

Prominent CMBS Funding No. 1 PLC

(incorporated with limited liability in England and Wales under registered number 5308676)

€584,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2032
 Issue Price: 100%
 £400,000,000 Class A2 Mortgage Backed Floating Rate Notes due 2032
 Issue Price: 100%
 £30,000,000 Class B Mortgage Backed Floating Rate Notes due 2032
 Issue Price: 100%
 £76,000,000 Class C Mortgage Backed Floating Rate Notes due 2032
 Issue Price: 100%

Prominent CMBS Funding No. 1 PLC (the "Issuer") will issue the €584,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2032 (the "Class A1 Notes"), the £400,000,000 Class A2 Mortgage Backed Floating Rate Notes due 2032 (the "Class A2 Notes", together with the Class A1 Notes, the "Class A Notes"), the £30,000,000 Class B Mortgage Backed Floating Rate Notes due 2032 (the "Class B Notes"), the £76,000,000 Class C Mortgage Backed Floating Rate Notes due 2032 (the "Class C Notes"), the £54,000,000 Class D Mortgage Backed Floating Rate Notes due 2032 (the "Class D Notes") and the £40,000,000 Class E Mortgage Backed Floating Rate Notes due 2032 (the "Class E Notes" and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Notes"). The Class D Notes and the Class E Notes will not be offered for sale pursuant to this Prospectus.

Interest on the Notes will be payable quarterly in arrear on the 20th day of each of March, June, September and December (each, a "Payment Date") (subject to adjustment for non-business days in accordance with the terms and conditions (the "Conditions" and each a "Condition") of the Notes), commencing on the Payment Date falling in March 2006 (the "First Payment Date"). The Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are the "Sterling Notes".

The interest rate applicable to (i) the Sterling Notes from time to time will be determined by reference to the London inter-bank offered rate ("LIBOR") for three month (or, in the case of the first Interest Period, the linear interpolation of three month and four month) sterling deposits; and (ii) the Class A1 Notes from time to time will be determined by reference to the Euro-zone inter-bank offered rate ("EURIBOR") for three month (or, in the case of the first Interest Period, the linear interpolation of three month and four month) Euro deposits, in each case, plus a margin (expressed as a percentage per annum) in respect of each class of the Notes. The applicable margins in respect of the Class A Notes, the Class B Notes and the Class C Notes are set out in the following table:

	Class A1 Notes	Class A2 Notes	Class B Notes	Class C Notes
Margin up to but excluding the Payment Date falling in December 2012	0.23 per cent. p.a.	0.26 per cent. p.a.	0.42 per cent. p.a.	0.70 per cent. p.a.
Margin from and including the Payment Date falling in December 2012 (the "Step-Up Date")	0.46 per cent. p.a.	0.52 per cent. p.a.	0.84 per cent. p.a.	1.40 per cent. p.a.

Unless previously redeemed in full, each class of Notes will mature on the Payment Date falling in December 2032 (the "Final Maturity Date"). The Notes will be subject to mandatory redemption and/or optional redemption either in whole or in part before that date in the circumstances, and subject to certain conditions, described in the Conditions.

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application has been made to the Irish Stock Exchange for the Class A Notes, the Class B Notes and the Class C Notes (the "Listed Notes") to be admitted to the Official List and admitted to trading on its regulated market. Such approval relates only to the Listed Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the "Irish Stock Exchange") or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. This document constitutes a "prospectus" for the purposes of Directive 2003/71/EC.

If any withholding or deduction for or on account of tax is applicable to the Notes, payment of interest on, and principal in respect of, the Notes will be made subject to such withholding or deduction. Neither the Issuer nor any other party will be obliged to pay any additional amounts as a consequence.

The Notes will be the obligations of the Issuer only. The Notes will not be obligations or responsibilities of, or guaranteed by, the Originator, the Cash Manager, the Trustee, the Liquidity Provider, the Account Bank, the Arranger, the Lead Managers the Basis Swap Counterparty, the Currency Swap Counterparty, the Paying Agents (each as defined herein) or any other entity. No person, other than the Issuer, will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

It is expected that the Class A Notes will, when issued, be rated Aaa by Moody's Investors Service Limited ("Moody's"), AAA by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and AAA by Fitch Ratings Limited ("Fitch") and, together with Moody's and S&P, the "Rating Agencies"). It is expected that the Class B Notes will, when issued, be rated Aa2 by Moody's, AA+ by S&P and AA by Fitch. It is expected that the Class C Notes will, when issued, be rated A2 by Moody's, A by S&P and A by Fitch. It is expected that the Class D Notes will, when issued, be rated Baa2 by Moody's, BBB by S&P and BBB by Fitch. It is expected that the Class E Notes will, when issued, be rated Ba2 by Moody's, BB by S&P and BB by Fitch. **The ratings of the Notes do not address the likelihood of payment of the Step-Up Amounts. The payment of Step-Up Amounts is subordinated to all other payments of interest and, after the service of a Note Enforcement Notice, principal on the Notes. 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 the assigning rating organisation.**

Each class of Listed Notes will be represented initially by a temporary global note in bearer form, without coupons or talons attached (each, a "Temporary Global Note"), which will be deposited with Citibank, N.A. as common depository (the "Common Depository") for Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") on or about 6 December 2005 (or such later date as may be agreed between the Issuer, the Arranger, the Lead Managers and the Trustee) (the "Closing Date"). Each Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (provided that certification of non-U.S. beneficial ownership has been received) for interests in a permanent global note in bearer form, without coupons or talons, for the relevant class (each, a "Permanent Global Note" and, together with each Temporary Global Note, the "Global Notes"). The Permanent Global Notes will also be deposited with the Common Depository. The Permanent Global Notes are exchangeable for definitive notes in certain circumstances.

Prospective investors should review the information under the heading "Risk Factors" at page 28 before purchasing the Notes.

Arranger



Lead Managers

Citigroup

Morgan Stanley

UBS Investment Bank

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not knowingly omit anything likely to affect the import of such information. This document is referred to as the “**Prospectus**”.

The Issuer confirms that this Prospectus contains all information which is material in the context of the Listed Notes, that such information contained in this Prospectus is true and accurate in all material respects and is not misleading in the context of the Listed Notes, that the opinions and intentions expressed in it are honestly held by it and there are no other facts or omissions which make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect in the context of the issue of the Listed Notes and all proper enquiries have been made to ascertain and verify the foregoing.

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

None of HBOS Treasury Services plc (the “**Arranger**”), Citigroup Global Markets Limited, Morgan Stanley & Co. International Limited and UBS Limited (together, the “**Lead Managers**”), or Citicorp Trustee Company Limited (the “**Trustee**”) has independently verified the information contained herein. Accordingly none of the Arranger, the Lead Managers, the other Managers or the Trustee makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability whatsoever, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. None of the Arranger, the Lead Managers, the other Managers or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Arranger, the Lead Managers or the Trustee undertakes, nor shall undertake, to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger, the Lead Managers, the other Managers and/or the Trustee.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). The Notes will be in bearer form and subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. persons (see “*Subscription and Sale*” below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

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

Persons into whose possession this Prospectus or any part hereof comes are required by the Issuer, the Arranger or the Lead Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof), see “*Subscription and Sale*” below. For a description of the certification requirements as to non-U.S. beneficial ownership, see “*Terms and Conditions of the Notes*” below.

Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of, the Issuer, the Arranger or the Lead Managers to subscribe for or to purchase any of the Notes and neither

this document nor any part hereof may be used for or in connection with 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.

If a prospective investor is in any doubt about the contents of this Prospectus, a stockbroker, bank manager, solicitor, accountant or other financial adviser should be consulted. It should be remembered that the price of securities and the income from them can go down as well as up.

In connection with this issue of Listed Notes, UBS Limited (the “Stabilising Manager”) or any person acting for it may over-allot Listed Notes or effect transactions with a view to supporting the market price of the Listed Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Listed Notes is made, and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Listed Notes and 60 days after the date of the allotment of the Listed Notes.

References in this document to “£”, “sterling”, “**Sterling**”, “pounds sterling” or “**Pounds Sterling**” are to the lawful currency for the time being of the United Kingdom. References in this document 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.

Unless otherwise indicated or defined in this Prospectus or the context requires otherwise, capitalised terms used in this Prospectus have the meanings set out in the Conditions (see “*Terms and Conditions of the Notes*” below).

An index of defined terms, including those that are not defined in the Conditions, appears on pages 192 to 198 of this Prospectus.

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SUMMARY INFORMATION

The following information on pages 1 to 27 is a summary of the principal features of the transaction, the parties to the transaction and the Notes. This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Investors should read the entire Prospectus carefully, especially the risks of investing in the Notes discussed under "Risk Factors".

Transaction summary

The following is an overview of the transaction as illustrated by the "Transaction Structure Diagram" below. The numbers in the diagram refer to the numbered paragraphs in this section.

1. On the Closing Date, The Governor and Company of the Bank of Scotland ("**Bank of Scotland**") established by an Act of the Parliament of Scotland in 1695 whose head office is at The Mound, Edinburgh, EH1 1YZ, as "**Originator**", will identify a certain number of commercial mortgage loan advances (each such advance a "**Mortgage Loan Advance**") which have been made pursuant to commercial mortgage loan facilities ("**Mortgage Loan Facilities**") on a bilateral basis or on a syndicated basis ("**Syndicated Mortgage Loan Advances**"), together with the Originator's entitlement to such Mortgage Loan Advances' related security (in relation to each Mortgage Loan Advance, its "**Related Security**"), which it will divide into two portfolios, the "**Initial Mortgage Portfolio**" and the "**Secondary Mortgage Portfolio**".

Pursuant to an originator trust deed (the "**Originator Trust Deed**") to be entered into on the Closing Date between the Originator and the Issuer, the Originator will declare a trust (the "**Originator Trust**") over, amongst other things, the Initial Mortgage Portfolio, certain further advances made in respect of Mortgage Loan Advances included in the Originator Trust and certain Mortgage Loan Advances substituted into the Originator Trust from the Secondary Mortgage Portfolio from time to time, in each case, together with the Related Security and in accordance with the conditions of the Originator Trust Deed. In consideration for the declaration of the Originator Trust, the Issuer will pay to the Originator certain amounts representing trust consideration and certain deferred payments.

In addition, under the terms of the Originator Trust Deed, the Originator will be obliged to administer the Mortgage Portfolio.

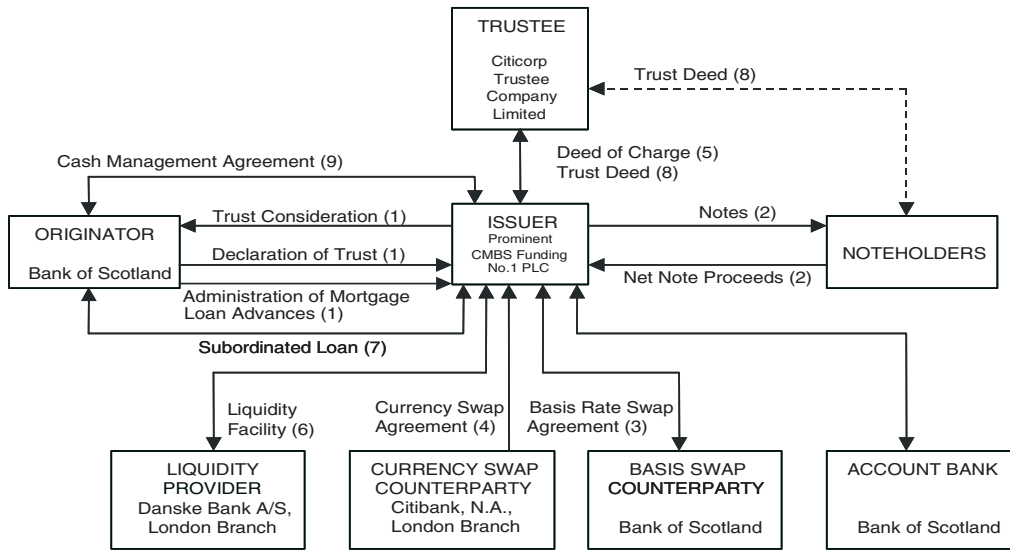
2. On the Closing Date, the Issuer will issue the Notes. The Issuer will use the net proceeds of such issue, together with a drawing under the Subordinated Loan Agreement to pay the Initial Trust Consideration to the Originator and make certain other payments due on the Closing Date.
3. The Mortgage Loan Advances bear interest calculated by reference to sterling LIBOR (the "**LIBOR Mortgage Loans**"), Bank of Scotland's base rate (the "**Base Rate Mortgage Loans**") and fixed rates (the "**Fixed Rate Mortgage Loans**"). The rates of interest on the LIBOR Mortgage Loans, the Base Rate Mortgage Loans and the Fixed Rate Mortgage Loans will not necessarily equal the floating rates applicable to the Notes. In order to provide a hedge against certain differences in these rates, the Issuer will enter into a basis swap transaction (the "**Basis Rate Swap**") on or prior to the Closing Date with the Basis Swap Counterparty.
4. The Class A1 Notes will be denominated in Euro and the Issuer will pay principal and interest on the Class A1 Notes in Euro. However, payments of interest and principal by Borrowers under the Included Mortgage Loan Advances will be made in sterling. In order to facilitate payments on the Class A1 Notes, the Issuer will enter into a currency swap transaction (the "**Currency Swap**") on or prior to the Closing Date with the Currency Swap Counterparty.
5. The obligations of the Issuer to the Noteholders under the Notes and to the other Secured Creditors will be secured pursuant to a deed of charge and assignment governed by English law (the "**Deed**").

of Charge"). Under the Deed of Charge, the Issuer will create in favour of the Trustee: (a) an assignment by way of first fixed security and assignments in security of the Investor Interest (which comprises, amongst other things, the Issuer's beneficial interest in the Mortgage Loan Facilities, Included Mortgage Loan Advances and their Related Security); (b) an assignment by way of first fixed security of the Issuer's rights under the Originator Trust Deed, the Cash Management Agreement, the Basis Rate Swap Agreement, the Currency Swap Agreement, the Liquidity Facility Agreement, the Paying Agency Agreement, the Subscription Agreement, the Issuer Corporate Services Agreement, the Account Bank Agreement, the Incorporated Terms Memorandum, the Subordinated Loan Agreement, and all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Trust Deed and the Deed of Charge); (c) an assignment by way of security of the Issuer's interests in the Issuer Accounts and each other account, if any, of the Issuer; (d) a charge over any other Authorised Investments from time to time held by or on behalf of the Issuer and (e) a floating charge over the whole of the undertaking and assets of the Issuer (which are not otherwise effectively subject to any fixed charge or assignment by way of security) and over Scottish assets subject to such fixed security (together, the "**Issuer Security**").

The Issuer's obligations to pay interest and principal on the Notes will be funded primarily from the receipt of payments of interest and principal under the Included Mortgage Loan Advances pursuant to the Originator Trust Deed, payments from the Basis Swap Counterparty under the Basis Rate Swap and payments from the Currency Swap Counterparty under the Currency Swap.

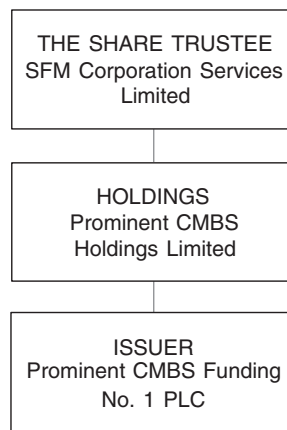
6. The Issuer will enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") with the Liquidity Provider, the Cash Manager and the Trustee pursuant to which the Liquidity Provider will agree to make available a 364-day committed facility under which the Issuer may in certain circumstances make drawings to cover certain amounts in the Pre-Enforcement Revenue Priority of Payments.
7. Pursuant to a subordinated loan agreement (the "**Subordinated Loan Agreement**") to be entered into on or prior to the Closing Date between Bank of Scotland (as Subordinated Loan Provider), the Issuer and the Trustee, the Subordinated Loan Provider will make a loan to the Issuer to allow the Issuer to establish a reserve fund (the "**Reserve Fund**") and to meet certain costs and expenses in connection with the issue of the Notes.
8. Pursuant to a trust deed (the "**Trust Deed**") to be entered into on the Closing Date between the Trustee and the Issuer, the Trustee will hold the benefit of the Issuer's covenant to pay amounts due under the Notes on trust for the Noteholders.
9. Pursuant to a cash management agreement (the "**Cash Management Agreement**") to be entered into on the Closing Date between Bank of Scotland (as Cash Manager), the Trustee, the Account Bank and the Issuer, the Cash Manager will perform certain calculations and arrange certain payments to and on behalf of the Issuer.

Transaction Structure Diagram



The number in brackets correspond to the paragraph numbers of the section "Summary Information – Transaction Summary".

Corporate Structure Diagram



The entire issued share capital of the Issuer is beneficially owned by Holdings. The entire issued share capital of Holdings is held on trust by the Share Trustee, a company limited by shares and incorporated in England and Wales. The Originator has no ownership interest in any of the entities in the above diagram.

Any profits made by Holdings, after payment of its obligations, costs and expenses, will be distributed to the Share Trustee to apply to charities and charitable purposes selected at the discretion of the Share Trustee. The payments on the Notes will not be affected by this arrangement.

The Key Transaction Parties

- Issuer:** Prominent CMBS Funding No.1 PLC (the “**Issuer**”) is a public company incorporated in England and Wales with limited liability under registered number 5308676. Its registered office is at c/o Structured Finance Management Limited, 35 Great St. Helen’s, London EC3A 6AP. The entire issued share capital of the Issuer is beneficially held by Holdings. The Issuer will, *inter alia*, issue the Notes and enter into the Transaction Documents to which it is a party.
- Originator:** Bank of Scotland (in its capacity as the originator under the Originator Trust Deed, the “**Originator**”). On the Closing Date, the Originator will declare a trust over the Mortgage Portfolio in favour of the Issuer and the Originator Beneficiary pursuant to the Originator Trust Deed. The Originator will administer and collect payments under the Included Mortgage Loan Advances and will operate the arrears and default procedures in relation to Included Mortgage Loan Advances.
- Originator Trustee:** Bank of Scotland (in its capacity as the originator trustee under the Originator Trust Deed, the “**Originator Trustee**”), will act as trustee of the Originator Trust. Bank of Scotland cannot be removed by the beneficiaries as trustee of the Originator Trust.
- Originator Beneficiary:** Bank of Scotland (in its capacity as the originator beneficiary under the Originator Trust Deed, the “**Originator Beneficiary**”), will act as a beneficiary of the Originator Trust in addition to the Issuer.
- Cash Manager:** Bank of Scotland (in its capacity as cash manager for the Issuer under the Cash Management Agreement, the “**Cash Manager**”) will determine the amounts of and arrange payments to be made to and on behalf of the Issuer and keep certain records on behalf of the Issuer. Under the terms of the Cash Management Agreement, the Cash Manager may be replaced by a new cash manager if it defaults in its obligations under the Cash Management Agreement. In addition, the Cash Manager may not resign unless a successor has been appointed.
- Subordinated Loan Provider:** Bank of Scotland (in its capacity as the lender under the Subordinated Loan Agreement, the “**Subordinated Loan Provider**”) will make a loan to the Issuer on the Closing Date (the “**Subordinated Loan**”) upon and subject to the terms of the Subordinated Loan Agreement. The Subordinated Loan will not exceed £16,250,000 and will be used by the Issuer to fund the Reserve Fund and will be available to meet certain fees and expenses of the Issuer incurred in connection with the issue of the Notes.
- Basis Swap Counterparty:** Bank of Scotland (in its capacity as basis swap counterparty, the “**Basis Swap Counterparty**”) will enter into an interest rate swap agreement (the “**Basis Rate Swap Agreement**”) with the Issuer in respect of the Basis Rate Swap in the form of an International Swaps and Derivatives Association Inc.

(“ISDA”) 1992 Master Agreement (Multicurrency-Cross Border).

Currency Swap Counterparty:

Citibank, N.A., London Branch (in its capacity as currency swap counterparty, the “**Currency Swap Counterparty**”) will enter into a currency swap agreement (the “**Currency Swap Agreement**”) with the Issuer in respect of the Currency Swap in the form of an ISDA 1992 Master Agreement (Multicurrency-Cross Border).

Liquidity Provider:

Danske Bank A/S, acting through its London Branch located at 75 King William Street, London EC4N 7DT (in its capacity as lender under the Liquidity Facility Agreement, the “**Liquidity Provider**”) will provide a liquidity facility (the “**Liquidity Facility**”) with an initial maximum aggregate principal amount of £65,000,000 upon and subject to the terms of the Liquidity Facility Agreement.

Trustee:

Citicorp Trustee Company Limited of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the “**Trustee**”) will act as trustee for the holders of the Notes (the “**Noteholders**”) pursuant to the Trust Deed and will hold the benefit of the Issuer Security granted pursuant to the Deed of Charge on trust for, inter alios, the Noteholders.

Principal Paying Agent and Agent Bank:

Citibank, N.A., acting through its London branch at 5 Carmelite Street, London EC4Y 0PA, will be principal paying agent (in such capacity, the “**Principal Paying Agent**”) and agent bank (in such capacity, the “**Agent Bank**”) under a paying agency agreement (the “**Paying Agency Agreement**”) to be entered into on or prior to the Closing Date.

Account Bank:

Bank of Scotland will act as account bank for the Issuer (in its capacity as account bank, the “**Account Bank**”) under an account bank agreement (the “**Account Bank Agreement**”) to be entered into on or prior to the Closing Date. The Transaction Accounts and the Reserve Account (together, the “**Issuer Accounts**”) will be held at the Account Bank. If at any time the Account Bank ceases to be rated F1 by Fitch, ceases to be rated P-1 by Moody’s or ceases to be rated A-1+ by S&P, then the Issuer, the Cash Manager and the Account Bank will use their best endeavours to procure that the Issuer Accounts held at the Account Bank are transferred to a replacement bank with at least the same ratings as set out above. The Account Bank will agree to pay a guaranteed variable rate of interest on funds invested with it in accordance with the Account Bank Agreement.

Corporate Services Provider:

Structured Finance Management Limited of 35 Great St. Helen’s, London EC3A 6AP (in its capacity as the corporate services provider, the “**Corporate Services Provider**”) will, pursuant to a corporate services agreement (the “**Issuer Corporate Services Agreement**”) to be entered into on or prior to the Closing Date between the Corporate Services Provider, the Share Trustee, the Trustee and the Issuer, provide certain services to the Issuer. The Corporate Services Provider will also provide certain services to each of Holdings

and Option Co. under separate corporate services agreements.

Share Trustee:

SFM Corporate Services Limited of 35 Great St. Helen's, London EC3A 6AP (in its capacity as the share trustee, the "**Share Trustee**") will hold the entire issued share capital of Holdings on trust for charitable purposes, pursuant to a charitable declaration of trust (the "**Share Declaration of Trust**").

Holdings:

Prominent CMBS Holdings Limited ("**Holdings**") is a private limited company incorporated in England and Wales with limited liability under registered number 5328136. Its registered office is at c/o Structured Finance Management Limited, 35 Great St. Helen's, London EC3A 6AP. Holdings beneficially owns the entire issued share capital of the Issuer.

Option Co:

Prominent CMBS Holdings Limited (in its capacity as optionholder under the Post Enforcement Call Option Agreement, "**Option Co.**") is a private limited company incorporated in England and Wales with limited liability under registered number 5328136. Its registered office is at c/o Structured Finance Management Limited, 35 Great St. Helen's, London EC3A 6AP. Option Co. will, under a post-enforcement call option agreement entered into on or prior to the Closing Date between Option Co. and the Trustee (the "**Post Enforcement Call Option Agreement**"), acquire an option from the Trustee to have all of the Notes transferred to it for a consideration of one penny or one Euro-cent (as the case may be) per Note. The option will only be exercisable in circumstances where, following completion of enforcement, the Trustee has advised the Noteholders that the proceeds of enforcement are or will be insufficient to pay all amounts due to the Noteholders. The Noteholders will be bound by the terms and conditions of the Notes to transfer the Notes to Option Co. in these circumstances.

Transaction Structure

Origination of the Included Mortgage Loan Advances:

The Originator has originated or will originate the Included Mortgage Loan Advances (other than Syndicated Mortgage Loan Advances, which were originated or will be originated by the Originator, or a third party originator on behalf of the Originator as one of the syndicate lenders).

Declaration of Trust over Included Mortgage Loan Advances and Related Security:

On the Closing Date, the Originator will identify a certain number of Mortgage Loan Advances which have been made pursuant to Mortgage Loan Facilities together with the Originator's entitlement to their Related Security, which it will divide into two portfolios, the "**Initial Mortgage Portfolio**" and the "**Secondary Mortgage Portfolio**".

Pursuant to the Originator Trust Deed, the Originator will declare a trust (the "**Originator Trust**") over, amongst other things:

- (a) the Originator's interest (whether as sole lender or as a syndicated lender in respect of a Syndicated Mortgage

Loan Advance) in each Mortgage Loan Advance which on the Closing Date is in the Initial Mortgage Portfolio (each, an “**Initial Mortgage Loan Advance**”) and its Related Security (but not including any right to Early Prepayment Charges, commitment fees or other fees payable);

- (b) the Originator’s interest (whether as sole lender or as a syndicated lender in respect of a Syndicated Mortgage Loan Advance) in any further advance or other increase made following the Closing Date in respect of an existing Included Mortgage Loan Advance pursuant to the terms of the relevant Mortgage Loan Facility (such further advance or increase being contemplated by the terms of the relevant Mortgage Loan Facility as at the Closing Date) (each, a “**Documented Further Advance**”) and its Related Security (but not including any right to Early Prepayment Charges, commitment fees or other fees payable), from the date of designation of such further advance or increase as an Included Mortgage Loan Advance;
- (c) the Originator’s interest (whether as sole lender or as a syndicated lender in respect of a Syndicated Mortgage Loan Advance) in any further advance or other increase made following the Closing Date in respect of an existing Included Mortgage Loan Advance (such further advance or increase not being contemplated by the terms of the relevant Mortgage Loan Facility as at the Closing Date) (each, a “**Non-Documented Further Advance**” and together with Documented Further Advances, “**Further Advances**”) and its Related Security (but not including any right to Early Prepayment Charges, commitment fees or other fees payable), subject to certain tests, from the date of designation of such further advance or increase as an Included Mortgage Loan Advance; and
- (d) the Originator’s interest (whether as sole lender or as a syndicated lender in respect of a Syndicated Mortgage Loan Advance) in each Mortgage Loan Advance designated by the Originator following the Closing Date and prior to the Payment Date falling in December 2010 (the “**Substitution Period End Date**”) from the Secondary Mortgage Portfolio as a substitute Mortgage Loan Advance (each, a “**Secondary Mortgage Loan Advance**”) and its Related Security (but not including any right to Early Prepayment Charges), from the Payment Date immediately following the Calculation Date on which it is so designated.

Each Initial Mortgage Loan Advance from and including the Closing Date, each Documented Further Advance from and including the date it is so designated, each Non-Documented Further Advance from and including the date it is so designated and each Secondary Mortgage Loan Advance from and including the Payment Date immediately following the Calculation Date upon which it is so designated, in each case, together with its Related Security, will become an “**Included Mortgage Loan Advance**” and will form part of the Originator Trust Property to be held by the Originator

pursuant to the terms of the Originator Trust Deed.

Each Secondary Mortgage Loan Advance, each Documented Further Advance and each Non-Documented Further Advance will be referred to as a “**New Mortgage Loan Advance**”. Collectively, the New Mortgage Loan Advances and their Related Security together with the Initial Mortgage Portfolio, will be referred to as the “**Mortgage Portfolio**”.

Trust Interests and Trust Consideration:

The beneficial interests under the Originator Trust are fixed undivided interests of 99 per cent. and 1 per cent. called the “**Investor Interest**” and the “**Originator Interest**” respectively. In consideration for the granting of the Investor Interest to the Issuer, pursuant to the terms of the Originator Trust Deed, the Issuer shall:

- (a) pay to the Originator on the Closing Date an amount (the “**Initial Trust Consideration**”) equal to 99 per cent. of the aggregate of the outstanding Current Balance less Unpaid Interest of each Initial Mortgage Loan Advance;
- (b) agree to pay to the Originator on certain Payment Dates following the Closing Date amounts representing Additional Trust Consideration in respect of each New Mortgage Loan Advance; and
- (c) agree to pay to the Originator on certain Payment Dates following the Closing Date amounts representing Deferred Trust Consideration in respect of Included Mortgage Loan Advances.

Originator Power of Attorney:

The Originator Trust over the Mortgage Portfolio under the Originator Trust Deed will transfer the beneficial interest in the Included Mortgage Loan Advances and their Related Security to the Issuer. Legal title to the Included Mortgage Loan Advances and their Related Security will remain with the Originator. The Issuer will not have any direct relationship with, and will not be able directly to enforce the obligations of, any Borrower. However, the Originator will, under the terms of the Originator Trust Deed, grant to the Issuer (and any delegate of the Issuer) a power of attorney given by way of security (the “**Originator Power of Attorney**”) to permit the Issuer, upon the occurrence of certain events, to take certain actions in the name of the Originator Trustee to ensure performance by Bank of Scotland of its obligations under the Originator Trust Deed (including its covenants to enforce Mortgage Loan Facilities and to collect amounts payable under or in respect of the Included Mortgage Loan Advances).

Substitution and Payment for New Mortgage Loan Advances:

On the date (which in respect of a Secondary Mortgage Loan Advance will be a Payment Date) upon which a New Mortgage Loan Advance is designated as an Included Mortgage Loan Advance (subject to certain Pool Adjustment Criteria being met on such Payment Date in respect of Secondary Mortgage Loan Advances and being met on the next following Payment Date, in respect of Non-Documented Further Advances):

- (a) the Issuer shall pay to the Originator an amount (the “**New MLA Trust Consideration**”) equal to the lesser of

- (i) 99 per cent. of the Current Balance less Unpaid Interest of such New Mortgage Loan Advance, and (ii) the amount it has available for such purpose on such date (*provided that*, on the date of designation of a Documented Further Advance or a Non-Documented Further Advance, the New MLA Trust Consideration payable by the Issuer shall be zero in respect of such Documented Further Advance or Non-Documented Further Advance);
- (b) the Originator Beneficiary (in its capacity as beneficiary of the Originator Interest) shall pay to the Originator an amount equal to 1 per cent. of the Current Balance less Unpaid Interest of such New Mortgage Loan Advance (the “**Originator Trust Consideration**”); and
- (c) the Issuer will agree to pay, subject to certain conditions, on each subsequent Payment Date an amount equal to the Further Consideration (if any) due in respect of such New Mortgage Loan Advance to the extent it has funds available for such purpose on such Payment Date.

“**Further Consideration**” means, on any Payment Date, the amount of consideration to be paid by the Issuer to the Originator pursuant to the Priorities of Payment in order to reduce the Further Consideration Amount in respect of any Included Mortgage Loan Advance.

The “**Further Consideration Amount**” in respect of a New Mortgage Loan Advance shall mean (a) on the date upon which such New Mortgage Loan Advance was designated as an Included Mortgage Loan Advance, an amount equal to the difference (if any) between 99 per cent. of the Current Balance less Unpaid Interest of such New Mortgage Loan Advance on such date and the New MLA Trust Consideration paid by the Issuer in respect of such New Mortgage Loan Advance; and (b) on the next and subsequent Payment Dates, such amount calculated in accordance with (a) above less the aggregate of any payments of Proportionate Issuer Owed Amounts (as defined below) in respect of Principal Receipts or reductions of Proportionate Issuer Owed Amounts in respect of Losses which have reduced the Further Consideration Amount in accordance with the terms of the Originator Trust and less any Further Consideration paid in accordance with paragraph (c) above.

The Further Consideration Amount outstanding in respect of an Included Mortgage Loan Advance on any day shall be recorded as a debit entry on a ledger (the “**Further Consideration Amount Ledger**”) for such Included Mortgage Loan Advance by the Cash Manager.

The Issuer shall only pay Further Consideration in respect of a Secondary Mortgage Loan Advance pursuant to paragraph (c) above to the extent that the payment of such consideration in respect of such Secondary Mortgage Loan Advance will not result in the Secondary Pool Adjustment Criteria being breached in respect of the Mortgage Portfolio.

In respect of Non-Documented Further Advances included in the Originator Trust from and including the Substitution Period End Date, the Issuer shall not pay any Further

Consideration in respect of such Non-Documented Further Advance on any subsequent Payment Date (see further the section entitled "*The Mortgage Loan Advances — Further Advances*" below).

The New MLA Trust Consideration and the Further Consideration shall together be referred to as "**Additional Trust Consideration**" and, together with the Initial Trust Consideration, shall be referred to as the "**Trust Consideration**" payable by the Issuer in respect of any Included Mortgage Loan Advance.

Deferred Trust Consideration:

In addition to the payment of Trust Consideration, the Issuer will pay to the Originator, by way of deferred consideration for the Investor Interest in the Originator Trust, Available Revenue Receipts held by the Issuer following payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments (the "**Deferred Trust Consideration**").

Reacquisition of interests in Included Mortgage Loan Advances:

To the extent that (a) any Included Mortgage Loan Advance did not, at the time of it becoming an Included Mortgage Loan Advance, comply with certain representations and warranties given by the Originator (where applicable); or (b) any Non-Documented Further Advance, Mortgage Loan Terms Adjustment or Related Security Adjustment in respect of an Included Mortgage Loan Advance results in the relevant Pool Adjustment Criteria being breached on the Calculation Date following the inclusion in the Originator Trust of such Non-Documented Further Advance or the occurrence of such Mortgage Loan Terms Adjustment or Related Security Adjustment (as the case may be) during the immediately preceding Calculation Period, the Originator will be required to re-acquire the beneficial interest in the relevant Included Mortgage Loan Advance in respect of which the Non-Documented Further Advance, Mortgage Loan Terms Adjustment or Related Security Adjustment was made (as the case may be) and the Non-Documented Further Advance (if applicable), for an amount (the "**Reacquisition Amount**") equal to the Current Balance of such Included Mortgage Loan Advance within 30 days of the Calculation Period End Date in respect of the Calculation Period during which such Non-Documented Further Advance, Mortgage Loan Terms Adjustment or Related Security Adjustment was made. The Reacquisition Amount shall be treated as a "Relevant Amount" and the principal component of the Reacquisition Amount shall be treated as Principal Receipts and the interest component of the Reacquisition Amount shall be treated as Revenue Receipts by the Originator Trustee.

Collections and Losses in respect of Included Mortgage Loan Advances:

The Investor Interest shall at all times be equal to a fixed 99 per cent. interest in the undivided Originator Trust Property.

Any Revenue Receipt and/or Principal Receipt and/or Loss (any such amount, a "**Relevant Amount**") shall be allocated to: (a) the Originator Beneficiary in respect of the Originator Interest as to 1 per cent. (such allocated amount, the "**Originator Interest Amount**"); and (b) the Issuer in respect of the Investor Interest as to 99 per cent. (such allocated

amount, the “**Investor Interest Amount**”). Where the Relevant Amount comprises Revenue Receipts or Principal Receipts, then immediately following such allocation, to the extent there is a debit entry on the Further Consideration Amount Ledger in respect of the Included Mortgage Loan Advance to which such Relevant Amount relates, the Issuer shall pay (using a portion of the Investor Interest Amount) to the Originator an amount equal to the Proportionate Issuer Owed Amount (as calculated and defined below) in respect of such Relevant Amount. The amount remaining following such payment of the Proportionate Issuer Owed Amount is the Proportionate Issuer Realised Amount (as calculated and defined below).

