Determination Date immediately preceding that Payment Date to be applied in redemption of the C Notes divided by the number of C Notes outstanding on the relevant Payment Date (rounded down to the nearest pound); provided always that no such C Note Principal Payment may exceed the C Note Principal Amount Outstanding of the relevant C Note.

With respect to each of the A Notes on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (i) the amount of any Note Principal Payment due on the Payment Date next following such Determination Date, (ii) the principal amount outstanding of each such Note of such class on the Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Payment Date) (the "A Notes Principal Amount Outstanding") and (iii) the fraction expressed as a decimal to the sixth point (the "Pool Factor"), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each C Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (i) the amount of any C Note Principal Payment due on the Payment Date next following such Determination Date, (ii) the principal amount outstanding of each C Note on the Payment Date next following such Determination Date (after deducting any C Note Principal Payment due to be made on that Payment Date) ("C Note Principal Amount Outstanding", together with the A Note Principal Amount Outstanding, the "Principal Amount Outstanding") and (iii) the fraction expressed as a decimal to the sixth point (the "C Note Pool Factor"), of which the numerator is the C Note Principal Amount Outstanding (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any C Note Principal Payment, the C Note Principal Amount Outstanding and the C Note Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the classes of Notes, the Issuer will cause each determination of a Note Principal Payment, A Note Principal Amount Outstanding and Pool Factor, or C Note Principal Payment, C Note Principal Amount Outstanding and C Note Pool Factor (as the case may be) to be notified forthwith to the Trustee, the Currency Swap Counterparty, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 15 by not later than two Business Days prior to the relevant Payment Date. If no Note Principal Payment or C Note Principal Payment is due to be made on the Notes on any Payment Date a notice to this effect will be given to the Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) with respect to each of the classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor, or a C Note Principal Payment, the C Note Principal Amount Outstanding or the C Note Pool Factor (as the case may be) in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

(e) Optional Redemption

On any Payment Date following the Payment Date on which the aggregate Principal Amount Outstanding of the A Notes is less than 10% of the initial aggregate Base Currency PAO of the A Notes, the Administrator may give not more than 60 nor less than 30 days' notice to the Trustee, Ambac (if Ambac is then the Note Controlling Party) and the Noteholders in accordance with Condition 15, and following the giving of such notice, the Issuer shall be obliged to redeem all (but not some only) of the A Notes at their A Note Principal Amount Outstanding, and all (but not some only) of the C Notes at their C Note Principal Amount Outstanding, provided that prior to giving any such notice, the Issuer shall have provided to the Trustee and Ambac (if Ambac is then the Note Controlling Party) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

Under the terms of the Ambac Note Policy, Ambac does not guarantee any of the amounts payable by the Issuer upon an early redemption of the Notes pursuant to Condition 5(e).

(f) Optional Redemption for Tax Reasons

If the Issuer at any time immediately prior to the giving of the notice referred to below satisfies the Trustee (and Ambac if (a) there are A Notes outstanding and (b) Ambac is then the Note Controlling Party) that either (i) on the next Payment Date the Issuer would be required by reason of a change in law, or the interpretation or administration thereof, to deduct or withhold from any payment of principal or interest on the A Notes (other than in respect of default interest), 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 (ii) the total amount payable in respect of interest in relation to any of the Mortgage Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, or where the Issuer is treated as receiving amounts in relation to interest on the Mortgage Loans which are not in fact received) by the Issuer during such Interest Period, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Trustee and Ambac (if the proviso relating to Ambac above is applicable) and the Noteholders in accordance with Condition 15, redeem on any Payment Date all (but not some only) of the A Notes at their A Notes Principal Amount Outstanding, and all (but not some only) of the C Notes at their C Note Principal Amount Outstanding, provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee and Ambac (if the proviso relating to Ambac above is applicable), (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and (b) if appropriate a legal opinion (in form and substance satisfactory to the Trustee and Ambac (if the proviso relating to Ambac above is applicable)) from a firm of lawyers in England (approved in writing by the Trustee and Ambac (if the proviso relating to Ambac above is applicable)) opining on the relevant change in tax law (or interpretation or administration thereof). Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and Ambac (if the proviso relating to Ambac above is applicable) and shall be conclusive and binding on the Noteholders.

Under the terms of the Ambac Note Policy, Ambac does not guarantee any amounts payable by the Issuer upon an early redemption of the Notes pursuant to Condition 5(f).

The term "Optional Redemption" shall refer to redemption of the Notes under any of the foregoing circumstances or procedures referred to in paragraphs (e) or (f) above.

(g) Notice of Redemption

Any such notice as is referred to in paragraph (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the A Notes at the A Note Principal Amount Outstanding, and (where applicable) the C Notes at their C Note Principal Amount Outstanding.

(h) Payments by Ambac on early redemption

Upon any optional or mandatory early redemption (other than pursuant to Condition 5(a) or Condition 5(b) in respect of amounts equal to Excess Loss Amounts or Dissolution Amounts), Ambac's obligations will continue to be to pay the Guaranteed Amounts as they fall Due for Payment (as defined in the Ambac Note Policy) on each Payment Date. Ambac will not be obliged under any circumstances to accelerate payment under the Ambac Note Policy. However, if it does so, it may do so in whole or in part and the amount payable by Ambac will be applied first to pay the outstanding principal amount of the A1 Notes together with accrued Class A Interest, secondly to pay the outstanding principal amount of the A2 Notes together with accrued Class A Interest and thirdly to pay the outstanding principal amount of the A3 Notes together with accrued Class A Interest.

(i) Purchase

The Issuer shall not purchase any Notes.

(j) Cancellation

All Notes redeemed pursuant to paragraphs (b), (e) or (f) above will be cancelled upon redemption and may not be resold or re-issued.

(k) Post Enforcement Call Option

All of the C Noteholders will, at the request of the Trustee, sell all (but not some only) of their holdings of C Notes, as the case may be, to RMAC Holdings Limited pursuant to the option granted to it by the Trustee (as agent for the Noteholders) to acquire all (but not some only) of the C Notes (plus accrued interest thereon), for the consideration of one penny per C Note outstanding in the event that the Security for the C Notes is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the C Notes and after the application of any such proceeds to the C Notes under the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of the C Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option and each Noteholder, by subscribing for or purchasing the relevant Note(s), agrees to be so bound.

(I) Effect of Redemption on A3 Detachable Coupons

Upon redemption in full of the A3 Notes pursuant to paragraphs (a) or (b) of this Condition 5 or the exercise of the option contained in paragraphs (e) or (f) of this Condition 5 in respect of the A3 Notes, the A3 Detachable Coupons shall become void and no further payment (other than, for the avoidance of doubt, the payment due on the Payment Date on which the A3 Notes are redeemed in full or in respect of which the option is exercised) shall be made in respect of the A3 Detachable Coupons.

Condition 6: Method of Payments

(a) Global Instruments

Payments of interest and principal in respect of any Global Instrument will be made against presentation (and, in the case of final redemption, surrender) of such Global Note or Global A3 Detachable Coupon at the specified office of the Paying Agents. A record of each payment so made on a Global Instrument distinguishing (in the case of Global Notes) between any payment of principal and/or payment of interest, will be endorsed on the schedule to the relevant Global Instrument by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made. Payments in respect of the USD Notes will be made in US dollars at the specified office of the Principal Paying Agent by transfer to a US dollar account maintained by the payee with a US dollar clearing bank as specified by the payee. Payments in respect of the Euro Notes will be made in Euro at the specified office of the Principal Paying Agent by transfer to a Euro account maintained by the payee with a Euro clearing bank as specified by the payee. Payments in respect of the Sterling Notes and A3 Detachable Coupons will be made in Sterling at the specified office of the Principal Paying Agent by transfer to a Sterling account maintained by the payee with a bank in London.

(b) Definitive Instruments

Payments of principal and interest (except (i) where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note) and (ii) in the case of the last payment of interest under a Definitive A3 Detachable Coupon, in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Note or Definitive A3 Detachable Coupon, as the case may be) in respect of Definitive Instruments will be made by US dollar cheque drawn on a US dollar clearing bank in the case of USD Notes, by Euro cheque drawn on a Euro clearing bank in the case of Euro Notes, or by Sterling cheque drawn on a bank in London in the case of Sterling Notes or A3 Detachable Coupons mailed to the holder (or to the first-named of joint holders) of such Definitive Instrument at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Definitive Instrument is not paid in full, the Registrar will (in respect of a Definitive Note) annotate the Register with a record of the amount (if any) so paid. For the purposes of this Condition 6, the holder of a Definitive Instrument will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the 15th day before the due date for such payment (the "Record Date").

Upon application by the holder of a Definitive Instrument to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Instrument, such payment will be made by transfer to a US dollar account maintained by the payee with a US dollar clearing bank as specified by the payee (in the case of USD Notes), to a Euro account maintained by the payee with a Euro clearing bank as specified by the payee (in the case of the Euro Notes) or to a Sterling account maintained by the payee with a bank in London (in the case of Sterling Notes). Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of such Definitive Instrument until such time as the Registrar is notified in writing to the contrary by the holder thereof.

- (c) Payments of principal and interest in respect of the Notes and A3 Detachable Coupons are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (d) Each A3 Global Note shall be presented for payment together with all relative unmatured A3 Detachable Coupons. Upon the date on which any A3 Note becomes due and payable in full, all unmatured A3 Detachable Coupons appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.
- (e) If payment of principal is improperly withheld or refused on or in respect of any Note or part hereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4(a) will be paid to the extent received against presentation of such Note at the specified office of the Paying Agents (in respect of any Global Instrument) and in accordance with this Condition 6 (in respect of any Definitive Instrument). If any payment due in

respect of any Global Note is not paid in full, the Principal Paying Agent will endorse a record of the amount (if any) so paid on the relevant Global Note.

- (f) The initial Paying Agents and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain: (i) a Paying Agent with a specified office in London (so long as the Notes are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange), (ii) a Paying Agent with a specified office in continental Europe and (iii) an Agent Bank. The Issuer will cause at least 30 days' notice of any change in or addition to any of the agents or their specified offices to be given in accordance with Condition 15.
- (g) If any Global Instrument is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Global Instrument. For the purpose of Condition 6, "Business Day" means a day (other than Saturday and Sunday) on which banks are open for business in London and Luxembourg and in any case where presentation or surrender of a Global Instrument is required, in the place where the Global Instrument is presented or surrendered.
- (h) If, upon due presentation upon a relevant Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of any Global Instrument or part thereof by the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected Noteholders and Couponholders by paying to the Trustee on behalf of such Noteholders and Couponholders a sum calculated as the amount so withheld or refused plus an amount calculated as equal to the amount of interest which would have accrued in accordance with Condition 4 if payment of such amount had been paid by the Issuer to the Noteholders and Couponholders (as the case may be) on the relevant Payment Date (as well after as before any judgement or decree) up to (but excluding) the date on which all sums due in respect of such Global Instrument up to that day are received by the relevant Noteholder or Couponholder (as the case may be), payment under such indemnity to be due without demand from the relevant Payment Date.