The Proportionate Issuer Realised Amount and the Proportionate Issuer Owed Amount in respect of any Relevant Amount in respect of an Included Mortgage Loan Advance will be calculated as follows: The “**Proportionate Issuer Realised Amount**” is an amount equal to: $A \times (B/C)$

where:

A = the Relevant Amount multiplied by 99 per cent.;

B = 99 per cent. of the Current Balance less Unpaid Interest of the Included Mortgage Loan Advance on the date of allocation of the Relevant Amount (not taking into account the allocation of the Relevant Amount) less the amount (if any) recorded as a debit entry on the Further Consideration Amount Ledger in respect of the Included Mortgage Loan Advance on the date of allocation; and

C = 99 per cent. of the Current Balance less Unpaid Interest of the Included Mortgage Loan Advance on the date of allocation of the Relevant Amount (not taking into account the allocation of the Relevant Amount).

The Proportionate Issuer Realised Amount shall: (i) in the case of a Revenue Receipt or a Principal Receipt be retained by the Issuer in the relevant account pending use in accordance with the Priorities of Payment, and (ii) in the case of a Loss, recorded by way of debit entry on the Principal Deficiency Ledger.

The amount by which the Investor Interest Amount exceeds the Proportionate Issuer Realised Amount in respect of any Relevant Amount is called the “**Proportionate Issuer Owed Amount**”. To the extent that any Relevant Amount to which the Proportionate Issuer Owed Amount relates comprises Revenue Receipts or Principal Receipts, the Issuer shall pay such amount to the Originator immediately following allocation of the Investor Interest Amount in respect of such Relevant Amount.

Any Relevant Amount comprising a Principal Receipt or a Loss will result in a reduction of the Current Balance of the relevant Included Mortgage Loan Advance, and accordingly a proportionate reduction in any debit entry on the Further Consideration Amount Ledger in respect of that Included

Mortgage Loan Advance is required to be made on the date of realisation of the Relevant Amount. To the extent that any Relevant Amount comprises a Principal Receipt or a Loss, the debit entry in respect of the Further Consideration Amount Ledger in respect of the Included Mortgage Loan Advance to which such Relevant Amount relates will be credited by an amount equal to the Proportionate Issuer Owed Amount.

Accordingly, the amount to be received by the Originator on the day of receipt of a Relevant Amount will be equal to the aggregate of: (1) the Originator Interest Amount in respect of the Relevant Amount; and (2) the Proportionate Issuer Owed Amount.

Mortgage Loan Terms Adjustments:

The Originator will have the right, at the request of a Borrower, to vary certain of the financial terms and conditions of any of the Included Mortgage Loan Advances (including, *inter alia*, interest rate type, margin, length of term, amortisation schedule, covenanted Interest Coverage Ratio, covenanted LTV Ratio, repayment type and repayment frequency) (any such variation being a “**Mortgage Loan Terms Adjustment**”), *provided that*, the Originator may be obliged to reacquire the beneficial interest in the Included Mortgage Loan Advance in relation to which a Mortgage Loan Terms Adjustment was made (see “*Pool Adjustments and the Pool Adjustment Criteria*” below).

Related Security Adjustments:

The Originator will have the right, at the request of a Borrower, to make adjustments to the Related Security, including the substitution, replacement or release of one or more Properties from the security for an Included Mortgage Loan Advance (other than on full redemption) (any such adjustment being a “**Related Security Adjustment**”), *provided that*, the Originator may be obliged to reacquire the beneficial interest in the Included Mortgage Loan Advance in relation to which a Related Security Adjustment was made (see “*Pool Adjustments and the Pool Adjustment Criteria*” below). In very limited circumstances, a Property may be substituted without the consent of the Originator and any such substitution will also constitute a Related Security Adjustment.

Documented Further Advances and Non-Documented Further Advances:

The Originator will have the right to make Documented Further Advances in relation to Included Mortgage Loan Advances at any time. Documented Further Advances will be included in the Originator Trust on the date upon which such Documented Further Advance is designated for inclusion.

The Originator will also have the right, at the request of a Borrower, to make Non-Documented Further Advances in relation to Included Mortgage Loan Advances at any time. Non-Documented Further Advances will be included in the Originator Trust on the date upon which such Non-Documented Further Advance is designated for inclusion, *provided that*, the Originator may be obliged to reacquire the beneficial interests in such Non-Documented Further Advance and the Included Mortgage Loan Advance in

relation to which such Non-Documented Further Advance was made (see “*Pool Adjustments and the Pool Adjustment Criteria*” below).

In respect of Non-Documented Further Advances included in the Originator Trust from and including the Substitution Period End Date, the Issuer shall not pay any Further Consideration in respect of such Non-Documented Further Advance on any subsequent Payment Date (see “*The Mortgage Loan Advances – Further Advances*” below).

Pool Adjustments and the Pool Adjustment Criteria:

The inclusion by the Originator in the Originator Trust of Non-Documented Further Advances and Secondary Mortgage Loan Advances and the making of Mortgage Loan Terms Adjustments and Related Security Adjustments will each constitute a “**Pool Adjustment**”.

Each Secondary Mortgage Loan Advance may only be included in the Mortgage Portfolio if the Secondary Pool Adjustment Criteria are met on the Calculation Date immediately preceding the Payment Date designated for such inclusion.

Non-Documented Further Advances will be included in the Mortgage Portfolio from the date so designated for inclusion, *provided that*, to the extent certain Pool Adjustment Criteria are not met on the next following Calculation Date, the Originator will (subject to certain conditions) have an obligation to reacquire the beneficial interest in the Non-Documented Further Advance and the relevant Included Mortgage Loan Advance in respect of which such Non-Documented Further Advance was made within 30 days of the Calculation Period End Date in respect of the Calculation Period during which such Non-Documented Further Advance was made.

Mortgage Loan Terms Adjustments and Related Security Adjustments may be made at the Originator’s discretion but, if certain of the Pool Adjustment Criteria are breached on the Calculation Date following such Mortgage Loan Terms Adjustment or Related Security Adjustment as a result of such Pool Adjustment, the Originator will (subject to certain conditions) have an obligation to reacquire the beneficial interest in the Included Mortgage Loan Advance to which such Pool Adjustment relates within 30 days of the Calculation Period End Date in respect of the Calculation Period during which such Pool Adjustment was made.

For further detail on the application of the Pool Adjustment Criteria to each type of Pool Adjustment, see “*Originator Trust – Pool Adjustment Criteria*” below.

Cash Management:

Under the Cash Management Agreement, the Issuer will be required to maintain a “**Revenue Transaction Account**”, a “**Principal Transaction Account**”, a “**Euro Account**” (together with the Revenue Transaction Account and the Principal Transaction Account, the “**Transaction Accounts**”) and a “**Reserve Account**” with the Account Bank.

The Cash Manager will be required to credit and debit the following amounts to and from the Transaction Accounts:

- (a) the Revenue Transaction Account — to which (i) certain amounts paid to the Issuer in accordance with the Originator Trust Deed (including all Revenue Receipts in respect of an Included Mortgage Loan Advance), (ii) certain payments from the Basis Swap Counterparty under the Basis Rate Swap, (iii) certain payments from the Currency Swap Counterparty under the Currency Swap, (iv) amounts received from the Reserve Fund and/or Reallocated Principal Receipts and/or any Liquidity Drawing, in each case used to cover certain amounts in the Pre-Enforcement Revenue Priority of Payments and (v) certain Available Principal Receipts paid under the Pre-Enforcement Principal Priority of Payments will be credited; and certain amounts paid by the Issuer in accordance with the Originator Trust Deed, the Cash Management Agreement and the Deed of Charge will be debited;
- (b) the Principal Transaction Account — to which (i) net proceeds of the Notes, (ii) Principal Receipts and (iii) an amount equal to certain Available Revenue Receipts used as Available Principal Receipts and which caused a reduction in the debit balance on the Principal Deficiency Ledger will be credited; and certain amounts paid by the Issuer in accordance with the Originator Trust Deed, the Cash Management Agreement and the Deed of Charge will be debited; and
- (c) the Euro Account — to which any amounts in Euro reserved by the Issuer from time to time will be credited and debited in accordance with the terms of the Cash Management Agreement and the Currency Swap Agreement.

The drawing under the Subordinated Loan Agreement in respect of the Reserve Fund and certain other amounts applied by the Issuer under the Pre-Enforcement Revenue Priority of Payments will be deposited and recorded as credit entries in the Reserve Account. The use by the Issuer of the Reserve Fund on each Payment Date as Available Revenue Receipts will be drawn from and recorded as a debit entry in the Reserve Account.

The Cash Manager may, on behalf of the Issuer, by close of business on each day, invest amounts standing to the credit of each of the Transaction Accounts and the Reserve Account in Authorised Investments. Pursuant to the Account Bank Agreement, funds not invested in Authorised Investments and standing to the credit of the Transaction Accounts and the Reserve Account will earn a guaranteed variable rate of interest.

Under the Cash Management Agreement, prior to the service of a Note Enforcement Notice, the Issuer will apply Available Revenue Receipts and Available Principal Receipts on each Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments respectively.

If on any Payment Date the Issuer has insufficient Available Revenue Receipts (excluding any amount of Available

Principal Receipts which will be applied as Available Revenue Receipts on such date and any amounts available under the Liquidity Facility) to pay in full items in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments (the amount of such insufficiency, the “**Revenue Shortfall Amount**”), the Cash Manager shall apply, subject to the satisfaction of certain conditions and to the extent available, Available Principal Receipts in an amount up to the Revenue Shortfall Amount as Available Revenue Receipts.

Following service of a Note Enforcement Notice, the Issuer will apply Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Enforcement Priority of Payments.

In this Prospectus:

“**Revenue Receipts**” means any payment received in respect of any Included Mortgage Loan Advance, whether or not as all or part of a monthly, quarterly, semi-annual, annual or other scheduled payment in respect of such Included Mortgage Loan Advance, on redemption (including partial redemption) of such Included Mortgage Loan Advance, on enforcement of such Included Mortgage Loan Advance (including the proceeds of sale thereof), on the disposal of such Included Mortgage Loan Advance or otherwise (including payments received pursuant to any insurance policy and Reacquisition Amounts but excluding Early Prepayment Charges, commitment fees and other fees payable and, in respect of New Mortgage Loan Advances, excluding any Unpaid Interest in respect of such Included Mortgage Loan Advance prior to the date of inclusion of such Included Mortgage Loan Advance in the Originator Trust) which in each such case is not a Principal Receipt in respect of such Included Mortgage Loan Advance (including, without limitation, interest payments);

“**Principal Receipts**”, means any payment of principal received in respect of any Included Mortgage Loan Advance whether as all or part of a Mortgage Payment in respect of such Included Mortgage Loan Advance, on redemption (including partial redemption) of such Included Mortgage Loan Advance, on enforcement of such Included Mortgage Loan Advance or on the disposal of such Included Mortgage Loan Advance (to the extent of the unprovisioned then Current Balance less Unpaid Interest or otherwise (including payments received pursuant to any insurance policy and Reacquisition Amounts but excluding Early Prepayment Charges); and

“**Mortgage Payment**” means the amount which the applicable Mortgage Loan Facilities require a Borrower to pay in respect of its Included Mortgage Loan Advance on each date on which the Borrower is required to make payments of interest and/or principal under the applicable Mortgage Loan Facility.

Basis Rate Swap:

The rates of interest on the Included Mortgage Loan Advances will not necessarily be set on the same basis as the floating rates applicable to the Notes. In order to provide a hedge against this difference, the Issuer will enter into the Basis Rate Swap documented under the Basis Rate Swap Agreement.

Under the Basis Rate Swap, the Issuer will pay to the Basis Swap Counterparty an amount calculated by reference to the interest rates in respect of the Included Mortgage Loan Advances less the relevant margins as set out under the relevant Mortgage Loan Facility for such Included Mortgage Loan Advances and the Basis Swap Counterparty will pay to the Issuer an amount calculated by reference to the floating rates of interest payable on the Notes.

Downgrade of the Basis Swap Counterparty:

If at any time the relevant rating(s) of the Basis Swap Counterparty are downgraded by a Rating Agency below the ratings specified in the Basis Swap Agreement (in accordance with the requirements of the Rating Agencies), the Basis Swap Counterparty will be required to take certain actions to mitigate the Issuer's credit exposure to the Basis Swap Counterparty (see "*The Swap Agreements – Basis Swap Agreement*" below).

Currency Swap:

The Class A1 Notes will be denominated in Euro and the Issuer will pay interest and principal on the Class A1 Notes in Euro. However, payments of interest and principal by Borrowers under the Included Mortgage Loan Advances will be made in sterling. In order to facilitate payments on the Class A1 Notes, the Issuer will enter into the Currency Swap documented by the Currency Swap Agreement.

Under the Currency Swap, the Issuer will pay to the Currency Swap Counterparty, on the Closing Date, the proceeds in Euro of the issue of the Class A1 Notes and, on each Payment Date, an amount in Sterling calculated by reference to the principal amount of the Class A1 Notes and LIBOR plus a specified margin. The Currency Swap Counterparty will pay to the Issuer, on the Closing Date, the sterling equivalent of the proceeds of the issue of the Class A1 Notes and on each Payment Date, amounts in Euro calculated by reference to the principal amount of the Class A1 Notes and EURIBOR plus a specified margin. In addition, the Currency Swap provides for the exchange of certain principal amounts.

Downgrade of the Currency Swap Counterparty:

If at any time the relevant rating(s) of the Currency Swap Counterparty are downgraded by a Rating Agency below the ratings specified in the Currency Swap Agreement (in accordance with the requirements of the Rating Agencies), the Currency Swap Counterparty will be required to take certain actions to mitigate the Issuer's credit exposure to the Currency Swap Counterparty (see "*The Swap Agreements – Currency Swap Agreement*" below).

Quarterly Investor Report:

In relation to each Payment Date, the Originator will produce a report (the "**Quarterly Investor Report**") which will include, *inter alia*; (i) updated information regarding the Mortgage Portfolio, (ii) details of the performance of the Mortgage Portfolio; and (iii) details of certain payments received, and

certain payments made, by the Issuer. The Quarterly Investor Report will be made available on a dedicated website.

Rating Agency Reporting:

The Originator shall deliver to the Rating Agencies each Quarterly Investor Report and such further information and/or reports as the Rating Agencies may reasonably require.

The Included Mortgage Loan Advances

Included Mortgage Loan Advances:

Each Included Mortgage Loan Advance is denominated in sterling and is a loan made to and the obligation of a limited company, limited partnership or trust incorporated or established in England and Wales or Scotland or other body corporate incorporated overseas (each a “**Borrower**”). Included Mortgage Loan Advances are drawn under certain syndicated or bilateral term or revolving credit facilities.

Mortgage Loan Facilities:

Each Included Mortgage Loan Advance is made pursuant to a Mortgage Loan Facility which provides for the Borrower to pay either a floating or a fixed rate of interest, or a combination of the two. Each Mortgage Loan Facility is governed by English law, Scots law or Jersey law.

The Initial Mortgage Portfolio:

As at 22 November 2005 (the “**Cut-Off Date**”), the Initial Mortgage Portfolio had an outstanding aggregate current balance of £1,017,471,449.

The following is a summary of certain characteristics of the Initial Mortgage Portfolio as at the Cut-Off Date:

Current Balance (£)	1,017,471,449
Number of Included Mortgage Loan Advances	33
Number of Properties	168
Number of Borrowers	33
Largest Included Mortgage Loan Advance as a Percentage of Total Initial Mortgage Portfolio Balance	7.67%
Five Largest Included Mortgage Loan Advances as a Percentage of Total Initial Mortgage Portfolio Balance	34.22%

	Weighted Average	Minimum	Maximum
Current LTV	72.5%	45.4%	93.3%
Interest Coverage Ratio	1.43	1.00	2.71
Debt Service Coverage Ratio	1.26	1.00	2.71
Margin	1.14%	0.79%	1.50%
Remaining Term (Years)	8.97	0.79	25.11
Seasoning (Years)	2.79	0.13	6.72

The Secondary Mortgage Portfolio:

As at the Cut-Off Date, the Secondary Mortgage Portfolio had an outstanding aggregate current balance of £461,366,955.

The following is a summary of certain characteristics of the Secondary Mortgage Portfolio as at the Cut-Off Date:

Current Balance (£)	461,366,955
Number of Mortgage Loan Advances	13
Number of Properties	102
Number of Borrowers	13
Largest Mortgage Loan Advance as a Percentage of Total Secondary Mortgage Portfolio Balance	18.68%
Five Largest Mortgage Loan Advances as a Percentage of Total Secondary Mortgage Portfolio Balance	64.34%

	Weighted		
	Average	Minimum	Maximum
Current LTV	71.3%	45.2%	85.4%
Interest Coverage Ratio	1.87	1.16	2.76
Debt Service Coverage Ratio	1.65	1.00	2.76
Margin	1.09%	0.80%	1.50%
Remaining Term (Years)	5.62	0.85	12.37
Seasoning (Years)	3.41	0.98	5.81

The Aggregate Mortgage Portfolio:

As at the Cut-Off Date, the aggregate Initial Mortgage Portfolio and Secondary Mortgage Portfolio (the “**Aggregate Mortgage Portfolio**”) had an outstanding aggregate current balance of £1,478,838,404

The following is a summary of certain characteristics of the Aggregate Mortgage Portfolio as at the Cut-Off Date:

Current Balance (£)	1,478,838,404
Number of Mortgage Loan Advances	46
Number of Properties	270
Number of Borrowers	46
Largest Mortgage Loan Advance as a Percentage of Total Aggregate Mortgage Portfolio Balance	5.83%
Five Largest Mortgage Loan Advances as a Percentage of Total Aggregate Mortgage Portfolio Balance	26.14%

	Weighted		
	Average	Minimum	Maximum
Current LTV	72.1%	45.2%	93.3%
Interest Coverage Ratio	1.57	1.00	2.76
Debt Service Coverage Ratio	1.38	1.00	2.76
Margin	1.12%	0.79%	1.50%
Remaining Term (Years)	7.92	0.79	25.11
Seasoning (Years)	2.99	0.13	6.72

For an explanation of these calculations, please see “*The Initial Mortgage Portfolio and The Secondary Mortgage Portfolio*” below.

The Related Security:

Other than as described below, each Included Mortgage Loan Advance is secured by: (i) in respect of freehold or leasehold commercial property located in England and Wales (an “**English Property**”), a first charge by way of legal mortgage (an “**English Mortgage**”) given by a Borrower and/or a party related to the Borrower (each, a “**Mortgagor**”) on such English Property; (ii) in respect of heritable or long lease commercial property located in Scotland (a “**Scottish Property**”), a first ranking standard security (a “**Scottish Mortgage**”), granted by the Mortgagor over such Scottish Property; and (iii) in respect of two Mortgage Loan Advances, with freehold property located in Guernsey (a “**Guernsey**”

Property", together with the English Properties and the Scottish Properties, the "**Properties**" and each a "**Property**"), a charge by way of a bond (the "**Guernsey Bond**", together with an English Mortgage and a Scottish Mortgage, a "**Mortgage**") given by the Mortgagor on such Guernsey Property. In each case (other than in respect of the Guernsey Property), the relevant Mortgagor has executed a mortgage deed or standard security (as the case may be) and in the majority of cases, the relevant Mortgagor has executed, or will on demand by the Originator execute a fixed charge, or deed of assignment or assignation (as the case may be) of rental income and the Originator has, or will have, the ability to perfect that assignment or assignation (as the case may be).

In the case of one Mortgage Loan Advance (facility identification number 1200506036) secured by a Guernsey Bond in respect of a Guernsey Property, the Guernsey Bond has been registered in the H.M. Greffe in Guernsey and constitutes a first ranking charge by way of bond. In the case of the other Mortgage Loan Advance (facility identification number 1200203035) secured by, *inter alia*, a Guernsey Bond in respect of a Guernsey Property, the Mortgagor has entered into the Guernsey Bond but the Guernsey Bond has not been registered in the H.M. Greffe in Guernsey and the Guernsey Bond does not, therefore, constitute a first ranking charge by way of bond. However, in this case, the Originator has the right to effect such registration at any time without the consent of the Mortgagor and a security interest agreement over the issued shares of the Mortgagor has also been entered into pursuant to the Security Interests (Guernsey) Law, 1993.

There is one Mortgage Loan Advance (facility identification number 1200202668), where the Related Security in respect of such Mortgage Loan Advance includes a first ranking charge by way of legal mortgage over all of the Properties related to such Mortgage Loan Advance with the exception of one Property where there has been no charge taken over the relevant Property (however, the Property is captured by a debenture granted by the Borrower). With respect to this Property, the Borrower owns the freehold title only and the estimated value attributed to this Property is only £250,000.

There is one Mortgage Loan Advance (facility identification number 1200405017) (the "**Securitised Mortgage Loan Advance**"), where the Mortgage Loan Advance has been made by the Originator to a Borrower which is a special purpose vehicle established in connection with the purchase of publicly-rated asset-backed notes (the "**CMBS Notes**") from Delamare Finance plc (the "**CMBS Note Issuer**"). The CMBS Notes are backed by a portfolio of Properties and are listed on the Irish Stock Exchange. However, the Related Security in respect of the Mortgage Loan Advance does not include a first ranking charge by way of legal mortgage granted in favour of the Originator over the relevant Properties. Instead, the Borrower has granted in favour of the Originator fixed and floating charges over substantially all assets of the Borrower (being the CMBS Notes and

security and rights related thereto). Accordingly, the Originator has the indirect benefit of the security granted in favour of the Borrower in its capacity as a holder of the CMBS Notes.

In certain cases where the Borrower is a company governed by the Companies Act 1985, a floating charge has been granted by the Borrower over all of its assets which have not been secured by the Mortgage (or, in Scotland, including assets so secured) as security for the Borrower's obligations under the relevant Included Mortgage Loan Advance and Mortgage Loan Facility and other liabilities owing from time to time to the Originator (or, in respect of Syndicated Mortgage Loan Advances, to the beneficiaries of a security trust) in respect of such Included Mortgage Loan Advance. The documents referred to in this paragraph, are the "**Security Documents**".

In respect of certain Included Mortgage Loan Advances, the Borrower and the Mortgagor are not the same legal entity. In such cases the Mortgagor will be the owner of the relevant Property and may be a subsidiary or associated company of the Borrower. Where a Property is owned by such Mortgagor, that Mortgagor has executed separate Security Documents. The Security Documents entered into by a Mortgagor (other than a Borrower) typically contain a guarantee from such Mortgagor supported by a first charge by way of legal mortgage or a first ranking standard security (as the case may be) over, *inter alia*, the Mortgagor's interest in the relevant Property and in certain cases where the Borrower is a company governed by the Companies Act 1985, a floating charge over all or substantially all of its assets which are not subject to a fixed charge.

For details of the largest commercial Properties see "*The Initial Mortgage Portfolio and The Secondary Mortgage Portfolio – Property Table*" below.

The Related Security for an Included Mortgage Loan Advance may also include, *inter alia*, personal guarantees, corporate guarantees, cash collateral/reserve funds, any rights under building insurance policies and loss of rent policies, any amounts held to the Originator's order in any client account of a Borrower's solicitor or account held with Bank of Scotland and the benefit of a subordination agreement or a deed of priority or ranking agreement under which any debt of the relevant Borrower owed to a party which is not the Originator is effectively subordinated to the Borrower's debt to the Originator under such Included Mortgage Loan Advance.

Insurance:

Save where the Property is let to a self insuring tenant, each Property that is charged is covered by a buildings insurance policy maintained by the relevant Borrower or another person with an appropriate insurable interest in the relevant Property. Under each Mortgage Loan Facility there is an obligation on the Borrower to note the Originator's interest on such policy or for the Originator to be co-insured on such policy. The Originator does not intend to notify each individual insurer of the declaration of trust over the building insurance policies in favour of the Issuer. The Issuer and the Trustee

may, pursuant to the Originator Power of Attorney to be granted to them by the Originator, effect the relevant notification of the relevant insurers after the occurrence of certain events (including certain insolvency related events in relation to the Originator).

Representations and Warranties:

The Originator Trust Deed, pursuant to which the Originator will declare a trust over the Mortgage Portfolio, will contain certain representations and warranties given by the Originator on specified dates in respect of the Included Mortgage Loan Advances and their Related Security.

The Originator will be required (should the Issuer exercise this right), in the event that there has been a breach of any such representation or warranty, which could have a material adverse effect on the relevant Included Mortgage Loan Advance and/or its Related Security, which breach (if capable of remedy) has not been remedied within the time specified in the Originator Trust Deed, to reacquire the beneficial interest in the relevant Included Mortgage Loan Advance together with the beneficial interest in the relevant Related Security and such Included Mortgage Loan Advance and Related Security will no longer be included in the Originator Trust and will be electronically identified by Bank of Scotland as no longer comprising Originator Trust Property. The consideration for the reacquisition of the beneficial interest in the relevant Included Mortgage Loan Advance shall be the Current Balance of the relevant Included Mortgage Loan Advance at the close of business on the Business Day preceding the date of completion of such reacquisition plus the costs of the Issuer in relation to such reacquisition. The proceeds from any such reacquisition (the "**Reacquisition Amount**") will be treated as a "Relevant Amount" and the principal component of the Reacquisition Amount shall be treated as a Principal Receipt and the interest component of the Reacquisition Amount shall be treated as a Revenue Receipt by the Originator Trustee.

The composition of the Mortgage Portfolio will change from time to time after the Closing Date as a result of the repayment or prepayment of Included Mortgage Loan Advances, any default under an Included Mortgage Loan Advance resulting in enforcement of any Related Security, any reacquisition by the Originator of the beneficial interest in Included Mortgage Loan Advances pursuant to the Originator Trust Deed, any inclusion in the Originator Trust of New Mortgage Loan Advances pursuant to the Originator Trust Deed and any Related Security Adjustments or Mortgage Loan Terms Adjustments. The periodic composition of the Mortgage Portfolio will be described in the Quarterly Investor Report.

Valuations:

In relation to each Mortgage Loan Facility, prior to making the initial advance, the Originator (or in the case of Syndicated Mortgage Loan Advances, the facility agent on behalf of the syndicate lenders) obtained an independent valuation of the Property or Properties charged as security as a condition precedent to the making of the advance to the relevant Borrower (each a "**Condition Precedent Valuation**"). No further independent valuations of the

Properties are required to be obtained for this transaction and accordingly all references herein to valuations (including LTV Ratios, property values, open market values (“**OMV**”), vacant possession values (“**VPV**”) and estimated rental values (“**ERV**”)) are references to the Condition Precedent Valuations, unless the Originator has obtained a valuation in relation to a Further Advance or Related Security Adjustment in respect of such Included Mortgage Loan Advance or, as part of the Borrower’s obligations under the relevant Mortgage Loan Facility, an updated valuation in respect of any Included Mortgage Loan Advance has been received at a later date in which case such later valuation has been used. It should be noted that valuations in respect of the Properties have been carried out between 1999 and 2005 (see “*The Initial Mortgage Portfolio and The Secondary Mortgage Portfolio*” for more details).

Payments on the Mortgage Loan Advances:

All of the Included Mortgage Loan Advances and all of the Mortgage Loan Advances in the Secondary Mortgage Portfolio have been Performing since origination and were still Performing as at the Cut-Off Date. The Mortgage Loan Advances are repayable at their respective final maturity dates, subject in some cases to earlier amortisation.

In this Prospectus, “**Performing**” in relation to a Mortgage Loan Advance means that on any date of determination such Mortgage Loan Advance is not in arrears.

The Notes

Summary of the Notes

The Issuer will, on the Closing Date, issue the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Certain features of the Class A Notes, the Class B Notes and the Class C Notes are summarised below:

	<u>Class A1</u>	<u>Class A2</u>	<u>Class B</u>	<u>Class C</u>
Credit Enhancement	Reserve Fund and subordination of Class E Notes, Class D Notes, Class C Notes and Class B Notes	Reserve Fund and subordination of Class E Notes, Class D Notes, Class C Notes and Class B Notes	Reserve Fund, and subordination of Class E Notes, Class D Notes and Class C Notes	Reserve Fund, and subordination of Class E Notes and Class D Notes
Margin up to but excluding the Payment Date falling in December 2012	0.23 per cent. p.a.	0.26 per cent. p.a.	0.42 per cent. p.a.	0.70 per cent. p.a.
Margin from and including the Payment Date falling in December 2012 (the "Step-Up Date")	0.46 per cent. p.a.	0.52 per cent. p.a.	0.84 per cent. p.a.	1.40 per cent. p.a.
Interest Accrual method	Act/360	Act/365	Act/365	Act/365
Payment Dates	Interest and principal will be payable quarterly in arrear on the Payment Dates falling in March, June, September and December in each year			
First Payment Date	20 March 2006	20 March 2006	20 March 2006	20 March 2006
Final Maturity Date	20 December 2032	20 December 2032	20 December 2032	20 December 2032
Expected Rating (S&P/Fitch/Moody's)	AAA/AAA/Aaa	AAA/AAA/Aaa	AA+/AA/Aa2	A/A/A2
Currency	Euro	Sterling	Sterling	Sterling

Status, Form and Denomination:

The Notes constitute secured, direct and unconditional obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any person other than the Issuer. The Notes will be constituted by the Trust Deed. The Notes of each class will rank *pari passu* amongst themselves without any preference or priority.

The Class A Notes will rank senior in priority to the Class B Notes, which in turn will rank in priority to the Class C Notes, which in turn will rank in priority to the Class D Notes, which in turn will rank in priority to the Class E Notes as to payment of both principal and interest.

The Trust Deed will contain provisions requiring the Trustee to have regard to the interests of the holders of the Class A1 Notes (the "Class A1 Noteholders"), the holders of the Class A2 Notes (the "Class A2 Noteholders" and, together with the Class A1 Noteholders, the "Class A Noteholders"), the holders

of the Class B Notes (the “**Class B Noteholders**”), the holders of the Class C Notes (the “**Class C Noteholders**”), the holders of the Class D Notes (the “**Class D Noteholders**”) and the holders of the Class E Notes (the “**Class E Noteholders**” and together with the Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders, the “**Noteholders**”), but where there is, in the Trustee’s opinion, a conflict between such interests, the Trustee will be required to have regard only to the interests of the holders of the most senior class of Notes then outstanding. Certain classes of Noteholders are restricted in their ability to pass Extraordinary Resolutions whilst other classes of Notes remain outstanding.

Security for the Notes:

The obligations of the Issuer to the Noteholders and to each of the Originator, the Originator Trustee, the Cash Manager, the Trustee, the Agent Bank, the Paying Agents, the Corporate Services Provider, the Account Bank, the Basis Swap Counterparty, the Currency Swap Counterparty, the Liquidity Provider and the Subordinated Loan Provider (all of such persons or entities being, collectively, the “**Secured Creditors**”) will be secured by and pursuant to the terms set out in the Deed of Charge which will be governed by English law.

The Issuer will pursuant to the Deed of Charge create the Issuer Security in favour of the Trustee, which will hold such security on behalf of itself and the other Secured Creditors (see “*Security for the Issuer’s Obligations*” for further details).

Following the service of a Note Enforcement Notice, the amounts payable to the Secured Creditors (other than the Noteholders) will rank higher in priority to payments of principal or interest on the Notes, except for amounts owed to the Originator under the Originator Trust Deed, the Subordinated Loan Provider under the Subordinated Loan Agreement and, in the case of the Liquidity Provider, the Basis Swap Counterparty and the Currency Swap Counterparty, certain subordinated amounts due to any of them under the Liquidity Facility Agreement, the Basis Rate Swap Agreement and the Currency Swap Agreement respectively, each of which rank below payments of principal and interest on the Notes. See “*Cashflows*” for further details.

Withholding Tax:

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges unless the Issuer or a Paying Agent is required by applicable law to make any such payment subject to any such withholding or deduction. In that event, the Issuer or the Paying Agent will make any relevant payments after such withholding or deduction has been made. In such circumstances, neither the Issuer nor any other party will be obliged to pay an additional amount as a consequence.

Scheduled Redemption:

Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued interest on the Payment Date falling in December 2032 (the “**Final Maturity Date**”).

Mandatory Partial Redemption:

Prior to the service of a Note Enforcement Notice, the Notes will be subject to redemption in part on each Payment Date in

accordance with terms and conditions of the Notes and the Pre-Enforcement Principal Priority of Payments (and, in the case of the Class E Notes, the Pre-Enforcement Revenue Priority of Payments).

Prior to the Step-Up Date, the Class A1 Notes will be subject to redemption in part on each Payment Date up to their Targeted Balance in respect of such Payment Date (subject to the amount of Available Principal Receipts received by the Issuer) in priority to the other classes of Notes and in priority to the payment of Further Consideration and New MLA Trust Consideration. From and including the Step-Up Date, the Class A1 Notes will be redeemed *pro rata* and *pari passu* with the Class A2 Notes.

The amount of mandatory partial redemption in respect of the Class A1 Notes (or, prior to the Step-Up Date, the remaining outstanding balance of the Class A1 Notes following mandatory redemption to their Targeted Balance, as described above), the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be dependent, *inter alia*, upon the amount of Available Principal Receipts received by the Issuer, the Further Consideration payable by the Issuer and the availability of New Mortgage Loan Advances to be included in the Originator Trust. In addition, prior to the Step-Up Date, the Class E Notes will be subject to redemption in part on each Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments.

If the Non-Sequential Payment Condition is met, redemption of each class of Notes will be made *pro rata* in respect of each class of Notes (*provided that*, prior to the Step-Up Date, after the Class A1 Notes are redeemed down to their Targeted Balance the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the redemption of the remaining outstanding balance of the Class A1 Notes). If the Non-Sequential Payment Condition is not met, redemption will be made sequentially beginning with the Class A Notes (*provided that*, prior to the Step-Up Date, after the Class A1 Notes are redeemed down to their Targeted Balance the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the redemption of the remaining outstanding balance of the Class A1 Notes). See “Cashflows” below.

Optional Redemption:

The Issuer may on a Payment Date, at its option, redeem all, but not some only, of the Notes in the event:

- (a) the Issuer at any time satisfies the Trustee immediately prior to giving the notice referred to below that either (i) by virtue of a change in the tax law of the United Kingdom or any other jurisdiction (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of 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 relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it, or (ii) by virtue of a change in law from that in effect on the Closing Date, any amount payable by the Borrowers in relation to the Included Mortgage Loan Advances is reduced or ceases to be receivable (whether or not actually received) by the Issuer;

- (b) a Tax Event occurs under the Basis Rate Swap Agreement or the Currency Swap Agreement and (i) the Basis Swap Counterparty or Currency Swap Counterparty (as the case may be) is unable to transfer its rights and obligations thereunder to another branch, office or affiliate to cure the Tax Event, and (ii) the Issuer is unable to find a replacement Basis Swap Counterparty or Currency Swap Counterparty (as the case may be) (the Issuer being obliged to use reasonable efforts to find a replacement Basis Swap Counterparty or Currency Swap Counterparty (as the case may be) to cure the Tax Event);
- (c) the aggregate outstanding principal balance of all the Included Mortgage Loan Advances then outstanding is less than 10 per cent. of the aggregate of the outstanding principal balance of all the Initial Mortgage Loan Advances as at the Closing Date; or
- (d) that such Payment Date falls on or after the Step-Up Date, *provided further that*, in each case, the Issuer has first certified to the Trustee that it will have sufficient funds available to it on the relevant Payment Date to discharge all of its liabilities in respect of the Notes and any amounts required under the Deed of Charge to be paid in priority to, or *pari passu* with, the Notes on such Payment Date.