Condition 7: Prescription

Claims for principal and interest in respect of a Global Instrument shall become void unless presented for payment of principal within a period of 10 years from the Relevant Date in respect thereof and five years in respect of payment of interest. Claims for principal and interest in respect of Definitive Instruments shall become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate Relevant Date. After the date on which a Note or Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "Relevant Date" in respect of a Note or Coupon is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes or coupons due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

Condition 8: Taxation

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, assessment or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (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. None of the Principal Paying Agent, any other Paying Agent, the Issuer nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

Condition 9: Events of Default

- (a) (x) If so requested in writing by Ambac (if it is then the Note Controlling Party) or (y) if Ambac is not the Note Controlling Party: (A) at the discretion of the Trustee, or (B) if so requested in writing by the holders of not less than 25% in aggregate of the Base Currency PAO of the A Notes or, if no A Notes are outstanding, the Principal Amount Outstanding of the C Notes, or (C) if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the A Notes or, if no A Notes are outstanding, the C Notes (subject to the Trustee being indemnified to its satisfaction), the Trustee shall give notice (an "Enforcement Notice") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an "Event of Default"):
 - (i) default being made for a period of ten Business Days in the payment of the principal of or any interest on any Note when and as the same ought to be paid in accordance with these Conditions provided that a deferral of

interest in accordance with Condition 4(f) shall not constitute a default in the payment of such interest for the purposes of this Condition 9; or

- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed or the Issuer or the Administrator failing duly to perform or observe any obligation binding on it under the Administration Agreement or the Deed of Charge and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer or the Administrator (as the case may require) of notice requiring the same to be remedied; or
- (iii) the Issuer, other than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due within the meaning of Section 123(2) of the Insolvency Act 1986 (as amended); or
- (iv) an order being made or an effective resolution being passed for the winding up of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the A Notes, or if no A Notes are outstanding, the C Notes; or
- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for the appointment of an administrator or liquidator) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of each of the events described in sub-paragraphs (ii), (iii) or (v) to this paragraph (a), either (x) the Trustee has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders or (y) Ambac (if it is then the Note Controlling Party) has certified to the Issuer that such event is in its opinion materially prejudicial to it as a creditor of the Issuer in respect of obligations under the Reimbursement and Indemnity Agreement.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the A Notes shall immediately become due and repayable at the A Notes Principal Amount Outstanding and the C Notes shall immediately become due and repayable at the C Note Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.
- (c) So long as any part of the A Notes remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to the Trustee, the Currency Swap Counterparty and Ambac.
- (d) The terms of the Ambac Note Policy provide that payments on the A Notes which have become immediately due and payable pursuant to this Condition 9 will not be treated as Guaranteed Amounts which are Due for Payment unless Ambac in its sole discretion elects to do so by written notice to the Trustee. If no such election is made, Ambac will continue to be liable to make payments in respect of the A Notes pursuant to the Ambac Note Policy on the dates on which such payments would have been required to be made as if the A Notes had not become immediately due and payable.

Condition 10: Enforcement of Notes

At any time after the Notes have become due and repayable (a) if Ambac is then the Note Controlling Party, the Trustee shall, if and only if so directed by Ambac or (b) if Ambac is not the Note Controlling Party, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest. The Trustee shall not be bound to take any such proceedings unless (x) in the case of (b) above it shall have been so directed by an Extraordinary Resolution of the Noteholders of the relevant class, and (y) it shall have been indemnified to its satisfaction. Neither Ambac nor any Noteholder may take any action against the Issuer to enforce its rights in respect of the Notes or to enforce all or any of the security constituted by the Deed of Charge otherwise than through the Trustee unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

“Ambac Event of Default” means each of the following events:

- (i) any Guaranteed Amount (as defined in the Ambac Note Policy) which is Due for Payment, is unpaid by reason of non-payment and is not paid by Ambac on the due date for payment by Ambac in accordance with the Ambac Note Policy;
- (ii) Ambac disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under the Ambac Note Policy or seeks to do so;
- (iii) a court of competent jurisdiction enters a final and non-appealable order, judgment or decree for the winding-up, or the appointment of an administrator or receiver (including an administration receiver or manager) of Ambac (or, as the case may be, of a material part of its property or assets); or
- (iv) Ambac:
 - (a) presents any petition or takes any proceedings for the winding-up or the appointment of an administrator or receiver (including an administrative receiver or manager) of Ambac (or, as the case may be, of a material part of its property or assets); or
 - (b) makes or enters into any general assignment, composition, arrangement (including, without limitation, a voluntary arrangement under Part 1 of the Insolvency Act 1986) or compromise with or for the benefit of any of its creditors; or
 - (c) becomes unable to pay its debts within the meaning of Section 123(2) or Section 123(1)(e) of the Insolvency Act 1986 or admits in writing its inability, or fails generally, to pay its debts as they become due.

Ambac will not be obliged under any circumstances to accelerate payment under the Ambac Note Policy. However, if it does so, it may do so in whole or in part in accordance with Condition 5(h).

The occurrence of an Ambac Event of Default does not of itself give rise to any right on the part of the Trustee or the Noteholders to accelerate the Notes.

Condition 11: Meetings of Noteholders, Modifications; Consents, Waiver

For the avoidance of doubt, references in this Condition 11 to “A Noteholders”, “Noteholders”, “A Notes” and “Notes” do not include the A3 Detachable Couponholders and the A3 Detachable Coupons. The A3 Detachable Couponholders do not have any voting rights. The Trust Deed contains provisions for convening meetings of A Noteholders and C Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant class of any modification of the Notes of the relevant class (including these Conditions as they relate to the Notes of such relevant class, as the case may be) or the provisions of any of the Documents, provided that no modification of certain terms by the Noteholders of any class including, *inter alia*, the date of maturity of the Notes of the relevant class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes or any alteration of the priority of such Notes (any such modification in respect of any such class of Notes being referred to below as a “Basic Terms Modification”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Noteholders of any class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50% of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding, or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding, except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 75%, or at any adjourned such meeting not less than 25%, of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding. The quorum at any meeting of the Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 5% of the aggregate Principal Amount Outstanding of the Notes of the relevant class or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding so held.

For so long as the Notes (whether being Definitive Notes or represented by Global Notes) of any class are held by one party, such party and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Noteholders.

If Ambac is the Note Controlling Party an Extraordinary Resolution passed at any meeting of Noteholders shall not be effective for any purpose unless it is approved by Ambac. An Extraordinary Resolution passed at any meeting of C Noteholders shall not be effective for any purpose where the A Notes remain outstanding unless sanctioned by an Extraordinary Resolution of the A Noteholders and (if Ambac is then the Note Controlling Party) Ambac. Except in certain

circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect on their interests. Any Extraordinary Resolution to approve or consent to a Basic Terms Modification when Ambac is not the Note Controlling Party, will require either the consent of Ambac or a determination by the Trustee that such modification is not prejudicial to Ambac.

An Extraordinary Resolution passed at any meeting of the Noteholders of any class of Notes shall be binding on all Noteholders of the relevant class, whether or not they are present at the meeting and on all A3 Detachable Couponholders and in the case of Definitive Notes, on all holders of Coupons thereto. The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75% of the votes cast on that Extraordinary Resolution.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the Noteholders of any class, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes of such class (including these Conditions) or any of the Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders of such class or (b) to any modification of the Notes of such class (including these Conditions) or any of the Documents, which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. In respect of each class of Notes, the Trustee may also, without the consent of the Noteholders of such class, determine that any 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 an Event of Default shall not, subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or any such waiver or authorisation of any such breach or proposed breach of the Notes (including the Conditions) or any of the Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 or 10). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each such class, and, unless the Trustee agrees otherwise, any such modification shall be notified to such Noteholders in accordance with Condition 15 as soon as practicable thereafter.

The Rate of Interest in respect of the A3 Detachable Coupons may not, for the avoidance of doubt, be modified or cancelled by any Extraordinary Resolution passed at any meeting of Noteholders.

The Trustee will not be entitled to agree to any modification to these Conditions or any of the Charged Obligation Documents without the consent of Ambac (if it is the Note Controlling Party).

The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Documents, that such exercise will not be materially prejudicial to the interests of any Noteholders if S&P and/or Fitch have confirmed that the Underlying Ratings of the relevant Notes would not be adversely affected by such exercise.

Condition 12: Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and Administrator, and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrator or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

Condition 13: Definitive Instruments

Definitive Instruments (including Definitive Notes and Definitive A3 Detachable Coupons to the extent detached) will only be issued if 40 days or more after the Issue Date any of the following apply:

- (a) (i) in the case of Rule 144A Global Instruments, DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder of the CDIs (as defined in the Depository Agreement) or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification;
- (ii) in the case of Reg S Global Instruments, both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an

intention permanently to cease business and do so cease business and no alternative clearing system satisfactory to the Trustee is available; or

- (b) the Depository notifies the Issuer that it is at any time unwilling or unable to continue as Depository and a successor is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days of such notification; or
- (c) the Trustee has given an Enforcement Notice to the Issuer; or
- (d) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) (or in the interpretation, application or administration of the same) of any applicable jurisdiction (including payments being made net of tax) which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee.

If Definitive Instruments (including the Definitive A3 Detachable Coupons to the extent Coupon Stripping has occurred prior to the issue of Definitive Notes) are issued, the beneficial interests represented by the Reg S Global Note of each class shall be exchanged in whole (but not in part) by the Issuer for Reg S Definitive Notes and the beneficial interests represented by the Rule 144A Global Note of each class shall be exchanged in whole (but not in part) by the Issuer for Rule 144A Definitive Notes and the beneficial interests represented by the Reg S Global A3 Detachable Coupon (to the extent detached) shall be exchanged in whole (but not in part) by the Issuer for Reg S Definitive A3 Detachable Coupons and the beneficial interests represented by the Rule 144A Global A3 Detachable Coupon (to the extent detached) shall be exchanged in whole (but not in part) by the Issuer for Rule 144A Definitive A3 Detachable Coupons, in each case, in the aggregate amount equal to the A Notes Principal Amount Outstanding or the C Note Principal Amount Outstanding (as the case may be) of the relevant Reg S Global Note or Rule 144A Global Note or, in the case of the relevant A3 Detachable Coupon (to the extent detached), the Coupon Value, subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the relevant Global Notes.

Condition 14: Replacement of Global Instruments and Definitive Instruments

If any Global Instrument or Definitive Instrument is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Note or A3 Detachable Coupon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Global Instruments or Definitive Instruments must be surrendered before new ones will be issued.

Condition 15: Notice to Noteholders

Any notice to the Noteholders shall be validly given if published in the Financial Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in the United Kingdom. Any such notice shall be deemed to have been given to the Noteholders and they shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

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

For so long as the Notes are represented by Global Notes and such Global Notes are held by the Depository, notices to Noteholders may be given by delivery of the relevant notice to the Depository for communication by it to DTC, Euroclear and Clearstream, Luxembourg for communication by them to their Participants and for communication by such Participants to the relative Accountholders rather than by publication as required by this Condition 15 provided that, so long as the Notes are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange, that competent authority so agrees. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to the Depository.

For the avoidance of doubt, all A3 Detachable Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 15.

Condition 16: Provision of Information

For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or beneficial

owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

Condition 17: Rights of Third Parties

No rights are conferred on any third person (except the Noteholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

Condition 18: European Economic and Monetary Union

- (a) The Issuer may, without the consent of the Noteholders and Couponholders and provided that the Trustee is satisfied that the obligations of Ambac under the Ambac Note Policy will not be adversely affected on giving at least 30 days' prior notice to the Trustee, Ambac and the Paying Agents designate a date (the "Redenomination Date"), being a Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Sterling Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Note equal to the principal amount outstanding of that Note in Sterling converted into euro at the rate for conversion of Sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of securities denominated in Sterling is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
 - (ii) if the Sterling Notes have been issued in definitive form:
 - (A) all unmatured Coupons denominated in Sterling (whether or not attached to the Notes) will become void with effect from the date (the "Euro Exchange Date") on which the Issuer gives notice (the "Euro Exchange Notice") to the Noteholders, the Trustee and Ambac that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Sterling Notes will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 18), shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
 - (iii) all payments in respect of the Sterling Notes (other than, unless the Redenomination Date is on or after such date as the Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
 - (iv) a Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 18, "business day" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of the Sterling Notes pursuant to this Condition 18:
- (i) where such Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the principal amount then outstanding of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
 - (ii) the amount of interest payable in respect of each Note on each Payment Date shall be calculated by applying the Rate of Interest to the principal amount then outstanding of such Note, dividing the product by two and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days

elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines, with the agreement of the Note Controlling Party, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment.

(d) In this Condition 18:

“EMU” means European Economic and Monetary Union;

“euro” means the single currency introduced on 1 January 1999 at the start of the third stage of EMU pursuant to the Treaty;

“Participating Member State” means a Member State of the European Communities which has adopted the euro as its lawful currency in accordance with the Treaty; and

the “Treaty” means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

Condition 19: Governing Law

Except as indicated in the next sentence, the Documents and the Notes are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England (other than those aspects of the Documents specific to the Scottish Mortgage Loans, which are governed by, and shall be construed in accordance with, Scots law). The Depository Agreement and the Currency Swap Agreements are governed by the laws of the State of New York and are subject to the non-exclusive jurisdiction of the courts of New York.