Regulatory Call Option:

In the event that Bank of Scotland has delivered to the Issuer and the Trustee a notice which states that the regulatory capital treatment for Bank of Scotland applicable in respect of the transaction to which the issuance of the Notes relates has become materially impaired by the implementation of the reform of the 1988 Capital Accord (in conjunction with proposals put forward by the Basel Committee on Banking Supervision and to be implemented for credit institutions pursuant to the EU Capital Adequacy Directive) (a “**Regulatory Call Event**”), the Issuer is required to mandatorily exercise a call option (the “**Regulatory Call Option**”). If a Regulatory Call Event occurs, the Issuer shall, as soon as practicable following the occurrence of such Regulatory Call Event, by not less than thirty and not more than sixty days prior notice to the Trustee and Noteholders, call all, but not some only, of one or more classes of Notes, such call to be exercisable on the Payment Date following any such notice. On the Payment Date following such notice, Noteholders are required to sell all of their Notes to the Issuer (or any assignee of the Regulatory Call Option), pursuant to the option granted by the Trustee to the Issuer on behalf of the

Noteholders (see Condition 5(e) of the Notes). Such notice must confirm that there will be sufficient funds available to satisfy all obligations in connection with the exercise of such call option. The Regulatory Call Option is granted to acquire all, but not some only, of the then outstanding Notes plus accrued interest (if any) on them, for a purchase price equal to the then par value of the Notes. Immediately following the issue of the Notes, the Issuer intends to irrevocably assign the rights (and to novate the obligations) under the Regulatory Call Option to Bank of Scotland and accordingly, in the event of such assignment, the exercise of the Regulatory Call Option will require the Noteholders to sell their Notes to Bank of Scotland.

The Regulatory Call Option will not be exercised prior to the Payment Date falling in March 2009.

Post Enforcement Call Option:

If, after completion of the enforcement of the Issuer Security and payment of the proceeds of such enforcement, any amount of principal and interest or other amount whatsoever due in respect of the Notes remains unpaid, Option Co. will have an option to purchase all Notes then outstanding for consideration of one penny or one Euro-cent (as the case may be) per Note.

Transfer Restrictions:

Subject to applicable laws and regulations, there are no transfer restrictions in respect of the Notes.

Listing:

Application will be made to list the Listed Notes on the Official List of the Irish Stock Exchange.

Governing Law:

The Notes will be governed by English law.

RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes and related transactions about which prospective Noteholders should be aware. Noteholders should read the detailed information set out below and elsewhere in this Prospectus and reach their own view prior to making any investment decision.

Credit Structure

Recourse in Relation to the Notes

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any other entity. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, Bank of Scotland or any of its affiliates, the Arranger, the Lead Managers, the Trustee, the Basis Swap Counterparty, the Currency Swap Counterparty, the Account Bank, the Paying Agents, the Liquidity Provider or any other party to the transaction (other than the Issuer) and none of such persons will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to make any payment of any amount due on the Notes.

The Issuer will have no recourse to the Originator save as provided in the Originator Trust Deed.

Limited Resources of the Issuer

In the event that the proceeds of enforcement of the Issuer Security are insufficient to satisfy the outstanding claims of Noteholders (after payment of all other claims ranking higher in priority to or *pari passu* with amounts due) and Option Co. exercises the Post-Enforcement Call Option, then the Noteholders will have no further claim against the Issuer in respect of any unpaid amounts. Accordingly, enforcement of the Deed of Charge is the only substantive remedy available for the purpose of recovering amounts owed in respect of the Notes.

Credit Risk

The Issuer is subject to the risk of default in payment by a Borrower and the failure by the Originator, the Originator Trustee and the Trustee, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Included Mortgage Loan Advance and its Related Security in order to discharge all amounts due and owing by the relevant Borrower under such Included Mortgage Loan Advance. This risk is addressed in respect of the Notes (a) through the use of excess Available Revenue Receipts to fund any shortfalls in principal; (b) by establishing a Reserve Fund on the Closing Date and using excess Available Revenue Receipts to replenish the Reserve Fund as necessary; and (c) by the subordination of junior ranking classes of Notes to more senior ranking classes of Notes.

Liquidity Risk

The Issuer is subject to the risk that on any Payment Date, Available Revenue Receipts may be insufficient to pay interest due on the Notes as a result of Borrowers making late payments after the end of the relevant Calculation Period. This risk is addressed (i) by the fact that the Revenue Receipts, assuming all Included Mortgage Loan Advances make their scheduled payments, are expected to exceed the interest payable on the outstanding Notes (and amounts payable in priority thereto or *pari passu* therewith); (ii) by establishing a Reserve Fund on the Closing Date and using the Reserve Fund to meet shortfalls in Available Revenue Receipts; (iii) the use of certain Available Principal Receipts to meet payments of interest (other than Step-Up Amounts) on the Notes; (iv) by the provision of a Liquidity Facility to fund (subject to the conditions for drawing set out therein) Liquidity Shortfall Amounts; and (v) by the subordination of junior ranking classes of Notes to more senior ranking classes of Notes.

Subordination and credit enhancement

Save as provided in the Conditions, payments of interest on the Class A Notes will be made in priority to payments of interest on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (except that all payments in respect of any Class A Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class B Step-Up Amounts, any Class C Step-Up Amounts, any Class D Step-Up Amounts and any Class E Step-Up Amounts). Payments of interest on the Class B Notes will be made in priority to payments of interest on the Class C Notes, the

Class D Notes and the Class E Notes (except that all payments in respect of any Class B Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class C Step-Up Amounts, any Class D Step-Up Amounts and any Class E Step-Up Amounts). Payments of interest on the Class C Notes will be made in priority to payments of interest on the Class D Notes and the Class E Notes (except that all payments in respect of any Class C Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class D Step-Up Amounts and any Class E Step-Up Amounts). Payments of interest on the Class D Notes will be made in priority to payments of interest on the Class E Notes (except that all payments in respect of any Class D Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class E Step-Up Amounts).

Payments of Step-Up Amounts will be made after payments of all other amounts due under the Notes as set out in the Conditions and the Priorities of Payment.

Prior to the service of a Note Enforcement Notice, the Notes will be subject to redemption in part on each Payment Date in accordance with terms and conditions of the Notes and the Pre-Enforcement Principal Priority of Payment.

Prior to the Step-Up Date, the Class A1 Notes will be subject to redemption in part on each Payment Date up to their Targeted Balance in respect of such Payment Date (subject to the amount of Available Principal Receipts received by the Issuer) in priority to the other classes of Notes and in priority to the payment of Further Consideration and New MLA Trust Consideration. From and including the Step-Up Date, the Class A1 Notes will be redeemed *pro rata* and *pari passu* with the Class A2 Notes.

The amount of mandatory partial redemption in respect of the Class A1 Notes (or, prior to the Step-Up Date, the remaining outstanding balance of the Class A1 Notes following mandatory redemption to their Targeted Balance, as described above), the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be dependent, *inter alia*, upon the amount of Available Principal Receipts received by the Issuer, the Further Consideration payable by the Issuer and the availability of New Mortgage Loan Advances to be included in the Originator Trust.

If the Non-Sequential Payment Condition is met, redemption of each class of Notes will be made *pro rata* in respect of each class of Notes (*provided that*, prior to the Step-Up Date, the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the redemption of the remaining outstanding balance of the Class A1 Notes). If the Non-Sequential Payment Condition is not met, redemption will be made sequentially beginning with the Class A Notes (*provided that*, prior to the Step-Up Date, the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the redemption of the remaining outstanding balance of the Class A1 Notes). See "*Cashflows*" below.

In addition, prior to the Step-Up Date, the Class E Notes will be subject to redemption in part on each Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments.

At all times after the service of a Note Enforcement Notice, the Issuer will, in accordance with the Post-Enforcement Priority of Payments, make (i) payments of principal on the Class A Notes ahead of payments of principal on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; (ii) payments of principal on the Class B Notes ahead of payments of principal on the Class C Notes, the Class D Notes and the Class E Notes; (iii) payments of principal on the Class C Notes ahead of payments of principal on the Class D Notes and the Class E Notes; and (iv) payments of principal on the Class D Notes ahead of payments of principal on the Class E Notes.

If, on any Payment Date or upon redemption in whole of any class of the Notes or upon enforcement of the security for any class of the Notes, there are insufficient funds available after payment of all other claims ranking in priority to or *pari passu* with the Class B Notes and/or the Class C Notes and/or the Class D Notes and/or the Class E Notes and/or the Class A Step-Up Amounts to pay in full all principal and interest (including any shortfalls of principal (in the case of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes only) and interest thereon) in respect of the Class B Notes (but so that interest in respect of the Class B Notes (other than Class B Step-Up Amounts) will always be paid before principal) and/or the Class C Notes (but so that interest in respect of the Class C Notes (other than any Class C Step-Up Amount) will always be paid before principal) and/or the Class D Notes (but so that interest in respect of the Class D Notes (other than any Class D Step-Up Amount) will always be paid before principal) and/or the Class E Notes (but so that interest in respect of the Class E Notes (other than any Class E Step-Up Amount) will always be paid before principal) and/or the Class A Step-Up Amount,

the Issuer's liability to pay such accrued interest and outstanding principal will be deferred until the next Payment Date. If on the next Payment Date, there are again insufficient funds, the Issuer's liability to pay such amounts will again be deferred to the following Payment Date. This deferral will continue until the Final Maturity Date. In any event, should the Issuer not have sufficient funds to pay such amounts, the Issuer's assets may be insufficient to pay such amounts in full. The Noteholders and the holders of the coupons in respect of Class A Step-Up Amounts should, therefore, have regard to the risk factors identified herein in determining the likelihood or extent of any such shortfall.

Interest Rate Risk

The Issuer is subject to:

- (a) the risk of the contractual interest rates on the Included Mortgage Loan Advances being less than that required by the Issuer in order to meet its commitments under the Notes and its other obligations, which risk is mitigated by the Basis Rate Swap that swaps the basis payments under the Included Mortgage Loan Advances for three-month LIBOR;
- (b) the risk of default in payment by a Borrower under an Included Mortgage Loan Advance with a variable rate of interest as a result of an increase in the rate of LIBOR or an increase in the base rate of Bank of Scotland, which risk is mitigated in circumstances where the Borrower has entered into hedging arrangements typically with HBOS Treasury Services plc (a wholly owned subsidiary of Bank of Scotland which is guaranteed by Bank of Scotland); and
- (c) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes which risk is mitigated by (i) the Account Bank Agreement which pays a guaranteed rate of interest on funds standing to the credit of the Transaction Accounts and the Reserve Account; (ii) the entering into of Authorised Investments; (iii) the Reserve Fund which is available to meet payments of interest due under the Notes and certain other expenses of the Issuer; (iv) the entry by the Issuer into the Liquidity Facility which may, in certain circumstances, be drawn to meet payments of interest due under the Notes; and (v) for so long as the Included Mortgage Loan Advances are fully performing, the availability of excess Revenue Receipts which are available to meet payments of interest due under the Notes and certain other expenses of the Issuer.

Exchange Rate Risk

Repayments of principal and payments of interest on the Class A1 Notes will be made in Euro by the Issuer but payments will be received from the Borrowers under the Included Mortgage Loan Advances 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 Agreement with the Currency Swap Counterparty.

If the Issuer fails to make timely payments of amounts due under the Currency Swap Agreement, then it will have defaulted under the Currency Swap. The Currency Swap Counterparty is only obliged to make payments to the Issuer under the Currency Swap Agreement as long as the Issuer complies with its payment obligations under such Currency Swap Agreement. If the Issuer fails to make timely payments under the Currency Swap Agreement, the Currency Swap Counterparty will have the right to terminate the Currency Swap Agreement.

If the Currency Swap Counterparty terminates the Currency Swap Agreement or if the Currency Swap Counterparty defaults in its obligations to make payments of amounts in Euro equal to the full amount to be paid to the Issuer on the payment dates under the Currency Swap Agreement, the Issuer will be exposed to changes in Euro/sterling currency exchange rates and could have insufficient Euro funds to enable it to make payments under the Class A1 Notes.

If the Currency Swap Counterparty defaults under the Currency Swap Agreement, the Issuer will have the right under certain circumstances to terminate the Currency Swap Agreement. Upon such termination, the Issuer is obliged to obtain a replacement currency 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 Class A1 Notes.

Swap Termination Payments

If the Basis Rate Swap or Currency Swap terminates, the Issuer may be obliged to pay a termination payment to the Basis Swap Counterparty or the Currency Swap Counterparty (as the case may be). 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 (as based upon loss in the event that market quotations cannot be determined). There are no assurances that the Issuer will have sufficient funds available to make any termination payment under the Basis Rate Swap or the Currency Swap or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the relevant class of Notes. There are no assurances that the Issuer will be able to enter into a replacement swap, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrading of the then current ratings of one or more classes of the Notes by the Rating Agencies.

Except where the Basis Swap Counterparty or the Currency Swap Counterparty (as the case may be) has caused the Basis Rate Swap or the Currency Swap (as the case may be) to terminate as a result of the Basis Swap Counterparty's or the Currency Swap Counterparty's (as the case may be) own default, any termination payment due by the Issuer under the Basis Rate Swap Agreement or the Currency Swap Agreement will rank ahead of payments due on the Notes. Any additional amounts required to be paid by the Issuer following termination of the Basis Rate Swap or the Currency Swap (including any extra costs incurred if the Issuer cannot immediately enter into a replacement Basis Rate Swap or Currency Swap), will also rank equally with payments due on the Notes in the case of the payments due by the Issuer. Therefore, if the Issuer is obliged to make a termination payment to the Basis Swap Counterparty or the Currency Swap Counterparty (as the case may be) or to pay any other additional amount as a result of the termination of the Basis Rate Swap or the Currency Swap, this may affect the funds which the Issuer has available to make payments on the Notes of any class.

Reliance on the Creditworthiness of the Basis Swap Counterparty and the Currency Swap Counterparty

The Basis Swap Counterparty is currently rated Aa2/P-1 by Moody's, AA/A-1+ by S&P and AA+/F1+ by Fitch. The Currency Swap Counterparty is currently rated Aa1/P-1 by Moody's, AA/A-1+ by S&P and AA+/F1+ by Fitch. There is no obligation on the part of the Issuer, the Trustee, the Basis Swap Counterparty or the Currency Swap Counterparty or any other person to maintain any minimum credit rating of the Basis Swap Counterparty and the Currency Swap Counterparty. In the event of a downgrade of the credit rating of the Basis Swap Counterparty or the Currency Swap Counterparty that would adversely affect the rating of the Notes, the Basis Swap Counterparty is required under the Basis Rate Swap Agreement and the Currency Swap Counterparty is required under the Currency Swap Agreement to take certain steps, including appointing a replacement or additional Basis Swap Counterparty or Currency Swap Counterparty (as the case may be) or posting collateral, designed to maintain the rating of the Notes. See "*Swap Agreements – Basis Swap Counterparty Ratings Downgrade*" and "*Swap Agreements – Currency Swap Counterparty Ratings Downgrade*" below.

Limited Liquidity of Included Mortgage Loan Advances

The ability of the Issuer to redeem all of the Notes in full while any of the Included Mortgage Loan Advances are still outstanding, including after the occurrence of a Note Event of Default in relation to the Notes, may depend upon whether the Included Mortgage Loan Advances can be sold, otherwise realised or refinanced so as to obtain an amount sufficient to redeem the Notes. There is not yet an active and liquid secondary market for commercial property loans and related mortgages and collateral security in the United Kingdom. It may be that neither the Issuer nor the Trustee is able to sell or refinance the Included Mortgage Loan Advances under the Originator Power of Attorney on appropriate terms should any of them be required to do so.

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 payments of principal (including prepayments, sale proceeds arising on enforcement of an Included Mortgage Loan Advance and reacquisition of the beneficial interest in an Included Mortgage Loan Advance due to breaches of representations and warranties which could have a material adverse effect on the relevant Included Mortgage Loan Advance and/or its Related Security) on the Included Mortgage Loan Advances and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Included Mortgage Loan Advances.

The rate of prepayment of Included Mortgage Loan Advances cannot be predicted and is influenced by a wide variety of economic and other factors, including prevailing interest rates, the buoyancy of the commercial property market, the availability of alternative financing and local and regional economic conditions. Therefore, no assurance can be given as to the level of prepayment that the Mortgage Portfolio will experience. Unless specified otherwise, information with respect to each of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio relates to each of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio in this Prospectus as at the Cut-Off Date. Some of the information set out in relation to the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio may change between the Cut-Off Date and the date of this Prospectus and may change further between the date of this Prospectus and the Closing Date due to, *inter alia*, the repayment or prepayment of the mortgage loans and the ongoing servicing of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio which may result in a change of the terms of some of the agreements in relation to the mortgage loans.

However, prior to the Substitution Period End Date (and, in respect of Documented Further Advances, prior to, on and following the Substitution Period End Date), the Issuer shall be entitled, subject to certain conditions, to apply monies available pursuant to the Pre-Enforcement Principal Priority of Payments to acquire a beneficial interest in the Originator Trust over New Mortgage Loan Advances. To the extent they occur, such acquisitions will mitigate, to a limited extent, against a higher than anticipated rate of prepayments on the Mortgage Portfolio. There can be no assurance that there will be any Secondary Mortgage Loan Advances available in the Secondary Mortgage Portfolio at the relevant time. See “*Maturity and Payment Considerations*” below.

If an Included Mortgage Loan Advance is subject to a Mortgage Loan Terms Adjustment and/or Related Security Adjustment and/or a Non-Documented Further Advance and this causes the relevant Pool Adjustment Criteria to be breached on the next following Calculation Date, then the Originator will be required (subject to certain provisos) to reacquire the beneficial interest in the Non-Documented Further Advance and the relevant Included Mortgage Loan Advance (in respect of which such Non-Documented Further Advance (where applicable), Related Security Adjustment and/or Mortgage Loan Terms Adjustment was made) and its Related Security from the Issuer at a price equal to the Current Balance of such Included Mortgage Loan Advance (or, in certain circumstances, another Included Mortgage Loan Advance that has been the subject of a Pool Adjustment in the same Calculation Period to ensure there is no breach of the Pool Adjustment Criteria) unless the Rating Agencies provide confirmation in writing to the Issuer and the Trustee that there will be no withdrawal, downgrade or qualification of the then current ratings of one or more classes of the Notes.

The yield to maturity of the Notes may be affected by the acquisition by the Originator of the beneficial interest in Included Mortgage Loan Advances subject to Mortgage Loan Terms Adjustments and/or Related Security Adjustments and/or Non-Documented Further Advances.

Early redemption of the Notes

The Conditions of the Notes provide for certain early redemption events at the option of the Issuer (subject to the requirement that the Issuer has first certified to the Trustee that it will have sufficient funds available to it on the relevant Payment Date to discharge all of its liabilities in respect of the Notes and other amounts). If such early redemption option is exercised by the Issuer, Notes would be redeemed prior to the Final Maturity Date and interest on such Notes would accrue only to the date of such early redemption.

In the event of an occurrence of a Regulatory Call Event, the Issuer is required to mandatorily exercise a call option (the “**Regulatory Call Option**”) (*provided that*, the Regulatory Call Option may not be exercised prior to the Payment Date falling in March 2009). If a Regulatory Call Event occurs, the Issuer shall, as soon as practicable following the occurrence of such Regulatory Call Event, by not less than thirty and not more than sixty days prior notice to the Trustee and Noteholders, call all, but not some only, of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, such call to be exercisable on the Payment Date following any such notice. On the Payment Date following such notice, Noteholders are required to sell all of their Notes to the Issuer (or any assignee of the Regulatory Call Option), pursuant to the option granted by the Trustee to the Issuer on behalf of the Noteholders (see Condition 5(e) of the Notes). Such notice must confirm that there will be sufficient funds available to satisfy all obligations in connection with the exercise of such call option. The Regulatory Call Option is granted to acquire all, but not some only, of the then outstanding Notes plus accrued interest (if any) on them, for a purchase price equal to the then par value of the Notes. Immediately following the issue of the Notes, the Issuer intends to irrevocably assign the rights (and to

novate the obligations) under the Regulatory Call Option to Bank of Scotland and accordingly, in the event of such assignment, the exercise of the Regulatory Call Option will require the Noteholders to sell their Notes to Bank of Scotland. If the Regulatory Call Option is exercised by the Issuer, the Noteholders would be required to sell their Notes prior to the Final Maturity Date and interest on such Notes would accrue only to the date of exercise of the Regulatory Call Option.

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Provider will provide a committed facility for drawings to be made in the circumstances described in “*Credit Structure – Liquidity Facility*”. The facility will, however, be subject to an initial maximum aggregate principal amount equal to £65,000,000 and will reduce in line with payments of principal made in respect of the Notes (subject to a floor of £10,000,000) so that at any given time the Liquidity Provider’s commitment will, on each Payment Date, be the Liquidity Facility Commitment. The Liquidity Facility Agreement is not available to meet shortfalls in amounts available to the Issuer to make payments of principal on the Notes.

The Issuer will be prevented from drawing under the Liquidity Facility, *inter alia*:

- (a) to the extent that there are (i) amounts in the Reserve Fund, or (ii) Reallocated Principal Receipts, in each case, available to meet shortfalls under items in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments which would otherwise be Liquidity Shortfall Amounts;
- (b) in respect of the Class B Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class B Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class B Notes;
- (c) in respect of the Class C Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class C Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class C Notes;
- (d) in respect of the Class D Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class D Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class D Notes; and
- (e) in respect of the Class E Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class E Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class E Notes.

The Liquidity Provider is currently rated P-1 by Moody’s, A-1+ by S&P and F1 + by Fitch. There is no obligation on the part of the Issuer, the Trustee, the Liquidity Provider or any other person to maintain any minimum credit rating of the Liquidity Provider and in the event that the Liquidity Provider failed to perform its obligations under the Liquidity Facility Agreement, Noteholders may be adversely affected.

However, the Liquidity Facility Agreement will provide that if (a) the Liquidity Provider (i) ceases to be rated at least A-1+ by S&P, (ii) ceases to be rated at least P-1 by Moody’s or (iii) ceases to be rated at least F1+ by Fitch or (b) does not agree to extend the Liquidity Facility Commitment Period pursuant to the terms of the Liquidity Facility Agreement, the Issuer may require the Liquidity Provider to pay an amount equal to the undrawn commitment under the Liquidity Facility Agreement into the Liquidity Facility Stand-by Account (a “**Liquidity Stand-by Drawing**”). If the Issuer makes a Liquidity Stand-by Drawing, it shall pay to the Liquidity Provider on each Payment Date on which the Liquidity Stand-by Drawing remains outstanding interest in respect of that Liquidity Stand-by Drawing at a rate equal to the commitment fee in respect of that Liquidity Stand-by Drawing plus interest earned on the Liquidity Facility Stand-by Account during that period.

The Liquidity Facility Agreement also provides that upon the occurrence of an event which would permit a Liquidity Standby Drawing, the Issuer may, without premium or penalty, cancel the Liquidity Facility *provided that* it has made arrangements for a liquidity provider which is rated at least A-1+ by S&P, P-1 by Moody’s and F1+ by Fitch to provide a liquidity facility on substantially the same terms as the Liquidity Facility. There can however be no guarantee that the Issuer will be able to enter into such replacement Liquidity Facility.

Unpaid Interest and Initial Interest Period Shortfall

The Borrowers under the Included Mortgage Loan Advances typically make payments of interest and principal on a monthly, quarterly, semi-annually or annual basis. Unpaid Interest as at the close of

business on the Business Day prior to the Closing Date will form part of the Originator Trust Property. The first Interest Period in respect of the Notes will not exactly match the monthly, quarterly, semi-annual or annual (as the case may be) interest periods under the Included Mortgage Loan Advances. There is therefore a risk that the Issuer will not have sufficient Revenue Receipts from the Borrowers to allow the Issuer to make payments of interest due under the Notes on the first Payment Date. In order to mitigate this risk, the Issuer will, *inter alia*, establish the Reserve Fund, into which the proceeds of the drawing under the Subordinated Loan Agreement will be deposited on the Closing Date and enter into the Liquidity Facility and the Notes will bear a long first coupon.

No Direct Interest

The Issuer will not have any direct interest in the Included Mortgage Loan Advances or their Related Security. The Originator Trust Property will not be assigned legally or equitably or otherwise transferred to the Issuer and legal title to the Included Mortgage Loan Advances and their Related Security will remain with, or shall continue to be held on behalf of, Bank of Scotland. The Issuer will not acquire legal title and, in the case of registered land, will not be registered as proprietor and legal owner at The Land Registry, the Registers of Scotland or H.M. Greffe in Guernsey (as the case may be). Notice of the trust will not be given to Borrowers. In its capacity as trustee of the Originator Trust, Bank of Scotland will hold its interest in the Included Mortgage Loan Advances and their Related Security for the benefit of the Issuer (to the extent of the Investor Interest). Neither the Issuer or the Trustee will have a direct contractual relationship with any Borrower. The beneficial entitlement of the Issuer under the Originator Trust does not constitute a purchase or other acquisition, assignment or transfer of any legal interest in any Included Mortgage Loan Advance or its Related Security. Bank of Scotland will not grant the Issuer, the Trustee or any other entity any security interest over any Included Mortgage Loan Advance or Related Security.

In the event of defaults by Borrowers under the Included Mortgage Loan Advances or Related Security, the Issuer will have rights solely against the Originator Trustee and will have no rights against Borrowers. Only Bank of Scotland will be entitled to take any remedial action in respect of the Included Mortgage Loan Advances or Related Security or to exercise any votes permitted to be taken or given thereunder.

However, the Originator Power of Attorney will allow the Issuer or the Trustee to act in the name of Bank of Scotland (as lender of record) to take actions to enforce the Included Mortgage Loan Advances against the Borrowers and to collect the proceeds of the Originator Trust Property upon the occurrence of a Power of Attorney Event (see "*Originator Trust – Originator Power of Attorney*"). The Issuer has received legal advice (subject to certain reservations) to the effect that the Issuer and the Trustee may exercise their powers under the Originator Power of Attorney following the occurrence of a Power of Attorney Event without the leave of the court under English or Scots (as the case may be) insolvency laws. There can be no assurance, however, that a court would reach the same conclusion or that leave, if required, would be granted. In relation to insolvency proceedings with respect to Borrowers in foreign jurisdictions, see "*Borrowers in foreign jurisdictions*" below.

The holding of a beneficial interest has the following main legal consequences in England and Wales (and substantially similar consequences in Scotland):

- (a) for so long as the Issuer holds only a beneficial interest in the Included Mortgage Loan Advances and their Related Security, the Issuer's interest in the Included Mortgage Loan Advances and their Related Security may become subject to interests of third parties (whether legal or equitable) created after the creation of the Issuer's beneficial interest. In addition, the holding of a beneficial interest does not enable the Issuer to prevent the Originator from modifying the terms of the Included Mortgage Loan Advances and their Related Security. Under the Originator Trust Deed, the Originator has agreed that it will not vary any of the terms of the Included Mortgage Loan Advances or the Related Security in a way that would be unacceptable to a prudent commercial mortgage lender;
- (b) any legal proceedings taken against any Borrower must be taken in the name of the Originator only; see "*Originator Power of Attorney*". In this regard, following a Power of Attorney Event, the Originator will undertake for the benefit of the Issuer 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 any Included Mortgage Loan Advance or its Related Security;
- (c) any Borrower is not bound to make payment to anyone other than the person to whom he or she made such payments before the transfer took place (being the Originator) and can obtain a valid discharge from such person; and

- (d) equitable rights of set-off may accrue in favour of such Borrower against his or her obligation to make payments under the relevant Included Mortgage Loan Advances to the Originator. These rights may result in the Issuer receiving less money than anticipated from the Mortgage Portfolio. Under the terms of the Originator Trust Deed, the Originator has warranted that there are no rights under the Mortgage Loan Facilities which would entitle any Borrower to reduce the amount payable in respect of any Included Mortgage Loan Advance by way of set-off or otherwise.

Ratings of Notes

The ratings assigned to the Notes by the Rating Agencies are based on the Mortgage Loan Advances, the Related Security and the Properties and other relevant structural features of the transaction, including, *inter alia*, the short term or long term (as the case may be), unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Provider and the short term or long term (as the case may be), unsecured and unsubordinated debt ratings of the Basis Swap Counterparty and the Currency Swap Counterparty and reflect only the views of the Rating Agencies. The ratings assigned by Moody's address the expected loss in proportion to the initial principal amount of each class of Notes posed to any Noteholder by the Final Maturity Date. The ratings by S&P and Fitch address (a) the timely payment of interest on each Payment Date and (b) the ultimate repayment of principal on a Payment Date by not later than the Final Maturity Date.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any one or more of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. As such, a confirmation of the ratings of the Notes by the Rating Agencies is not a representation or warranty that, as a result of a particular amendment or waiver or otherwise, the interest and principal due under the Notes will continue to be paid in full and when due. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes.

In addition, where, after the Closing Date, a particular matter (including the determination of material prejudice by the Trustee and changes to certain of the operational covenants under the Notes or the Transaction Documents) involves the Rating Agencies being requested to confirm the then current ratings of the Notes, the Rating Agencies, who have not been retained as advisers to the Noteholders, at their sole discretion may or may not give such confirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide their confirmation in the time available or at all and they will not be held responsible for the consequences thereof.

Any confirmation received from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Notes form part since the Closing Date.

Agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Prospectus are to ratings assigned by the specified Rating Agencies only.

Absence of Secondary Market; Limited Liquidity; Market Risk

Application has been made to the Irish Stock Exchange for the Listed Notes to be admitted to the Official List and admitted to trading on its regulated market. There can be no assurance that a secondary market in the Listed Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Listed Notes. In addition the market value of certain of the Listed Notes may fluctuate with changes in the prevailing rates of interest. Consequently, any sale of Listed Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Listed Notes.

Structural Issues Relating to Included Mortgage Loan Advances

Certain Set-off Considerations

In the event of the insolvency of Bank of Scotland or a Borrower, a Borrower which also has a deposit with Bank of Scotland or to which Bank of Scotland owes other obligations may attempt to satisfy its

payment obligation in respect of an Included Mortgage Loan Advance by setting off its deposit or other obligations against such payment obligation.

All Mortgage Loan Advances contained in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio are subject to provisions contained in the relevant Mortgage Loan Facility pursuant to which the relevant Borrower expressly agrees to make payments in respect of the Mortgage Loan Advances thereunder without set-off or counterclaim.

Notwithstanding the previous paragraph, however, under English law, certain mandatory set-off provisions under applicable insolvency laws would continue to be available to a Borrower on its insolvency or the insolvency of Bank of Scotland if, contrary to the way in which the Originator Trust has been structured, the Originator Trust Deed were held to be in breach of a transfer restriction in the Mortgage Loan Facility. The effects of set-off under Scots law would be similar, though the technical set-off mechanisms differ. In particular, while Scots law contains no mandatory set-off on insolvency, it is probable that a waiver of set-off rights otherwise available will not be enforceable on the insolvency of a Borrower, leading to a similar effect to a mandatory set-off in relation to an insolvent Borrower under English law. Breach of transfer restrictions in Mortgage Loan Facilities are not, however, strictly relevant to set-off under Scots law, save to support an argument in the absence of insolvency that a given set-off waiver is not contractually enforceable.

Therefore, if (1) (outside of an insolvency) a Mortgage Loan Facility either (a) does not contain an agreement or undertaking to pay without set-off (however, all Mortgage Loan Advances contained in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio contain such an undertaking); or (b) it does contain an agreement or undertaking to pay without set-off, but such provision were determined to be unenforceable; or (2) a court determined that such mandatory set-off provisions were available so as to enable a Borrower to set-off amounts owing by Bank of Scotland against its payment obligations, then in either case a Borrower which also had a deposit with Bank of Scotland or to which Bank of Scotland owes other obligations might be able to set-off such deposit or obligations of Bank of Scotland against its obligations in respect of an Included Mortgage Loan Advance, in which case Revenue Receipts and Principal Receipts in respect of such an Included Mortgage Loan Advance could be diminished and consequently Noteholders could suffer a loss.

Restrictions on Transfer in Mortgage Loan Facilities and No Removal of Bank of Scotland as Originator Trustee

Certain of the Mortgage Loan Facilities contain restrictions on transfer that may limit or restrict the transfer, assignment or assignation of the Mortgage Loan Facility or related Included Mortgage Loan Advances. The Originator Trust has been structured with the intention that such limitations or restrictions are not contravened by the declaration of the Originator Trust. Such limitations or restrictions on transfer, assignment or assignation and the provisions of the Originator Trust Deed will not permit the appointment of a substitute trustee under the Originator Trust, even in the event of a default by Bank of Scotland of its obligations as Originator Trustee. Accordingly, Bank of Scotland is the only entity capable of enforcing the Included Mortgage Loan Advances. However, under the Originator Power of Attorney, the Issuer or the Trustee may enforce, in certain limited circumstances and in the name of Bank of Scotland, the rights of Bank of Scotland to, among other things, collect the Included Mortgage Loan Advances.

Restrictions on Sub-Participation in Mortgage Loan Facilities

Certain of the Mortgage Loan Facilities contain restrictions on sub-participation by Bank of Scotland. There is no precise legal meaning to the term “sub-participation” under English or Scots law but commercially this term is usually regarded as referring to a contractual back-to-back non-recourse funding arrangement between the lending bank and the participant, which (unlike the Originator Trust) gives the latter no beneficial interest under, or in relation to, the loan which is the subject matter of the sub-participation. Such a contractual back-to-back nonrecourse arrangement would generally not be subject to the same legal analysis as the Originator Trust, but in the absence of clear and settled legal meaning of the term “sub-participation”, no assurance can be given that a court would not hold that a restriction on sub-participation contained in a loan agreement was not intended also to restrict an arrangement such as the Originator Trust. The Issuer, on the basis of legal advice received, considers the risk of a court reaching such a conclusion to be remote but is aware that legal opinion differs on this point and the effective meaning of sub-participation in respect of a Mortgage Loan Facility may be determined by the contractual terms of such Mortgage Loan Facility. In the event that a prohibition on

sub-participation in respect of an underlying Mortgage Loan Facility were breached by the Originator Trust, issues would arise relating to set-off on an insolvency of Bank of Scotland (as referred to in "*Certain Set-off Considerations*" above) and the Issuer would be entitled to make a claim against Bank of Scotland that such Mortgage Loan Facility breached representation (t) set out under "*The Originator Trust – Representations and Warranties*" below. There are no limits on the number of Mortgage Loan Facilities containing sub-participation restrictions that may form part of the Mortgage Portfolio.

Portfolio Considerations

Certain of the Mortgage Loan Facilities contain confidentiality provisions and as a result Bank of Scotland will not provide the Issuer, the Trustee or any other third party with information relating to the identification of a Borrower, Mortgage Loan Facility or Mortgage Loan Advance or other information that would lead to the identification of a Borrower, Mortgage Loan Facility or any Mortgage Loan Advance thereunder or copies of financial and other information sent to it pursuant to any Mortgage Loan Facility or notify the Issuer, the Trustee or any other person of the contents of any notice received by it pursuant to any Mortgage Loan Facility.