UNITED KINGDOM TAXATION

The following is a general description of current United Kingdom law and Inland Revenue practice relating to the United Kingdom taxation of the Notes, and is limited to a general consideration of the United Kingdom tax position of persons who are absolute beneficial owners of the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes and should therefore be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers) or to Noteholders where the object, or one of the main objects, of acquiring or holding the Notes was or is the securing, whether for the Noteholder or any other person, of a tax advantage. Noteholders (or prospective Noteholders) who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

A United Kingdom withholding tax

Interest payments on the Notes (whether in global or definitive form) will be payable without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are listed on a “recognised stock exchange” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (“ICTA 1988”). The London Stock Exchange is a recognised stock exchange for these purposes. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the UK Listing Authority and admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on the Notes is paid to a person who belongs in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either:

- (a) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) the payment is made to:
 - (i) a local authority;
 - (ii) a charity (within the meaning of section 506(1) of ICTA 1988);
 - (iii) the trustees or other persons having the management of a fund entitled to an exemption under section 620(6) of ICTA 1988 (retirement annuity trust schemes);
 - (iv) a person holding investments or deposits for the purposes of a scheme entitled to exemption under section 643(2) of ICTA 1988 (approved personal pension schemes);
 - (v) the plan manager of a plan, where an individual investing under the plan is entitled to an exemption under section 333 of ICTA 1988 (personal equity plans and individual saving accounts), and the plan manager receives the payment in respect of investments under the plan; or
 - (vi) a society or institution with whom tax-exempt special savings accounts (within the meaning of section 326A of ICTA 1988) may be held, where the society or institution receives the payment in respect of investments held for the purposes of such accounts,

or is made to one of the other classes of exempt bodies or persons set out in section 349B of ICTA 1988,

provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of ICTA 1988 will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of United Kingdom income tax.

In all other cases, an amount must be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20%), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

If Ambac makes any payments under the Ambac Note Policy in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of amounts subscribed for under the Notes) such payments may be subject to United Kingdom withholding tax, whether or not the Notes are listed on a “recognised stock exchange” within the meaning of section 841 of ICTA 1988. If payments by Ambac under the Ambac Note Policy are subject to any withholding or

deduction for or on account of tax, additional amounts may become payable by Ambac subject to the terms of the Ambac Note Policy (see “*Form of Ambac Note Policy*” above).

B Direct Assessment of Non-United Kingdom Resident Noteholders to United Kingdom Tax on United Kingdom Interest
Interest on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and, as such may be subject to United Kingdom income tax by direct assessment even where paid without withholding or deduction for or on account of United Kingdom income tax, except in the hands of a Noteholder who is exempt from United Kingdom income tax under the terms of an applicable double taxation treaty or otherwise.

However, interest with a United Kingdom source which is received without deduction or withholding for or on account of United Kingdom income tax, is not normally chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom, unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment, branch or agency in connection with which the interest is received or to which the Notes are attributable. There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

C Accrued Income Scheme – Individual Noteholders

For the purposes of the provisions known as the “Accrued Income Scheme” (contained in Chapter II of Part XVII of ICTA 1988), a transfer of a Note by a Noteholder who is resident or ordinarily resident in the United Kingdom or a Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable, may give rise to a charge to United Kingdom tax on income in respect of an amount treated, under the Accrued Income Scheme, as representing interest accrued on the Note at the time of the transfer.

In particular, as the A3 Notes will be “variable rate securities” for the purposes of the Accrued Income Scheme, in relation to a disposal of an A3 Note, an A3 Noteholder will be chargeable to tax on income in respect of interest which is deemed to have accrued on the A3 Note at the time of transfer in such an amount as is just and reasonable. A transferee of an A3 Note will not be entitled to any corresponding relief in respect of that amount under the Accrued Income Scheme.

D Taxation of chargeable gains – individual Noteholders

As a result of the provision for redenomination of the Sterling Notes into euro and the USD Notes and the Euro Notes having a non-Sterling denomination, it is not expected that the Notes will be treated by the United Kingdom Inland Revenue as “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal (including a redemption) of Notes by an individual Noteholder will give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the individual circumstances of the Noteholder.

E United Kingdom corporation tax payers

In general, Noteholders within the charge to United Kingdom corporation tax will not be subject to the taxation treatment set out in paragraphs C or D above. Instead, any profits, gains and losses, and fluctuations in the value of the Notes (whether attributable to currency fluctuations or otherwise) measured and recognised broadly in accordance with their statutory accounting treatment, are taxed or relieved as income. Noteholders within the charge to United Kingdom corporation tax are generally charged to tax in each accounting period by reference to interest accrued in that period and other profits recognised in that period.

F Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue or transfer of a Note in global form, or on the issue or transfer by delivery of a Note in definitive form (other than a Definitive A3 Note in registered form) with or without coupons attached. No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the transfer of an A3 Detachable Coupon (other than a Definitive A3 Detachable Coupon in definitive registered form) if and to the extent Coupon Stripping occurs. United Kingdom stamp duty or stamp duty reserve tax may however be chargeable on the transfer of a Definitive A3 Note in registered form (with or without the A3 Detachable Coupon) or a Definitive A3 Detachable Coupon in registered form, if and to the extent Coupon Stripping occurs.

EU Directive on the Taxation of Savings Income

On 3 June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1 January 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that Austria, Belgium and Luxembourg will instead be 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).

UNITED STATES FEDERAL INCOME TAXATION

General

The following is a general summary of the principal US federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes and the A3 Detachable Coupons. In general, this summary assumes that holders acquire the Notes and the A3 Detachable Coupons at original issuance and will hold the Notes and the A3 Detachable Coupons as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes or A3 Detachable Coupons. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) persons that will hold Notes or A3 Detachable Coupons as part of a “hedging” or “conversion” transaction or as a position in a “straddle” or as part of a “synthetic security” or other integrated transaction for US federal income tax purposes; (vii) persons that own (or are deemed to own) 10 percent or more of the voting shares of the Issuer; (viii) persons that hold Notes or A3 Detachable Coupons through partnerships or other pass-through entities; and (ix) persons that have a “functional currency” other than the US dollar. In addition, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of interests in a holder of Notes or A3 Detachable Coupons. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the US federal government.

Each prospective investor should consult its own tax adviser with respect to the US federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes and the A3 Detachable Coupons.

This summary is based on the US Internal Revenue Code of 1986, as amended (the “Code”), US Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term “US Holder” means a beneficial owner of Notes or A3 Detachable Coupons that is for US federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation) created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to US federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all substantial decisions of the trust. If a partnership holds Notes or A3 Detachable Coupons, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes or A3 Detachable Coupons should consult their own tax advisers. A “Non-US Holder” is a beneficial owner of Notes or A3 Detachable Coupons that is not a US Holder.

Characterisation of the Notes

The Issuer has obtained an opinion from Allen & Overy, US tax counsel to the Issuer, that although there is no statutory, judicial or administrative authority directly addressing the characterisation of the A Notes (including the A3 Detachable Coupons) or instruments similar to the A Notes (including the A3 Detachable Coupons) for US federal income tax purposes, the A Notes (including the A3 Detachable Coupons), when issued, will be treated as debt for US federal income taxation purposes. This opinion is based upon, among other things, representations made by the Issuer to Allen & Overy in a representation letter that the Issuer certified to be true and complete in all material respects, as well as certain assumptions. In addition, only the Issuer may rely upon the foregoing opinion and such opinion will not be binding upon the US Internal Revenue Service (“IRS”) or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the US federal income tax treatment of the Notes. Accordingly, there can be no assurances that the IRS will not contend, and that a court will not ultimately hold, that the A Notes (including the A3 Detachable Coupons) are equity in the Issuer or that any of the other items discussed below are treated differently. If the A Notes or the A3 Detachable Coupons were treated as equity in the Issuer for US federal income tax purposes, there might be adverse tax consequences upon the sale, exchange, or other disposition of, or the receipt of certain types of distributions on, such Notes and Coupons by a US Holder (see discussion under “Taxation of US Holders of the C Notes”, below). Except as otherwise stated, the discussion below assumes that the A Notes and the A3 Detachable Coupons will be treated as debt for US federal income tax purposes.

In the case of the C Notes, even though the C Notes will be issued in the form of debt, given their subordination level and other terms, the Issuer intends to take the position that the C Notes are equity interests in the Issuer for US federal income tax purposes. Holders of C Notes that are treated as equity interests in the Issuer will be treated as owning interests in a “passive foreign investment company” (“PFIC”) for US federal income tax purposes (see discussion under “Taxation of US Holders of the C Notes”, below). Except as otherwise stated, the discussion below assumes that the C Notes will be treated as equity interests in the Issuer for US federal income tax purposes.

Prospective investors should consider the tax consequences of an investment in the Notes and the A3 Detachable Coupons under either a debt or equity characterisation and should consult their own tax advisers regarding the treatment of the Notes and the A3 Detachable Coupons for US federal income tax and other tax purposes.

Taxation of US Holders of the A Notes and the A3 Detachable Coupons

Payments of Interest

Interest on an A Note (excluding, for this purpose, interest on an A3 Detachable Coupon, as described in the next paragraph below) will be taxable to a US Holder as ordinary interest income at the time it is received or accrued, depending on the US Holder's method of accounting for US federal income tax purposes.

The A3 Detachable Coupons will likely be treated as bearing original issue discount ("OID") for US federal income tax purposes because the "stated redemption price at maturity" of the A3 Detachable Coupons is expected to exceed their "issue price" by more than the "*de minimis* amount", as discussed below. The "stated redemption price at maturity" of an A3 Detachable Coupon is likely to be the sum of all payments expected thereon, determined in accordance with the "Prepayment Assumption", as discussed below. The "issue price" for the A3 Detachable Coupons is the price at which a substantial portion of the A3 Detachable Coupons is sold to the public. The "*de minimis* amount" is any amount less than $\frac{1}{4}$ of one percent of an A3 Detachable Coupon's stated redemption price at maturity multiplied by such coupon's weighted average maturity ("WAM"). The WAM of an A3 Detachable Coupon is computed based on the number of full years each amount included in the stated redemption price at maturity is scheduled to be outstanding. Such a schedule likely should be determined in accordance with the assumed rate of prepayment set forth in "Weighted Average Lives of the A Notes" using a CPR of 15/35 percent (the "Prepayment Assumption"). See "Weighted Average Lives of the A Notes". There can be no assurance that payments will actually be made in accordance with the Prepayment Assumption or any other prepayment scenario.

A US Holder (including a cash basis holder) of A3 Detachable Coupons that are deemed to bear OID generally would be required to accrue OID on the coupons as taxable income for US federal income tax purposes for each day on which the US Holder holds such instrument. The OID accruing in any period will likely equal the amount by which (a) the sum of (i) the present value of all remaining payments to be made as of the end of such period plus (ii) the payments made during such period included in the stated redemption price at maturity, exceeds (b) the "adjusted issue price" as of the beginning of the period. The present value of the remaining distributions is calculated based on (x) the original yield to maturity of such instrument, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the Prepayment Assumption. The "adjusted issue price" of an A3 Detachable Coupon at the beginning of any accrual period generally would be the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments made in all prior accrual periods. If OID computed as described in this paragraph is negative for any period, the US Holder generally will not be allowed a current deduction for the negative amount but instead will be entitled to offset such amount only against future positive OID from such instrument. The accrual of OID may require holders to recognize income in advance of payments.

Although the Issuer intends to take the position that OID inclusions on the A3 Detachable Coupons should be calculated as described above, it is possible that the A3 Detachable Coupons could be treated as contingent payment debt instruments that are subject to the US Treasury regulations governing such debt instruments. Although it is not expected that the contingent payment rules would cause the amount or timing of income with respect to the A3 Detachable Coupons to differ significantly from the amount and timing under the rules described above, the application of the contingent payment rules may cause any gain on the sale or exchange of the A3 Detachable Coupons to be treated as ordinary income rather than capital gain. Prospective purchasers of A3 Detachable Coupons should consult their own tax advisers regarding the applicability and consequences of the OID rules generally and the rules governing contingent payment debt instruments to the A3 Detachable Coupons.