Prior to a Power of Attorney Event, all of the beneficiaries of the Originator Trust, including Bank of Scotland, must consent to any disclosure of the information relating to the identification of a Borrower, Mortgage Loan Facility or Mortgage Loan Advance, and the beneficiaries have acknowledged that Bank of Scotland would be subject to any applicable confidentiality requirements regarding such disclosure. Accordingly, Bank of Scotland will be obliged to provide to the Issuer a copy of the information relating to the identification of a Borrower, Mortgage Loan Facility or Mortgage Loan Advance only following the occurrence of a Power of Attorney Event and, where applicable, against delivery to each Borrower of a confidentiality undertaking. Bank of Scotland will provide, to the extent that it is able, to the Issuer the loan documents and other original records relating to a Mortgage Loan Facility only following a Power of Attorney Event in accordance with the provisions of the Originator Trust and where the Issuer requests such information and advises Bank of Scotland that the Originator Power of Attorney will be utilised in relation to Originator Trust Property related to such Mortgage Loan Facility.

Neither the Issuer or the Trustee shall have any right to inspect any records relating to the Originator Trust held by Bank of Scotland or its agents, and Bank of Scotland shall be under no obligation to disclose any further information or evidence regarding the existence or terms of any Mortgage Loan Facility or Mortgage Loan Advance or any matters arising in relation thereto or otherwise regarding a Mortgage Loan Facility or Included Mortgage Loan Advance, guarantor, security provider or other person in relation thereto unless specifically referred to in the operative documents relating to the transactions described herein.

Continued Relationship of Bank of Scotland with Borrowers under Advances and Conflicts of Interest

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

Various potential and actual conflicts of interest may arise from the activities of Bank of Scotland and/or its affiliates in connection with the transactions contemplated by this Prospectus. Among other things, Bank of Scotland and/or its affiliates may have other loans, equity positions or other relationships with Borrowers or their affiliates as outlined above. These loans, equity positions and other relationships may give rise to interests that are different from or adverse to the interests of the Noteholders. There are no restrictions in the relevant agreements on such loans or relationships and Bank of Scotland shall not be obliged to have regard for the interests of the Issuer or the Noteholders in its business transactions with Borrowers or their affiliates. It is noted that, under the terms of the Originator Trust Deed, the Originator will not take any action likely to impair the interests of the Issuer in any of the Originator Trust Property or the value of any Included Mortgage Loan Advance and is required to administer the Included Mortgage Loan Advances in accordance with the Servicing Standard.

Servicing Risk

Administration by the Originator

The Originator will service the Mortgage Portfolio in accordance with the terms of the Originator Trust Deed (see "*Administration of the Mortgage Portfolio*" below). The Originator will have the right to agree Mortgage Loan Terms Adjustments and/or Related Security Adjustments and/or Further Advances with a Borrower. The Originator Trust Deed will require that the Originator acts as a prudent commercial mortgage lender acting reasonably in agreeing to such Mortgage Loan Terms Adjustments and/or Related Security Adjustments and/or Further Advances. The Issuer will be dependent upon the performance by the Originator of its obligations under the Originator Trust Deed to administer the Included Mortgage Loan Advances in order to receive amounts due from Borrowers under the Included Mortgage Loan Advances.

Receivers

In England and Wales, the Originator may appoint either a Law of Property Act receiver or an administrative receiver. A Law of Property Act receiver is so called because his powers derive not only from the fixed charge under which he has been appointed but also from the Law of Property Act 1925. An administrative receiver is appointed under a floating charge and can deal with the whole of the assets of the relevant chargor, if applicable (but see also "*Prohibition on appointment of administrative receiver*" below).

In relation to a receiver appointed in respect of an Included Mortgage Loan Advance granted by a corporate Borrower which is not resident in the United Kingdom, the powers of such a receiver would be limited to those conferred contractually by the terms of the Included Mortgage Loan Advance (or, as the case may be, the floating charge) and by statute in the case of a Law of Property Act receiver and may not extend to assets located outside the United Kingdom.

A receiver is deemed by law to be the agent of the Borrower until a liquidator is appointed, and thus whilst acting within his powers only incurs liability on behalf of the Borrower.

In Scotland, only a charge expressly created as a floating charge may be enforced by receivership and then only under the Insolvency Act 1986 and only in respect of a company which may be wound up by the Scottish courts or in respect of an English company.

Prohibition on appointment of administrative receiver

By an order made by the Under-Secretary of State for Small Business and Enterprise made on 8 August 2003, the provisions of the Enterprise Act 2002 (the "**Enterprise Act**") amending certain corporate insolvency provisions of the Insolvency Act 1986 came into force on 15 September 2003. As a result of the amendments made by the Enterprise Act, unless a floating charge was created prior to 15 September 2003, or falls within one of the exceptions contained in the Enterprise Act, the holder of a qualifying floating charge will be prohibited from appointing an administrative receiver to a company and, consequently, will not have the ability to prevent the appointment of an administrator to such company.

The floating charge to be granted by the Issuer pursuant to the terms of the Deed of Charge is a qualifying floating charge for the purposes of the Enterprise Act and will be entered into after 15 September 2003 and as such, unless excepted, the Trustee will be prevented from appointing an administrative receiver in respect of the Issuer. However, this qualifying floating charge will fall within the "capital market arrangement" exception to the prohibition on appointment of an administrative receiver and accordingly the Trustee will still be able to appoint an administrative receiver pursuant to the Deed of Charge.

In those cases where the Originator has not taken a floating charge over all or substantially all of the assets of a Borrower prior to 15 September 2003 or which falls within one of the exemptions under the Enterprise Act, upon presentation of a petition for the appointment of an administrator in respect of a corporate Borrower, the Originator or, as the case may be, the Issuer or the Trustee will not have the right to appoint an administrative receiver so as to prevent the court making an administration order in respect of the Borrower. As a consequence, because of the statutory moratorium on security enforcement which arises in an administration, the Originator or, as the case may be, the Issuer or the Trustee will not be entitled to enforce the fixed Related Security for the relevant Included Mortgage Loan Advance or take legal proceedings against that Borrower without the consent of the administrator or the leave of the court.

However, the administrator will be required to apply the proceeds of the disposal of the property secured by the fixed Related Security towards discharging the sums owed under the relevant Included Mortgage Loan Advance. The administrator requires the consent of the chargeholder or the leave of the court to dispose of property which is subject to fixed security. However, if the administrator chooses not to apply for such leave (or to seek the consent of the chargeholder), although the administrator will not be entitled to dispose of the fixed charge property, the chargeholder will still need the consent of the administrator or the leave of the court in order to enforce its security. This may result in a delay in the payment of amounts owing under the relevant Included Mortgage Loan Advance to the Issuer and, subject to the availability of the Liquidity Facility and the Reserve Fund, could result in a failure by the Issuer to pay amounts due under the Notes in a timely fashion. See further “*Insolvency Act 2000*” below in respect of delays in enforcement of Related Security granted by Borrowers which are “small companies”.

Share of floating charge assets for unsecured creditors

The Enterprise Act 2002 also inserted a new s176A into the Insolvency Act 1986, which provides that where a company has gone into liquidation or administration, or where there is a provisional liquidator or receiver, a “prescribed part” of the company’s net property is to be applied in satisfaction of debts due to unsecured creditors in priority over debts secured only by a floating charge. A company’s “net” property for this purpose is the portion of a company’s property which would otherwise be available to satisfy the claims of creditors secured only by a floating charge. As at the date of this Prospectus, the “prescribed part” has been set at 50 per cent. of the first £10,000 of a company’s net property and 20% thereafter up to a maximum of £600,000. The liquidator, administrator or receiver may disapply this rule in certain circumstances.

While certain of the covenants given by the Issuer under the Transaction Documents are intended to ensure that the Issuer has no creditors other than the Secured Creditors, it will be a matter of fact as to whether the Issuer has any other creditors at any time. To the extent that any of the Issuer’s assets are subject to fixed charges pursuant to the Deed of Charge, such assets will be outside the Issuer’s “net property”. However, to the extent that any of the Issuer’s assets are subject only to a floating charge, the provisions of section 176A of the Insolvency Act would result in the prescribed part of the assets which would otherwise be available to satisfy the claims of the Secured Creditors being used to satisfy the claims of unsecured creditors.

In addition, a small number of the Borrowers are organised as partnerships and in the future Borrowers under New Mortgage Loan Advances may be organised as partnerships, limited partnerships or limited liability partnerships. It is not clear under English law whether a partnership (other than a limited liability partnership) can grant an effective floating charge and, in any event, under the Insolvent Partnerships Order 1994, which modifies the Insolvency Act 1986 in relation to partnerships and limited partnerships in England and Wales, it is not possible to appoint an administrative receiver over the assets of a partnership and so block the appointment of an administrator. The effect of an administration order is, amongst other things, to impose a moratorium so that any winding up petition must be dismissed and no steps may be taken to enforce any security over the partnership property. It directs that the affairs and business of the partnership and the partnership property should be managed by the administrator. During the period of an administration order (i) no order may be made for the winding up of the partnership; (ii) no order may be made on the joint petition for bankruptcy of the members as such; (iii) the court may not decree a dissolution of the partnership under the statutory provisions in the Partnership Act 1890; and (iv) most enforcement proceedings including execution and repossession of goods are barred save with the leave of the court. In Scotland, partnerships and limited partnerships cannot grant effective floating charges but also cannot go into administration. In the event that a Borrower which is organised as a partnership or a limited partnership is placed in administration, this may result in a delay in the payment of amounts owing under the relevant Included Mortgage Loan Advance to the Issuer and, subject to the availability of the Liquidity Facility and the Reserve Fund, could result in a failure by the Issuer to make timely payments of amounts due under the Notes. Although a limited liability partnership can grant effective floating charge security, it is not clear whether the prohibition on appointing an administrative receiver currently applies to limited liability partnerships but it is understood that legislation will shortly be enacted clarifying that the provisions of the Enterprise Act 2002 that restrict the circumstances in which an administrative receiver can be appointed apply to limited liability partnerships. Once it is clear that these provisions apply to limited liability partnerships, it will not generally be possible to prevent the appointment of an administrator (unless one of the limited number of exceptions to the prohibition on appointing an administrative receiver applies) and so the same concerns will arise in relation to the security granted by this type of Borrower.

Mortgage Portfolio

The Properties

The Mortgage Loan Advances will be secured by, amongst other things, mortgages or standard securities (as the case may be) over the Properties and the repayment of each Mortgage Loan Advance in part may be, and the payment of interest on each Mortgage Loan Advance is, dependent on the ability of the applicable Property to produce cash flow. However, the income-producing capacity of the Properties may be adversely affected by a large number of factors. Some of these factors relate to a Property itself, such as: (i) the age, design and construction quality of the Property; (ii) perceptions regarding the safety, convenience and attractiveness of the Property; (iii) the proximity and attractiveness of competing properties; (iv) the adequacy of the Property's management and maintenance; (v) increases in operating expenses; (vi) an increase in the capital expenditure needed to maintain the Property or make improvements; (vii) a decline in the financial condition of a tenant; (viii) an increase in vacancy rates; (ix) a decline in rental rates as leases are renewed or entered into with new tenants; (x) the length of tenant leases; and (xi) the creditworthiness and type of tenants.

Other factors are more general in nature, such as: (i) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (ii) local property conditions from time to time (such as over supply or under supply of retail space or office space); (iii) demographic factors; (iv) consumer confidence; (v) consumer tastes and preferences; (vi) retrospective changes in building codes or other regulatory changes; (vii) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (viii) potential environmental legislation or liabilities or other legal liabilities; (ix) the availability of refinancing; and (x) changes in interest rate levels or yields required by investors in income-producing commercial properties.

In particular, a decline in the United Kingdom property market or in the financial condition of a tenant will tend to have a more immediate effect on the net operating income of Properties with short-term revenue sources and may lead to higher rates of delinquency or defaults.

Certain areas in the United Kingdom may from time to time experience declines in real estate values. No assurance can be given that the values of the Properties have remained or will remain at their levels on the dates of the latest valuation held by the Originator in relation to the relevant Included Mortgage Loan Advances. Approximately 25.7 per cent. of the Properties by market value contained in the Initial Mortgage Portfolio are secured by Properties located in London, approximately 14.4 per cent. of the Properties by market value contained in the Initial Mortgage Portfolio are secured by Properties located in the South East of England and approximately 29.2 per cent. of the Properties by market value contained in the Initial Mortgage Portfolio are secured by Properties located in Scotland. The risk of substantial increase in the geographic concentration (relative to the Initial Mortgage Portfolio) is mitigated by the Pool Adjustment Criteria (see "*The Originator Trust – Pool Adjustment Criteria*" below).

Any one or more of the above-described factors could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property, which in turn could cause the relevant Borrower to default on its Included Mortgage Loan Advance.

Syndicated Mortgage Loan Advances

A number of the Included Mortgage Loan Advances are Syndicated Mortgage Loan Advances, in respect of which, the Originator, or a third party originator on behalf of the Originator as a member of a syndicate of lenders, originated the advance. In such cases, the Originator's rights may be exercised by weighted voting by all the lenders under the Syndicated Mortgage Loan Advance. The Originator will have voting rights in relation to the administration and enforcement of a Syndicated Mortgage Loan Advance equivalent to its participation in the aggregate principal amount outstanding of such Syndicated Mortgage Loan Advance. In addition, security for a Syndicated Mortgage Loan Advance is generally held under a security trust for all lenders in the syndicate (including the Originator). In such cases the Issuer will only acquire a beneficial interest in the Originator's rights under the relevant Mortgage Loan Facility and security trust, which may be limited by the rights of other lenders in the syndicate or the powers of any trustee of such security trust.

The Securitised Mortgage Loan Advance

The Securitised Mortgage Loan Advance has been made by the Originator to a Borrower which is a special purpose vehicle established in connection with the purchase by the Borrower of the CMBS Notes

from the CMBS Note Issuer. The CMBS Notes are backed by a portfolio of Properties. However, the Related Security in respect of the Securitised Mortgage Loan Advance does not include a first ranking charge by way of legal mortgage granted in favour of the Originator over the relevant Properties. Instead, the Borrower has granted in favour of the Originator fixed and floating charges over substantially all assets of the Borrower (being the CMBS Notes and security and rights related thereto). Accordingly, the Originator has the indirect benefit of the security granted in favour of the Borrower in its capacity as a holder of the CMBS Notes. It should be noted, that the Originator's rights of enforcement of the Related Security in respect of the Securitised Mortgage Loan Advance will differ from the other Mortgage Loan Advances in the Mortgage Portfolio. The Originator will have no direct right to enforce any security over the relevant Properties and instead, must rely on the Borrower enforcing the security granted to it in its capacity as a holder of the CMBS Notes. The enforcement of this security by the Borrower will be subject to the terms and conditions of the CMBS Notes and will be carried out by the note trustee in respect of such CMBS Notes on behalf of the Borrower and the other noteholders. This may delay the enforcement process and the note trustee will have regard to the interests of the noteholders as a whole.

No Independent Investigation/Reliance on the Representations and Warranties

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions to verify the details of the Included Mortgage Loan Advances or their Related Security comprising the Mortgage Portfolio or to establish the creditworthiness of any Borrower, and will instead rely on the representations and warranties given by the Originator in the Originator Trust Deed.

The Originator Trust Deed provides that in respect of a breach of representation or warranty which could have a material adverse effect on the relevant Included Mortgage Loan Advance and/or its Related Security (which, if capable of remedy, is not remedied within the specified time) each of the Issuer and the Trustee may require the Originator to reacquire the beneficial interest in the relevant Included Mortgage Loan Advance in exchange for payment of a reacquisition price equal to the Current Balance of such Included Mortgage Loan Advance.

Lending on Investment Property

A Borrower's ability to make its payments under an Included Mortgage Loan Advance where the Property is let to tenants will generally depend on rent being paid in a timely manner by the tenants of the relevant Property. In limited cases, where a Borrower landlord is in breach under its tenancy obligations, a right of set-off against rental obligations could be exercised against the Borrower landlord by a tenant of the relevant Property. In such circumstances, the Borrower landlord would have to meet any shortfall between its loan payments and amounts received from tenants. In respect of a multi-tenanted Property, a Borrower landlord would normally be obliged to provide services (such as maintenance) whether or not the Property is fully let. In such circumstances, the Borrower landlord would have to meet any shortfall between the cost of providing such services and the tenants' contributions thereto.

The realisable value of a Property on enforcement may be affected by the terms of the leases to which the Property is subject or, as applicable, if there is then no lease to which the Property is subject, the vacant status of the Property. The Originator will warrant in the Originator Trust Deed that at the time of origination of the first Included Mortgage Loan Advance secured on a Property or the relevant Related Security Adjustment (other than a release of a Property) as appropriate, no report on title or certificate of title, either initially or after further investigation, disclosed anything relating to the relevant Property which would cause a prudent commercial mortgage lender acting reasonably to decline to proceed with the relevant Included Mortgage Loan Advance or Related Security Adjustment.

The Originator's current form of deed of assignment of rents (in respect of English Properties) and assignation (in respect of Scottish Properties) (which are used in most cases (with the exception of some Syndicated Mortgage Loan Advances)) (a "**Deed of Assignment of Rental Income**"), effects an assignment or assignation (as the case may be) from the Borrower to the Originator of rents payable under any lease to which a Property is subject. Such Deed of Assignment of Rental Income is typically executed by a Borrower on a date subsequent to the creation of the relevant Mortgage. In such cases (where no receiver has been appointed and the mortgagee is not in possession) notice of the assignment is not normally given to the tenant by the Originator.

Accordingly, in England and Wales, the assignment will take effect as an equitable assignment only. As such, the assignment will be subject to any prior equities or claims, such as rights of set-off between the Mortgagor as landlord and the relevant tenant. Where there has been no assignment or where there has

been an assignment without notice to the relevant tenant, there is also a risk of the Mortgagor charging or assigning the rents to a third party, despite the Borrower's covenant in the case of certain of the Borrowers, to pay interest and, where applicable, principal, direct to the Originator. Unless, in relation to an English Property, a receiver has been appointed or the mortgagee has taken possession, any such third party charge or assignment would rank ahead of any assignment pursuant to the Mortgage Loan Facility or other rent assignment if created before the assignment takes effect or prior to notice being given to the tenant of that assignment.

In Scotland, such an assignation will provide no practical security to the Originator unless referring to a specific pre-existing lease and unless and until notice is given to the tenant and may constitute a challengeable preference if such notice is delayed. Notice of a valid assignation will prefer the Originator to later (but not earlier) competing assignations, charges and arrestments of rents and will prevent further set-off rights arising, other than set-offs under the lease in question itself.

In England and Wales, where a Property is a leasehold property and is sublet, there is also a risk of the rents being diverted to a superior landlord by a notice under Section 6 of the Law of Distress Amendment Act 1908 if the Borrower fails to pay the relevant headlease rent.

Office Properties

The income from and market value of an office property, and a Borrower's ability to meet its obligations under a Mortgage Loan Facility secured by an office property, are subject to a number of risks. In particular, a given property's age, condition, design, location, access to transportation and major roads and ability to offer certain amenities to tenants, including sophisticated building systems (such as fibre-optic cables, satellite communications or other base building technological features) all affect the ability of such a property to compete against other office properties in the area in attracting and retaining tenants. Other important factors that affect the ability of an office property to attract or retain tenants include the quality of a building's existing tenants, the quality of the building's property manager, the attractiveness of the building and the surrounding area to prospective tenants and their customers or clients, and the public perception of safety in the surrounding neighbourhood. Attracting and retaining tenants often involves refitting, repairing or making improvements to office space to accommodate the type of business conducted by prospective tenants or a change in the type of business conducted by existing major tenants. Such refitting, repairing or improvements are often more costly for office properties than for other property types.

Local and regional economic conditions and other related factors also affect the demand for and operation of office properties. For example, decisions by companies to locate an office in a given area will be influenced by factors such as labour cost and quality, and quality of life issues such as those relating to schools and cultural amenities.

Also, changes in local or regional population patterns, the emergence of telecommuting, sharing of office space and employment growth also influence the demand for office properties and the ability of such properties to generate income and sustain market value. In addition, an economic decline in the businesses operated by tenants can affect a building and cause one or more significant tenants to cease operations and/or become insolvent. The risk of such an adverse effect is increased if revenue is dependent on a single tenant or a few large tenants or if there is a significant concentration of tenants in a particular business or industry.

Each of the foregoing circumstances and events may, individually or in the aggregate, adversely affect the income from and market value of the Properties and thereby increase the possibility that the Borrowers under the Included Mortgage Loan Advances secured by such Properties will be unable to meet their obligations under such Included Mortgage Loan Advances and may consequently affect the Issuer's ability to make payments under the Notes.

Retail and Leisure Properties

The value of retail and leisure properties is significantly affected by the quality of the tenants as well as fundamental aspects of commercial property, such as location and market demographics. In addition to location, competition from other retail or leisure spaces or the construction of other retail or leisure space, retail properties in particular face competition from other forms of retailing outside a given property market (such as mail order and catalogue selling, discount shopping centres and selling through the Internet), which may reduce retailers' need for space at a given shopping centre. The continued growth of these alternative forms of retailing could adversely affect the demand for space and, therefore, the rents collectable from retail properties.

The success of a shopping centre is dependent on, among other things, achieving the correct mix of tenants so that an attractive range of retail outlets is available to potential customers. The presence or absence of an “anchor tenant” in a shopping centre can be particularly important in this, because anchors play a key role in generating customer traffic and making a centre desirable for other tenants. While there is no strict definition of an “anchor tenant”, it is generally understood that a retail anchor tenant is larger in size and generally attracts customers to a retail property, whether or not it is located on the related property. An anchor tenant may cease operations at a retail property because it decides not to renew a lease, becomes insolvent or goes out of business. If any anchor store located in, or occupying space outside of the property were to close and such anchor is not replaced in a timely manner the related property owner may suffer adverse economic consequences. If such an anchor tenant occupies a portion of the related property, the property owner may also be required to expend material amounts to refurbish and customise the space.

Other key factors affecting the value of retail and leisure properties include the quality of management of the properties, the attractiveness of the properties and the surrounding neighbourhood to tenants and their customers, the public perception of the level of safety in the neighbourhood, access to public transportation and major roads and the need to make major repairs or improvements to satisfy major tenants.

Each of the foregoing circumstances and events may, individually or in the aggregate, adversely affect the income from and market value of the Properties and thereby increase the possibility that the Borrowers under the Included Mortgage Loan Advances secured by such Properties will be unable to meet their obligations under such Included Mortgage Loan Advances and may consequently affect the Issuer’s ability to make payments under the Notes.

Form of Borrowers

Certain of the Borrowers have been established as special purpose vehicles and by the terms of their establishment or transaction documentation relating thereto, such Borrowers are restricted from entering into unrelated transactions, agreements or arrangements. However, some of the Borrowers are not special purpose vehicles and have been organised as operating companies, trusts or other forms of legal entity; such Borrowers are unlikely to be restricted from entering into unrelated transactions and accordingly may have incurred other liabilities (including to operating creditors).

Borrowers in foreign jurisdictions

A number of Borrowers are incorporated in foreign jurisdictions, including, Isle of Man, British Virgin Islands, Jersey, Guernsey, Ireland, Delaware and Luxembourg and may therefore be subject to differing insolvency regimes. Enforcement of security against Borrowers may be restricted by local insolvency law, including, for example, any statutory moratorium periods during which enforcement of security interests is prevented.

With respect to these Borrowers, there is a risk that (a) third party creditors may commence insolvency proceedings against it in its jurisdiction of incorporation; and (b) an English or Scottish court might decline jurisdiction if the Originator or relevant facility agent were to seek to commence insolvency proceedings in England and Wales or Scotland. In certain cases, the Borrowers are special purpose vehicles which are restricted from entering into other transactions and are, therefore, unlikely to be subject to insolvency proceedings instituted by third parties, however, in some cases the foreign Borrowers are not special purpose vehicles (as noted under “*Form of Borrowers*” above).

In relation to paragraph (b) above, if the “centre of main interests” of a Borrower for the purpose of Council Regulation (EC) No. 1346/2000 (the “**EU Insolvency Regulation**”) is outside of an EU member state, the rules set out in the EU Insolvency Regulation will not apply to the Borrower (as the EU Insolvency Regulation only applies where the centre of main interests of the company is in an EU member state). The location of the centre of main interests of the company will be a question of fact in each case but depends on where the company administers its interests on a permanent basis in a manner ascertainable by third parties rather than merely on the location of assets. If the EU Insolvency Regulation does not apply, the English or Scottish court would apply its common law rules (outside the scope of such European legislation) for dealing with such cross-border issues. The presence of assets in the jurisdiction is usually considered sufficient for an English or Scottish court to exercise its discretion in relation to accepting jurisdiction to commence insolvency proceedings but this would depend on the facts at the time (including whether insolvency proceedings in the jurisdiction of incorporation had been

commenced). If the English or Scottish court were to commence insolvency proceedings, the court is likely to consider its own proceedings as ancillary to any proceedings that have been commenced in the jurisdiction of incorporation.

Borrowers in foreign jurisdictions and withholding tax payable under Mortgage Loan Facilities

The Issuer's ability to meet its payment obligations on the Notes will depend upon, among other things, payments being made by Borrowers and those payments being collected by the Originator in accordance with the terms of the Originator Trust Deed. Some of the Borrowers are not located in the United Kingdom and there is a risk that withholding tax in respect of such non-United Kingdom borrower payments might apply. The Issuer, on the basis of legal advice received, considers the risk of withholding tax applying on payments by non-United Kingdom Borrowers to be remote; however, there can be no assurance that a change in tax law might not result in such a withholding tax applying, which could affect the amount of payments received from such non-United Kingdom Borrowers and therefore the Issuer's ability to meet its payment obligations on the Notes.

Environmental Risks

Liability for environmental damage in respect of a Property subject to an Included Mortgage Loan Advance or a Borrower can arise by virtue of statute (including the contaminated land regime and water pollution legislation) or at common law (including nuisance). Neither the Issuer nor the Trustee (each a "Relevant Person") should be held liable for any such environmental liability in respect of any Property or Borrower, unless it could be established that a Relevant Person (or a receiver appointed on its behalf), had entered into possession of the Property. If a Relevant Person unduly directed or interfered with the management of the Borrower or with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Relevant Person.

If an environmental liability arises in relation to any Property and is not remedied, or is not capable of being remedied, this may result in the Relevant Person and/or any receiver having to undertake or bear the cost of remedial work or not being able to sell the Property or only being able to do so at a reduced value.

The Originator will warrant in the Originator Trust Deed that it is not aware of:

- (a) any claim against a Borrower in relation to any Property under applicable environmental laws which would, if adversely determined, materially and adversely affect the latest valuation of the relevant Property; or
- (b) any matter that would give rise to an environmental liability for a Borrower in the foreseeable future that would materially and adversely affect the latest valuation of the relevant Property.

Valuers and Solicitors

The reports given by the valuers or solicitors in respect of the Properties forming part of the Related Security are, in the majority of cases, addressed to the Originator, and in such cases may therefore be relied upon by the Originator. The benefit of such reports will not form part of the Originator Trust declared in favour of the Issuer.

The Originator will undertake in the Originator Trust Deed to take all action that a prudent commercial mortgage lender acting reasonably would take against any valuers or solicitors whom it ought reasonably to consider to have acted negligently or fraudulently in the preparation of a report in relation to any Property or Properties.

Insurance

Save where a Property is let to a self-insuring tenant, the Properties are generally covered by buildings insurance maintained by the Borrower, or another person other than the Originator with an interest in the relevant Property (such as a tenant). Under each Mortgage Loan Facility there is an obligation on the Borrower to note the Originator's interest on such policy or for the Originator to be co-insured on such policy. Noting a party's interest on a policy does not entitle that party to a share in the proceeds of any claim under the policy; however, it is generally the practice for insurers in the United Kingdom to notify the party whose interest is noted before the policy is allowed to lapse. In some circumstances, the Originator is named as a co-insured on the buildings insurance maintained by the Borrower.

Statutory Rights of Tenants

In certain limited circumstances, tenants of a Property in England or Wales may have legal rights to require the landlord of that Property to grant them tenancies; for example pursuant to the Landlord and Tenant Act 1954 or the Landlord and Tenant (Covenants) Act 1995. Should such a right arise, the landlord may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court or being the same as those under the previous tenancy of the relevant premises. Accordingly, while it is the general practice of the courts in renewals under the Landlord and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time and there can be no guarantee as to the terms on which any such new tenancy will be granted. If a new tenancy is not granted on terms which are more favourable than or similar to the existing tenancy this could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property which could cause the relevant Borrower to default on its Included Mortgage Loan Advance.

Frustration

A tenancy could, in exceptional circumstances, be frustrated under English, Scots or Guernsey law. Frustration may occur where superseding events radically alter the continuance of a tenancy for a party thereto, so that it would be inequitable or impossible for such a tenancy to continue. If a tenancy granted in respect of a Property is frustrated this could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property which could cause the relevant Borrower to default on its Included Mortgage Loan Advance.

Other

Enforcement of the Issuer Security

The Issuer Security is only enforceable after the service by the Trustee of a Note Enforcement Notice. Condition 9 (*Events of Default*) sets out the circumstances in which a Note Enforcement Notice may be served (see "*Terms and Conditions of the Notes*" below).

Rights Available to Holders of Notes of Different Classes

The Trust Deed will provide that the Trustee will have regard to the interests of the Noteholders and the other Secured Creditors, but if, in the Trustee's sole opinion, there is a conflict between their interests or the interests of the holders of different classes of Notes, it will have regard solely to the interests of the holders of the class of Notes with the highest priority, whose interests shall prevail. The Trust Deed and the Deed of Charge will also provide that the Trustee will be relieved of certain responsibilities to other persons (including, in certain circumstances, the Noteholders and the Secured Creditors).

Fixed charges may take effect under English law as floating charges

Pursuant to the Deed of Charge, the Issuer has purported to grant fixed charges over, amongst other things, the Included Mortgage Loan Advances and their Related Security, its rights and benefits under the Transaction Accounts and the Reserve Account and any Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than assignment in security) may take effect under English law as floating charges only if, for example, it is determined that the Trustee does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Trustee will be subject to the matters which are given priority over a floating charge by law, including (*inter alia*) prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors.

The Enterprise Act abolished the preferential status of Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer will agree in the Transaction Documents not to have any employees. In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations (as described under "*Share of floating charge assets for unsecured creditors*" above) in respect of floating charges contained in the Deed of Charge.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 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, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States including Jersey, Guernsey, Isle of Man and British Virgin Islands, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Proposed changes to the Basel Capital Accord (“Basel II”)

The Basel Committee on Banking Supervision has published the text of the new capital accord under the title “Basel II International Convergence on Capital Measurement and Capital Standards: a Revised Framework” (the “**Framework**”). This Framework, which places enhanced emphasis on market discipline and sensitivity to risk, will serve as the basis for national and supra-national rule-making and approval processes to continue and for banking organisations to complete their preparation for the implementation of the Framework during 2007 and 2008. The Framework will be put into effect for credit institutions in Europe via the recasting of a number of prior directives and referred to as the EU Capital Requirements Directive (“**CRD**”) the final text of which is expected to be published in the fourth quarter of 2005. The Framework as published will, if not amended from its current form when implemented by regulators, affect risk-weighting of the Notes for investors subject to the new Framework following its implementation (whether via the CRD or otherwise by non-EU regulators). Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of any class of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form).

Pursuant to the Conditions of the Notes, on any Payment Date from and including the Payment Date falling in March 2009, the Issuer may (upon the satisfaction of certain conditions) redeem the Notes (in whole but not in part) at any time after the Framework is implemented in the United Kingdom via the CRD and/or otherwise (see “*Terms and Conditions of the Notes*”).

Risk relating to the introduction of International Financial Reporting Standards

The UK corporation tax position of the Issuer depends to a significant extent on the accounting treatment applicable to it. From 1 January 2005, the accounts of the Issuer are required to comply with new UK Financial Reporting Standards (new “**UK GAAP**”) reflecting, or which will progressively reflect, International Financial Reporting Standards (“**IFRS**”) and may be required to comply with IFRS in the event that the Issuer chooses to adopt IFRS. There is a concern that companies such as the Issuer might, under either IFRS or new UK GAAP, suffer timing differences that could result in profits or losses for accounting purposes, and accordingly for tax purposes, which bear little or no relationship to the company’s cash position. The stated policy of HM Revenue & Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and consequently they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. As a first step, as part of the Chancellor’s Pre-Budget Report dated 2 December 2004, draft legislation was published to be included in the Finance Act 2005, creating a special interim corporation tax regime for “securitisation companies”. That draft legislation was amended and incorporated in the Finance Act 2005. The Finance Act 2005 contains legislation which allows “securitisation companies” to prepare tax computations for accounting periods ending before 1 January 2007 (the “**moratorium period**”) on the basis of UK GAAP as

applicable up to 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer is likely to be a “securitisation company” for these purposes. The Finance Act 2005 also provides for the power on the part of the Treasury to introduce regulations to establish a permanent tax regime that will apply for securitisation companies. If further extensions to the moratorium period or other measures are not introduced by HM Revenue & Customs to deal with accounting periods beginning on or after 1 January 2007, then profits or losses could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and consequently may affect the Noteholders.

Insolvency Act 2000

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

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

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

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

Accordingly, the provisions described above will serve to limit the Trustee’s ability to enforce the Issuer Security to the extent that, first, the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a

company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

In the event that a Borrower is a “small company”, the effect of the provisions described above will be to delay the enforcement of the relevant Related Security. This delay may have an adverse effect on the timing and amount of recoveries paid to the Issuer in respect of the relevant Mortgage Loan Advance.

Change of law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English and Scottish law and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English or Scottish law or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales as a public company limited by shares under the Companies Act 1985 on 9 December 2004 with registered number 5308676. The Issuer changed its name from "Stopgrove plc" to "Prominent CMBS Funding No. 1 plc" on 20 October 2005. The registered office of the Issuer is at c/o Structured Finance Management Limited, 35 Great St. Helen's, London EC3A 6AP. The Issuer's authorised share capital comprises 50,000 ordinary shares of £1 each. The Issuer's issued share capital comprises 50,000 ordinary shares of £1 each (of which two shares are fully paid up and 49,998 are paid up one quarter), all of which are beneficially owned by Holdings.

The Issuer is organised as a special purpose company and has been established solely for the purpose of the transaction. The Issuer has no subsidiaries. The Originator does not own, directly or indirectly, any of the share capital of the Issuer.

The principal objects of the Issuer are set out in its memorandum of association and permit the Issuer, among other things, to invest in, acquire, manage and administer mortgage loans, to lend money and give credit, secured or unsecured, and to acquire an interest in trust property.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 1985, the authorisation and issue of the Notes, the matters contemplated in this Prospectus, the authorisation of the other Transaction Documents referred to in this Prospectus or in connection with the issue of the Notes and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

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

Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Company Director
SFM Directors (No.2) Limited	35 Great St. Helen's London EC3A 6AP	Company Director
Ian McDonald	Citymark Level 4 150 Fountainbridge Edinburgh EH3 9PE	Head of Corporate Bank of Scotland, Portfolio Management and Securitisation

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

<u>Name</u>	<u>Principal Activities/Business Occupation</u>
Jonathan E. Keighley	Managing Director of Structured Finance Management Limited
James G. S. Macdonald	Director of Structured Finance Management Limited
Robert W. Berry	Director of Structured Finance Management Limited

The business address for each of Jonathan E. Keighley, James G. S. Macdonald and Robert W. Berry is 35 Great St. Helen's, London EC3A 6AP.

The company secretary of the Issuer is:

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

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

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

The telephone number of the Issuer is +44 (0) 20 7398 6300.

Capitalisation and Borrowings

The following table shows the unaudited capitalisation and borrowings of the Issuer as at 1 December 2005 adjusted for the issue of Notes and drawings under the Subordinated Loan:

Share Capital	£
Authorised Share Capital	
50,000 ordinary shares of £1 each	50,000
Issued Share Capital	
50,000 ordinary shares of £1 each	
2 ordinary shares fully paid up	2.00
49,998 ordinary shares one-quarter paid up	<u>12,499.50</u>
	<u><u>12,501.50</u></u>

Borrowings	£
Class A1 Notes	400,000,000 ¹
Class A2 Notes	400,000,000
Class B Notes	30,000,000
Class C Notes	76,000,000
Class D Notes	54,000,000
Class E Notes	40,000,000
Subordinated Loan	<u>16,000,000</u>
Total Capitalisation and indebtedness	<u><u>1,016,012,501.50</u></u>

¹ €584,000,000 converted into sterling at the Currency Swap Rate

As at 1 December 2005, 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 2005.

There has been no material change to the unaudited capitalisation, indebtedness, contingent liabilities and guarantees of the Issuer from the date of its incorporation to the date of this Prospectus.

BANK OF SCOTLAND AND BANK OF SCOTLAND'S CREDIT POLICIES AND PROCEDURES

Bank of Scotland is a bank constituted in 1695 by an Act of the Parliament of Scotland. With effect from 10 September 2001, Bank of Scotland and Halifax Group plc were brought under the common ownership of HBOS plc ("**HBOS**"). HBOS is a company incorporated in Scotland with registration number SC218813 and has its registered office at The Mound, Edinburgh EH1 1YZ, United Kingdom. HBOS and its subsidiaries and associated undertakings is referred to as the "**Group**".

HBOS provides a wide range of banking and financial services to personal and business customers in the United Kingdom and overseas. These overseas operations are primarily in Australia, Europe and North America. The operations of HBOS are currently constructed around four business divisions: Retail, Insurance and Investment, Corporate and Strategy & International Operations.

Bank of Scotland Corporate (the "**Division**") is a division of Bank of Scotland and is HBOS's primary lending unit for commercial mortgage loans. The Division has extensive experience of lending in the United Kingdom property market and as at 31 December 2004, the total amount of exposure of the Division to commercial property was £26.8 billion.

The Division's current credit policies and procedures in relation to commercial mortgage loans in excess of £10 million

The Mortgage Loan Advances comprise a selection of commercial mortgage loans booked by the Division during the period from 1999 to 2005. The loans within the Mortgage Portfolio have an original loan size of between £10 million and £100 million and are secured by a mix of properties situated across the United Kingdom and the Channel Islands. All the Mortgage Loan Advances in the Mortgage Portfolio are denominated in sterling and (with the exception of those Mortgage Loan Advances detailed in "*Transaction Structure – The Related Security*" above) are secured by first legal charges or standard securities over the relevant Properties.

The Mortgage Loan Advances are controlled by the Division's high value relationship banking team ("**HVRB**") which currently employs over 500 staff and operates from 21 offices in the United Kingdom. HVRB is responsible for managing the Division's larger corporate relationships.

The Mortgage Loan Advances are Syndicated Mortgage Loan Advances or bilateral term or revolving credit facilities. Syndicated Mortgage Loan Advances are advances provided by two or more lenders under the same documentation. The terms and conditions applicable to such Syndicated Mortgage Loan Advances may differ depending upon the nature of the facilities and risks accepted by participating banks. Payments are made by the borrower to the lenders in proportion to their respective lending commitments. A facility agent, which may or may not be the Division, acts as a conduit for payments in both directions and performs other mechanical and administrative functions. In the case of Syndicated Mortgage Loan Advances, the Division may either be an original lending party to a facility agreement and advances thereunder or may have become a party by novation, transfer, assignment or assignation in accordance with the terms of the relevant facility documentation. Bilateral facilities are facilities provided to the relevant Borrower by a single lender, i.e. the Division.

Credit Risk Policy

The policies and procedures relevant to the origination of the Mortgage Loan Advances were substantially similar to those set out below. It should, however, be noted that the policies and procedures have changed over time and not all the Included Mortgage Loan Advances will have been originated under these policies and procedures.

The Division's lending principles are recorded within the Division's credit risk policy statement. The policies laid out within this statement are governed by those detailed in the Group credit risk policy statement and cover the following areas of credit risk:

- (a) Roles and responsibilities of the credit risk team and the Group financial and operational risk team.
- (b) Definitions of "Risk" and "Risk Measurement".
- (c) Risk appetite.
- (d) Approach to risk assessment and case monitoring.
- (e) Security and valuations.

- (f) Problem accounts and provisioning.
- (g) Lending authorities.

The credit risk policy statement is maintained by the credit risk team who will update such statement following consultation with the Division's credit risk committee ("**CRC**") and where necessary the Group financial and operational risk team. The credit risk team undertakes the central monitoring, reporting and sanctioning of credit within the Division and incorporates a dedicated unit of individuals to manage high risk and impaired assets to minimise losses (see "*High Risk, Impaired Assets and Impairment Provisions*" below).

It is the Division's policy to formulate, maintain and refine credit policies to enable its business units to carry on their lending operations within established principles. As such, as well as the general principles for lending, all property investment related credit assessments must have regard for any specific property lending parameters that may be in place which reflect current market conditions and the Divisional and Group appetite at the time of the credit assessment.

Loan Origination and Credit Approval Process

Origination

With the exception of (i) two Mortgage Loan Advances originated by the Division's joint venture team ("**JV Team**") and (ii) one Mortgage Loan Advance originated by a third party on behalf of the Division, all of the Mortgage Loan Advances in the Aggregate Mortgage Portfolio were originated by HVRB. A significant number of new lending opportunities within HVRB are generated from existing customers or from referrals to new clients from existing customers. In addition HVRB has established relationships with a number of high profile property finance intermediaries and professional advisers within the United Kingdom commercial property market.

The Division's JV Team provides integrated funding packages to borrowers. Mortgage Loan Advances originated by the JV Team are the senior ranking debt instrument within the integrated funding package. The junior ranking debt and equity instruments within these deals are controlled by a business unit independent from HVRB.

Initial Credit Assessment Process

Once an initial referral has been made, a review of the application will be undertaken by a Relationship Manager ("**RM**") and at this point discussions and negotiations will commence with the loan applicant and/or their advisors. In addition to reviewing the investment proposal in general, specific assessment will include meeting with the principals at their business premises to discuss the requirements in full and performing initial cashflow and tenant due diligence.

Transaction Introduction Review

Where the proposal falls outside the Division's normal underwriting parameters for property investment loans or the proposed underwriting and hold levels are considered material it is standard procedure for the RM to prepare a transaction introduction review paper ("**TIR**") to gauge the Division's appetite for a particular proposal prior to completing a full credit application. The TIR is submitted to the appropriate level for sanctioning (see "*Independent Credit Review*" and "*Credit Sanction Process*" below) and a decision is made as to whether or not to proceed with the proposal.

Outline Terms and Conditions

At the discretion of the RM a set of outline terms and conditions (the "**Outline Terms and Conditions**") may be issued in order to clarify the basis of any lending arrangement proposed with the loan applicant. These Outline Terms and Conditions do not constitute an offer of facilities but are merely an indication of availability of facilities and remain subject to and are conditional upon formal credit approval and the execution by the parties of loan documentation reflecting the terms and conditions outlined and otherwise acceptable to the Division.

Credit Application

In order to proceed with the proposed transaction, the RM is required to prepare a detailed credit application that will cover the following areas:

- (a) Introduction / Purpose
- (b) Business proposal
- (c) Risk assessment
- (d) Management
- (e) Lending viability
- (f) Lending safety
- (g) Pricing

Risk Rating

As part of the credit assessment process each proposal is risk assessed by the Originator by looking at credit quality on the basis of the borrower's gross asset cover and gross earnings before interest and tax. This risk rating system is currently running in parallel with and will ultimately be replaced by a new risk rating model for property investment loans designed to be Basel II compliant.

Independent Credit Review

A new team has recently been established with the overall objective to ensure that all credit applications are subject to a high level of independent challenge within the credit sanctioning process. The new team will undertake a full review of the credit application and will often liaise with the RM in order that they can satisfy themselves fully as to the structure of the deal and thereafter provide an independent opinion on the following:

1. Confirming that the deal conforms to the Division's current risk appetite.
2. Verification of the calculated risk rating and projected return.
3. Ensuring all risks have been properly identified.
4. Checking that all financial information has been subject to appropriate sensitivity analysis.

Once the credit application has been completed and the independent opinion provided, the RM is required to submit the proposal for sanctioning to the appropriate sanctioning level detailed below.

Credit Sanction Process

The Division operates a vertically delegated approach to lending authorities, which ensures that separation is made between the originating and sanctioning functions, facilitating the challenge process. The Division's sanctioning procedures specify the requirements for achieving approval to provide funding to new or renewed facilities and are subject to regular review to ensure that changes in specific credit risks and general market conditions are taken account of.

Credit applications are currently sanctioned by a range of Credit Committees depending on the approval limit. Each Credit Committee will incorporate a mix of experience and business area reporting and Heads of the Division will be required to participate as independent voters, i.e. they cannot vote on proposals from their own business areas. There are currently 4 levels of authorisation which will apply to property investment proposals in excess of £10 million:

<u>Aggregate Lending Limit</u>	<u>Authorisation</u>	<u>Committee Composition</u>
Between £10 million and £15 million	Credit Committee	Two Heads of the Division plus a Head of Corporate from Credit Risk or a Director of Credit
Up to £75 million	MD Credit Committee	A Managing Director and two Heads of the Division, with at least one of the three being from Credit Risk
Exposures in excess of £75 million	Executive Credit Committee (“ECC”)	The Divisional Chief Executive plus two members of the Corporate Board
Exposures in excess of £250 million	ECC approval plus one other approved signatory	ECC approval plus one other approved signatory

Offer Letter

Once credit approval has been received, a formal offer letter is issued to the loan applicant which sets out in detail the terms and conditions attaching to the facilities being made available. The offer letter details in full the representations and warranties to be given by the loan applicant, conditions precedent to release of funds, security requirements, covenants, undertakings, negative pledges and events of default. The offer letter must be formally accepted on behalf of the loan applicant and a signed copy returned and retained by the Division as a permanent record of the agreement.

Due Diligence and Legal Documentation

Valuation Instruction

All property lending activities are supported by a detailed valuation from a firm of valuers acceptable to the Division. The minimum scope of the valuation is prescribed by the Division in its standard letter of instruction. While a formal environmental assessment is not initially required, the valuer is instructed to advise whether any specialist reports should be obtained and also to highlight any activity which may suggest that there are contamination or hidden defects.

Insurance Requirement

All charged properties must have satisfactory insurance in place prior to release of funds. Insurance will be arranged for the full reinstatement value against normal insured perils including terrorism and subsidence. Depending on the underlying tenant profile cover in respect of loss of rental income for a period of up to 3 years will be put in place at the discretion of the RM. Confirmation of the insurance and risks covered by such insurance must be received from the insurance company and such confirmation must reflect that the interest of the Division has been noted thereon. In larger transactions the Division will be recorded as a co-insured party with the borrower.

Solicitors Instructions

All legal documentation binding the transaction must be undertaken by a firm of solicitors approved by the Division. The Division’s legal team has developed a range of facility and security documentation and the Division’s panel solicitors should use this or their own documentation or Loan Market Association documentation for all formal facility and security documentation.

Security

The Mortgage Loan Advances are secured by a fixed charge or standard security (as the case may be) on the underlying Properties (with the exception of those Mortgage Loan Advances detailed in “*Transaction Structure – The Related Security*” above). Where the borrower is a limited company, the Division will typically hold a floating charge over all of the borrower’s assets. The Division will also seek to put in place a charge, assignment or assignation of rental income or have the ability to perfect a charge or assignation of rental income in the future. It is a mandatory requirement that all security is perfected prior to drawdown of facilities.

Anti-Money Laundering Checks

The anti-money laundering regulations implemented by the Division ensure that appropriate proof of identity and domicile checks are performed against, where applicable, all individuals, directors, nominee directors, shareholders, beneficial owners and certain signatories of companies. The transaction cannot be finalised and funds released until the RM has satisfied all money laundering checks.

Pre-Complete Memorandum

If specifically requested by the relevant Credit Committee or where matters relevant to the transaction have altered materially since the date of the credit approval, a pre-completion memorandum (“PCM”) must be approved by a Head of Corporate or Managing Director. The PCM must document the principal features of the transaction that have changed between approval and completion and provide justification for the changes. The memorandum will also provide confirmation that all diligence issues have been satisfactorily addressed.

Release of Funds

A checklist is prepared by the officer responsible for the day-to-day management of the loan and referred to the RM prior to drawdown. The checklist includes confirmation of the following:

- Receipt of a satisfactory report on title (confirming the borrower has full and marketable title to the property) and occupational lease reports.
- All required security documentation has been completed.
- All conditions precedent have been satisfied.
- Satisfactory valuation report received and addressed to the Division.
- Buildings insurance policy details and interest noted thereon.
- All money laundering checks have been completed in compliance with the relevant legislation.

On completion of the checklist funds will be released to the loan applicant. Thereafter all systems and mechanisms for recording the relevant loan are updated by the RM and monitored on an ongoing basis.

Monitoring and Control

In order to assist the RMs in the ongoing monitoring of a loan, a number of internal reports are produced including daily and monthly balance position reports and an overdraft control report which includes any connections in excess of agreed limits or with covenant breaches. In addition, the following practices are undertaken on a regular basis and these are formalised under an annual review process:

1. Maintain customer contact throughout the year with meetings held on both an informal basis and a formal basis where detailed notes are completed.
2. Financial information such as audited accounts and management accounts are reviewed in order that the borrower’s ongoing financial performance can be assessed.
3. Documented covenants are calculated and tested.
4. Where applicable, updated tenancy schedules are reviewed on a regular basis.
5. All loans are risk rated annually using a property investment risk rating model designated to be Basel II compliant.
6. The Division reserves the right to seek updated valuations of Properties and at the discretion of the RM this will be instructed where there is a material change in the market and/or Borrowers financial circumstances.

Internal Audit Reports

In addition to the regular reviews of loans by the RM, a Group Internal Audit team (“GIA”) conducts regular reviews of compliance with credit and operational procedures. The GIA team also analyses the efficiency and effectiveness of existing procedures and may recommend changes to such procedures. The GIA team is functionally separate from the Division and monitors the operations of all the Division’s business units. After each audit, a report is issued to the Managing Director of Credit Risk and to the appropriate function Managing Director. Any material risks identified are considered by the Division’s CRC.

High Risk, Impaired Assets and Impairment Provisions

The Division has a dedicated team (the “**High Risk Team**”) to manage that part of its portfolio that is determined to be high risk or impaired. The primary objective of the High Risk Team is to improve the risk profile of the Division’s high risk and impaired assets and to minimise the amount of losses incurred.

Loans are determined to be high risk if the related borrower has both asset and earnings before interest and tax (“**EBIT**”) cover of less than 125 per cent. and, in addition, has breached a loan covenant. A loan can also be designated as high risk on the occurrence of a number of other factors e.g. very low, nil or negative EBIT, large discounted asset cover shortfall or concern over the integrity of financial information or sector in which the borrower operates. However a loan can be exempt from being considered as high risk if it is specifically nominated for exclusion by a Head of the Division (in conjunction with the High Risk Team).

A loan will be classified as an impaired asset (an “**Impaired Asset**”) where there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a “**Loss Event**”). Loss Events include the relevant borrower experiencing significant financial difficulties, payment default and possible bankruptcy.

When a loan has been reported as high risk or impaired, strategic decisions and credit management is undertaken by the High Risk Team. However, in order to ensure continuity, the day to day management of the loan remains with the RM. In all cases, a supportive approach is taken in assisting borrowers through temporary cash flow difficulties, provided there is a commercial justification for doing so. Where it is considered necessary, the Division may enter into restructuring or refinancing arrangements in relation to a loan however any credit related decisions, such as granting any waivers, extensions or new advances are permitted only with the express approval of the High Risk Team subject to approval by the relevant Credit Committee.

A detailed reporting and monitoring system is in place which includes quarterly case specific reports and these are supplemented by regular meetings with borrowers and other stakeholders. Periodically it is appropriate to arrange for an investigating accountant’s review of a high risk loan or an Impaired Asset. In those cases, the High Risk team will specify the scope of the external accountant’s review.

The Division’s provisioning policy has recently changed to take account of the requirements of IFRS. Under IFRS, the Division is required to make specific identifiable provisions based on incurred losses. Provisions are identified on the basis of objective evidence and are calculated by determining the net present value of anticipated cash flows and comparing this to the current loan balance.

On a semi-annual basis, a return summarising the impairment provisions, write offs and other impairment provisioning issues is completed by the High Risk Team and submitted to the CRC and the Group board.

Default and Recovery Procedures

Where a loan is in default (as defined under the relevant loan agreement) and no satisfactory alternative arrangement can be reached with the borrower, formal recovery proceedings will be instigated by the issue of a formal demand for repayment of the sums due and/or a request by the borrower.

Following the formal demand for repayment being issued and/or a request by the borrower, in cases where the borrower is a limited company, an administrator or, in the cases where the relevant debenture or floating charge was created prior to 15 September 2003, an administrative receiver or receiver may be appointed. The choice of Insolvency Practitioner is made by the High Risk Team per a standard tendering process. The RM completes a Pre-Receivership checklist which ensures that the standards set out in the BBA Statement of Principles to corporate customers have been adhered to prior to insolvency procedures.

The Division’s legal team is available to provide assistance and guidance to the High Risk Team with regard to the recovery of advances and has established an outsourcing procedure for pre-receivership checks, pre-administration checks and restructuring reviews for cases where the Bank is considering a solvent or insolvent restructuring solution. The outsourced work is carried out by the Division’s preferred legal suppliers for corporate insolvency. The Division’s legal team monitors the performance of these preferred legal suppliers in conjunction with the High Risk Team.

With effect from 15 September 2003 new administration procedures, as defined under the Enterprise Act 2002, came into force. The Act replaces the existing 4 statutory purposes of administration with a single, clearly defined purpose. There are a hierarchy of objectives, the primary one being to rescue the

company as a going concern, i.e. with as much as possible of its business, where it would provide the best result for the company's creditors as a whole. Holders of floating charge security created before the Act came into force can choose to appoint an administrative receiver, as described above, or an administrator or receiver. See "*Risk Factors – Prohibition on Appointment of Administrative Receiver*" above.

Where the lending is part of a larger syndicate arrangement the Division would generally apply principles which have their origin in the London Approach. The aim of these principles is to maximise value for the borrower's financial creditors and therefore are structured to offer lenders the prospect of recovering at least as much of their exposure as they would have recovered by alternative routes, such as the appointment of receivers. However, there can be no assurance that the amount ultimately recovered through an out-of-court restructuring on the basis of the above principles will equal what the Bank might otherwise recover had other approaches been employed.

Amendments to Loan Agreements

Where a Borrower has requested an amendment to a loan agreement, the relevant RM would generally carry out further due diligence in relation to the loan and where appropriate (i.e. an increase in the amount of the Mortgage Loan Advance) the RM would prepare a credit application which would then be submitted to the relevant Credit Committee for approval.

THE LIQUIDITY PROVIDER

Danske Bank A/S, acting through its London Branch located at 75 King William Street, London EC4N 7DT, will act as the Liquidity Provider under the Liquidity Facility Agreement. Danske Bank A/S is authorised by the Danish Financial Supervisory Authority (Finanstilsynet) and is regulated in the UK by the Financial Services Authority for its UK investment business. The long term, unsecured, unsubordinated debt obligations of Danske Bank A/S are rated Aa1 by Moody's, AA- by S&P and AA- by Fitch.

The information contained herein with respect to Danske Bank A/S, London Branch relates to and has been obtained from it. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of Danske Bank A/S, London Branch since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

THE MORTGAGE LOAN ADVANCES

Introduction

The following is a description of some of the characteristics of the commercial mortgage loans currently offered by the Originator to prospective borrowers and includes details of mortgage loan types and selected statistical information. In selecting which commercial mortgage loans to include in the Originator Trust, the Originator has compiled two portfolios of commercial mortgage loans (the “**Initial Mortgage Portfolio**” and the “**Secondary Mortgage Portfolio**” and together, the “**Aggregate Mortgage Portfolio**”). The Originator will declare a trust over the Initial Mortgage Portfolio on the Closing Date pursuant to the Originator Trust Deed. Each commercial mortgage loan in the Initial Mortgage Portfolio may incorporate one or more of the features referred to in this section.

The majority of the Mortgage Loan Advances are made to a single Borrower in a single loan tranche. In limited cases, a Borrower may have more than one loan tranche incorporating different features (for example, different margins) which rank *pari passu* with each other. In these circumstances, all mortgage loan advances owned by the Originator to that Borrower will be Mortgage Loan Advances. The Mortgage Loan Facilities typically contain a clause that cross-collateralises the Mortgage Loan Advances with all other mortgage advances in the name(s) of the Borrower which may or may not be Mortgage Loan Advances. One Mortgage Loan Advance in the Aggregate Mortgage Portfolio is cross-collateralized with overdraft facilities provided to the Borrower by the Originator. In all cases, each Mortgage Loan Advance is secured by a first legal charge or a first ranking standard security (and includes any commercial property which becomes the subject of such security for a mortgage loan as a result of a property being released and substitute property being provided by the relevant borrower), and all of the Mortgage Loan Advances are subject to the laws of England and Wales, the laws of Scotland or the laws of Jersey. In addition, most corporate Borrowers have granted in favour of the Originator a floating charge over their assets and most Borrowers have granted or the Originator has the right to require the Borrower to grant (or will, on a date subsequent to the creation of the relevant Mortgage, grant) an assignment or assignation (as the case may be) of the property rents receivable by that Borrower.

The Initial Mortgage Portfolio was drawn up as at 22 November 2005 (the “**Cut-Off Date**”) and comprised 33 Mortgage Loan Facilities having an aggregate current balance of £1,017,471,449 as at that date. The Originator originated the Mortgage Loan Facilities in the Initial Mortgage Portfolio between March 1999 and October 2005. The Secondary Mortgage Portfolio was drawn up as of the Cut-Off Date and comprised 13 Mortgage Loan Facilities having an aggregate current balance of £461,366,955 as at that date. The Originator originated the Mortgage Loan Facilities in the Secondary Mortgage Portfolio between February 2000 and December 2004.

On any Payment Date after the Closing Date up to but excluding the Substitution Period End Date, the Originator may, upon the satisfaction of certain conditions described in “*Originator Trust – Pool Adjustment Criteria*” below, include Secondary Mortgage Loan Advances and their Related Security in the Originator Trust. On any date, the Originator may include Documented Further Advances and Non-Documented Further Advances in the Originator Trust (*provided that*, in respect of Non-Documented Further Advances included in the Originator Trust from and including the Substitution Period End Date, the New MLA Trust Consideration payable by the Issuer shall be equal to zero and the Issuer shall not pay any Further Consideration in respect of such Non-Documented Further Advances on any subsequent Payment Date).

Characteristics of the Mortgage Loan Advances in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio

Mortgage loan products offered by the Originator

The Originator offers a variety of fixed rate and variable rate mortgage loan products to borrowers. The Originator may include in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio loans, which may comprise one or more of the following interest types:

- (a) mortgage loans which are subject to a fixed interest rate for a specified period of time which period may be less than the term of the loan, plus an additional fixed percentage (the “**Margin**”) (“**Fixed Rate Mortgage Loans**”). At the expiration of such period, the mortgage loan will revert to an interest rate based on LIBOR or the base rate of Bank of Scotland plus the Margin for that mortgage loan or the Originator may, at its discretion, offer a new fixed rate of interest based on swap rates available at that time;

- (b) mortgage loans which are subject to a variable rate of interest that is linked to LIBOR (typically one, three or six month sterling LIBOR) plus the Margin ("**LIBOR Mortgage Loans**"); and
- (c) mortgage loans which are subject to a variable rate of interest that is linked to the base rate of Bank of Scotland (as varied from time to time) plus the Margin ("**Base Rate Mortgage Loans**").

In respect of the majority of Mortgage Loan Advances on which the loan interest rates are hedged, hedging is in place on a stand alone basis with HBOS Treasury Services plc.

Repayment Terms

The initial term of all the mortgage loans in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio is between approximately 1 and 30 years.

The mortgage loans in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio are either:

- (a) fully amortising loans where borrowers typically make payments of interest and repayments of principal on their mortgage loans so that the amount of principal outstanding reduces over the term of the mortgage loan term, so that by the end of the mortgage loan term, the Borrower will have repaid the full amount of the principal of the mortgage loan;
- (b) partially amortising loans where a residual balance of principal will remain at the end of the mortgage loan term, to be repaid by a bullet repayment; or
- (c) interest only loans where Borrowers make payments of interest on their mortgage loans. The principal on their mortgage loans is repaid by a bullet repayment of the mortgage loan at the end of the mortgage loan term.

In certain circumstances, the payments on a mortgage loan in the Initial Mortgage Portfolio or the Secondary Mortgage Portfolio may be interest only for an agreed period of time. On expiry of this period, interest payments and principal repayments will be made until the end of the mortgage loan term. Payments are typically made by Borrowers on a monthly, quarterly, semi-annually or annual basis (subject to the agreed terms and conditions of the relevant mortgage loan).

Early Prepayment Charges

Borrowers in respect of some of the Mortgage Loan Advances in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio will be required to pay an early prepayment charge ("**Early Prepayment Charge**") if within a certain period from the date of drawdown of the initial advance (typically up to 3 years), they make a prepayment in excess of the contractual payments due on such date, which either partly or fully repays the Mortgage Loan Advance. If the Mortgage Loan Advance is fully repaid from the sale proceeds of the Property, the Early Prepayment Charge may be reduced at the Originator's absolute discretion. Early Prepayment Charges will not form part of Revenue Receipts or Principal Receipts but will be for the account of the Originator only.

Interest Payments and Interest Rates

Interest in respect of each Mortgage Loan Advance in the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio is payable in arrear and is paid on each payment date relating to such Mortgage Loan Advance up to and including the final repayment date at maturity of the Mortgage Loan Advance. Interest periods for the Mortgage Loan Advances are dependent on the terms of the relevant Mortgage Loan Facility but are generally no longer than 6 months.

As at the Cut-Off Date, the aggregate current balance of the Fixed Rate Mortgage Loans in the Initial Mortgage Portfolio represented approximately 12 per cent. of the aggregate current balance of all the Mortgage Loan Advances in the Initial Mortgage Portfolio as at such date, the aggregate current balance of the LIBOR Mortgage Loans in the Initial Mortgage Portfolio represented approximately 78 per cent. of the aggregate current balance of all the Mortgage Loan Advances in the Initial Mortgage Portfolio as at such date and the aggregate current balance of the Base Rate Mortgage Loans in the Initial Mortgage Portfolio represented approximately 10 per cent. of the aggregate current balance of all the Mortgage Loan Advances in the Initial Mortgage Portfolio as at such date.

As at the Cut-Off Date, the aggregate current balance of the Fixed Rate Mortgage Loans in the Secondary Mortgage Portfolio represented approximately 25 per cent. of the aggregate current balance of all the Mortgage Loan Advances in the Secondary Mortgage Portfolio as at such date, the aggregate

current balance of the LIBOR Mortgage Loans in the Secondary Mortgage Portfolio represented approximately 75 per cent. of the aggregate current balance of all the Mortgage Loan Advances in the Secondary Mortgage Portfolio as at such date. There are no Base Rate Mortgage Loans in the Secondary Mortgage Portfolio.

“**Current Balance**” means in relation to any Included Mortgage Loan Advance as at any given date, the aggregate of:

- (a) the original principal amount advanced to the relevant Borrower and any Further Advances made on or before the given date to the relevant Borrower secured or intended to be secured by the relevant Mortgage;
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant mortgage conditions or with the relevant Borrower’s consent and added to the amounts secured or intended to be secured by such Mortgage; and
- (c) any other amount not included in (a) or (b) above (including Unpaid Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant mortgage conditions or with the relevant Borrower’s consent but which is secured or intended to be secured by that Mortgage,

as at the end of the Business Day immediately preceding that given date, less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retention or Further Advance committed to be made but not made by the end of the Business Day immediately preceding that given date.

Further Advances

The Originator may be obliged to make a further advance to a Borrower under the terms of an existing Mortgage Loan Facility (a “**Documented Further Advance**”) (see the tables set out in “*The Initial Mortgage Portfolio and the Secondary Mortgage Portfolio*” below for details of these undrawn commitments).

An existing Borrower may apply to the Originator for a further amount to be lent under a Mortgage Loan Facility where such further advance was not contemplated by the relevant Mortgage Loan Facility on the Closing Date (a “**Non-Documented Further Advance**”), in circumstances which include the following:

- (a) to provide a “top up” further advance for additional funding secured against existing Properties, for example, to unlock equity arising from appreciating property values; or
- (b) to provide new funds for further property acquisitions.

These Further Advances are made in accordance with prudent commercial property lending practice.

Non-Documented Further Advances are at the Originator’s discretion and are subject to the terms of the relevant Mortgage Loan Facility and the Originator’s lending criteria in force at the time of the request for the Non-Documented Further Advance and the Borrower’s satisfactory payment performance on existing Mortgage Loan Advances. If the inclusion in the Originator Trust of a Non-Documented Further Advance breaches the Pool Adjustment Criteria on the Payment Date following the date of inclusion and confirmation from at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) that the then current ratings of the Notes will not be withdrawn, downgraded or qualified has not been received, the Originator will (subject to certain provisos) have an obligation to reacquire the beneficial interest in the Non-Documented Further Advance and the Included Mortgage Loan Advance in respect of which such Non-Documented Further Advance was made within 30 days of the Calculation Period End Date in respect of the Calculation Period in which such Non-Documented Further Advance was made or, in certain circumstances, the beneficial interest in another Included Mortgage Loan Advance that has been the subject of a Pool Adjustment in the same Calculation Period such that the relevant Pool Adjustment Criteria will be satisfied.

Mortgage Loan Terms Adjustments and/or Related Security Adjustments

Mortgage Loan Terms Adjustments generally involve changes to the terms of the Mortgage Loan Facilities, for example to the type of interest rate applicable to the Mortgage Loan Advance, financial tests such as LTV Ratio and Interest Coverage Ratio, length of term and amortisation schedule. Related

Security Adjustments involve the Borrower either substituting a Property for others or being granted a release of a Property (or part of it) from the security for the Mortgage Loan Advance other than on redemption in full of that Mortgage Loan Advance. Once the Borrower has made a request for a Mortgage Loan Terms Adjustment and/or Related Security Adjustment, the Originator decides on a commercial basis whether or not to permit the requested variation. There is one Mortgage Loan Advance included in the Aggregate Mortgage Portfolio where the Borrower may substitute a Property with a value of up to a maximum of 20 per cent. of the aggregate value of the Properties without the Originator's consent. Such substitution will constitute a Related Security Adjustment. Mortgage Loan Terms Adjustments and/or Related Security Adjustments are subject to certain conditions described in "*Pool Adjustment Criteria*" below.

Title Deeds

On receipt of the title deeds, these are checked for completeness against the acting solicitor's schedule of documents. The title deeds are held at the Originator's deeds storage facilities.

Rental Bank Accounts

In respect of the majority of Mortgage Loan Advances, the relevant Borrowers have established rental proceeds accounts at Bank of Scotland into which rental proceeds under the relevant Mortgage Loan Facility are paid. Provisions will typically be incorporated into the operation of such accounts to ensure that any property sale proceeds paid into these accounts are used to pay down the related Mortgage Loan Advance.

THE INITIAL MORTGAGE PORTFOLIO AND THE SECONDARY MORTGAGE PORTFOLIO

The following tables have been compiled by Bank of Scotland and (except where otherwise noted) provide information in respect of the Mortgage Loan Advances in each of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio as at the Cut-Off Date. The tables are derived from data provided by Bank of Scotland. The data has not been audited in the context of the annual audit of the Bank of Scotland.

There are four Mortgage Loan Facilities in the Aggregate Mortgage Portfolio that have two *pari-passu* tranches. These tranches will be governed by the same mortgage loan documentation and be secured on the same Property or Properties but will differ in some way as to, *inter alia*, interest rate, maturity and repayment terms. For the purposes of the following tables these tranches have been consolidated into one Mortgage Loan Facility and where terms differ a blended rate has been calculated for the purposes of the following tables.

Where the following tables make reference to property valuations, the valuations quoted are as at the date of the Conditions Precedent Valuation unless the Originator has obtained a valuation in relation to a Further Advance or Related Security Adjustment in respect of such Mortgage Loan Advance or an updated valuation in respect of any Mortgage Loan Advance has been received at a later date in which case such later valuation has been used.

Where a Mortgage Loan Advance is a Syndicated Mortgage Loan Advance, its property valuation and rental income as set out in the following tables have been adjusted by the Originator's share in that Syndicated Mortgage Loan Advance.

In respect of the Mortgage Loan Advance in the Initial Mortgage Portfolio with facility identification number 1200101811, an entry will be made on the Further Consideration Amount Ledger in an amount equal to the amount by which 99 per cent. of the aggregate of the outstanding Current Balance less Unpaid Interest of each Initial Mortgage Loan Advance as at the close of business on the Business Day immediately preceding the Closing Date exceeds £1,000,000,000.

The current balances of the mortgage loans comprised in the Initial Mortgage Portfolio may have increased or decreased between 22 November 2005 and the date of this Prospectus. The current balances of the mortgage loans comprised in the Secondary Mortgage Portfolio may have increased or decreased between 22 November 2005 and the date of this Prospectus.

Some of the information set out below in relation to the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio may change between the Cut-Off Date and the date of this Prospectus and may change further between the date of this Prospectus and the Closing Date due to, *inter alia*, the repayment or prepayment of the mortgage loans and the ongoing servicing of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio which may result in a change of the terms of some of the agreements in relation to the mortgage loans.

Unless specified otherwise, information with respect to each of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio relates to each of the Initial Mortgage Portfolio and the Secondary Mortgage Portfolio in this Prospectus as at the Cut-Off Date.

Some of the totals shown in the tables below may not be arithmetically correct due to the rounding of figures.