A US Holder utilising the cash method of accounting for US federal income tax purposes that receives an interest payment denominated in a currency other than US dollars (a "foreign currency") will be required to include in income, with respect to the A Notes and the A3 Detachable Coupons, if they do not bear OID, the US dollar value of that interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars.

If interest on an A Note or A3 Detachable Coupon is payable in a foreign currency, an accrual basis US Holder, or a US Holder that uses the cash method of accounting as to A3 Detachable Coupons with OID, is required to include in income the US dollar value of the amount of interest income and OID accrued on the A Note and A3 Detachable Coupon during the accrual period. Such a US Holder may determine the amount of the accrued interest income and OID to be recognised in accordance with either of two methods. Under the first accrual method, the amount of income accrued will be based on the average exchange rate in effect during the accrual period or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year. Under the second accrual method, the US Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within

the taxable year. If the last day of the accrual period is within five business days of the date the interest payment is actually received, an electing accrual basis US Holder may instead translate that interest at the exchange rate in effect on the day of actual receipt. Any election to use the second accrual method will apply to all debt instruments held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder and will be irrevocable without the consent of the IRS.

A US Holder utilising either of the foregoing two accrual methods will recognise ordinary income or loss with respect to accrued interest income on the date of receipt of the interest payment denominated in a foreign currency (including a payment attributable to accrued but unpaid interest upon the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon). The amount of ordinary income or loss will equal the difference between the US dollar value of the interest payment received (determined on the date the payment is received) in respect of the accrual period and the US dollar value of interest income that has accrued during that accrual period (as determined under the accrual method utilised by the US Holder).

Foreign currency received as interest on the A Notes and the A3 Detachable Coupons will have a tax basis equal to its US dollar value at the time the interest payment is received. Gain or loss, if any, realised by a US Holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and generally will be income from sources within the United States for US foreign tax credit limitation purposes.

Interest income and OID on the A Notes and the A3 Detachable Coupons will be treated as foreign-source income for US federal income tax purposes, which may be relevant in calculating a US Holder's foreign tax credit limitation for US federal income tax purposes. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. For this purpose, interest and OID on the A Notes and the A3 Detachable Coupons should generally constitute "passive income" or, in the case of certain US Holders, "financial services income".

Sale, Exchange or Other Disposition

A US Holder's tax basis in an A Note or an A3 Detachable Coupon will generally equal its "US dollar cost", reduced by the amount of any payments received by the US Holder with respect to the A Note or the A3 Detachable Coupon that are not qualified stated interest payments (as defined in the applicable US Treasury regulations). The "US dollar cost" of an A Note or an A3 Detachable Coupon purchased with a foreign currency will generally be the US dollar value of the purchase price on the date of purchase or, in the case of an A Note or an A3 Detachable Coupon traded on an established securities market (as defined in the applicable US Treasury regulations) that is purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase. A US Holder will generally recognise gain or loss on the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon in an amount equal to the difference between the amount realised on the sale, exchange or other disposition and the tax basis in the A Note or the A3 Detachable Coupon. If a US Holder's basis in an A Note or an A3 Detachable Coupon includes accrued but unpaid OID and the US Holder recognises a loss on the transaction with respect to such amounts that exceeds certain specified thresholds, the US Holder may be required specifically to disclose certain information with respect to the transaction on its tax return under recently issued tax disclosure regulations. US Holders should consult their own tax advisors as to the applicability of these disclosure regulations. The amount realised on the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon for an amount in foreign currency will be the US dollar value of that amount on the date of disposition or, in the case of an A Note or an A3 Detachable Coupon traded on an established securities market (as defined in the applicable US Treasury regulations) that is sold by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the sale.

Gain or loss recognised by a US Holder on the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon that is attributable to changes in currency exchange rates will constitute foreign currency gain or loss and will be treated as ordinary income or loss. However, foreign currency gain or loss will be realised only to the extent of the total gain or loss realised by the US Holder on the sale, exchange or other disposition of the A Note or the A3 Detachable Coupon, and will generally be treated as from sources within the United States for US foreign tax credit limitation purposes.

Any gain or loss recognised by a US Holder in excess of any foreign currency gain or loss recognised on the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon will generally be US-source capital gain or loss. **Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes or the A3 Detachable Coupons for more than one year) and capital losses (the deductibility of which is subject to limitations).**

A US Holder will have a tax basis in any foreign currency received on the sale, exchange or other disposition of an A Note or an A3 Detachable Coupon equal to the US dollar value of the foreign currency at the time of the sale, exchange or other disposition. Gain or loss, if any, realised by a US Holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and will generally be income or loss from sources within the United States for US foreign tax credit limitation purposes.

Taxation of US Holders of the C Notes

Distributions

As stated above, it is assumed that the C Notes will be treated as equity interests in the Issuer for US federal income tax purposes. Subject to the PFIC rules discussed below, the gross amount of any distribution by the Issuer of cash or property (including any amounts withheld in respect of any applicable withholding tax) actually or constructively received by a US Holder with respect to a C Note will be taxable to a US Holder as a dividend to the extent of the Issuer's current and accumulated earnings and profits as determined under US federal income tax principles. The US Holder will not be eligible for any dividends received deduction in respect of the dividend otherwise allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the US Holder to the extent of, and will be applied against and reduce, the US Holder's adjusted tax basis in the C Notes. Distributions in excess of earnings and profits and such adjusted tax basis generally will be taxable to the US Holder as capital gain from the sale, exchange or other disposition of property. The Issuer does not expect to maintain calculations of its earnings and profits under US federal income tax principles. If the Issuer does not report to a US Holder the portion of a distribution that exceeds earnings and profits, the distribution generally will be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Dividends paid in a foreign currency, including the amount of any withholding tax thereon, will be included in the gross income of a US Holder in an amount equal to the US dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currency is converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, a US Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currency received as a dividend is not converted into US dollars on the date of receipt, a US Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss.

Dividends received by a US Holder with respect to C Notes will be treated as foreign-source income for the purpose of calculating that holder's US foreign tax credit limitation. Subject to certain conditions and limitations, foreign country income tax withheld on dividends may be deducted from taxable income or credited against a US Holder's US federal income tax liability. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Issuer generally would constitute "passive income" or, in the case of certain US Holders, "financial services income". In certain circumstances, a US Holder may be unable to claim foreign tax credits for foreign taxes imposed on a dividend if the US Holder (i) has not held the C Notes for at least 16 days in the 30-day period beginning 15 days before the ex-dividend date, during which it is not protected from risk of loss; (ii) is obligated to make payments related to the dividends; or (iii) holds the C Notes in arrangements in which the US Holder's expected profit, after non-US taxes, is insubstantial.

Sale, Exchange or Other Disposition

Subject to the PFIC rules discussed below, a US Holder generally will recognise gain or loss for US federal income tax purposes upon the sale, exchange or other disposition of C Notes in an amount equal to the difference between the US dollar value of the amount realised from such sale or exchange and the US Holder's tax basis in such C Notes. Such gain or loss will be a capital gain or loss and will generally be treated as from sources within the United States for US foreign tax credit limitation purposes, except that losses will be treated as foreign-source to the extent the US Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. When a US Holder's basis in the C Notes includes amounts recognised under the PFIC rules and the US Holder recognises a loss on the transaction with respect to such amounts that exceeds certain specified thresholds, the US Holder may be required specifically to disclose certain information with respect to the transaction on its tax return under recently issued tax disclosure regulations. US Holders should consult their own tax advisors as to the applicability of these disclosure regulations. **Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the C Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).**

If a US Holder receives foreign currency upon a sale, exchange or other disposition of C Notes, gain or loss, if any, recognised on the subsequent sale, exchange, conversion or other disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for US foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US Holder, the US Holder generally should not be required to recognise any gain or loss on such conversion.

Passive Foreign Investment Company Considerations

A corporation created or organised outside the United States generally will be classified as a PFIC for US federal income tax purposes in any taxable year in which, after applying certain look-through rules, either: (i) at least 75 percent of its gross income is "passive income", or (ii) on average at least 50 percent of the gross value of its assets is attributable to assets that

produce “passive income” or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from commodities and securities transactions. The Issuer will be treated as a PFIC for US federal income tax purposes.

Because the Issuer is a PFIC, upon receipt of a distribution on, or sale of, C Notes, a US Holder will be required to allocate to each day in its holding period with respect to the C Notes, a pro rata portion of any distributions received on the C Notes which are treated as an “excess distribution” (generally, any distributions received by the US Holder on the C Notes in a taxable year that are greater than 125 percent of the average annual distributions received by the US Holder in the three preceding taxable years or, if shorter, the US Holder’s holding period for the C Notes). Because the C Notes pay interest at a floating rate, it is possible that a US Holder will receive excess distributions as a result of fluctuations in the rate of LIBOR over the term of the C Notes. Any amount of an excess distribution (which term includes gain on the sale of C Notes) treated as allocable to a prior taxable year is subject to US federal income tax at the highest applicable rate of the year in question, plus an interest charge on the amount of tax deemed to be deferred.

A US Holder of C Notes can avoid the interest charge by making a mark-to-market election with respect to the C Notes, provided that the C Notes are “marketable” within the meaning of US Treasury regulations. **US Holders of C Notes should consult their own tax advisers as to whether the C Notes are eligible for the mark-to-market election.** Such election cannot be revoked without the consent of the IRS unless the C Notes cease to be marketable. A US Holder of C Notes that makes a mark-to-market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the C Notes at the close of the taxable year over the US Holder’s adjusted basis in the C Notes. An electing US Holder may also claim an ordinary loss deduction for the excess, if any, of the US Holder’s adjusted basis in the C Notes over the fair market value of the C Notes at the close of the taxable year, but only to the extent of any net mark-to-market gains for prior years. In the case of a mark-to-market election, gains from an actual sale, exchange or other disposition of the C Notes will be treated as ordinary income, and any losses incurred on a sale, exchange or other disposition of the C Notes will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years. If the Issuer is a PFIC for any year in which the US Holder owns the C Notes but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made.

The foregoing rules with respect to distributions and dispositions may also be avoided if a US Holder is eligible for and timely makes a valid “QEF election”. A US Holder that makes this election will be required in each taxable year to include (a) as long-term capital gain its pro rata share of the Issuer’s net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss for the Issuer’s taxable year ending with or within the US Holder’s taxable year) and (b) as ordinary income its pro rata share of the Issuer’s ordinary earnings (i.e., the excess of current earnings and profits for such taxable year over such net capital gain), regardless of whether the Issuer distributes such amounts to the US Holder.

The QEF election, however, is effective only if certain required information is made available by the Issuer. The Issuer does not intend to provide such information to US Holders in order for US Holders to make the QEF election. US Holders will therefore not be able to make an effective QEF election.

Because the Issuer is a PFIC, each US Holder of C Notes will be required to make an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to that PFIC interest.

Prospective investors should consult their own tax advisers regarding the status of the Issuer as a PFIC, whether an investment in the Notes will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Taxation of Non-US Holders of the Notes and the A3 Detachable Coupons

Subject to the backup withholding rules discussed below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any payments on a Note or an A3 Detachable Coupon or gain from the sale, exchange or other disposition of a Note or an A3 Detachable Coupon unless: (i) that payment or gain is effectively connected with the conduct by that Non-US Holder of a trade or business within the United States; (ii) in the case of any gain realised on the sale, exchange or other disposition of a Note or an A3 Detachable Coupon by an individual Non-US Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met; or (iii) the Non-US Holder is subject to tax pursuant to provisions of the Code applicable to certain US expatriates. **Non-US Holders should consult their own tax advisers regarding the US federal income and other tax consequences of purchasing, owning and disposing of Notes and A3 Detachable Coupons.**

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and the A3 Detachable Coupons and proceeds of the sale, exchange or other disposition of the Notes and the A3 Detachable Coupons to US Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the US Holder fails to furnish (usually on IRS Form W-9) the US Holder’s taxpayer identification number, to certify that such US Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain US Holders (including, among others,

corporations) are not subject to the backup withholding and information reporting requirements. Non-US Holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN) to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder generally may be refunded or claimed as a credit against such US Holder's US federal income tax liability, provided that the required information is furnished to the IRS. **Prospective investors in the Notes and the A3 Detachable Coupons should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

THE US FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES AND THE A3 DETACHABLE COUPONS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES AND THE A3 DETACHABLE COUPONS, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-US AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain restrictions on (a) employee benefit plans subject to the prohibited transaction provisions of ERISA, (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans, or (c) any entities whose underlying assets include plan assets by reason of a plan’s investment in such entities (each a “Plan”), and persons who have certain specified relationships to such Plans (“parties in interest” under ERISA and “disqualified persons” under the Code (collectively, “Parties in Interest”). An insurance company’s general account may be deemed to include assets of the Plans that invest in such account (e.g. through the purchase of a certain type of annuity contract), in which case the insurance company would be treated as a Party in Interest with respect to the investing Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA and prohibits certain transactions between a Plan and Parties in Interest with respect to such Plans.