Initial Mortgage Portfolio

Loan Balance

Drawings	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
£0m – £10m	0	0.00%	0.00	0.00%
£10+ – £20m	14	42.42%	201.09	19.76%
£20+ – £30m	7	21.21%	161.13	15.84%
£30+ – £40m	3	9.09%	103.64	10.19%
£40+ – £50m	2	6.06%	96.75	9.51%
£50+ – £60m	3	9.09%	164.72	16.19%
£60+ – £70m	2	6.06%	136.33	13.40%
£70+ – £80m	2	6.06%	153.81	15.12%
£80+ – £90m	0	0.00%	0.00	0.00%
Totals	33	100.00%	1,017.47	100.00%

Loan Margin

Loan Margin	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
70bps – 80bps	1	3.03%	58.06	5.71%
81bps – 90bps	0	0.00%	0.00	0.00%
91bps – 100bps	11	33.33%	393.70	38.69%
101bps – 110bps	0	0.00%	0.00	0.00%
111bps – 120bps	10	30.30%	238.64	23.45%
121bps – 130bps	8	24.24%	217.51	21.38%
131bps – 140bps	0	0.00%	0.00	0.00%
141bps – 150bps	3	9.09%	109.56	10.77%
Totals	33	100.00%	1,017.47	100.00%

Current LTV

Current LTV	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
<50%	2	6.06%	79.83	7.85%
≥50% <60%	4	12.12%	128.76	12.65%
≥60% <70%	5	15.15%	117.90	11.59%
≥70% <80%	11	33.33%	346.54	34.06%
≥80% <90%	10	30.30%	294.44	28.94%
≥90% <100%	1	3.03%	50.00	4.91%
Totals	33	100.00%	1,017.47	100.00%

Exit LTV

Exit LTV	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
<50%	12	36.36%	436.84	42.93%
≥50% <60%	4	12.12%	128.76	12.65%
≥60% <70%	9	27.27%	154.20	15.15%
≥70% <80%	5	15.15%	212.33	20.87%
≥80% <90%	3	9.09%	85.35	8.39%
Totals	33	100.00%	1,017.47	100.00%

Current ICR

Current ICR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	10	30.30%	438.02	43.05%
1.26 – 1.50	13	39.39%	354.13	34.81%
1.51 – 1.75	3	9.09%	41.67	4.10%
1.76 – 2.00	4	12.12%	79.68	7.83%
2.00 – 2.25	2	6.06%	45.90	4.51%
2.25+	1	3.03%	58.06	5.71%
Totals	33	100.00%	1,017.47	100.00%

Current DSCR

Current DSCR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	23	69.70%	693.72	68.18%
1.26 – 1.50	6	18.18%	212.00	20.84%
1.51 – 1.75	1	3.03%	18.80	1.85%
1.76 – 2.00	2	6.06%	34.89	3.43%
2.00 – 2.25	0	0.00%	0.00	0.00%
2.25+	1	3.03%	58.06	5.71%
Totals	33	100.00%	1,017.47	100.00%

Date of Origination

Date of Origination	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1999	1	3.03%	14.00	1.38%
2000	4	12.12%	46.94	4.61%
2001	5	15.15%	228.36	22.44%
2002	8	24.24%	224.35	22.05%
2003	8	24.24%	231.24	22.73%
2004	4	12.12%	106.02	10.42%
2005	3	9.09%	166.56	16.37%
Totals	33	100.00%	1,017.47	100.00%

Legal Maturity

Legal Maturity	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
2006.....	1	3.03%	14.00	1.38%
2007.....	3	9.09%	62.95	6.19%
2008.....	2	6.06%	57.17	5.62%
2009.....	7	21.21%	180.34	17.72%
2010.....	3	9.09%	107.12	10.53%
2011 – 2015.....	8	24.24%	269.69	26.51%
2016 – 2020.....	3	9.09%	57.97	5.70%
2021 – 2025.....	4	12.12%	203.50	20.00%
2025+.....	2	6.06%	64.73	6.36%
Totals.....	33	100.00%	1,017.47	100.00%

Property Value

Pro-rata Property Value	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
£0m – £10m.....	138	82.14%	366.77	25.54%
£10+ – £20m.....	12	7.14%	186.18	12.96%
£20+ – £30m.....	8	4.76%	186.31	12.97%
£30+ – £40m.....	1	0.60%	30.75	2.14%
£40+ – £50m.....	3	1.79%	138.80	9.67%
£50+ – £60m.....	0	0.00%	0.00	0.00%
£60+ – £70m.....	3	1.79%	196.77	13.70%
£70+ – £80m.....	0	0.00%	0.00	0.00%
£80+ – £90m.....	1	0.60%	89.94	6.26%
£90+ – £100m.....	1	0.60%	93.00	6.48%
>£100m.....	1	0.60%	147.50	10.27%
Totals.....	168	100.00%	1,436.03	100.00%

Property Activity

Property Activity	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
Mixed Use.....	21	12.50%	399.36	27.81%
Office.....	31	18.45%	517.99	36.07%
Retail.....	88	52.38%	419.96	29.24%
Industrial.....	19	11.31%	67.15	4.68%
Warehouse/ Distribution.....	7	4.17%	29.07	2.02%
Leisure/Pub.....	1	0.60%	2.25	0.16%
Other.....	1	0.60%	0.25	0.02%
Totals.....	168	100.00%	1,436.03	100.00%

Property Region

Property Region	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
London	19	11.31%	369.64	25.74%
Scotland	32	19.05%	418.87	29.17%
Sth East England	47	27.98%	206.86	14.40%
North West England	14	8.33%	161.12	11.22%
Yorks & Humber	14	8.33%	87.36	6.08%
Sth West England	11	6.55%	83.26	5.80%
West Midlands	11	6.55%	30.36	2.11%
North England	2	1.19%	31.13	2.17%
East Midlands	11	6.55%	27.59	1.92%
Wales	6	3.57%	11.36	0.79%
Non UK	1	0.60%	8.48	0.59%
Totals	168	100.00%	1,436.03	100.00%

Property versus Region by percentage of Pro-rata Property Value

	Industrial	Leisure/ Pub	Mixed Use	Office	Other	Retail	Warehouse/ Distribution	Total
London	0.08%	0.00%	9.64%	15.51%	0.02%	0.50%	0.00%	25.74%
Scotland	1.44%	0.16%	5.36%	7.65%	0.00%	14.56%	0.00%	29.17%
Sth East England	2.20%	0.00%	2.75%	2.17%	0.00%	7.12%	0.17%	14.40%
North West								
England	0.24%	0.00%	7.75%	2.24%	0.00%	0.89%	0.10%	11.22%
Yorks & Humber	0.00%	0.00%	1.78%	1.91%	0.00%	1.05%	1.34%	6.08%
Sth West England	0.24%	0.00%	0.48%	3.34%	0.00%	1.64%	0.10%	5.80%
West Midlands	0.14%	0.00%	0.00%	0.49%	0.00%	1.32%	0.17%	2.11%
North England	0.00%	0.00%	0.00%	2.17%	0.00%	0.00%	0.00%	2.17%
East Midlands	0.34%	0.00%	0.05%	0.00%	0.00%	1.38%	0.15%	1.92%
Wales	0.00%	0.00%	0.00%	0.00%	0.00%	0.79%	0.00%	0.79%
Non UK	0.00%	0.00%	0.00%	0.59%	0.00%	0.00%	0.00%	0.59%
Total	4.68%	0.16%	27.81%	36.07%	0.02%	29.24%	2.02%	100.00%

Property valuation date

Date of Valuation	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
1999	2	1.19%	34.10	2.37%
2000	4	2.38%	97.59	6.80%
2001	9	5.36%	140.46	9.78%
2002	5	2.98%	189.29	13.18%
2003	6	3.57%	180.15	12.55%
2004	103	61.31%	551.11	38.38%
2005	39	23.21%	243.34	16.95%
Totals	168	100.00%	1,436.03	100.00%

Number of Tenants per Property

Number of Tenants	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
Vacant	3	1.79%	2.54	0.18%
1	101	60.12%	508.58	35.42%
2 – 5	34	20.24%	223.81	15.59%
6 – 10	19	11.31%	343.54	23.92%
11 – 15	3	1.79%	15.73	1.10%
16 – 20	3	1.79%	20.33	1.42%
21 – 30	0	0.00%	0.00	0.00%
30+	5	2.98%	321.50	22.39%
Totals	168	100.00%	1,436.03	100.00%

Top 20 Tenants by Annual Rental Income

Top 20 Tenants by Annual Rental Income	Pro-rata Annual Rental Income (£m)	Percentage of Total Pro-rata Annual Rental Income
Secretary of State UK Departments	8.78	9.23%
Linklaters Business Services	4.51	4.74%
Sullivan & Cromwell	3.03	3.19%
Baillie Gifford & Co	2.94	3.09%
Tesco Stores Limited	2.74	2.89%
AMC Theatres UK Limited	2.63	2.77%
London Stock Exchange Plc	2.58	2.72%
Bank of Tokyo – Mitsubishi Ltd	2.20	2.31%
T-Mobile (UK) Limited	1.99	2.10%
Redbus Interhouse Plc	1.98	2.08%
Halfords Limited	1.95	2.05%
Cookson Group Plc	1.85	1.95%
Club 24 Limited	1.73	1.82%
BP International Limited	1.63	1.72%
Pillar Projects Limited	1.37	1.44%
Procter & Gamble Technical Centres Limited	1.34	1.41%
National Car Parks Limited	1.34	1.41%
Wincanton Holdings Limited	1.28	1.34%
Standard Chartered Bank	1.25	1.32%
Orange Personal Communication Services Limited	1.19	1.26%
	48.31	50.83%

Lease Expiries (Breaks Exercised)

Lease Expiries (Breaks Exercised)	Number of Leases	Percentage of Leases (%)	Pro-rata Annual Rental Income (£m)	Percentage of Pro-rata Annual Rental Income
Vacant	81	10.57%	0.01	0.01%
Past.....	57	7.44%	2.39	2.52%
0 years.....	55	7.18%	1.72	1.81%
1 years.....	67	8.75%	4.56	4.80%
2 years.....	51	6.66%	1.77	1.86%
3 years.....	53	6.92%	9.91	10.42%
4 years.....	49	6.40%	3.33	3.50%
5 years.....	26	3.39%	0.83	0.88%
6 years.....	24	3.13%	1.98	2.08%
7 years.....	22	2.87%	1.75	1.84%
8 years.....	30	3.92%	6.74	7.09%
9 years.....	28	3.66%	4.67	4.91%
10 years.....	44	5.74%	8.35	8.78%
11 – 15 years	76	9.92%	11.49	12.09%
15+ years.....	103	13.45%	35.53	37.38%
Totals	766	100.00%	95.05	100.00%

Scheduled amortisation

Year	Amortisation Amount (£m)	Percentage of Total Amortisation (%)
2005.....	0.99	0.10%
2006.....	22.30	2.19%
2007.....	89.33	8.78%
2008.....	85.92	8.44%
2009.....	151.97	14.93%
2010.....	116.49	11.45%
2011 – 2015	316.87	31.14%
2016 – 2020	101.17	9.94%
2021 – 2025	77.77	7.64%
2025+.....	54.89	5.39%
Totals	1,017.70	100.00%

Note: Total amortisation amount exceeds the current aggregate loan balance due to the inclusion of interest roll-ups

Secondary Mortgage Portfolio

Loan Balance

Drawings	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
£0m – £10m	0	0.00%	0.00	0.00%
£10+ – £20m	4	30.77%	55.80	12.09%
£20+ – £30m	3	23.08%	72.18	15.64%
£30+ – £40m	3	23.08%	113.54	24.61%
£40+ – £50m	0	0.00%	0.00	0.00%
£50+ – £60m	1	7.69%	56.78	12.31%
£60+ – £70m	0	0.00%	0.00	0.00%
£70+ – £80m	1	7.69%	76.87	16.66%
£80+ – £90m	1	7.69%	86.19	18.68%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Loan Margin

Loan Margin	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
70bps – 80bps	1	7.69%	56.78	12.31%
81bps – 90bps	0	0.00%	0.00	0.00%
91bps – 100bps	4	30.77%	107.44	23.29%
101bps – 110bps	2	15.38%	49.27	10.68%
111bps – 120bps	4	30.77%	196.54	42.60%
121bps – 130bps	1	7.69%	14.35	3.11%
131bps – 140bps	0	0.00%	0.00	0.00%
141bps – 150bps	1	7.69%	37.00	8.02%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Current LTV

Current LTV	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
<50%	1	7.69%	56.78	12.31%
≥50% <60%	0	0.00%	0.00	0.00%
≥60% <70%	3	23.08%	84.01	18.21%
≥70% <80%	6	46.15%	240.72	52.18%
≥80% <90%	3	23.08%	79.86	17.31%
≥90% <100%	0	0.00%	0.00	0.00%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Exit LTV

Exit LTV	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
<50%	3	23.08%	86.27	18.70%
≥50% <60%	3	23.08%	134.97	29.26%
≥60% <70%	4	30.77%	110.01	23.84%
≥70% <80%	2	15.38%	101.94	22.10%
≥80% <90%	1	7.69%	28.17	6.11%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Current ICR

Current ICR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	1	7.69%	36.54	7.92%
1.26 – 1.50	1	7.69%	28.17	6.11%
1.51 – 1.75	7	53.85%	206.12	44.68%
1.76 – 2.00	1	7.69%	10.56	2.29%
2.00 – 2.25	2	15.38%	123.19	26.70%
2.25+	1	7.69%	56.78	12.31%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Current DSCR

Current DSCR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	6	46.15%	174.57	37.84%
1.26 – 1.50	1	7.69%	28.17	6.11%
1.51 – 1.75	3	23.08%	78.66	17.05%
1.76 – 2.00	1	7.69%	37.00	8.02%
2.00 – 2.25	1	7.69%	86.19	18.68%
2.25+	1	7.69%	56.78	12.31%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Date of Origination

Date of Origination	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1999	0	0.00%	0.00	0.00%
2000	1	7.69%	56.78	12.31%
2001	3	23.08%	87.10	18.88%
2002	3	23.08%	178.82	38.76%
2003	4	30.77%	80.57	17.46%
2004	2	15.38%	58.10	12.59%
2005	0	0.00%	0.00	0.00%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Legal Maturity

Legal Maturity	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
2006	2	15.38%	96.78	20.98%
2007	0	0.00%	0.00	0.00%
2008	4	30.77%	77.39	16.77%
2009	0	0.00%	0.00	0.00%
2010	1	7.69%	21.10	4.57%
2011–2015	3	23.08%	200.07	43.36%
2016–2020	3	23.08%	66.04	14.31%
2021–2025	0	0.00%	0.00	0.00%
2025+	0	0.00%	0.00	0.00%
Totals	<u>13</u>	<u>100.00%</u>	<u>461.37</u>	<u>100.00%</u>

Property Value

Pro-rata Property Value	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
£0m – £10m	88	86.27%	280.52	42.51%
£10+ – £20m	8	7.84%	107.36	16.27%
£20+ – £30m	2	1.96%	47.20	7.15%
£30+ – £40m	1	0.98%	33.00	5.00%
£40+ – £50m	2	1.96%	91.82	13.91%
£50+ – £60m	0	0.00%	0.00	0.00%
£60+ – £70m	0	0.00%	0.00	0.00%
£70+ – £80m	0	0.00%	0.00	0.00%
£80+ – £90m	0	0.00%	0.00	0.00%
£90+ – £100m	1	0.98%	100.00	15.15%
>£100m	0	0.00%	0.00	0.00%
Totals	<u>102</u>	<u>100.00%</u>	<u>659.89</u>	<u>100.00%</u>

Property Activity

Property Activity	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
Mixed Use	7	6.86%	51.04	7.73%
Office	21	20.59%	349.21	52.92%
Retail	65	63.73%	182.99	27.73%
Industrial	6	5.88%	59.42	9.00%
Warehouse/ Distribution	3	2.94%	17.25	2.61%
Leisure/Pub	0	0.00%	0.00	0.00%
Other	0	0.00%	0.00	0.00%
Totals	<u>102</u>	<u>100.00%</u>	<u>659.89</u>	<u>100.00%</u>

Property Region

Property Region	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
London	12	11.76%	230.92	34.99%
Scotland	18	17.65%	125.89	19.08%
Sth East England	26	25.49%	114.91	17.41%
North West England	9	8.82%	41.23	6.25%
Yorks & Humber	7	6.86%	18.65	2.83%
Sth West England	8	7.84%	32.40	4.91%
West Midlands	12	11.76%	42.12	6.38%
North England	3	2.94%	25.68	3.89%
East Midlands	3	2.94%	8.10	1.23%
Wales	3	2.94%	6.73	1.02%
Non UK	1	0.98%	13.28	2.01%
Totals	<u>102</u>	<u>100.00%</u>	<u>659.89</u>	<u>100.00%</u>

Property versus Region by percentage of Pro-rata Property Value

	<u>Industrial</u>	<u>Mixed Use</u>	<u>Office</u>	<u>Retail</u>	<u>Warehouse/ Distribution</u>	<u>Total</u>
London	0.00%	0.19%	34.39%	0.41%	0.00%	34.99%
Sth East England	0.00%	1.68%	7.20%	7.68%	0.85%	17.41%
Scotland	7.12%	4.21%	2.65%	5.09%	0.00%	19.08%
West Midlands	0.17%	0.00%	1.61%	4.61%	0.00%	6.38%
Sth West England	0.51%	0.00%	2.02%	2.38%	0.00%	4.91%
North West England	0.94%	0.00%	0.00%	3.55%	1.77%	6.25%
Yorks & Humber	0.00%	0.89%	0.00%	1.93%	0.00%	2.83%
North England	0.00%	0.75%	3.03%	0.11%	0.00%	3.89%
Non UK	0.00%	0.00%	2.01%	0.00%	0.00%	2.01%
East Midlands	0.27%	0.00%	0.00%	0.96%	0.00%	1.23%
Wales	0.00%	0.00%	0.00%	1.02%	0.00%	1.02%
Total	<u>9.00%</u>	<u>7.73%</u>	<u>52.92%</u>	<u>27.73%</u>	<u>2.61%</u>	<u>100.00%</u>

Property valuation date

Date of Valuation	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
1999	0	0.00%	0.00	0.00%
2000	0	0.00%	0.00	0.00%
2001	1	0.98%	44.82	6.79%
2002	1	0.98%	100.00	15.15%
2003	13	12.75%	89.62	13.58%
2004	80	78.43%	377.59	57.22%
2005	7	6.86%	47.87	7.25%
Totals	<u>102</u>	<u>100.00%</u>	<u>659.89</u>	<u>100.00%</u>

Number of Tenants per Property

Number of Tenants	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
Vacant	0	0.00%	0.00	0.00%
1	64	62.75%	294.31	44.60%
2 – 5	28	27.45%	158.36	24.00%
6 – 10	3	2.94%	24.95	3.78%
11 – 15	3	2.94%	112.80	17.09%
16 – 20	0	0.00%	0.00	0.00%
21 – 30	3	2.94%	22.48	3.41%
30+	1	0.98%	47.00	7.12%
Totals	<u>102</u>	<u>100.00%</u>	<u>659.89</u>	<u>100.00%</u>

Top 20 Tenants by Annual Rental Income

Top 20 Tenants by Annual Rental Income	Pro-rata Annual Rental Income (£m)	Percentage of Total Pro-rata Annual Rental Income
Barclays Bank Plc.....	4.92	10.93%
Imperial Chemical Industries Plc (ICI).....	2.84	6.32%
Skanska Construction UK Limited.....	2.30	5.11%
Mitsui Babcock Energy Limited.....	1.76	3.92%
Secretary of State UK Departments.....	1.62	3.61%
Trillium (Prime) Property GP Limited.....	1.38	3.08%
BDO Stoy Hayward.....	1.22	2.71%
Capel-Cure Myers Financial Services Limited.....	1.08	2.40%
Aldi Stores Limited.....	0.90	2.00%
B & Q Plc.....	0.86	1.91%
DHL Systems Limited.....	0.77	1.71%
MWB Business Exchange Limited.....	0.76	1.68%
Paragon Finance Plc.....	0.75	1.66%
Superdrug Stores Plc.....	0.72	1.59%
News International Limited.....	0.51	1.13%
Icon Clinical Research (U.K.) Limited.....	0.49	1.09%
W H Smith Plc.....	0.48	1.07%
BHS Limited.....	0.46	1.03%
Remploy Limited.....	0.46	1.01%
Sainsburys Supermarkets Limited.....	0.45	1.00%
	<u>24.73</u>	<u>54.95%</u>

Lease Expiries (Breaks Exercised)

Lease Expiries (Breaks Exercised)	Number of Leases	Percentage of Leases (%)	Pro-rata Annual Rental Income (£m)	Percentage of Pro-rata Annual Rental Income
Vacant.....	35	9.92%	0.00	0.00%
Past.....	24	6.80%	0.51	1.13%
0 years.....	22	6.23%	0.84	1.88%
1 years.....	13	3.68%	0.57	1.26%
2 years.....	20	5.67%	1.00	2.22%
3 years.....	20	5.67%	0.61	1.37%
4 years.....	25	7.08%	3.60	8.00%
5 years.....	18	5.10%	1.86	4.12%
6 years.....	21	5.95%	2.02	4.48%
7 years.....	28	7.93%	1.54	3.43%
8 years.....	31	8.78%	10.27	22.82%
9 years.....	13	3.68%	2.46	5.46%
10 Years.....	13	3.68%	3.35	7.44%
11 - 15years.....	42	11.90%	7.68	17.08%
15+ years.....	<u>28</u>	<u>7.93%</u>	<u>8.69</u>	<u>19.31%</u>
Totals.....	<u>353</u>	<u>100.00%</u>	<u>45.00</u>	<u>100.00%</u>

Scheduled amortisation

Year	Amortisation Amount (£m)	Percentage of Total Amortisation (%)
2005	0.78	0.17%
2006	102.77	22.27%
2007	6.98	1.51%
2008	83.01	17.99%
2009	6.91	1.50%
2010	25.57	5.54%
2011 – 2015.....	187.14	40.56%
2016 – 2020.....	48.22	10.45%
2021 – 2025.....	0.00	0.00%
2025+	0.00	0.00%
Totals.....	<u>461.37</u>	<u>100.00%</u>

Aggregate Mortgage Portfolio

Loan Balance

Drawings	<u>Number of Advances</u>	<u>% of Advances</u>	<u>Total Drawn (£m)</u>	<u>% of Total Balance</u>
£0m – £10m	0	0.00%	0.00	0.00%
£10+ – £20m.....	18	39.13%	256.89	17.37%
£20+ – £30m.....	10	21.74%	233.31	15.78%
£30+ – £40m.....	6	13.04%	217.19	14.69%
£40+ – £50m.....	2	4.35%	96.75	6.54%
£50+ – £60m.....	4	8.70%	221.49	14.98%
£60+ – £70m.....	2	4.35%	136.33	9.22%
£70+ – £80m.....	3	6.52%	230.69	15.60%
£80+ – £90m.....	1	2.17%	86.19	5.83%
Totals	<u>46</u>	<u>100.00%</u>	<u>1,478.84</u>	<u>100.00%</u>

Loan Margin

Loan Margin	<u>Number of Advances</u>	<u>% of Advances</u>	<u>Total Drawn (£m)</u>	<u>% of Total Balance</u>
70bps – 80bps	2	4.35%	114.84	7.77%
81bps – 90bps	0	0.00%	0.00	0.00%
91bps – 100bps	15	32.61%	501.14	33.89%
101bps – 110bps	2	4.35%	49.27	3.33%
111bps – 120bps	14	30.43%	435.18	29.43%
121bps – 130bps	9	19.57%	231.86	15.68%
131bps – 140bps	0	0.00%	0.00	0.00%
141bps – 150bps	4	8.70%	146.56	9.91%
Totals	<u>46</u>	<u>100.00%</u>	<u>1,478.84</u>	<u>100.00%</u>

Current LTV

Current LTV	<u>Number of Advances</u>	<u>% of Advances</u>	<u>Total Drawn (£m)</u>	<u>% of Total Balance</u>
<50%	3	6.52%	136.61	9.24%
≥50% <60%	4	8.70%	128.76	8.71%
≥60% <70%	8	17.39%	201.91	13.65%
≥70% <80%	17	36.96%	587.26	39.71%
≥80% <90%	13	28.26%	374.30	25.31%
≥90% <100%	1	2.17%	50.00	3.38%
Totals	<u>46</u>	<u>100.00%</u>	<u>1,478.84</u>	<u>100.00%</u>

Exit LTV

Exit LTV	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
<50%	15	32.61%	523.10	35.37%
≥50% <60%	7	15.22%	263.73	17.83%
≥60% <70%	13	28.26%	264.21	17.87%
≥70% <80%	7	15.22%	314.27	21.25%
≥80% <90%	4	8.70%	113.52	7.68%
Totals	46	100.00%	1,478.84	100.00%

Current ICR

Current ICR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	11	23.91%	474.57	32.09%
1.26 – 1.50	14	30.43%	382.31	25.85%
1.51 – 1.75	10	21.74%	247.80	16.76%
1.76 – 2.00	5	10.87%	90.24	6.10%
2.00 – 2.25	4	8.70%	169.09	11.43%
2.25+	2	4.35%	114.84	7.77%
Totals	46	100.00%	1,478.84	100.00%

Current DSCR

Current DSCR	Number of Advances	% of Advances	Total Drawn (£m)	% of Total Balance
1.00 – 1.25	29	63.04%	868.29	58.71%
1.26 – 1.50	7	15.22%	240.17	16.24%
1.51 – 1.75	4	8.70%	97.46	6.59%
1.76 – 2.00	3	6.52%	71.89	4.86%
2.00 – 2.25	1	2.17%	86.19	5.83%
2.25+	2	4.35%	114.84	7.77%
Totals	46	100.00%	1,478.84	100.00%

Date of Origination

Date of Origination	<u>Number of Advances</u>	<u>% of Advances</u>	<u>Total Drawn (£m)</u>	<u>% of Total Balance</u>
1999	1	2.17%	14.00	0.95%
2000	5	10.87%	103.72	7.01%
2001	8	17.39%	315.47	21.33%
2002	11	23.91%	403.16	27.26%
2003	12	26.09%	311.81	21.08%
2004	6	13.04%	164.12	11.10%
2005	3	6.52%	166.56	11.26%
Totals	<u>46</u>	<u>100.00%</u>	<u>1,478.84</u>	<u>100.00%</u>

Legal Maturity

Legal Maturity	<u>Number of Advances</u>	<u>% of Advances</u>	<u>Total Drawn (£m)</u>	<u>% of Total Balance</u>
2006	3	6.52%	110.77	7.49%
2007	3	6.52%	62.95	4.26%
2008	6	13.04%	134.56	9.10%
2009	7	15.22%	180.34	12.19%
2010	4	8.70%	128.22	8.67%
2011 – 2015	11	23.91%	469.75	31.77%
2016 – 2020	6	13.04%	124.00	8.39%
2021 – 2025	4	8.70%	203.50	13.76%
2025+	2	4.35%	64.73	4.38%
Totals	<u>46</u>	<u>100.00%</u>	<u>1,478.84</u>	<u>100.00%</u>

Property Value

Property Value	<u>Number of Properties</u>	<u>% of Properties</u>	<u>Pro-rata Property Value (£m)</u>	<u>Percentage of Pro-rata Property Value</u>
£0m – £10m	226	83.70%	647.29	30.88%
£10+ – £20m	20	7.41%	293.54	14.01%
£20+ – £30m	10	3.70%	233.51	11.14%
£30+ – £40m	2	0.74%	63.75	3.04%
£40+ – £50m	5	1.85%	230.62	11.00%
£50+ – £60m	0	0.00%	0.00	0.00%
£60+ – £70m	3	1.11%	196.77	9.39%
£70+ – £80m	0	0.00%	0.00	0.00%
£80+ – £90m	1	0.37%	89.94	4.29%
£90+ – £100m	2	0.74%	193.00	9.21%
>£100m	1	0.37%	147.50	7.04%
Totals	<u>270</u>	<u>100.00%</u>	<u>2,095.92</u>	<u>100.00%</u>

Property Activity

Property Activity	<u>Number of Properties</u>	<u>% of Properties</u>	<u>Pro-rata Property Value (£m)</u>	<u>Percentage of Pro-rata Property Value</u>
Mixed Use	28	10.37%	450.40	21.49%
Office	52	19.26%	867.20	41.38%
Retail	153	56.67%	602.95	28.77%
Industrial	25	9.26%	126.56	6.04%
Warehouse/ Distribution	10	3.70%	46.32	2.21%
Leisure/Pub	1	0.37%	2.25	0.11%
Other	1	0.37%	0.25	0.01%
Totals	<u>270</u>	<u>100.00%</u>	<u>2,095.92</u>	<u>100.00%</u>

Property Region

Property Region	<u>Number of Properties</u>	<u>% of Properties</u>	<u>Pro-rata Property Value (£m)</u>	<u>Percentage of Pro-rata Property Value</u>
London	31	11.48%	600.56	28.65%
Scotland	50	18.52%	544.76	25.99%
Sth East England	73	27.04%	321.77	15.35%
North West England	23	8.52%	202.35	9.65%
Yorks & Humber	21	7.78%	106.01	5.06%
Sth West England	19	7.04%	115.66	5.52%
West Midlands	23	8.52%	72.48	3.46%
North England	5	1.85%	56.80	2.71%
East Midlands	14	5.19%	35.69	1.70%
Wales	9	3.33%	18.09	0.86%
Non UK	2	0.74%	21.76	1.04%
Totals	<u>270</u>	<u>100.00%</u>	<u>2,095.92</u>	<u>100.00%</u>

Property versus Region by percentage of Pro-rata Property Value

	<u>Industrial</u>	<u>Leisure/ Pub</u>	<u>Mixed Use</u>	<u>Office</u>	<u>Other</u>	<u>Retail</u>	<u>Warehouse/ Distribution</u>	<u>Total</u>
London	0.05%	0.00%	6.66%	21.45%	0.01%	0.47%	0.00%	28.65%
Scotland	3.23%	0.11%	5.00%	6.08%	0.00%	11.58%	0.00%	25.99%
Sth East England ...	1.51%	0.00%	2.42%	3.76%	0.00%	7.29%	0.38%	15.35%
North West England .	0.46%	0.00%	5.31%	1.53%	0.00%	1.73%	0.62%	9.65%
Sth West England ...	0.32%	0.00%	0.33%	2.93%	0.00%	1.87%	0.07%	5.52%
Yorks & Humber	0.00%	0.00%	1.50%	1.31%	0.00%	1.33%	0.92%	5.06%
West Midlands	0.15%	0.00%	0.00%	0.84%	0.00%	2.35%	0.11%	3.46%
North England	0.00%	0.00%	0.24%	2.44%	0.00%	0.03%	0.00%	2.71%
East Midlands	0.31%	0.00%	0.03%	0.00%	0.00%	1.25%	0.10%	1.70%
Non UK	0.00%	0.00%	0.00%	1.04%	0.00%	0.00%	0.00%	1.04%
Wales	0.00%	0.00%	0.00%	0.00%	0.00%	0.86%	0.00%	0.86%
Total	<u>6.04%</u>	<u>0.11%</u>	<u>21.49%</u>	<u>41.38%</u>	<u>0.01%</u>	<u>28.77%</u>	<u>2.21%</u>	<u>100.00%</u>

Property valuation date

Date of Valuation	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
1999	2	0.74%	34.10	1.63%
2000	4	1.48%	97.59	4.66%
2001	10	3.70%	185.28	8.84%
2002	6	2.22%	289.29	13.80%
2003	19	7.04%	269.77	12.87%
2004	183	67.78%	928.70	44.31%
2005	46	17.04%	291.20	13.89%
Totals	<u>270</u>	<u>100.00%</u>	<u>2,095.92</u>	<u>100.00%</u>

Number of Tenants per Property

Number of Tenants	Number of Properties	% of Properties	Pro-rata Property Value (£m)	Percentage of Pro-rata Property Value
Vacant	3	1.11%	2.54	0.12%
1	165	61.11%	802.89	38.31%
2 – 5	62	22.96%	382.17	18.23%
6 – 10	22	8.15%	368.49	17.58%
11 – 15	6	2.22%	128.53	6.13%
16 – 20	3	1.11%	20.33	0.97%
21 – 30	3	1.11%	22.48	1.07%
30+	6	2.22%	368.50	17.58%
Totals	<u>270</u>	<u>100.00%</u>	<u>2,095.92</u>	<u>100.00%</u>

Top 20 Tenants by Annual Rental Income

Top 20 Tenants by Annual Rental Income	Pro-Rata Annual Rental Income (£m)	Percentage of Total Pro-rata Annual Rental Income
Secretary of State UK Departments	10.40	7.42%
Barclays Bank Plc	5.05	3.61%
Linklaters Business Services	4.51	3.22%
Sullivan & Cromwell.....	3.03	2.16%
Baillie Gifford & Co.....	2.94	2.10%
Imperial Chemical Industries Plc (ICI)	2.84	2.03%
Tesco Stores Limited	2.74	1.96%
AMC Theatres UK Limited	2.63	1.88%
London Stock Exchange Plc	2.58	1.84%
Skanska Construction UK Limited.....	2.30	1.64%
Bank of Tokyo - Mitsubishi Ltd.....	2.20	1.57%
T-Mobile (UK) Limited	1.99	1.42%
Redbus Interhouse Plc	1.98	1.41%
Halfords Limited	1.95	1.39%
Cookson Group Plc	1.85	1.32%
Mitsui Babcock Energy Limited	1.76	1.26%
Club 24 Limited.....	1.73	1.24%
BP International Limited	1.63	1.17%
Pillar Projects Limited	1.37	0.98%
Trillium (Prime) Property GP Limited	1.46	1.04%
	<u>56.95</u>	<u>40.66%</u>

Lease Expiries (Breaks Exercised)

Lease Expiries (Breaks Exercised)	Number of Leases	Percentage of Leases (%)	Pro-rata Annual Rental Income (£m)	Percentage of Pro-rata Annual Rental Income
Vacant	116	10.37%	0.01	0.01%
Past	81	7.24%	2.90	2.07%
0 years	77	6.88%	2.57	1.83%
1 years	80	7.15%	5.13	3.66%
2 years	71	6.34%	2.77	1.98%
3 years	73	6.52%	10.52	7.51%
4 years	74	6.61%	6.93	4.95%
5 years	44	3.93%	2.69	1.92%
6 years	45	4.02%	4.00	2.85%
7 years	50	4.47%	3.30	2.35%
8 years	61	5.45%	17.01	12.15%
9 years	41	3.66%	7.13	5.09%
10 years	57	5.09%	11.70	8.35%
11 – 15years.....	118	10.55%	19.18	13.69%
15+ years	131	11.71%	44.22	31.57%
Totals	<u>1,119</u>	<u>100.00%</u>	<u>140.05</u>	<u>100.00%</u>

Scheduled amortisation

Year	Amortisation Amount (£m)	Percentage of Total Amortisation (%)
2005	1.77	0.12%
2006	125.07	8.46%
2007	96.31	6.51%
2008	168.93	11.42%
2009	158.88	10.74%
2010	142.06	9.60%
2011 – 2015	504.00	34.08%
2016 – 2020	149.39	10.10%
2021 – 2025	77.77	5.26%
2025+	54.89	3.71%
Totals	<u>1,479.07</u>	<u>100.00%</u>

Note: Total amortisation amount exceeds the current aggregate loan balance due to the inclusion of interest roll-ups

Large Mortgage Loan Advances

See Appendix 1 for a summary of each of the Mortgage Loan Advances in the Aggregate Mortgage Portfolio with a Current Balance in excess of £40 million as at the Cut-Off Date.

Loan Table – Initial Mortgage Portfolio

Loan ID	Number of tranches	% of Pool	Balance o/s (£m)	Undrawn commitment (£m)	Interest rate type	Hedging type	Amortisation type	Origination date	Final maturity	WAvg Remaining term (yrs)	Number of properties	Number of tenants	LTV (%)
1200101185	1	7.67%	78.00	–	Floating	Partially	None	13/08/2003	13/08/2013	7.72	1	88	52.88%
1200303732	1	7.45%	75.81	–	Floating	Partially	Partial	23/12/2002	07/01/2021	12.12	1	11	84.29%
1200304120	1	6.86%	69.75	1.50	Floating	Partially	None	04/10/2005	04/10/2010	4.87	1	38	75.00%
1200405650	1	6.54%	66.58	–	Fixed/Floating	None	None	07/12/2001	19/11/2009	3.99	24	135	77.84%
1200506036	1	5.71%	58.06	–	Floating	Partially	None	27/01/2005	27/01/2015	9.18	36	121	46.23%
1200102256	1	5.39%	54.86	–	Floating	Fully	Partial	18/06/2001	18/09/2021	11.63	1	1	80.96%
1200101811	1	5.09%	51.79	–	Floating	Fully	Partial	30/03/2001	30/03/2022	11.54	1	2	79.68%
1200405017	1	4.91%	50.00	–	Floating	Fully	None	07/04/2004	19/02/2029	23.24	35	35	93.30%
1200304491	1	4.59%	46.75	–	Floating	None	None	10/04/2003	25/06/2008	2.59	1	69	73.05%
1200506126	1	3.81%	38.75	–	Floating	None	None	06/01/2005	10/01/2007	1.13	2	2	87.67%
1200102178	1	3.35%	34.09	–	Floating	Fully	Partial	29/05/2001	23/02/2018	8.88	1	3	75.26%
1200404884*	2	3.03%	30.80	–	Floating	Partially	Partial	02/09/2003	30/09/2011	5.14	1	6	67.69%
1200303726	1	2.61%	26.60	–	Floating	Partially	Partial	19/09/2002	20/01/2013	7.12	1	10	86.50%
1200203627	1	2.51%	25.50	–	Fixed	None	None	24/10/2002	08/11/2014	8.96	1	1	60.51%
1200203101	2	2.30%	23.42	–	Floating	Partially / None	None	20/06/2002	20/06/2009	3.58	9	49	50.67%
1200203002	1	2.20%	22.40	7.60	Floating	Partially	None	16/04/2002	19/04/2009	3.41	10	34	66.98%
1200203541	1	2.14%	21.77	–	Floating	Partially	Partial	14/05/2004	14/05/2010	4.51	1	7	45.36%
1200404996	2	2.07%	21.03	–	Fixed/Floating	None / Fully	Fully	23/07/2001	25/03/2024	13.20	1	1	84.13%
1200203626	1	2.00%	20.40	–	Fixed	None	None	24/10/2002	08/11/2015	9.96	1	1	62.10%
1200505795	1	1.97%	20.00	–	Floating	Partially	None	21/12/2004	21/12/2009	4.08	1	1	83.68%
1200405187	1	1.85%	18.80	6.20	Floating	Partially	None	11/07/2003	17/07/2009	3.65	3	47	64.08%
1200404644	1	1.53%	15.60	–	Floating	None	Partial	25/11/2003	10/11/2010	5.01	1	9	70.75%
1200202922	1	1.51%	15.33	–	Floating	Partially	Partial	05/04/2002	05/04/2012	5.97	1	10	82.39%
1200405445	1	1.47%	15.00	–	Floating	Partially	Partial	26/09/2003	26/09/2013	7.52	1	10	84.83%
1200202668	1	1.46%	14.89	2.61	Floating	None	None	31/01/2002	30/01/2009	3.19	10	53	59.46%
1200404613	1	1.45%	14.73	0.23	Floating	Fully	Fully	24/12/2003	25/12/2030	15.68	1	1	84.19%
1200405400	1	1.40%	14.25	–	Floating	Fully	None	30/07/2004	30/07/2009	3.69	1	1	73.93%
1200101174	1	1.38%	14.00	–	Fixed	None	Partial	08/03/1999	08/09/2006	0.83	1	1	73.27%
1200101139	1	1.22%	12.45	–	Fixed	None	Partial	05/04/2000	05/10/2007	2.00	1	1	58.85%
1200101172	1	1.21%	12.32	–	Floating	Partially	Partial	17/03/2000	17/06/2020	9.60	1	1	82.12%
1200101151	1	1.16%	11.75	–	Fixed	None	Partial	09/02/2000	09/08/2007	1.81	1	1	71.83%
1200304577	1	1.14%	11.56	–	Floating	Partially	Partial	09/07/2003	01/09/2018	10.34	15	15	72.25%
1200101255	1	1.02%	10.42	–	Fixed	None	Partial	15/12/2000	22/09/2008	2.70	1	1	70.58%

* Covered by two separate loan agreements

Loan Table – Initial Mortgage Portfolio

Loan ID	Exit LTV (%)	Covenant LTV (%)	Reserves (£m)	All-in loan rate (%)	ICR	DSCR	Covenant ICR	Region	Property type	SPV (Y/N)	Occupancy (%)	WAvg lease term (yrs)
1200101185	52.88%	75.19%	–	6.11%	1.00	1.00	n/a	Scotland	Retail	Y	88.57%	10.3
1200303732	35.35%	86.00%	0.21	5.55%	1.23	1.00	1.15	London	Mixed Use	Y	99.47%	15.2
1200304120	75.00%	75.00%	–	5.59%	1.49	1.49	1.35	North West England	Mixed Use	Y	96.06%	10.1
1200405650	77.84%	83.45%	–	5.83%	1.42	1.42	1.30	Mixed	Mixed	Y	97.31%	5.8
1200506036	46.23%	60.00%	–	5.41%	2.71	2.71	1.50	Mixed	Mixed	Y	98.41%	8.6
1200102256	22.10%	85.00%	–	5.60%	1.19	1.00	1.15	London	Office	Y	100.00%	15.8
1200101811	18.76%	85.00%	–	5.60%	1.24	1.00	1.10	Scotland	Office	Y	100.00%	17.1
1200405017	36.88%**	n/a	–	5.75%	1.03	1.03	n/a	Mixed	Mixed	Y	100.00%	23.3
1200304491	73.05%	86.96%	–	5.66%	1.10	1.10	1.00	Scotland	Mixed Use	Y	84.29%	11.2
1200506126	87.67%	n/a	–	5.86%	1.25	1.25	1.25	Mixed	Office	Y	100.00%	9.4
1200102178	24.60%	82.01%	–	5.60%	1.31	1.00	1.30	London	Mixed Use	Y	100.00%	12.5
1200404884*	48.90%	75.00%	–	5.77%	1.76	1.09	1.25	London	Office	Y	100.00%	3.4
1200303726	80.81%	90.00%	–	5.84%	1.33	1.19	1.10	Sth East England	Retail	Y	100.00%	13.5
1200203627	60.51%	75.00%	8.25	5.66%	2.10	1.00	1.80	London	Office	Y	100.00%	8.3
1200203101	50.67%	80.00%	–	5.60%	1.50	1.50	1.50	Mixed	Mixed	Y	87.35%	8.8
1200203002	66.98%	75.00%	–	5.74%	1.45	1.45	1.25	Mixed	Mixed	Y	95.43%	8.1
1200203541	43.41%	74.00%	–	5.90%	1.39	1.00	1.30	Sth West England	Office	Y	96.29%	2.4
1200404996	0.00%	86.00%	–	6.94%	1.27	1.11	1.20	Sth East England	Industrial	Y	100.00%	22.7
1200203626	62.10%	75.00%	7.05	5.66%	2.08	1.00	1.80	London	Office	Y	100.00%	9.3
1200505795	83.68%	80.00%	–	6.10%	1.79	1.79	1.25	London	Office	Y	100.00%	3.1
1200405187	64.08%	80.00%	–	5.78%	1.54	1.54	1.40	Mixed	Mixed	Y	98.04%	9.3
1200404644	67.12%	80.00%	–	5.74%	1.38	1.38	1.25	Scotland	Retail	Y	92.01%	15.4
1200202922	64.97%	n/a	–	5.85%	1.31	1.00	1.25	Scotland	Retail	Y	100.00%	13.6
1200405445	75.68%	85.00%	0.07	5.84%	1.25	1.25	1.25	Sth West England	Retail	Y	91.49%	14.2
1200202668	59.46%	69.93%	–	5.70%	1.91	1.91	1.30	Mixed	Mixed	Y	80.71%	3.4
1200404613	0.00%	n/a	3.10	5.80%	1.00	1.00	n/a	North West England	Mixed Use	Y	100.00%	25.1
1200405400	73.93%	74.00%	–	5.78%	1.28	1.28	1.28	Yorks & Humber	Warehouse/ Distribution	N	100.00%	16.9
1200101174	69.80%	68.00%	–	6.58%	1.85	1.00	n/a	Yorks & Humber	Office	N	100.00%	10.8
1200101139	52.57%	65.00%	4.00	8.72%	1.56	1.00	1.25	London	Office	N	100.00%	20.9
1200101172	6.59%	85.00%	–	5.60%	1.18	1.00	1.00	Yorks & Humber	Mixed Use	Y	100.00%	20.0
1200101151	67.92%	80.00%	–	7.93%	1.42	1.00	n/a	North England	Office	N	100.00%	11.4
1200304577	39.29%	80.00%	–	6.00%	1.34	1.05	1.25	Mixed	Retail	Y	100.00%	17.7
1200101255	61.54%	83.00%	–	7.13%	1.61	1.00	n/a	North England	Office	N	100.00%	10.6

* Covered by two separate loan agreements

** Based on exit VPV

Loan Table – Secondary Mortgage Portfolio

Loan ID	Number of tranches	% of Pool	Balance o/s (£m)	Undrawn commitment (£m)	Interest rate type	Hedging type	Amortisation type	Origination date	Final maturity	WAvg Remaining term (yrs)	Number of properties	Number of tenants	LTV (%)
1200203035	1	18.68%	86.19	1.24	Fixed/Floating	None	None	20/03/2002	20/03/2012	6.32	8	24	75.25%
1200202879	1	16.66%	76.87		– Floating	Partially	Partial	19/09/2002	30/09/2014	7.36	1	14	76.87%
1200101831	1	12.31%	56.78	5.57	Floating	Partially	None	03/02/2000	30/09/2006	0.85	46	196	45.18%
1200102464	1	8.67%	40.00		– Floating	None	None	11/10/2001	31/12/2006	1.11	18	20	62.89%
1200405617	1	8.02%	37.00		– Floating	Fully	Partial	18/05/2004	20/05/2011	5.02	1	53	76.68%
1200102316	1	7.92%	36.54		– Floating	Fully	Partial	02/10/2001	09/10/2016	10.25	1	1	81.54%
1200304382	1	6.11%	28.17		– Floating	Fully	None	26/09/2003	25/09/2008	2.84	1	1	85.37%
1200404664	1	4.97%	22.91	0.09	Floating	Partially	None	13/06/2003	16/07/2008	2.65	15	27	68.45%
1200101718	2	4.57%	21.10		– Floating	None / Fully	Partial	01/12/2004	14/04/2010	4.41	2	3	64.08%
1200203347	1	3.41%	15.75		– Floating	Partially	None	28/08/2002	28/08/2008	2.77	4	7	74.91%
1200303855	1	3.28%	15.14		– Floating	Fully	Partial	27/02/2003	10/03/2018	10.14	3	3	82.31%
1200102490	1	3.11%	14.35		– Floating	Fully	Partial	04/04/2003	04/04/2018	9.10	1	1	71.73%
1200102400	1	2.29%	10.56		– Floating	Partially	Partial	19/10/2001	31/10/2008	2.92	1	3	78.18%

Loan Table – Secondary Mortgage Portfolio

<u>Loan ID</u>	<u>Exit LTV (%)</u>	<u>Covenant LTV (%)</u>	<u>Reserves (£m)</u>	<u>All-in loan rate (%)</u>	<u>ICR</u>	<u>DSCR</u>	<u>Covenant ICR</u>	<u>Region</u>	<u>Property type</u>	<u>SPV (Y/N)</u>	<u>Occupancy (%)</u>	<u>WAvg lease term (yrs)</u>
1200203035	75.25%	80.00%	5.46	6.11%	2.18	2.18	1.25	Mixed	Mixed	Y	98.21%	9.5
1200202879	50.36%	80.00%	0.00	5.75%	1.62	1.00	1.40	London	Office	Y	100.00%	8.2
1200101831	45.18%	57.00%	0.00	5.40%	2.76	2.76	1.75	Mixed	Mixed	Y	97.24%	7.8
1200102464	62.89%	80.00%	0.00	6.27%	1.74	1.74	1.50	Mixed	Retail	Y	100.00%	11.0
1200405617	57.50%	79.00%	3.31	6.10%	2.14	1.76	1.50	Scotland	Industrial	Y	100.00%	6.8
1200102316	67.30%	84.83%	0.00	5.58%	1.16	1.00	1.10	London	Office	Y	100.00%	15.6
1200304382	85.37%	85.40%	0.00	5.70%	1.47	1.47	1.25	London	Office	Y	100.00%	17.4
1200404664	68.45%	75.00%	0.00	5.82%	1.7	1.70	1.50	Mixed	Mixed	Y	100.00%	8.7
1200101718	57.39%	80.00%	0.00	5.66%	1.58	1.00	1.25	Scotland	Mixed	Y	100.00%	17.0
1200203347	74.91%	75.00%	0.00	5.59%	1.57	1.57	1.25	London	Office	Y	100.00%	8.3
1200303855	30.57%	86.96%	0.00	5.59%	1.59	1.00	1.00	Mixed	Mixed	Y	100.00%	15.7
1200102490	25.92%	79.00%	0.00	5.85%	1.52	1.00	1.50	North England	Office	N	100.00%	12.2
1200102400	67.43%	80.00%	0.63	5.82%	1.86	1.16	n/a	London	Office	Y	100.00%	4.9

Property Table – Initial Mortgage Portfolio

Loan ID	(%) of Pool (pro-rata)	Property type	Tenure	Pro-rata OMV (£)	OMV (£)	VPV (£)	UK Region	Area (m2)	Net Rent (pro-rata)(£)	ERV (pro-rata)(£)	Number of tenants (excl vacant)	WA Lease Term (yrs)	Occupancy (%)
1200101185	10.27%	Retail	Freehold	147,500,000	147,500,000		Scotland	38,227	6,041,348	8,695,410	74	10.31	88.57%
1200304120	6.48%	Mixed Use	Freehold	93,000,000	93,000,000		North West England	30,037	6,495,820	5,883,277	36	10.09	96.06%
1200303732	6.26%	Mixed Use	Leasehold	89,942,580	178,500,000	150,000,000	London	18,027	5,635,423	4,340,372	10	15.21	99.47%
1200102256	4.72%	Office	Freehold	67,770,000	67,770,000	47,000,000	London	9,213	4,506,726	4,506,726	1	15.84	100.00%
1200101811	4.53%	Office	Freehold	65,000,000	65,000,000	54,800,000	Scotland	14,209	4,302,000	4,302,000	2	17.14	100.00%
1200304491	4.46%	Mixed Use	Mix(fh/lh)	64,000,000	64,000,000		Scotland	27,898	4,058,001	5,041,201	46	11.20	84.29%
1200203541	3.34%	Office	Freehold	48,000,000	48,000,000	39,000,000	Sth West England	18,309	2,102,941	2,317,800	6	2.36	96.29%
1200404884	3.17%	Office	Freehold	45,500,000	45,500,000		London	12,176	3,416,700	2,623,349	6	3.43	100.00%
1200102178	3.15%	Mixed Use	Leasehold	45,300,000	45,300,000	39,500,000	London	9,398	3,220,972	3,460,907	3	12.55	100.00%
1200303726	2.14%	Retail	Freehold	30,750,000	30,750,000	23,250,000	Sth East England	15,416	2,218,979	2,218,979	10	13.50	100.00%
1200203627	1.98%	Office	Leasehold	28,500,000	28,500,000	15,000,000	London	5,269	2,582,747	1,539,000	1	8.34	100.00%
1200404996	1.74%	Industrial	Freehold	25,000,000	25,000,000	9,000,000	Sth East England	8,552	1,854,839	916,770	1	22.67	100.00%
1200505795	1.66%	Office	Freehold	23,900,000	23,900,000		London	4,039	2,200,000	2,200,000	1	3.09	100.00%
1200506126	1.55%	Office	Leasehold	22,200,000	22,200,000		North West England	7,469	1,213,735	1,430,000	1	10.34	100.00%
1200404644	1.54%	Retail	Leasehold	22,050,000	22,050,000		Scotland	12,095	1,267,710	1,488,250	6	15.36	92.01%
1200506126	1.53%	Office	Leasehold	22,000,000	22,000,000		Scotland	10,696	1,500,000	1,639,865	1	8.60	100.00%
1200203626	1.50%	Office	Leasehold	21,500,000	21,500,000	12,500,000	London	7,436	1,992,375	1,298,000	1	9.34	100.00%
1200101139	1.47%	Office	Freehold	21,160,000	21,160,000	14,100,000	London	6,673	1,975,683	1,796,075	1	20.86	100.00%
1200405400	1.34%	Warehouse/ Distribution	Freehold	19,275,000	19,275,000	13,150,000	Yorks & Humber	28,727	1,275,000	1,294,300	1	16.86	100.00%
1200101174	1.33%	Office	Leasehold	19,100,000	19,100,000	12,600,000	Yorks & Humber	15,661	1,733,454	1,601,444	1	10.82	100.00%
1200202922	1.30%	Retail	Freehold	18,600,000	18,600,000	12,500,000	Scotland	9,933	1,397,554	1,411,235	10	13.64	100.00%
1200405445	1.23%	Retail	Freehold	17,600,000	17,600,000		Sth West England	9,594	1,091,336	1,242,100	9	14.20	91.49%
1200404613	1.22%	Mixed Use	Leasehold	17,500,000	17,500,000		North West England	23,789	1,194,000	1,365,000	1	25.12	100.00%
1200101151	1.14%	Office	Leasehold	16,360,000	16,360,000	9,800,000	North England	9,114	1,338,519	1,338,519	1	11.41	100.00%
1200405650	1.08%	Office	Freehold	15,500,000	15,500,000		Scotland	7,452	1,241,787	1,293,300	6	5.47	100.00%
1200101172	1.04%	Mixed Use	Freehold	15,000,000	15,000,000	7,220,000	Yorks & Humber	24,474	971,500	971,500	1	20.04	100.00%
1200101255	1.03%	Office	Leasehold	14,765,000	14,765,000	12,425,000	North England	8,405	1,194,545	1,194,545	1	10.61	100.00%
1200506036	0.80%	Office	Freehold	11,500,000	11,500,000		Sth East England	3,414	855,800	656,800	3	10.45	100.00%
1200203101	0.74%	Mixed Use	Freehold	10,580,000	10,580,000		Yorks & Humber	3,547	628,766	766,630	19	11.57	93.56%
1200506036	0.72%	Mixed Use	Freehold	10,400,000	10,400,000		Scotland	8,119	807,441	788,641	4	16.53	100.00%

Property Table – Secondary Mortgage Portfolio

Loan ID	(%) of Pool (pro-rata)	Property type	Tenure	Pro-rata OMV (£)	OMV (£)	VPV (£)	UK Region	Area (m2)	Net Rent (pro-rata) (£)	ERV (pro-rata)(£)	Number of tenants (excl vacant)	WA Lease Term (years)	Occupancy (%)
1200202879	6.96%	Office	Leasehold	100,000,000	100,000,000	81,000,000	London	43,332	8,322,764	8,115,144	14	8.21	100.00%
1200405617	3.27%	Industrial	Freehold	47,000,000	47,000,000		Scotland	154,196	2,608,597	5,063,828	31	6.81	100.00%
1200102316	3.12%	Office	Leasehold	44,820,000	44,820,000	41,000,000	London	6,508	2,843,750	3,331,250	1	15.58	100.00%
1200304382	2.30%	Office	Freehold	33,000,000	33,000,000	26,750,000	London	8,719	2,300,000	2,300,000	1	17.39	100.00%
1200101718	1.71%	Mixed Use	Freehold	24,500,000	24,500,000		Scotland	4,816	1,204,888	1,448,400	2	16.08	100.00%
1200203035	1.58%	Office	Freehold	22,700,000	22,700,000		Sth East England	7,742	1,544,268	1,499,164	3	10.87	100.00%
1200102490	1.39%	Office	Leasehold	20,000,000	20,000,000	11,725,000	North England	8,713	1,384,851	1,384,851	1	12.20	100.00%
1200203035	1.07%	Office	Freehold	15,400,000	15,400,000		London	2,293	1,078,354	937,905	9	4.21	100.00%
1200203035	0.93%	Office	Freehold	13,350,000	13,350,000		Sth West England	3,751	811,820	811,820	1	14.36	100.00%
1200203035	0.92%	Office	Freehold	13,280,000	13,280,000		Non UK	4,054	901,625	1,133,579	4	6.34	81.18%
1200102400	0.88%	Office	Freehold	12,700,000	12,700,000		London	3,403	1,239,525	1,131,425	3	4.87	100.00%
1200203035	0.81%	Warehouse/ Distribution	Freehold	11,650,000	11,650,000		North West England	13,857	902,071	633,800	1	10.28	100.00%
1200203035	0.74%	Office	Freehold	10,600,000	10,600,000		West Midlands	3,854	746,190	746,190	1	12.70	100.00%
1200203035	0.72%	Office	Freehold	10,375,000	10,375,000		Sth East England	2,541	769,500	615,300	1	9.27	100.00%
1200203035	0.69%	Office	Leasehold	9,925,000	9,925,000		Sth East England	4,484	726,150	755,444	3	8.59	100.00%
1200101831	0.63%	Retail	Freehold	9,075,000	9,075,000		North West England	2,823	550,435	624,450	23	5.35	97.34%
1200101718	0.59%	Office	Freehold	8,430,000	8,430,000		Scotland	2,814	445,000	489,242	1	19.45	100.00%
1200203347	0.54%	Office	Leasehold	7,715,000	7,715,000		London	936	512,850	395,000	2	6.58	100.00%
1200102464	0.53%	Retail	Freehold	7,650,000	7,650,000		West Midlands	6,447	464,000	464,000	1	14.35	100.00%
1200101831	0.53%	Retail	Freehold	7,600,000	7,600,000		Scotland	1,095	507,100	595,450	14	11.30	97.04%
1200101831	0.47%	Retail	Freehold	6,750,000	6,750,000		Sth East England	2,615	467,750	575,000	27	7.28	92.05%
1200101831	0.46%	Mixed Use	Mix(fh/lh)	6,650,000	6,650,000		Sth East England	2,623	644,138	778,630	26	3.98	90.16%
1200203347	0.45%	Office	Leasehold	6,415,000	6,415,000		London	1,177	432,600	334,600	1	15.86	100.00%
1200303855	0.44%	Office	Freehold	6,325,000	6,325,000		Scotland	2,654	408,000	375,000	1	14.18	100.00%
1200101831	0.44%	Retail	Freehold	6,275,000	6,275,000		Sth West England	1,377	366,000	398,750	3	9.78	98.68%
1200101831	0.44%	Retail	Freehold	6,275,000	6,275,000		Sth East England	1,042	435,044	445,700	7	4.93	92.24%
1200303855	0.43%	Industrial	Freehold	6,175,000	6,175,000		North West England	9,974	456,331	456,331	1	17.33	100.00%
1200101831	0.43%	Retail	Freehold	6,150,000	6,150,000		Scotland	633	313,750	411,150	3	9.83	80.55%
1200303855	0.41%	Mixed Use	Leasehold	5,900,000	5,900,000		Yorks & Humber	3,972	346,421	559,196	1	15.35	100.00%
1200102464	0.38%	Retail	Freehold	5,500,000	5,500,000		Sth East England	1,952	320,000	320,000	1	11.34	100.00%

ORIGINATOR TRUST

Originator Trust Deed

Pursuant to the Originator Trust Deed to be entered into between the Originator and the Issuer on the Closing Date (and supplemental trust deeds entered into from time to time thereafter in relation to Scottish assets), the Originator will declare the Originator Trust and will act as the Originator Trustee under the Originator Trust.

The beneficial interest of the Issuer under the Originator Trust is referred to as the “**Investor Interest**” and is a fixed undivided 99 per cent. interest in the Originator Trust Property. The beneficial interest of Bank of Scotland under the Originator Trust is referred to herein as the “**Originator Interest**” and is a fixed undivided 1 per cent. interest in the Originator Trust Property. In consideration for the Investor Interest, the Issuer will (i) pay to the Originator on the Closing Date the Initial Trust Consideration which will be an amount equal to the aggregate of the outstanding Current Balance less Unpaid Interest of each Initial Mortgage Loan Advance in the Initial Mortgage Portfolio; (ii) agree to pay to the Originator amounts representing New MLA Trust Consideration on any Payment Date prior to the Substitution Period End Date (and, in respect of Documented Further Advances, prior to, on and following the Substitution Period End Date); (iii) agree to pay to the Originator amounts representing any Further Consideration on any Payment Date (*provided that*, in respect of Non-Documented Further Advances included in the Originator Trust on or after the Substitution Period End Date, no Further Consideration shall be payable by the Issuer); and (iii) agree to pay to the Originator the Deferred Trust Consideration.

The “**Deferred Trust Consideration**” will be amounts paid by the Issuer to the Originator by way of deferred trust consideration equal to any Available Revenue Receipts held by the Issuer following payment of, or provision for, the amounts referred to in paragraphs (a) to (bb) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and any Available Revenue Receipts or Available Principal Receipts following payments of amounts referred to in paragraphs (a) to (s) (inclusive) of the Post-Enforcement Priority of Payments, as appropriate.

Bank of Scotland, as Originator Trustee, will collect (i) all Revenue Receipts; (ii) Principal Receipts; and (iii) all Reacquisition Amounts, will allocate such amounts between the Originator Interest and the Investor Interest of the Originator Trust and will disburse such amounts to the Originator and the Issuer in accordance with the Originator Trust Deed. Bank of Scotland, as Originator Trustee, will maintain certain accounts (the “**Collection Accounts**”) into which interest payments and principal repayments in respect of Included Mortgage Loan Advances will be transferred within two Business Days of receipt by Bank of Scotland of such amounts. Upon receipt in the Collection Accounts of such amounts, the Originator Trustee is required to identify and calculate all amounts representing Principal Receipts, Revenue Receipts and Reacquisition Amounts relating to Originator Trust Property. Following such identification and calculation, such amounts will then be allocated and distributed by the Originator Trustee in accordance with the beneficial interests under the Originator Trust to Bank of Scotland (in relation to the Originator Interest and to be paid to the account of the Originator Beneficiary) and to the Issuer (in relation to the Investor Interest and to be paid to the relevant Transaction Account) based upon the respective fixed undivided 1 per cent. and 99 per cent. division. Bank of Scotland is required (in its capacity as Originator Trustee) to advise the Issuer and the Cash Manager of amounts allocated to the Investor Interest, which represent Principal Receipts, Revenue Receipts and Reacquisition Amounts on the date of the allocation to the relevant Collection Account.

In addition to providing for the declaration of trust over the Mortgage Portfolio, the Originator Trust Deed also sets out the following:

- (a) the representations and warranties to be given by the Originator in relation to the Mortgage Loan Advances and the Related Security;
- (b) the designation for inclusion in the Originator Trust of New Mortgage Loan Advances and their Related Security;
- (c) the reacquisition by the Originator of the beneficial interest in Included Mortgage Loan Advances together with the Related Security where there has been a breach of any of its representations or warranties which could have a material adverse effect on the relevant Included Mortgage Loan Advances and/or their Related Security or where there is a Pool Adjustment which results in a breach of the relevant Pool Adjustment Criteria; and
- (d) the inclusion in the Originator Trust of new security for an Included Mortgage Loan Advance pursuant to a Related Security Adjustment.

Originator Trust Property

Under the Originator Trust, Bank of Scotland will hold on trust for itself and the Issuer (both of whom shall be absolutely entitled as against the Originator Trustee) the following property (the “**Originator Trust Property**”):

- (a) all right, title and interest, present and future, in and to all Included Mortgage Loan Advances;
- (b) all monies due or to become due in payment of such Included Mortgage Loan Advances, comprising accrued and unpaid Revenue Receipts, Principal Receipts and Reacquisition Amounts;
- (c) all monies relating to Revenue Receipts, Principal Receipts and Reacquisition Amounts received by the Originator Trustee and income, if any, earned on such monies;
- (d) all of the Originator’s right, title and interest, present and future, in and to all Related Security; and
- (e) all of the Originator’s right, title and interest, present and future, in and to all Mortgage Loan Facilities to the extent related to the Included Mortgage Loan Advances and capable of being the subject of the Originator Trust (including, without limitation, rights in respect of any insurance, guarantee or collateral relating thereto and rights to direct the agent thereunder to exercise certain powers in relation to any Syndicated Mortgage Loan Advance).

The Initial Mortgage Portfolio will comprise the Initial Mortgage Loan Advances and their Related Security.

Representations and Warranties

The Originator Trust Deed contains representations and warranties to be given by the Originator to the Issuer in relation to (i) each Initial Mortgage Loan Advance and its Related Security on the Closing Date and (ii) each Secondary Mortgage Loan Advance on the Payment Date upon which such Secondary Mortgage Loan Advance is designated as an Included Mortgage Loan Advance. A number of the warranties which have particular relevance to Related Security Adjustments and/or Mortgage Loan Term Adjustments will also be deemed to be given at the date on which such Related Security Adjustment and/or Mortgage Loan Term Adjustment (as applicable) occurs. Neither the Issuer nor the Trustee has carried out or will carry out any searches, inquiries or independent investigations of the type which a prudent purchaser or mortgagee would normally be expected to carry out. Each is relying entirely on the Originator’s representations and warranties under the Originator Trust Deed. Subject to agreed exceptions and materiality qualifications (which, if material, have been disclosed in this Prospectus), the Originator’s material representations and warranties under the Originator Trust Deed include the following:

- (a) the particulars of each Included Mortgage Loan Advance and its Related Security as set out in the Notice of Initial Mortgage Portfolio, Notice of Secondary Mortgage Portfolio or the relevant Quarterly Investor Report (as the case may be) are true and accurate in all material respects;
- (b) each Included Mortgage Loan Advance is owned by the Originator and the Related Security in respect of each Included Mortgage Loan Advance is owned by the Originator (or, in the case of Syndicated Mortgage Loan Advances, a security trustee (which may be the Originator) on behalf of the syndicate lenders) free from Encumbrances and with good title;
- (c) each Included Mortgage Loan Advance and any guarantee in respect thereof constitutes a legal, valid, binding and enforceable obligation of the Borrower and/or any Guarantor as applicable and no Included Mortgage Loan Advance has been discharged, terminated, redeemed, cancelled, rescinded or repudiated;
- (d) in respect of each Included Mortgage Loan Advance, each Related Security for such Included Mortgage Loan Advance included or constituted a valid and subsisting first ranking charge by way of legal mortgage or standard security over the relevant Property or Properties (with the exception of (i) one Guernsey Property in respect of the Mortgage Loan Advance with facility identification number 1200203035 where the relevant Guernsey Bond will not constitute a first ranking charge until registration; (ii) one Property in respect of the Mortgage Loan Advance with facility identification number 1200202668; and (iii) the Securitised Mortgage Loan Advance (each as described above in “*Transaction Structure – The Related Security*”));
- (e) no Borrower or Guarantor is entitled to exercise any lien, right of rescission, right of set-off, counterclaim or other defence against the Originator in respect of any amounts payable under the relevant Mortgage Loan Facility nor to render such Mortgage Loan Facility unenforceable in whole or in part;

- (f) prior to making the initial advance under each Mortgage Loan Facility relating to an Included Mortgage Loan Advance, the Originator (or, (i) in the case of Syndicated Mortgage Loan Advances, a security trustee (which may be the Originator) on behalf of the syndicate lenders) or (ii) in the case of the Securitised Mortgage Loan Advance, the underlying originator in relation to the CMBS Notes) received from solicitors acting for or approved by it a report on title or certificate of title relating to the relevant Property which confirmed that the Mortgagor or, in the case of the CMBS Notes, the relevant mortgagor, has good and marketable title to the fee simple absolute or the leasehold or heritable title (as applicable) to the relevant Property and having made all material investigations, searches and other actions and made enquiries as to the Mortgagor's or relevant mortgagor's title to the relevant Property as would a prudent commercial mortgage lender acting reasonably, disclosed nothing concerning such title which would have caused a prudent commercial mortgage lender acting reasonably to decline to proceed with the initial advance on the proposed terms;
- (g) since the date of the most recent report on title or certificate of title relating to each Property, the Originator has not given consent (or, in the case of Syndicated Mortgage Loan Advances originated by a third party, the Originator is not aware that the relevant facility agent has given its consent on behalf of the syndicate lenders) to any dealings with that title other than any consent which would have been acceptable to a prudent commercial mortgage lender acting reasonably;
- (h) prior to making the initial advance under each Included Mortgage Loan Advance, an independent valuation of the relevant Property was obtained by the Originator (or, (i) in the case of a Syndicated Mortgage Loan Advance, by the relevant facility agent (which may be the Originator) on behalf of the syndicate lenders or (ii) in the case of the Securitised Mortgage Loan Advance, the underlying originator in relation to the CMBS Notes);
- (i) no Included Mortgage Loan Advance is currently in arrears or is an Impaired Asset and no Borrower has been in the Originator's "high risk" category during the preceding twelve months;
- (j) other than with respect to the Securitised Mortgage Loan Advance, at the time of the initial advance under each Included Mortgage Loan Advance or, if later, at the time of acquisition of the Property to which such Included Mortgage Loan Advance relates, pursuant to the terms of the relevant Mortgage Loan Facility, the relevant Borrower was obliged to effect and maintain (with either the Originator's interest noted on them or the Originator becoming co-insured (or in respect of a Syndicated Mortgage Loan Advance, the security trustee (which may be the Originator))) sufficient and appropriate policies of insurance in respect of that Property and supply copies or evidence of them on written demand by the Originator. With respect to the Securitised Mortgage Loan Advance, the publicly-rated transaction documents in respect of the CMBS Notes contain covenants of the underlying originator to maintain sufficient and appropriate policies of insurance with respect to the Properties backing the CMBS Notes. The Originator has no knowledge that any required coverage is not in effect and the Originator has not received any written notice that any policy of insurance covering a Property is about to lapse on account of a failure by the relevant entity maintaining such insurance to pay the relevant premiums;
- (k) no Included Mortgage Loan Advance is or will be repayable later than the end of 2030;
- (l) the Originator has, since the advance of each Included Mortgage Loan Advance, kept accounts relating to the Included Mortgage Loan Advance of a standard required of a prudent commercial mortgage lender;
- (m) in the case of each Mortgage in relation to a Property (with the exception of the Guernsey Bond relating to the Mortgage Loan Advance with facility identification number 1200203035), each Mortgage is registered or recorded in accordance with all applicable legal and regulatory requirements;
- (n) the Originator is not aware of any material breach by any Borrower of the terms of any Mortgage Loan Facility in relation to an Included Mortgage Loan Advance (or, in the case of a Syndicated Mortgage Loan Advance originated by a third party, has not been informed by the facility agent of such Syndicated Mortgage Loan Advance of any breach by any Borrower of the terms of any Mortgage Loan Facility) which has not been remedied or cured;
- (o) in respect of any Mortgage Loan Facility in relation to an Included Mortgage Loan Advance, the Originator is not aware of (or, in the case of a Syndicated Mortgage Loan Advance originated by a third party, has not been informed by the facility agent of such Syndicated Mortgage Loan Advance of):

- (i) any litigation or claim calling into question in any way its title to any Mortgage Loan Advance or Related Security; and
 - (ii) any claim against solicitors or valuers who acted on the origination of a Mortgage Loan Advance in relation to their engagement in respect of such Mortgage Loan Advance and which is still outstanding.
- (p) the Originator has not received written notice that any Borrower or any Guarantor is insolvent or has gone into liquidation;
- (q) no Borrower is required to withhold or deduct for or on account of tax (whether in the United Kingdom or elsewhere) in respect of any payment to the Originator pursuant to the terms of each Included Mortgage Loan Advance or, if a Borrower is required to withhold or deduct for or on account of tax (whether in the United Kingdom or elsewhere) in respect of any payment to the Originator pursuant to the terms of the Mortgage Loan Facility relating to any Included Mortgage Loan Advance, such Borrower is under an obligation to gross-up such payments to the Originator;
- (r) the Originator has performed in all material respects all of its obligations which have fallen due under or in connection with each Included Mortgage Loan Advance and Related Security. In respect of each Included Mortgage Loan Advance which is not a Syndicated Mortgage Loan Advance originated by a third party, so far as the Originator is aware, no Borrower or Guarantor has taken or threatened to take any legal action which has not been resolved against the Originator for any failure on its part to perform any such obligations. In the case of a Syndicated Mortgage Loan Advance originated by a third party, the Originator has not been informed by the facility agent of such Syndicated Mortgage Loan Advance that any Borrower or Guarantor has taken or threatened to take any legal action which has not been resolved against the facility agent or security trustee of such Syndicated Mortgage Loan Advance for any failure on its part to perform any such obligations;
- (s) Bank of Scotland is not aware of:
 - (i) any claim against a Borrower or Guarantor in relation to any Property under applicable environmental laws which would, if adversely determined, materially and adversely affect the latest valuation of the relevant Property; or
 - (ii) any matter that would give rise to an environmental liability for a Borrower or Guarantor in the foreseeable future that would materially and adversely affect the latest valuation of the relevant Property.
- (t) each Included Mortgage Loan Advance and its Related Security is capable of being the subject of a trust declared by the Originator in accordance with the terms of the Originator Trust Deed;
- (u) in respect of each Included Mortgage Loan Advance to a Borrower and in respect of each Mortgagor and Guarantor which in any case is a body corporate or a body of persons not registered in England and Wales or Scotland, the Originator (or, (i) in the case of a Syndicated Mortgage Loan Advance by, the relevant facility agent (which may be the Originator), on behalf of the syndicate lenders; or (ii) in the case of the Securitised Mortgage Loan Advance, the underlying originator in relation to the CMBS Notes)) received an opinion from relevant local counsel confirming that the relevant Borrower, Mortgagor or Guarantor (as the case may be), was a properly constituted company or other legal entity in accordance with the terms of the relevant jurisdiction and had all necessary powers to comply with the terms of the relevant Included Mortgage Loan Advance, Mortgage and other Related Security;
- (v) in respect of each Included Mortgage Loan Facility, all Included Mortgage Loan Advances were originated by or on behalf of the Originator in its ordinary course of business;
- (w) in relation to the initial advance under each Included Mortgage Loan Advance, the Originator has received at least one scheduled payment of principal or interest due from the Borrower;
- (x) the Originator is not obliged to advance any further amounts other than Documented Further Advances;
- (y) no Included Mortgage Loan Advance allows for interest computed on any basis other than sterling LIBOR, Bank of Scotland's base rate or a fixed rate;
- (z) the Originator complied with all applicable laws in originating and servicing the Included Mortgage Loan Advance and its duties and obligations pursuant to the Money Laundering Regulations 1993;

- (aa) none of the Included Mortgage Loan Advances nor the Mortgages nor any other Related Security constitutes a consumer contract under the Unfair Terms in the Consumer Contracts Regulations 1994 or the Unfair Terms in the Consumer Contracts Regulations 1999 (each as amended);
- (bb) no Mortgage Loan Facility or any part of it is, or has been documented as, a consumer credit agreement (as defined in section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- (cc) prior to the date of the origination of each Mortgage Loan Facility secured by leasehold properties, the Originator satisfied itself that the terms of the relevant lease would be regarded as acceptable to a prudent commercial mortgage lender, acting reasonably, for the purposes of comprising Related Security for the relevant Included Mortgage Loan Advance; and.
- (dd) in making each Included Mortgage Loan Advance, the Originator's credit assessment and sanctioning procedures in force at the relevant time were followed.