The United States Department of Labor (“DOL”) has issued a regulation (29 C.F.R. §2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the “Plan Asset Regulation”). This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and other entities in which a Plan purchases an “equity interest” will be deemed for purposes of ERISA to be assets of the investing Plan unless certain exceptions apply.

The Plan Asset Regulation defines an “equity interest” as any interest in an entity other than indebtedness under applicable local law which has no substantial equity features. By reason of the form of the A Notes and the probability of payment of principal and interest thereon (as evidenced by the ratings assigned to the A Notes by the rating agencies), the Issuer will not treat the A Notes offered hereby as “equity interests” for purposes of the Plan Asset Regulation. By contrast, the C Notes may be treated as “equity interests” for purposes of the Plan Asset Regulation. Accordingly, the C Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

Even assuming that the A Notes will not be treated as “equity interests” under the Plan Asset Regulation, it is possible that an investment in such Notes by a Plan (or with the use of the assets of a Plan) could be treated as a prohibited transaction under ERISA or Section 4975 of the Code (e.g. the sale of the Notes or the extension of credit pursuant to the Notes). Such transaction however, may be subject to a statutory or administrative exemption, including Prohibited Transaction Class Exemption (“PTCE”) 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a “qualified professional asset manager”; and PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an “in-house asset manager.” Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan.

Any insurance company proposing to purchase any of the US issuer notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the US Supreme Court’s decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (12 July 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the Insurance Company General Account Regulations, 65 Fed. Reg. No. 3 (5 January 2000) (to be codified at 29 C.F.R. pt. 2550) that became generally applicable on 5 July 2001.

Each purchaser of the A Notes will be deemed to have represented and agreed that (i) either it is not purchasing or holding such Notes with the assets of any Plan or that one or more exemptions applies such that the use of such assets will not result in a prohibited transaction under ERISA or Section 4975 of the Code, and (ii) with respect to transfers, it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan, or one or more exemptions applies such that the use of such assets will not result in a prohibited transaction. Any Plan fiduciary that proposes to cause a Plan to purchase or hold such Notes should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied. The C Notes may not be purchased or held by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

None of the Notes or A3 Detachable Coupons will constitute “**mortgage related securities**” under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterization of the Notes or A3 Detachable Coupons for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes or A3 Detachable Coupons under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes and A3 Detachable Coupons. 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 advisors in determining whether and to what extent the Notes and A3 Detachable Coupons constitute legal investments or are subject to investment, capital or other restrictions.

PURCHASE AND SALE

The Lead Managers have pursuant to a purchase agreement dated on 18 February 2004 among the Managers, the Issuer, Ambac and GMAC-RFC (the "Purchase Agreement"), agreed with the Issuer to purchase the A Notes (including the A3 Detachable Coupons) at the issue price of, in relation to the A1a Notes, 100% of the aggregate principal amount of the A1a Notes, in relation to the A1b Notes, 100% of the aggregate principal amount of the A1b Notes, in relation to the A1c Notes, 100% of the aggregate principal amount of the A1c Notes, in relation to the A2a Notes, 100% of the aggregate principal amount of the A2a Notes, in relation to the A2b Notes, 100% of the aggregate principal amount of the A2b Notes, in relation to the A2c Notes, 100% of the aggregate principal amount of the A2c Notes, and in relation to the A3 Notes, 100% of the aggregate principal amount of the A3 Notes plus a premium at the market, and the other Managers have pursuant to the Purchase Agreement jointly and severally agreed to purchase from the Lead Managers certain allocated amounts of the A Notes. The Issuer will pay to the Managers in respect of the A Notes a combined management and underwriting fee of 0.20% of the aggregate principal amount of the A Notes payable in sterling. The Issuer will sell the C Notes directly to GMAC-RFC.

The Purchase Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the issue of the Notes.

Each Manager has represented to and agreed with the Issuer that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSM Act") except to persons whose ordinary activities involve them acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) (the "POS Regulations") or the FSM Act;
- (b) it has complied and will comply with all applicable provisions of the FSM Act and the POS Regulations with respect to anything done by it in relation to the Notes or (for the avoidance of doubt) the A3 Detachable Coupons (as applicable) in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSM Act) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSM Act does not apply to the Issuer.

The Notes and A3 Detachable Coupons have not been and will not be registered under the Securities Act and any state securities laws and may not be offered or sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes or A3 Detachable Coupons (as applicable), (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the "Distribution Compliance Period"), within the United States or to, or for the account or benefit of, U.S. Persons (except in accordance with Rule 903 of Regulation S), and it will have sent to each distributor, dealer or other person to which it sells the Notes or A3 Detachable Coupons during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and A3 Detachable Coupons within the United States or to, or for the account or benefit of, U.S. Persons. The Purchase Agreement provides that selected Managers, through their selling agents which are registered broker-dealers in the United States, may resell Notes in the United States to "qualified institutional buyers" (as defined in Rule 144A of the Securities Act) pursuant to Rule 144A of the Securities Act.

The Issuer has agreed to furnish the holders and prospective purchasers of the Notes with the information required pursuant to Rule 144A(d)(4).

Each Manager has agreed that they have not (and will not), nor has (nor will) any person acting on their behalf, (a) made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act; or (b) engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Notes or A3 Detachable Coupons (as applicable) in the United States.

In addition, until 40 days after the later of the date of the commencement of the offering and the Issue Date, an offer or sale of the Notes within the United States by any dealer (whether or not participating in this offering) may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The sale of the Notes to which the Offering Circular refers, by the Managers on behalf of the Issuer, does not form part of any public offer of such Notes in Spain. Each sale of Notes is an individual transaction and has been negotiated and/or agreed with the relevant Managers in respect of the Notes. Each investor in respect of the Notes acknowledges that they have not received any advertising or marketing material from the relevant Managers regarding this Offering Circular. Any subsequent transaction they execute regarding the Notes to which the Offering Circular refers, including requesting the relevant Manager to transfer the Notes to any entity managed or controlled by them, will be executed on their own behalf only and not on behalf of or for the account of the relevant Manager. The Notes may not be directly/indirectly sold, transferred or delivered in any manner, at any time other than to institutional investors in Spain (defined under Spanish law to include only pension funds, collective investment schemes, insurance companies, banks, saving banks and securities companies). Should any investor purchase the Notes, they will be deemed to have represented that (i) they have made their own independent decision to purchase the Notes and have not relied on any recommendation or advice from any Manager; and (ii) they already have all required information and understand all the terms, conditions and restrictions of the Notes.

No action has been taken by the Issuer or the Managers which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes (including the A3 Detachable Coupons), in any country or jurisdiction where action for that purpose is required and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with the applicable laws and regulations.

NOTICE TO INVESTORS

Offers and Sales by the Initial Purchasers

The Notes and the A3 Detachable Coupons (including interests therein represented by a Rule 144A Global Note or a Rule 144A Definitive Note) have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered, sold or delivered directly or indirectly in the United States or to or for the account of U.S. Persons (as defined in Regulation S under the Securities Act) except pursuant to an effective registration statement or in accordance with an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes and the A3 Detachable Coupons (and any interests therein) are being offered and sold: (1) in the United States only to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) in transactions exempt from the registration requirements of the Securities Act and any other applicable securities laws and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the Notes and the A3 Detachable Coupons may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Investors’ Representations and Restrictions on Resale

Each purchaser of the Notes and the A3 Detachable Coupons (or interests therein) or Book-Entry Interests will be deemed to have represented and agreed as follows:

1. it is either (A)(i) a QIB, (ii) aware that the sale of the Notes and A3 Detachable Coupons is being made in reliance on Rule 144A and (iii) acquiring such Notes and A3 Detachable Coupons for its own account or for the account of a QIB and each beneficial owner of such Notes or A3 Detachable Coupons has been advised that the sale of such Notes and A3 Detachable Coupons to it is being made in reliance on Rule 144A or (B) not a U.S. Person (as defined in Regulation S under the Securities Act) and it is acquiring such Notes and A3 Detachable Coupons for its own account or for the account of a non-U.S. Person in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S under the Securities Act;
2. such Notes and the A3 Detachable Coupons are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes or A3 Detachable Coupons, then such Notes or A3 Detachable Coupons may be resold, pledged or otherwise transferred or transferred only (i) to the Issuer, or (ii) so long as such Notes and the A3 Detachable Coupons are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes or A3 Detachable Coupons for its own account or as a fiduciary or for the account of QIBs to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, or (iii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available), or (iv) to a non-U.S. Person acquiring the Notes and the A3 Detachable Coupons in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S under the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; provided that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser’s property shall at all times be and remain within its control;
3. unless the relevant legend set out below has been removed from the Notes and A3 Detachable Coupons such purchaser shall notify each transferee of Notes and A3 Detachable Coupons (as applicable) from it that (i) such Notes and the A3 Detachable Coupons have not been registered under the Securities Act, (ii) such Notes and the A3 Detachable Coupons are subject to the restrictions on the resale or other transfer thereof described in paragraph (2) above, (iii) such transferee shall be deemed to have represented (a) as to its status as a QIB or a purchaser acquiring the Notes and the A3 Detachable Coupons (as the case may be) in a transaction outside the United States (as the case may be), (b) if such transferee is a QIB, that such transferee is acquiring the Notes and the A3 Detachable Coupons for its own account or as a fiduciary or agent for others (which others also must be QIBs), (c) if such purchaser is acquiring the Notes in an offshore transaction, that such transfer is made pursuant to an exemption from registration provided by Regulation S under the Securities Act, and (d) that such transferee is not an underwriter within the meaning of Section 2(11) of the Securities Act, and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
4. with respect to purchasers of the C Notes, no part of the assets to be used to purchase or hold such C Notes constitutes assets of any employee benefit plan subject to Title I of ERISA or Section 4975 of the Code or any substantially similar law, and, with respect to purchasers of the A Notes and A3 Detachable Coupons, (A) either (i) it will not transfer such Notes to a transferee purchasing such Notes with the assets of any employee benefit plan subject to Title I of ERISA or (ii) one or more exemptions applies so that the use of such assets will not result in a non-

exempt prohibited transaction under ERISA or Section 4975 of the Code or any substantially similar law, and (B) either that (i) no part of the assets to be used to purchase or hold such Notes constitutes assets of any employee benefit plan subject to Title I of ERISA or Section 4975 of the Code, or any substantially similar law or (ii) part of the assets to be used to purchase or hold such Notes constitutes assets of one or more employee benefit plans subject to Title I of ERISA or Section 4975 of the Code or any substantially similar law and the use of such assets to purchase such Notes will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any substantially similar law by reason of the application of a statutory or administrative exemption.

The Notes and A3 Detachable Coupons that represent interests sold outside the United States to purchasers that are not United States persons in compliance with Regulation S will bear a legend to the following effect:

“THIS NOTE/COUPON HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF THE ORIGINAL ISSUANCE OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.”

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Instrument and each Rule 144A Definitive Instrument (if any). Additional copies of such notice may be obtained from the Principal Paying Agent or, the Registrar or the Transfer Agent.

“THIS NOTE/COUPON HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS NOTE/COUPON MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF £100,000, €100,000 OR USD100,000 DEPENDING ON ITS CURRENCY OF DENOMINATION AND INCREMENTS OF £10,000, €10,000 OR USD10,000, DEPENDING ON ITS CURRENCY OF DENOMINATION, THEREAFTER. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE/COUPON, AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT THIS NOTE/COUPON MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) (A “QUALIFIED INSTITUTIONAL BUYER”), THAT IT IS ACQUIRING THIS NOTE/COUPON FOR ITS OWN ACCOUNT OR AS FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST ALSO BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES ACQUIRING THIS NOTE/COUPON IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND (B) WITH RESPECT TO THE C NOTES, TO A PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AND WITH RESPECT TO THE A NOTES TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE/COUPON CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA, OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW, OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS NOTE/COUPON CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW, BY REASON OF THE APPLICATION OF A STATUTORY OR ADMINISTRATIVE EXEMPTION; PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PURCHASER’S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. THIS NOTE/COUPON AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS

NOTE/COUPON TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE/COUPON AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE/COUPON AND ANY NOTE/COUPON ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE/COUPON ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER.”

Because of the foregoing restrictions, purchasers of Notes and A3 Detachable Coupons offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold in reliance on Rule 144A.

**APPENDIX – AMBAC ASSURANCE UK LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2002**

Ambac Assurance UK Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2002**

Registered no: 3248674

Ambac Financial Statements

Ambac Assurance UK Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2002**

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Ambac Assurance UK Limited

Directors and advisers

Directors

John W Uhlein III *Chairman & Managing Director*
Robert J Genader
Martin Roberts
David W Wallis
David R Larwood

Secretary and registered office

David R Larwood
Hasilwood House
60 Bishopsgate
London EC2N 4BE

Registered Auditor

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Bankers

Citibank NA
336 Strand
London WC2R 1HB

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ

Ambac Assurance UK Limited

Directors' report

The directors present their report and the audited financial statements for the year to 31 December 2002.

Principal activity

The company carries on non-life financial loss insurance business. The company is a wholly owned subsidiary of Ambac Assurance Corporation, a financial guarantee insurance company resident in Wisconsin, United States of America. The ultimate holding company is Ambac Financial Group, Inc. a company publicly quoted on the New York Stock Exchange in New York, United States of America.

Business review

The company is authorised to transact credit, suretyship and financial guarantee insurance business in the United Kingdom. The company is also authorised to provide services in relation to such business into twelve other European countries. The directors anticipate that the company will continue to expand its current operations by offering services into certain other countries within Europe.

Ambac Assurance UK Limited has earned triple A ratings, the highest ratings available from Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Inc.

Results and dividends

The results for the year are set out in the profit and loss account on pages 6* and 7*. The company's investment portfolio is comprised of government obligations of the United Kingdom and the United States of America. As a result of fluctuations in the currency markets during 2002, an unrealised loss of approximately £820,000 was recorded in the non-technical account relating to the company's investment in a US Treasury bond.

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year are shown on page 1*.

According to the Register of Directors' Interests, none of the directors has any interest in the shares of the company. Under the provisions of the Company (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the directors of the company are exempt from disclosing any interests in the shares of the ultimate parent company.

* References are to pages in the financial statements of Ambac Assurance UK Limited which are reproduced on pages 133 to 152 in this Offering Circular.

Ambac Assurance UK Limited

Directors' report *continued*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. The directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

The company has, by elective resolution, dispensed with the need to appoint auditors annually and therefore KPMG Audit Plc continue to hold office.

By order of the board



David R Larwood *Secretary*

3 March 2003

Ambac Assurance UK Limited

Independent auditors' report to the members of Ambac Assurance UK Limited

We have audited the financial statements on pages 6 to 18*.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3*, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

* References are to pages in the financial statements of Ambac Assurance UK Limited which are reproduced on pages 133 to 152 in this Offering Circular.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
3 March 2003

Ambac Assurance UK Limited

**Profit and loss account
Technical account — general business
for the year ended 31 December 2002**

	<i>Notes</i>	2002		2001	
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	3	27,994		32,048	
Outward reinsurance premiums	4	<u>(25,321)</u>		<u>(28,908)</u>	
			2,673		3,140
Change in the gross provision for unearned premiums	18	(6,911)		(22,713)	
Change in the provision for unearned premiums, reinsurers' share	18	6,220		20,442	
			<u>(691)</u>		<u>(2,271)</u>
			1,982		869
Other technical income			22		—
Claims incurred net of reinsurance					
Claims paid					
Gross amount			—		—
Reinsurers' share			—		—
Net claims paid			<u>—</u>		<u>—</u>
Change in the provision for claims					
Gross amount			—		—
Reinsurers' share			—		—
Change in the net provision for claims			<u>—</u>		<u>—</u>
Claims incurred, net of reinsurance			—		—
Net operating expenses	5	(1,713)		(1,362)	
Other technical expense		<u>(443)</u>		—	
Balance on the technical account for general business		<u>(152)</u>		<u>(493)</u>	

Ambac Assurance UK Limited

Profit and loss account Non-technical account — general business for the year ended 31 December 2002

	<i>Notes</i>	2002	2001
		£'000	£'000
Balance on the general business technical account		(152)	(493)
Investment income	6	862	1,024
Investment expenses and charges	7	(20)	(21)
Other income and charges	8	(1,008)	179
		<hr/>	<hr/>
(Loss) profit on ordinary activities before tax	9	(318)	689
Tax on profit on ordinary activities	12	71	(214)
		<hr/>	<hr/>
(Loss) profit on ordinary activities after tax		(247)	475
		<hr/>	<hr/>
Retained (loss) profit for the year		(247)	475

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis and therefore a separate note of historical cost profits and losses has not been included.

All amounts are derived from continuing operations.

Statement of total recognised gains and losses

	£'000	£'000
Retained (loss) profit after tax for the year	(247)	475
Total recognised (losses) gains in the year	(247)	475

Reconciliation of movements in shareholder's funds

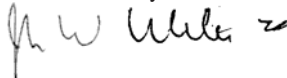
	£'000	£'000
Total recognised (losses) gains in the year	(247)	475
Balance at beginning of the year	13,264	12,789
Balance at end of year	13,017	13,264

Ambac Assurance UK Limited

**Balance sheet
at 31 December 2002**

	<i>Notes</i>	2002	2001
		£'000	£'000
Assets			
Investments			
Other financial investments	13	19,853	18,962
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	72,413	66,193
Debtors			
Other debtors including taxation	14	620	178
Other assets			
Tangible assets	15	284	241
Cash at bank and in hand		2,110	2,206
Prepayments and accrued income			
Deferred acquisition costs	18	8,753	7,596
Total assets		<u>104,033</u>	<u>95,376</u>
Liabilities			
Capital and reserves			
Called up share capital	17	11,000	11,000
Profit and loss account	20	2,017	2,264
Shareholder's funds — equity interests		<u>13,017</u>	<u>13,264</u>
Technical provisions			
Provision for unearned premiums	18	80,459	73,548
Creditors			
Creditors arising out of reinsurance operations		722	280
Other creditors including taxation and social security	16	1,670	1,601
Accruals and deferred income	19	8,165	6,683
Total liabilities		<u>104,033</u>	<u>95,376</u>

The financial statements on pages 6 to 18* were approved by the board of directors on 3 March 2003 and were signed on its behalf by:



John W Uhlein III — *Chairman and Managing Director*

*References are to pages in the financial statements of Ambac Assurance UK Limited which are reproduced on pages 133 to 152 in this Offering Circular.

Ambac Assurance UK Limited

Notes to the financial statements for the year ended 31 December 2002

1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements, except that the company has adopted FRS 19 Deferred Taxation during the year.

Basis of accounting for underwriting activities

All business is accounted for on an annual basis.

Premium income and unearned premiums

The policy for premium recognition is dependent on the timing of the collection of premiums.

Where the premium on a policy is received up front, the premium is recognised as written at the date of inception, and earned in the technical account on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured. When an issue insured by the company has been refunded or called, the remaining unrecognised premium is recognised at that time. Where a premium is received in instalments, it is recognised as written on the date the instalment falls due and earned over the period to the next instalment date. The receipt of future amounts is considered to be sufficiently uncertain, that recognition at contract inception would not be deemed prudent.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related insurance business.

Structuring Fee Revenue

Structuring fee revenue represents consideration received from clients in return for the company's involvement in structuring certain insured transactions. These non-refundable fees are generally collected up-front and are earned on a straight line basis over the estimated life of the insured transaction. Structuring fee revenue is reported as other income in the technical account.

Acquisition costs

Certain costs incurred primarily related to the production of business have been deferred. These costs include direct and indirect expenses related to underwriting, marketing and policy issuance. Acquisition costs and ceding commission income which relate to a subsequent financial year are deferred and charged or credited to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of premiums written or ceded which are unearned at the balance sheet date.

Ambac Assurance UK Limited

Notes to the financial statements for year ended 31 December 2002

2 Accounting policies - *continued*

Claims

A case basis loss provision is established for insured obligations when, in the judgement of management, a monetary default in the timely payment of debt service is imminent. A case basis loss provision is established in an amount that is sufficient to cover the present value of the anticipated debt service payments over the expected period of default and estimated expenses associated with setting the claim less estimated recoveries under salvage and subrogation rights.

Investment income

Investment income is accounted for on a receivable basis. Interest is accrued up to the balance sheet date. Realised gains or losses represent, for investments included in the balance sheet at amortised cost, the difference between net sales proceeds and amortised cost, and for investments included in the balance sheet at current value, the difference between net sale proceeds and purchase price. All investment income, including realised gains and losses on investments, is reported in the non-technical account.

Investments

Redeemable fixed interest securities are shown at amortised cost. The difference between the purchase price of such securities and the amount repayable at maturity is charged or credited to the profit and loss account over the period to maturity.

Deposits with credit institutions are shown at current value.

Foreign currencies

Assets and liabilities held in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date and the exchange differences are taken to the profit and loss account non-technical account. Foreign currency transactions during the year are translated into sterling using average rates of exchange, with the exchange gains and losses included in the profit and loss account non-technical account.

Pension costs

Pension contributions are charged to the profit and loss account and represent the contributions payable to a money purchase pension scheme in respect of the financial year.

Taxation

Provision is made for all taxation expected to be payable on taxable profits of the year.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Ambac Assurance UK Limited**Notes to the financial statements
for the year ended 31 December 2002****2 Accounting policies - continued*****Tangible assets***

Expenditure on leasehold improvements, fixtures, fittings and office equipment is capitalised and depreciated over the estimated useful economic lives of the assets on a straight line basis. The periods used are as follows:

Leasehold improvements	4 years
Fixtures, fittings and office equipment	5 years
Computer Equipment	3 years

3 Segmental information

The company only writes one class of business, that being non-life financial loss insurance. For the current and previous accounting periods, all such business was written in the United Kingdom and therefore the directors regard any segmental analysis as inappropriate at the present time.

4 Reinsurance balance

The reinsurance balance of those items in the technical account which relate to outwards reinsurance transactions is an expense of £17,098,000 (2001: an expense of £7,695,000).

5 Net operating expenses

	2002	2001
	£'000	£'000
Acquisition costs	3,654	3,020
Change in gross deferred acquisition costs	<u>(1,157)</u>	<u>(1,894)</u>
	2,497	1,126
Administrative expenses	1,219	1,007
Gross operating expenses	<u>3,716</u>	<u>2,133</u>
Reinsurance commissions	(2,506)	(2,876)
Change in deferred reinsurance commission	<u>503</u>	<u>2,105</u>
	<u>1,713</u>	<u>1,362</u>

Ambac Assurance UK Limited

Notes to the financial statements for the year ended 31 December 2002

10 Remuneration of directors - *continued*

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2002	2001
Money purchase schemes	1	1

The number of directors exercising share options in the ultimate parent company during the year were 3 (2001: 2).

11 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	2002	2001
Underwriting	17	13
Administration	5	5

The aggregate payroll costs in respect of these persons were as follows:

	£'000	£'000
Wages and salaries	3,163	2,220
Payroll taxes	276	467
Other pension costs	160	107

12 Taxation

	2002	2001
	£'000	£'000
Current corporation tax expense	<u>71</u>	<u>(214)</u>
Tax on profit on ordinary activities	<u>71</u>	<u>(214)</u>

As mentioned in note 2 above, the company adopted FRS 19 Deferred Taxation during the year. The adoption of FRS 19 had no effect on the results for the period.

Ambac Assurance UK Limited**Notes to the financial statements
for the year ended 31 December 2002****12 Taxation - continued**

The tax assessed for the period is lower than the standard rate of the corporation tax in the United Kingdom. The differences are explained below:

	2002		2001	
	£'000	%	£'000	%
(Loss) profit on ordinary activities before tax	(318)		689	
(Loss) profit on ordinary activities at the standard rate of corporation tax	95	30.0%	(207)	30.0%
Other	(24)	(7.7%)	(7)	1.0
Tax benefit (expense) on profit on ordinary activities	71	22.3%	(214)	31.03%

13 Other financial investments

	Market Value		Cost		Carrying Value	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Debt securities and other fixed interest securities:						
Listed on the UK Stock Exchange	10,763	15,316	10,705	15,484	10,542	15,363
Listed on other investment exchanges	9,919	—	10,205	—	9,311	—
Deposits with credit institutions	—	3,599	—	3,599	—	3,599
	20,682	18,915	20,910	19,083	19,853	18,962

The fixed interest securities are carried at amortised cost, net of foreign currency translation gains or losses. The net excess of the amortised cost over the amount payable on maturity at 31 December 2002 was £1,313,000 (2001: £613,000).

Ambac Assurance UK Limited

**Notes to the financial statements
for the year ended 31 December 2002**

14 Other debtors

	2002 £'000	2001 £'000
Accrued interest	243	68
Current taxes	363	—
Other	14	110
	<u>620</u>	<u>178</u>

15 Tangible assets

The net book value of tangible assets is made up as follows:

	Leasehold Improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost:			
At beginning of year	199	212	411
Additions	41	73	114
At 31 December 2002	<u>240</u>	<u>285</u>	<u>525</u>
Depreciation:			
At beginning of year	64	106	170
Additions	26	45	71
At 31 December 2002	<u>90</u>	<u>151</u>	<u>241</u>
Net book value:			
At beginning of year	135	106	241
At 31 December 2002	<u>150</u>	<u>134</u>	<u>284</u>

Ambac Assurance UK Limited

Notes to the financial statements for the year ended 31 December 2002

16 Other creditors

The net book value of other creditors is made up as follows:

	2002	2001
	£'000	£'000
Corporation tax payable within one year	—	78
Accrued expenditure	1,564	1,363
Other	106	160
	<u>1,670</u>	<u>1,601</u>

Taxation payable amount for 2001 represents 2001 current tax liability of £214,000 less payment on account.

17 Called up share capital

	2002	2001
	£'000	£'000
Ordinary shares of £1 each:		
Authorised: 20,000,000 shares (2001: 20,000,000)	<u>20,000</u>	<u>20,000</u>
Issued and fully paid: 11,000,000 shares (2001: 11,000,000)	<u>11,000</u>	<u>11,000</u>

18 Technical provisions and deferred acquisition costs

	£'000	£'000
Provision for unearned premiums		
Gross amount		
At beginning of year	73,548	50,835
Movement in the provision	6,911	22,713
At end of period	<u>80,459</u>	<u>73,548</u>
Reinsurance amount		
At beginning of year	66,193	45,751
Movement in the provision	6,220	20,442
At end of period	<u>72,413</u>	<u>66,193</u>
Net technical provisions		
At end of year	<u>8,046</u>	<u>7,355</u>
At beginning of year	<u>7,355</u>	<u>5,084</u>
Net technical provisions at end of year	8,046	7,355
Deferred acquisition costs		
— gross	(8,753)	(7,596)
— reinsurance commissions	<u>7,186</u>	<u>6,683</u>
Net insurance funds	<u>6,479</u>	<u>6,442</u>

Ambac Assurance UK Limited

**Notes to the financial statements
for the year ended 31 December 2002**

19 Accruals and deferred income

The net book value of the accruals and other income is made up as follows:

	£'000	£'000
Deferred reinsurance commissions	7,186	6,683
Deferred structuring fees	<u>979</u>	<u>—</u>
	<u>8,165</u>	<u>6,683</u>

20 Statement of movement on reserves

	2002	2001
Profit and loss account		
	£'000	£'000
Balance at 1 January	2,264	1,789
Retained (loss) profit for the year	(247)	475
Balance at 31 December	<u>2,017</u>	<u>2,264</u>

21 Pension scheme

The company operates a money purchase pension scheme in respect of its full time employees and directors. The charge to the profit and loss account for the period was £160,000 (2001:£107,000).

22 Cashflow

The company has not prepared a cashflow statement as it is a wholly owned subsidiary of Ambac Assurance Corporation which prepares financial statements including a consolidated cashflow statement.

23 Related party transactions

The majority of the company's reinsurance protection is provided by its parent. The cover provided is a quota share agreement representing 90% of all credit and financial guarantee loss exposure. The net retention of all non-life financial loss business is reinsured on an excess of loss basis above an attachment point of £500,000. The reinsurance agreement includes an annual ceding commission payable to the company. Premiums of £25,102,000 (2001: £28,721,000) were ceded to the company's parent during the period, and commission of £2,506,000 (2001: £2,868,000) was payable to the company under the agreement.

In addition the parent company is required under a net worth maintenance agreement to cause the company to maintain free assets of at least £10,500,000.

The company provides suretyship insurance to Ambac Credit Products, LLC ("ACP"), an affiliate domiciled in the United States of America, which obligates the company to make payments to ACP if certain credit events occur in relation to covered structured credit default swaps. The company ceded 100% of these insurance policies to non-affiliated reinsurers. For the year ended 31 December 2002, the company recorded direct premiums of £219,000 (2001: £186,981) relating to these policies.

Ambac Assurance UK Limited

Notes to the financial statements for the year ended 31 December 2002

23 Related party transactions - *continued*

The company has issued financial guarantee insurance policies to the swap counterparties of Ambac Credit Products Limited (“ACPL”), a United Kingdom domiciled affiliate subject to FSA regulatory oversight, whereby the company guarantees timely payment of ACPL’s obligations under structured credit default swaps. The company recorded premiums of £242,000 during 2002 (2001: £-0-) related to these financial guarantees.

24 Commitments

There are no commitments in respect of contracts for capital expenditure not provided for. Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings		Office Equipment	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	19	19	—	—
Between two through five years	476	230	—	—
In more than five years	—	—	2	2

25 Ultimate parent company

The company is a wholly owned subsidiary of Ambac Assurance Corporation. The ultimate holding company is Ambac Financial Group, Inc. a company incorporated under the laws of the State of Delaware, United States of America.

The largest and smallest groups in which the results of the company are consolidated are Ambac Financial Group, Inc. and Ambac Assurance Corporation, respectively. The consolidated financial statements of both groups are available to the public and may be obtained from One State Street Plaza, New York, NY 10004, USA.

Ambac Assurance UK Limited

**Directors' Report and
Interim Financial Statements
for the six months to 30 June 2003
Registered no: 3248674**

Ambac Assurance UK Limited

Directors' Report and Interim Financial Statements for the 6 months ended 30 June 2003

	Pages
Directors and advisers	1
Directors' report	2
Report of the auditors	3
Technical account - general business	4
Non - technical account - general business	5
Statement of total recognised gains and losses	5
Reconciliation of movements in shareholder's funds	5
Balance sheet	6
Notes to the financial statements	7-10

Ambac Assurance UK Limited

Directors and advisers

Directors

John W Uhlein III *Chairman & Managing Director*
Robert J Genader
Martin Roberts
David W Wallis
David R Larwood

Secretary and registered office

David R Larwood
Hasilwood House
60 Bishopsgate
London EC2N 4BE

Registered Auditor

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Bankers

Citibank NA
336 Strand
London WC2R 1HB

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ

Ambac Assurance UK Limited

Directors' report

The directors present their report on the unaudited financial statements for the 6 months to 30 June 2003 which have been reviewed by the company's auditors as indicated in their report on page 3.

Principal activity

The company carries on non-life financial loss insurance business. The company is a wholly owned subsidiary of Ambac Assurance Corporation, a financial guarantee insurance company resident in Wisconsin, United States of America. The ultimate holding company is Ambac Financial Group, Inc. a company publicly quoted on the New York Stock Exchange in New York, United States of America.

Business review

The company is authorised to transact credit, suretyship and financial guarantee insurance business in the United Kingdom. The company is also authorised to provide services in relation to such business to persons in twelve other European countries. The directors anticipate that the company will continue to expand its current operations by offering services into certain other countries within Europe.

Ambac Assurance UK Limited has earned triple A ratings, the highest ratings available from Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch Inc.

Results and dividends

The results for the period are set out in the profit and loss account on pages 4 and 5 of the financial statements. The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year are shown on page 1.

According to the Register of Directors Interests, none of the directors has any interest in the shares of the company. Under the provisions of the Company (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the directors of the company are exempt from disclosing any interests in the shares of the ultimate parent company.

By order of the board


David R Larwood *Secretary*
9 September 2003

Ambac Assurance UK Limited

Independent review report to Ambac Assurance UK Limited

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 10.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, is the responsibility of, and has been approved by, the directors. General accepted accounting principles require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes and the reasons for them, are to be disclosed.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board, as if the financial information were the interim report required of a UK listed company. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
9 September 2003

Ambac Assurance UK Limited

Profit and loss account Technical account - general business for the 6 months ended 30 June 2003

	30 June (unaudited)		2002		12 months to 31 December 2002	
	2003	2003	2002	2002	2002	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance						
Gross premiums written	58,100		16,270		27,994	
Outward reinsurance premiums	(52,360)		(14,675)		(25,321)	
		5,740		1,595		2,673
Change in the gross provision for unearned premiums	(43,432)		(8,173)		(6,911)	
Change in the provision for unearned premiums, reinsurers' share	39,089		7,356		6,220	
		(4,343)		(817)		(691)
		1,397		778		1,982
Other technical income		19		9		22
Claims incurred, net of reinsurance						
Claims paid						
Gross amount		-		-		-
Reinsurers' share		-		-		-
Net claims paid		-		-		-
Change in the provision for claims						
Gross amount		-		-		-
Reinsurers' share		-		-		-
Change in the net provision for claims		-		-		-
Claims incurred, net of reinsurance		-		-		-
Net operating expenses		(995)		(676)		(1,713)
Other technical expense		-		-		(443)
Balance on the technical account for general business		421		111		(152)

Ambac Assurance UK Limited

Profit and loss account

Non - technical account - general business for the 6 months ended 30 June 2003

	30 June (unaudited)		12 months to 31 December 2002
	2003	2002	
	£'000	£'000	£'000
Balance on the general business technical account	421	111	(152)
Investment income	538	417	862
Investment expenses and charges	(13)	(10)	(20)
Other income (expense)	668	(293)	(1,008)
Profit (loss) on ordinary activities before tax	1,614	225	(318)
Tax on (profit) loss on ordinary activities	(465)	(70)	71
Profit (loss) on ordinary activities after tax	1,149	155	(247)
Retained profit (loss) for the period	1,149	155	(247)

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis and therefore a separate note of historical cost profits and losses has not been included.

All amounts are derived from continuing operations.

Statement of total recognised gains and losses

	£'000	£'000	£'000
Retained profit (loss) after tax for the period	1,149	155	(247)
Total recognised gains (losses) in the period	1,149	155	(247)

Reconciliation of movements in shareholder's funds

	£'000	£'000	£'000
Total recognised gains (losses) in the period	1,149	155	(247)
Share capital issued in the period	6,000	-	-
Balance at beginning of the period	13,017	13,264	13,264
Balance at end of period	20,166	13,419	13,017

Ambac Assurance UK Limited

Balance sheet at 30 June 2003

	30 June (unaudited)		At 31 December
	2003 £'000	2002 £'000	2002 £'000
Assets			
Investments			
Other financial investments	33,449	19,338	19,853
Reinsurers' share of technical provisions			
Provision for unearned premiums	111,502	73,549	72,413
Debtors			
Other debtors including taxation	219	337	620
Other assets			
Tangible assets	263	212	284
Cash at bank and in hand	4,078	2,844	2,110
Prepayments and accrued income			
Deferred acquisition costs	9,533	8,391	8,753
Total assets	159,044	104,671	104,033
Liabilities			
Capital and reserves			
Called up share capital	17,000	11,000	11,000
Profit and loss account	3,166	2,419	2,017
Shareholder's funds - equity interests	20,166	13,419	13,017
Technical provisions			
Provision for unearned premiums	123,891	81,721	80,459
Creditors			
Creditors arising out of reinsurance operations	1,549	349	722
Other creditors including taxation and social security	1,536	1,810	1,670
Accruals and deferred income	11,902	7,372	8,165
Total liabilities	159,044	104,671	104,033

The financial statements on pages 4 to 10 were approved by the board of directors on 9 September 2003 and signed on its behalf by:



John W. Uhlein III - *Chairman and Managing Director*

Ambac Assurance UK Limited

Notes to the financial statements for the 6 months ended 30 June 2003

1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

Basis of accounting for underwriting activities

All business is accounted for on an annual basis.

Premium income and unearned premiums

The policy for premium recognition is dependent on the timing of the collection of premiums.

Where the premium on a policy is received up front, the premium is recognised as written at the date of inception, and earned in the technical account on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured. When an issue insured by the company has been refunded or called, the remaining unrecognised premium is recognised at that time. Where a premium is received in instalments, it is recognised as written on the date the instalment falls due and earned over the period to the next instalment date. The receipt of future amounts is considered to be sufficiently uncertain, that recognition at contract inception would not be deemed prudent.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related insurance business.

Structuring Fee Revenue

Structuring fee revenue represents consideration received from clients in return for the company's involvement in structuring certain insured transactions. These non-refundable fees are generally collected up-front and are earned on a straight-line basis over the estimated life of the insured transaction. Structuring fee revenue is reported as other income in the technical account.

Ambac Assurance UK Limited

Notes to the financial statements for the 6 months to 30 June 2003 - (continued)

2 Accounting policies - continued

Acquisition costs

Certain costs incurred primarily related to the production of business have been deferred. These costs include direct and indirect expenses related to underwriting, marketing and policy issuance. Acquisition costs and ceding commission income which relate to a subsequent financial year are deferred and charged or credited to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of premiums written or ceded which are unearned at the balance sheet date.

Claims

A case basis loss provision is established for insured obligations when, in the judgement of management, a monetary default in the timely payment of debt service is imminent. A case basis loss provision is established in an amount that is sufficient to cover the present value of the anticipated debt service payments over the expected period of default and estimated expenses associated with setting the claim less estimated recoveries under salvage and subrogation rights.

Investment income

Investment income is accounted for on a receivable basis. Interest is accrued up to the balance sheet date. Realised gains or losses represent, for investments included in the balance sheet at amortised cost, the difference between net sales proceeds and amortised cost, and for investments included in the balance sheet at current value, the difference between net sale proceeds and purchase price. All investment income and realised gains and losses on investments are reported in the non-technical account.

Investments

Redeemable fixed interest securities are shown at amortised cost. The difference between the purchase price of such securities and the amount repayable at maturity is charged or credited to the profit and loss account over the period to maturity.

Deposits with credit institutions are shown at current value.

Foreign currencies

Assets and liabilities held in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date and the exchange differences are taken to the profit and loss account non-technical account. Foreign currency transactions during the period are translated into sterling using average rates of exchange, with the exchange gains and losses included in the profit and loss account non-technical account.

Pension costs

Pension contributions are charged to the profit and loss account and represent the contributions payable to a money purchase pension scheme in respect of the financial year.

Ambac Assurance UK Limited

Notes to the financial statements for the 6 months to 30 June 2003 - (continued)

2 Accounting policies - continued

Taxation

Provision is made for all taxation expected to be payable on taxable profits of the year.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Tangible assets

Expenditure on leasehold improvements, fixtures, fittings and office equipment is capitalised and depreciated over the estimated useful economic lives of the assets on a straight-line basis. The periods used are as follows:

Leasehold improvements	-	Remaining life of the lease
Fixtures, fittings and office equipment	-	5 years
Computer Equipment	-	3 years

3 Comparative figures

The comparative figures for the financial year ended 31 December 2002 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

4 Segmental information

The company only writes one class of business, that being non-life financial loss insurance. For the current and previous accounting periods, all such business was written in the United Kingdom and therefore the directors regard any segmental analysis as inappropriate at the present time.

5 Cashflow

The company has not prepared a cashflow statement as it is a wholly owned subsidiary of Ambac Assurance Corporation which prepares financial statements including a consolidated cashflow statement.

Ambac Assurance UK Limited

Notes to the financial statements for the 6 months to 30 June 2003 - (continued)

6 Related party transactions

The majority of the company's reinsurance protection is provided by its parent. The cover provided is a quota share agreement representing 90% of all credit and financial guarantee loss exposure. The net retention of all non-life financial loss business is reinsured on an excess of loss basis above an attachment point of £500,000. The reinsurance agreement includes an annual ceding commission payable to the company. Premiums of £52,164,000 (2002: £14,603,000) were ceded to the company's parent during the period, and commission of £5,211,000 (2002: £1,458,000) was payable to the company under the agreement.

In addition the parent company is required under a net worth maintenance agreement to cause the company to maintain free assets of at least £10,500,000.

The company provides suretyship insurance to Ambac Credit Products, LLC ("ACP"), an affiliate domiciled in the United States of America, which obligates the company to make payments to ACP if certain credit events occur in relation to covered structured credit default swaps. The company ceded 100% of these insurance policies to non-affiliated reinsurers. Direct premiums of £196,000 (2002: £72,000) relating to these policies were recorded during the period.

The company has issued financial guarantee insurance policies to the swap counterparties of Ambac Credit Products Limited ("ACPL"), a United Kingdom domiciled affiliate subject to FSA regulatory oversight, whereby the company guarantees timely payment of ACPL's obligations under structured credit default swaps. The company recorded premiums of £123,000 during 2003 (2002: £0-) related to these financial guarantees.

7 Called up share capital

During the period, the Board of Directors increased the number of authorized ordinary capital shares (par value: £1.00 per share) from 20,000,000 to 30,000,000. The Company issued an additional 6,000,000 shares to its parent at par during the period.

8 Ultimate parent company

The company is a wholly owned subsidiary of Ambac Assurance Corporation. The ultimate holding company is Ambac Financial Group, Inc. a company incorporated under the laws of the State of Delaware, United States of America.

The largest and smallest groups in which the results of the company are consolidated are Ambac Financial Group, Inc. and Ambac Assurance Corporation, respectively. The consolidated financial statements of both groups are available to the public and may be obtained from One State Street Plaza, New York, NY 10004, USA.

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GENERAL INFORMATION

- 1 The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on 18 February 2004.
- 2 The issue of the Ambac Note Policy by Ambac has been duly authorised by resolutions of the Board of Directors of Ambac passed on 2 December 2003.
- 3 It is expected that admission of the Notes to the Official List of the UK Listing Authority and admission of the Notes to trading by the London Stock Exchange will be granted on or about 1 March 2004, subject only to issue of the Global Notes of each class of Notes. Prior to official listing, however, dealings in the Notes will be permitted by the London Stock Exchange in accordance with its rules. In addition, the Notes are expected to be eligible for trading in the PORTAL market. The issue will be cancelled if the Global Notes are not issued.

- 4 The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg as follows:

	Rule 144A ISIN	Rule 144A Common Code	Rule 144A CUSIP	Reg S ISIN	Reg S Common Code	Reg S CUSIP
A1a Notes	US74962EAA82	018539101	74962E AA 8	XS0185339446	018533944	G7603Y AA 2
A1b Notes	US74962EAB65	018539179	74962E AB 6	XS0185373114	018537311	G7603Y AB 0
A1c Notes	US74962EAC49	018539225	74962E AC 4	XS0185373627	018537362	G7603Y AC 8
A2a Notes	US74962EAD22	018539349	74962E AD 2	XS0185374435	018537443	G7603Y AD 6
A2b Notes	US74962EAE05	018539390	74962E AE 0	XS0185374781	018537478	G7603Y AE 4
A2c Notes	US74962EAF79	018539446	74962E AF 7	XS0185375085	018537508	G7603Y AF 1
A3 Notes	US74962EAJ91	018592134	74962E AJ 9	XS0185375325	018537532	G7603Y AJ 3
A3 Detachable Coupon	US74962EAG52	018539489	74962E AG 5	XS0185376133	018537613	G7603Y AG 9
C Notes	US74962EAH36	018539519	74962E AH 3	XS0185378188	018537818	G7603Y AH 7

- 5 The auditors of the Issuer, PricewaterhouseCoopers LLP, Chartered Accountants, have issued an accountants' report on the balance sheet of the Issuer in this Offering Circular as at 26 February 2004. The financial year end of the Issuer is 31 December. The first audited accounts of the Issuer will be prepared for the period ended 31 December 2004.
- 6 The Issuer is not nor has it been involved in any legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
- 7 Ambac is not, and has not been, involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular a significant effect on its financial position nor is Ambac aware that any such proceedings are pending or threatened.
- 8 In relation to this transaction, the Issuer on 18 February 2004 has entered into the Purchase Agreement referred to under "Purchase and Sale" above which is or may be material.
- 9 PricewaterhouseCoopers LLP have given and have not withdrawn their written consent to the inclusion of their accountants' report in the form and context in which they are included in these listing particulars and have authorised the contents of that part of the listing particulars for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 10 The auditors of Ambac are KPMG Audit Plc, Chartered Accountants of 8 Salisbury Square, London EC4Y 8BB. Audited accounts have been prepared in relation to Ambac for the three years ended 31 December 2002. KPMG Audit Plc has given, and has not withdrawn, its consent to the inclusion of the financial statements of Ambac for the year ended 31 December 2002 in this Offering Circular in the form and context in which they are included and has authorised the contents of that part of the Listing Particulars for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 11 The annual accounts of Ambac for the years ended 31 December 2000, 31 December 2001 and 31 December 2002 have been audited without qualification.
- 12 Since 1 December 2003 (being the date of incorporation of the Issuer), there has been (a) no significant change in the financial or trading position of the Issuer and (b) no material adverse change in the financial position or prospects of the Issuer.
- 13 Since 31 December 2002, there has been (a) no significant change in the financial or trading position of Ambac and (b) no material adverse change in the financial position or prospects of Ambac.
- 14 Copies of the following documents may be inspected during usual business hours at the offices of Allen & Overy, One New Change, London EC4M 9QQ for 14 days from the date of this Offering Circular:

- (a) the Memorandum and Articles of Association of the Issuer;

- (b) the Memorandum and Articles of Association of Ambac;
- (c) the balance sheet of the Issuer as at 26 February 2004 and PricewaterhouseCoopers' report thereon;
- (d) the accounts of Ambac for the year ended 31 December 2002, for the year ended 31 December 2001 and for the year ended 31 December 2000 and KPMG reports thereon;
- (e) the consents referred to in paragraphs 9 and 10 above;
- (f) the contract listed in paragraph 8 above;
- (g) drafts (subject to modification) of the following documents:
 - (i) the Paying Agency Agreement;
 - (ii) the Trust Deed;
 - (iii) the Deed of Charge;
 - (iv) the Mortgage Sale Agreement;
 - (v) the Administration Agreement;
 - (vi) the Guaranteed Investment Contract;
 - (vii) the Bank Agreement;
 - (viii) the Liquidity Facility Agreement;
 - (ix) the Master Definitions Schedule;
 - (x) the Ambac Note Policy;
 - (xi) the Issuer Swap Policy;
 - (xii) the Counterparty Swap Policy;
 - (xiii) Reimbursement and Indemnity Agreement;
 - (xiv) the Declaration of Trust and the Deed of Accession to the Declaration of Trust;
 - (xv) Interest Rate Cap Agreement;
 - (xvi) the Depository Agreement;
 - (xvii) the Exchange Rate Agency Agreement;
 - (xviii) the A1b USD Note Currency Swap Agreement;
 - (xix) the A1c Euro Note Currency Swap Agreement;
 - (xx) the A2b USD Note Currency Swap Agreement;
 - (xxi) the A2c Euro Note Currency Swap Agreement;
 - (xxii) the Post Enforcement Call Option; and
 - (xxiii) the Corporate Services Agreement.

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