Reacquisition of beneficial interest in Included Mortgage Loan Advances by the Originator

The Originator will agree in the Originator Trust Deed to reacquire the beneficial interest in any Included Mortgage Loan Advance (including any Unpaid Interest as at the date of completion of such reacquisition) (including, for the avoidance of doubt, any New Mortgage Loan Advance and notwithstanding that the Included Mortgage Loan Advance has been subject to a Mortgage Loan Terms Adjustment or Related Security Adjustment) together with its Related Security if an Included Mortgage Loan Advance or its Related Security does not comply on the Closing Date or, in respect of Secondary Mortgage Loan Advances, on any subsequent Payment Date on which that Secondary Mortgage Loan Advance is included in the Originator Trust or on the date on which a Mortgage Loan Terms Adjustment or Related Security Adjustment occurs, in each case, with the representations and warranties given by the Originator under the Originator Trust Deed and such breach could have a material adverse effect on the relevant Included Mortgage Loan Advance and/or its Related Security, and the Originator does not remedy such breach within 90 days of the Originator becoming aware of such breach or being provided with written notice of such breach to the Issuer or the Trustee.

The Originator will have no other liability for breach of representation or warranty other than the obligation to reacquire the relevant beneficial interest.

The Originator must notify the Issuer and the Trustee of any breach of a representation or warranty which could have a material adverse effect on the relevant Included Mortgage Loan Advance and/or its Related Security as soon as the RM becomes aware of such breach.

The price payable to reacquire the beneficial interest in any Included Mortgage Loan Advance and its Related Security is an amount (not less than zero) equal to the aggregate of the Current Balance of such Included Mortgage Loan Advance at the close of business on the Business Day preceding the date of completion of such reacquisition plus expenses payable thereon to the date of reacquisition. The Reacquisition Amount will be disbursed between the Originator Interest and the Investor Interest as a Relevant Amount by the Originator Trustee.

Following such payment by the Originator of the Reacquisition Amount, the relevant Included Mortgage Loan Advance will no longer be held on trust as Originator Trust Property and will be electronically identified by the Originator as no longer comprising Originator Trust Property. On any subsequent Payment Date (*provided that* such Payment Date falls not less than 90 days after the date upon which such advance becomes eligible for inclusion in the Originator Trust (on the basis that it now meets the representations and warranties)), Bank of Scotland as Originator Trustee may determine that such advance is eligible to be included again as Originator Trust Property, in which case it may, subject to the provisions of the Originator Trust Deed, subsequently become a Secondary Mortgage Loan Advance (and Additional Trust Consideration would be required to be paid in respect of it in accordance with the provisions of the Originator Trust Deed).

Originator Power of Attorney

Bank of Scotland will, in connection with the creation of the Originator Trust, grant to the Issuer and the Trustee a power of attorney (the "**Originator Power of Attorney**") to permit the Issuer and the Trustee, upon the occurrence of certain Power of Attorney Events described below, to take certain actions in the

name of the Originator Trustee to ensure the performance by the Originator Trustee of its obligations under the Originator Trust Deed, including its covenants to enforce rights under Mortgage Loan Facilities in relation to Included Mortgage Loan Advances and to collect repayments in respect of Included Mortgage Loan Advances in the ordinary course of its business and to remit the proceeds relating to the Investor Interest to the Issuer.

A “**Power of Attorney Event**” means:

- (a) (i) unless Bank of Scotland has received written confirmation from each Rating Agency that such action will not result in the withdrawal or reduction of its then current rating of any debt securities (including the Notes) secured, directly or indirectly on the Investor Interest, Bank of Scotland consents or takes any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets; or (ii) an order of the court is made or an effective resolution is passed for the sequestration, winding up, dissolution, administration or insolvent re-organisation of Bank of Scotland; or (iii) a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of Bank of Scotland, relating to all or substantially all of its revenues and assets is appointed;
- (b) a member of the board of directors of Bank of Scotland shall admit in writing that Bank of Scotland is unable to pay its debts as they fall due or Bank of Scotland makes a general assignment, assignation or trust for the benefit of a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness;
- (c) Bank of Scotland defaults in the payment of any amount due in excess of £1,000 under or in respect of its servicing obligations pursuant to the Originator Trust Deed and, if such breach is capable of remedy, fails to remedy such default within 7 days after the earlier of becoming aware of the default and receiving written notice from the Issuer or the Trustee requiring the same to be remedied;
- (d) Bank of Scotland is in breach of its obligations to enforce the terms of any Included Mortgage Loan Advance pursuant to the Originator Trust Deed, provided that (a) if such breach is capable of remedy, such breach has continued unremedied for 30 days after the earlier of becoming aware of the breach and the date on which written notice from the Issuer or Trustee of such breach, requiring the same to be remedied, shall have been given to the Originator Trustee and (b) the Trustee certifies to the Originator Trustee that it is satisfied that such breach continues to be materially prejudicial to any class of Noteholders;
- (e) Bank of Scotland is in breach of any other servicing obligation (other than as set out in (c) or (d) above) pursuant to the Originator Trust Deed (such obligations being required to be performed in accordance with the Servicing Standard) and, if such breach is capable of remedy, fails to remedy such breach within 60 days after the earlier of becoming aware of the breach and receiving written notice from the Issuer or the Trustee requiring the same to be remedied, but only if in the opinion of the Trustee, the breach is materially prejudicial to any class of Noteholders; or
- (f) Bank of Scotland is no longer able to perform any of its material servicing obligations pursuant to the Originator Trust Deed, except where no other person could lawfully perform such obligations.

There will be three areas of action covered by the Originator Power of Attorney:

- (1) Actions enforcing a change of the Collection Account arrangements in relation to Borrowers following a Power of Attorney Event and the Issuer and/or the Trustee will be required to conduct such actions and shall not be required to seek any further consent or authorisation from the Bank of Scotland (in any capacity).
- (2) Taking actions against Borrowers in the name of the Originator Trustee following a Power of Attorney Event. The Issuer and/or the Trustee will be required to take action against the relevant Borrower under the Originator Power of Attorney to collect the relevant Included Mortgage Loan Advance whether by enforcement of the terms of the Mortgage Loan Facility or otherwise. The Issuer and/or the Trustee may, if it considers to be within the interests of the Noteholders to do so and without any further consent or authorisation from Bank of Scotland (in any capacity), take such course of action as the Issuer and/or the Trustee considers to be desirable in relation to the collection, sale or analogous action in relation to such Included Mortgage Loan Advance, Mortgage Loan Facility, Related Security or Borrower (including, without limitation, notification of any relevant insurer).

- (3) Actions which involve matters fundamental to the constitution of the Originator Trust or allocation of Originator Trust Property, where the Issuer and/or the Trustee may take such actions as are required, provided any such actions are not materially prejudicial to the interests of the Originator Beneficiary. The Issuer and/or the Trustee shall be entitled to determine, in its own opinion, that the matter will not be materially prejudicial to the interests of the Originator Beneficiary and in making such determination, shall be entitled to take into account, without enquiry among any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Notes or, as the case may be, the Notes of any class will not be downgraded, withdrawn or qualified as a result of the matter. For the avoidance of doubt, such rating confirmation or non-receipt of such rating confirmation shall not be construed to mean that any such matter is not materially prejudicial to the interests of the Originator Beneficiary.

Pool Adjustment Criteria

The inclusion in the Originator Trust of Secondary Mortgage Loan Advances and Non-Documented Further Advances and the making of Mortgage Loan Terms Adjustments and Related Security Adjustments (each a "**Pool Adjustment**") will be subject to certain pool criteria on the Calculation Date immediately prior to the Payment Date on which it is included in the Originator Trust (in the case of Secondary Mortgage Loan Advances), the Calculation Date immediately following the Calculation Period upon which it is included in the Originator Trust (in the case of a Non-Documented Further Advance) and on the Calculation Date immediately following the Calculation Period during which it occurred (in the case of Mortgage Loan Terms Adjustments and Related Security Adjustments (the "**Pool Adjustment Date**")).

The relevant Pool Adjustment Criteria shall not apply in respect of a Related Security Adjustment or a Mortgage Loan Terms Adjustment if, prior to the Calculation Date immediately following the Calculation Period End Date in respect of the Calculation Period in which such Pool Adjustment was made, at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) have confirmed in writing to the Issuer and the Trustee that the then current ratings of the Notes will not be withdrawn, downgraded or qualified as a result of such Pool Adjustment.

For the avoidance of doubt, the Originator shall not be required to reacquire the beneficial interest in any Included Mortgage Loan Advance in respect of which a Related Security Adjustment or a Mortgage Loan Terms Adjustment has occurred if the Issuer and the Trustee have received such written confirmation from at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) within the time limits set out above.

For the avoidance of doubt, the Rating Agencies will not be requested to review proposed Pool Adjustments which would, when made, comply with each of the relevant Pool Adjustment Criteria.

Secondary Mortgage Loan Advances

Prior to the Substitution Period End Date, the Originator shall be entitled to designate Secondary Mortgage Loan Advances for inclusion in the Originator Trust, and if so designated, the Issuer shall use Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments to acquire an interest in such Secondary Mortgage Loan Advances pursuant to the terms of the Originator Trust Deed *provided that* the Originator shall not be entitled to designate a Secondary Mortgage Loan Advance for inclusion in the Originator Trust unless the following conditions (the "**Secondary Pool Adjustment Criteria**") are met:

General Tests

- (a) the Originator is not in breach of any obligation to reacquire under the Originator Trust the beneficial interest in respect of any Included Mortgage Loan Advance;
- (b) no event of default under the Transaction Documents (including any Note Event of Default) has occurred which is continuing at the relevant Pool Adjustment Date;
- (c) there is no amount debited to the Principal Deficiency Ledgers as at the relevant Pool Adjustment Date;
- (d) the Originator is rated at least A3 by Moody's, A- by S&P and A- by Fitch;

- (e) no Power of Attorney Event has occurred;

Loan Tests

- (a) such Secondary Mortgage Loan Advance complies in all material respects with the representations and warranties set out in “*Representations and Warranties*” above;
- (b) such Secondary Mortgage Loan Advance is not in default and has not been in arrears for more than 30 days in the past;

Pool Tests

- (a) the inclusion in the Originator Trust of the Secondary Mortgage Loan Advance on the relevant Pool Adjustment Date, does not result in the weighted average LTV Ratio of all the Included Mortgage Loan Advances then in the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date) exceeding 80 per cent.;
- (b) the inclusion in the Originator Trust of the Secondary Mortgage Loan Advance on the relevant Pool Adjustment Date does not result in the weighted average Interest Coverage Ratio of all the Included Mortgage Loan Advances then in the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date), being less than 1.3;
- (c) on the relevant Pool Adjustment Date, the weighted average margin over LIBOR for three-month sterling deposits which is expected to be received on the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date) is not less than 1.0 per cent., taking into account the weighted average margin on the Included Mortgage Loan Advances and the amounts payable to or by the Swap Counterparty under the Basis Rate Swap as at the relevant Pool Adjustment Date;
- (d) the inclusion in the Originator Trust of the Secondary Mortgage Loan Advance on the relevant Pool Adjustment Date would not result in:
 - (i) more than 55 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within London;
 - (ii) more than 30 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within the South East;
 - (iii) more than 35 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within Scotland; or
 - (iv) a property type concentration of greater than 65 per cent. offices, 50 per cent. retail, 50 per cent. mixed use or 10.0per cent. “**other property types**” (“**other property types**” being, industrial, warehouse or leisure property, but excluding hotels, agricultural buildings, churches, schools and petrol stations), in each case of the total market value of all Properties.

Note: Any calculations in respect of property market values will be adjusted for the Originator’s share of the relevant Mortgage Loan Advances.

Additional Pool Adjustment Criteria

The “**Additional Pool Adjustment Criteria**” (together with the Secondary Pool Adjustment Criteria, the “**Pool Adjustment Criteria**”) are as follows:

Loan Tests

- (a) on the relevant Pool Adjustment Date, the aggregate Current Balances less Unpaid Interest of any Mortgage Loan Advance and any other Included Mortgage Loan Advances to the same Borrower do not exceed £100 million;
- (b) on the relevant Pool Adjustment Date, no Mortgage Loan Advance:
 - (i) has a LTV Ratio in excess of 85 per cent.;
 - (ii) has an Interest Coverage Ratio less than 1.1; or
 - (iii) has an interest rate margin of less than 0.9 per cent.;

- (c) such Mortgage Loan Advance complies in all material respects with the representations and warranties set out in “*Representations and Warranties*” above;
- (d) the Mortgage Loan Facility in respect of such Mortgage Loan Advance is governed by the law of England and Wales, Scotland or the Channel Islands;
- (e) the Property or Properties in relation to such Mortgage Loan Advance is or are located in England and Wales, Scotland or the Channel Islands;
- (f) the Mortgage Loan Facility in respect of such Mortgage Loan Advance does not contain any provisions allowing a Property or Properties to be substituted without the consent of the Originator; and
- (g) each type of Property or Properties in relation to such Mortgage Loan Advance is either retail, office, mixed use, industrial, warehouse or leisure save that no Property or Properties is a hotel, agricultural building, church, school or petrol station.

Pool Tests

- (a) on the relevant Pool Adjustment Date, the inclusion of the Mortgage Loan Advance in the Originator Trust does not result in the weighted average LTV Ratio of all the Included Mortgage Loan Advances then in the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date) exceeding 80 per cent.;
- (b) on the relevant Pool Adjustment Date, the weighted average margin over LIBOR for three-month sterling deposits which is expected to be received on the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date) is not less than 1.0 per cent., taking into account the weighted average margin on the Included Mortgage Loan Advances and the amounts payable to or by the Swap Counterparty under the Basis Rate Swap as at the relevant Pool Adjustment Date;
- (c) the inclusion in the Originator Trust of the Mortgage Loan Advance on the relevant Pool Adjustment Date does not result in the weighted average Interest Coverage Ratio of all the Included Mortgage Loan Advances then in the Mortgage Portfolio (including any New Mortgage Loan Advances to be included in the Originator Trust on such Pool Adjustment Date), being less than 1.3;
- (d) the inclusion in the Originator Trust of the Mortgage Loan Advance on the relevant Pool Adjustment Date would not result in:
 - (i) more than 55 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within London;
 - (ii) more than 30 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within the South East;
 - (iii) more than 35 per cent. of all the Properties in respect of Included Mortgage Loan Advances by their most recent market valuation being located within Scotland;
 - (iv) the weighted average remaining term of the Included Mortgage Loan Advances then in the Mortgage Portfolio being in excess of 10 years;
 - (v) the weighted average expected LTV Ratio at the expected final maturity date of the Included Mortgage Loan Advances then in the Mortgage Portfolio being in excess of 70 per cent.; or
 - (vi) a property type concentration of greater than 65 per cent. offices, 50 per cent. retail, 50 per cent. mixed use or 10 per cent. “other property types” (“**other property types**” being, industrial, warehouse or leisure property, but excluding hotels, agricultural buildings, churches, schools and petrol stations), in each case of the total market value of all Properties.

Note: Any calculations in respect of property market values will be adjusted for the Originator’s share of the relevant Mortgage Loan Advances.

“**LTV Ratio**” means, on any date of determination the relevant LTV ratio calculated in accordance with the relevant Mortgage Loan Facility, *provided that*, if the Mortgage Loan Facility does not provide for such calculation, it will mean the ratio, expressed as a percentage of the Current Balance of an Included Mortgage Loan Advance on such date of determination to the most recent open market valuation of the relevant Property, and in respect of the Included Mortgage Loan Advance with facility number

1200405017, it will mean the ratio expressed as a percentage of the Current Balance of an Included Mortgage Loan Advance on such date of determination to the Originator's share of the most recent vacant possession valuation of the relevant property;

"Interest Coverage Ratio" means on any date of determination the relevant interest coverage ratio calculated in accordance with the relevant Mortgage Loan Facility, *provided that*, if the Mortgage Loan Facility does not provide for such calculation, it shall mean the ratio of the gross rental income received from all tenants over a defined period of time to the interest charges payable by the Borrower under the relevant Mortgage Loan Facility over the same defined period of time based on information as at such date of determination.

Non-Documented Further Advances

If, on the Calculation Date immediately following the Calculation Period during which it was designated as an Included Mortgage Loan Advance, any Non-Documented Further Advance causes a breach of (a) to (e) of the General Tests of the Secondary Pool Adjustment Criteria and/or, (a) to (c), (e) or (g) of the Loan Tests and/or (a) or (d) (i) to (vi) of the Pool Tests of the Additional Pool Adjustment Criteria (*provided that* all references in such Additional Pool Adjustment Criteria to Mortgage Loan Advances shall be construed as references to Non-Documented Further Advances), the Originator will be required to reacquire the beneficial interest in the trust over the Non-Documented Further Advance and its related Included Mortgage Loan Advance in respect of which the Non-Documented Further Advance was made within 30 days of the Calculation Period End Date in respect of the Calculation Period in which the Non-Documented Further Advance was made unless:

- (a) any Non-Documented Further Advance causes a breach of Loan Test (b) of the Additional Pool Adjustment Criteria but its related Included Mortgage Loan Advance together with the Non-Documented Further Advance has not breached its LTV Ratio covenant or its Interest Coverage Ratio covenant (as set on day the related Included Mortgage Loan Advance was included in the Originator Trust); or
- (b) at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) have confirmed in writing to the Issuer and the Trustee that including such Non-Documented Further Advance in the Mortgage Portfolio will not result in the then current ratings of the Notes being withdrawn, downgraded or qualified; or
- (c) the Originator reacquires the beneficial interest in another Included Mortgage Loan Advance subject to a Pool Adjustment in the same Calculation Period, as provided for in "*Pool Adjustments resulting in breaches of Pool Tests*" below.

Documented Further Advances

Documented Further Advances will be eligible for inclusion in the Originator Trust at any time following the Closing Date (including, on and following the Substitution Period End Date) and will not be subject to any eligibility criteria.

Related Security Adjustments

If, on the Calculation Date immediately following the Calculation Period during which any Related Security Adjustment occurred, any of (a) to (e) of the General Tests of the Secondary Pool Adjustment Criteria and/or (b), (c), (e) or (g) of the Loan Tests and/or (a), (c) or (d) (i) (ii) (iii) (v) or (vi) of the Pool Tests of the Additional Pool Adjustment Criteria are breached as a result of the Related Security Adjustment (*provided that* all references in such Additional Pool Adjustment Criteria to Mortgage Loan Advances shall be construed as references to Related Security Adjustments), the Originator will be required to reacquire the beneficial interest in the relevant Included Mortgage Loan Advance in respect of which the Related Security Adjustment was made within 30 days of the Calculation Period End Date in respect of the Calculation Period in which the Related Security Adjustment was made unless:

- (a) any Related Security Adjustment causes a breach of Loan Test (b) of the Additional Pool Criteria but the Included Mortgage Loan Advance in respect of which such Related Security Adjustment was made has not breached its LTV Ratio covenant or its Interest Coverage Ratio covenant (as set on day the related Included Mortgage Loan Advance was included in the Originator Trust); or
- (b) at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) have confirmed in writing to the Issuer and the Trustee that retaining such Included Mortgage Loan Advance in the Mortgage Portfolio will not result in the then current ratings of the Notes being withdrawn, downgraded or qualified; or

- (c) the Originator reacquires the beneficial interest in another Included Mortgage Loan Advance subject to a Pool Adjustment in the same Calculation Period, as provided for in “*Pool Adjustments resulting in breaches of Pool Tests*” below,

provided further that if a Related Security Adjustment is made in conjunction with a Non-Documented Further Advance then the Related Security Adjustment will be permitted *provided that* the Non-Documented Further Advance does not breach the Pool Adjustment Criteria applicable to Non-Documented Further Advances (as set out in “*Non-Documented Further Advances*” above).

Mortgage Loan Terms Adjustments

If, on the Calculation Date immediately following the Calculation Period during which any Mortgage Loan Terms Adjustment occurred, any of (a) to (e) of the General Tests of the Secondary Pool Adjustment Criteria and/or (c), (d) or (f) of the Loan Tests and/or (a) to (c) or (d) (iv) or (v) of the Pool Tests of the Additional Pool Adjustment Criteria are breached as a result of such Mortgage Loan Terms Adjustment (*provided that* all references in such Additional Pool Adjustment Criteria to Mortgage Loan Advances shall be construed as references to Mortgage Loan Terms Adjustments), the Originator will be required to reacquire the beneficial interest in the relevant Included Mortgage Loan Advance in respect of which the Mortgage Loan Terms Adjustment was made within 30 days of the Calculation Period End Date in respect of the Calculation Period in which the Mortgage Loan Terms Adjustment was made unless:

- (a) at least two of the Rating Agencies (one of which must be S&P and one of which must be Fitch) have confirmed in writing to the Issuer and the Trustee that retaining such Included Mortgage Loan Advance in the Mortgage Portfolio will not result in the then current ratings of the Notes being withdrawn, downgraded or qualified; or
- (b) the Originator reacquires the beneficial interest in another Included Mortgage Loan Advance subject to a Pool Adjustment in the same Calculation Period as provided for in “*Pool Adjustments resulting in breaches of Pool Tests*” below.

Secondary Mortgage Loan Advances

If a Related Security Adjustment, Mortgage Loan Terms Adjustment or Non-Documented Further Advance is made in respect of a Secondary Mortgage Loan following the Closing Date but prior to the Payment Date upon which such Secondary Mortgage Loan Advance is designated as an Included Mortgage Loan Advance, the Secondary Mortgage Loan Advance must also comply with relevant Additional Pool Adjustment Criteria set out above under “*Non-Documented Further Advances*”, “*Related Security Adjustments*” or “*Mortgage Loan Terms Adjustments*” (as the case may be) in addition to the Secondary Pool Adjustment Criteria on the Calculation Date immediately prior to the Payment Date upon which such Secondary Mortgage Loan Advance is designated as an Included Mortgage Loan Advance.

Pool Adjustments resulting in breaches of Pool Tests

If a Pool Adjustment (other than the inclusion in the Originator Trust of a Secondary Mortgage Loan Advance) made in any Calculation Period (the “**Relevant Calculation Period**”) results in a breach of the relevant Pool Adjustment Criteria headed “*Pool Tests*” above and more than one Pool Adjustment (other than the inclusion in the Originator Trust of a Secondary Mortgage Loan Advance) has been made in the Relevant Calculation Period, the Originator may choose which Included Mortgage Loan Advances subject to Pool Adjustments the beneficial interests of which to reacquire *provided that* as a result of that reacquisition the Pool Adjustment Criteria headed “*Pool Tests*” will be met as of the last date on which a Pool Adjustment (taking into account the reacquisition as if it had occurred on such date) was made during the Relevant Calculation Period.

Governing Law

The Originator Trust Deed will be governed by English law and supplements thereto relating to Scottish assets will be governed by Scots law.

ADMINISTRATION OF THE MORTGAGE PORTFOLIO

Pursuant to the Originator Trust Deed, the Originator:

- (a) shall, in the ordinary course of its business, acting as a prudent commercial mortgage lender, collect payments from Borrowers under Included Mortgage Loan Advances and continue to administer such Included Mortgage Loan Advances in the same manner and with the standard of skill, care and diligence the Originator applies to all other loans originated, beneficially owned and administered by the Originator, with a view to the timely collection of all sums due under each Included Mortgage Loan Advance;
 - (b) shall,
 - (i) comply with all applicable laws, rules, regulations and orders with respect to servicing and collection of the Included Mortgage Loan Advances;
 - (ii) exercise or enforce or refrain from exercising or enforcing its rights arising in respect of Included Mortgage Loan Advances; and
 - (iii) agree to or refuse any amendment or waiver of the terms applicable to any Included Mortgage Loan Advance,
in compliance with the terms of the Mortgage Loan Facilities (and any intercreditor agreements) and the provisions of the Originator Trust Deed and the other Transaction Documents;
 - (c) will not, acting as a prudent commercial mortgage lender, take any action likely to impair the interests of the Issuer in any of the Originator Trust Property or the value of any Included Mortgage Loan Advance; and
 - (d) on the occurrence of an event of default under an Included Mortgage Loan Advance, shall, in the ordinary course of its business, acting as a prudent commercial mortgage lender, ensure the maximisation of recovery of funds taking into account:
 - (i) the likelihood of recovery of amounts due in respect of that Included Mortgage Loan Advance;
 - (ii) the timing of recovery; and
 - (iii) the costs of recovery,
- ((a) to (d) together, the “**Servicing Standard**”).

Payments from Borrowers

The Originator will be responsible for the monitoring of payments falling due in respect of any Included Mortgage Loan Advance.

Borrowers will make payments in respect of their Included Mortgage Loan Advances by various methods (i.e. Direct Debit, Standing Order, by BACS, by telegraphic transfer or by cheque) to accounts with the Bank of Scotland.

Pursuant to the Originator Trust Deed, the Originator Trustee will allocate all Revenue Receipts, Principal Receipts and Losses between the Originator Interest and the Investor Interest. All amounts allocable to the Investor Interest will be transferred by the Originator Trustee to the relevant Transaction Account upon receipt of amounts due to the Investor Interest into the Collection Accounts. The Cash Manager may invest amounts standing to the credit of the Transaction Accounts and the Reserve Account in Authorised Investments by the close of business on the same Business Day. Funds not invested in Authorised Investments and standing to the credit of the Transaction Account and the Reserve Account will earn a guaranteed variable rate of interest.

The Originator will not permit payments to be made in respect of Included Mortgage Loan Advances other than to the accounts to which payments in respect of Included Mortgage Loan Advances are paid by Borrowers (in accordance with the Mortgage Loan Facilities) prior to being paid to the Collection Accounts.

Unpaid Interest in respect of each New Mortgage Loan Advance as at the close of business on the Business Day prior to the date of inclusion of such New Mortgage Loan Advance in the Originator Trust will not be held on trust by the Originator pursuant to the Originator Trust Deed. The Originator will be entitled to receive amounts in respect of such Unpaid Interest as and when they are received and identified by the Cash Manager and such amounts will not form part of Available Revenue Receipts.

Early Prepayment Charges in respect of any Included Mortgage Loan Advance will not be held on trust by the Originator pursuant to the Originator Trust Deed. The Originator will be entitled to receive such Early Prepayment Charges as and when they are received and identified by the Cash Manager and such amounts will not form part of Available Revenue Receipts or Available Principal Receipts.

Application of Payments

If the Originator receives a payment from a Borrower in respect of an Included Mortgage Loan Advance and the amount of such payment is insufficient to meet both the principal and interest payment obligations of the Borrower on such date, the Originator shall attribute the amount of the payment to principal and interest in accordance with the provisions of the relevant loan agreement.

Repayment of Included Mortgage Loan Advances

Under the Originator Trust Deed, the Originator will be responsible for handling the procedures connected with the repayment of Included Mortgage Loan Advances and the release and discharge of any related Mortgage and other Related Security.

Provisioning

The Originator, as a prudent commercial mortgage lender acting reasonably, will determine the amount of provision for Losses to be made against each of the outstanding Included Mortgage Loan Advances from time to time.

Mortgage Loan Interest Rate

The Originator will calculate the applicable rate of interest payable in relation to all LIBOR Mortgage Loans, Base Rate Mortgage Loans and Fixed Rate Mortgage Loans.

Litigation

The Originator will promptly notify the Issuer and the Trustee if it receives notice of any material litigation in relation to an Included Mortgage Loan Advance.

Action against Valuers or Solicitors

The Originator will take all action that a prudent commercial mortgage lender acting reasonably would take against any valuers or solicitors whom it reasonably considers have acted negligently or fraudulently in the preparation of any report in relation to a Property.

Insurance

The Originator will monitor the arrangements for insurance required in connection with the Included Mortgage Loan Advances from time to time in accordance with its procedures.

In accordance with the Originator's procedures, all charged properties must have satisfactory insurance in place prior to release of funds. Insurance will be arranged for the full reinstatement value against normal insured perils including terrorism and subsidence. Depending on the underlying tenant profile cover in respect of loss of rental income for a period of up to 3 years will be put in place at the discretion of the Originator. Confirmation of the insurance and risks covered by such insurance must be received from the insurance company and such confirmation must reflect that the interest of the Division has been noted thereon. In larger transactions the Division will be recorded as a co-insured party with the Borrower.

Title Deeds

The title deeds and mortgage loan files relating to the Included Mortgage Loan Advances are currently held by or to the order of the Originator or by solicitors acting for the Originator in connection with the creation of the Included Mortgage Loan Advances and the Related Security (other than in the case of Syndicated Mortgage Loan Advances where the title deeds and mortgage loan files are typically held with the agent or security trustee on behalf of the syndicate lenders). The Originator will not part possession, custody or control of any material documentation relating to an Included Mortgage Loan Advance other than (i) with the prior written consent of the Issuer; (ii) pursuant to any court order or

requirement of law; (iii) otherwise as is necessary to enforce a claim against a Borrower; (iv) in relation to a Syndicated Mortgage Loan Advance in respect of which the Originator is not the agent or security trustee; or (v) to its professional advisers or otherwise permitted by the Originator Trust Deed.

The Originator will maintain, in accordance with its ordinary business practices, adequate back-up facilities in relation to Included Mortgage Loan Advances and their related Mortgage Loan Facilities and other records.

Quarterly Investor Report

In relation to each Payment Date, the Originator will produce the Quarterly Investor Report which will include, *inter alia*; (i) updated information regarding the Mortgage Portfolio, (ii) details of the performance of the Mortgage Portfolio; and (iii) details of certain payments received, and certain payments made, by the Issuer. The Quarterly Investor Report will be made available on a dedicated website.

CASH MANAGEMENT

On the Closing Date, the Issuer and the Trustee will pursuant to the Cash Management Agreement appoint the Originator as the Cash Manager to make certain calculations on behalf of and provide cash management services to the Issuer.

Cash Management Services

The Cash Manager's duties will include, but are not limited to:

- (a) determining on each Calculation Date:
 - (i) the Available Revenue Receipts to be applied to pay interest on the Notes on the next following Payment Date and to pay amounts due to other creditors of the Issuer;
 - (ii) the Available Principal Receipts to be applied as Reallocated Principal Receipts to be used as Available Revenue Receipts, to be paid by the Issuer to acquire an interest in New Mortgage Loan Advances under the Originator Trust and to be used to repay the Notes on the next following Payment Date;
 - (iii) such other calculations and determinations to be made by the Cash Manager pursuant to the Conditions and any other Transaction Document; and
 - (iv) applying Available Revenue Receipts and Available Principal Receipts in accordance with the relevant priority of payments and otherwise in accordance with the terms of the Cash Management Agreement;
- (b) maintaining the Principal Transaction Account, the Revenue Transaction Account, the Euro Account and the account into which the Issuer's share capital is paid;
- (c) maintaining the Principal Deficiency Ledger and Principal Deficiency Sub-Ledger;
- (d) maintaining the Further Consideration Amount Ledger;
- (e) maintaining the Reserve Account, and recording amounts deposited to and withdrawn from the Reserve Fund;
- (f) maintaining a record of drawings made under the Liquidity Facility Agreement and amounts owing to the Liquidity Provider; and
- (g) arranging payment of all fees to the Irish Stock Exchange.

Issuer's Bank Accounts

On or before the Closing Date, pursuant to the Account Bank Agreement, the Issuer will open and maintain a bank account in its name (the "**Revenue Transaction Account**"), a bank account in its name (the "**Principal Transaction Account**"), a bank account in its name (the "**Euro Account**"), together with the Revenue Transaction Account and the Principal Transaction Account, the "**Transaction Accounts**") and a bank account in its name (the "**Reserve Account**") with the Account Bank. Amounts standing to the credit of the Transaction Accounts and the Reserve Account at the close of business of each day may be invested in Authorised Investments. Funds not invested in Authorised Investments and standing to the credit of the Transaction Accounts and the Reserve Account will earn a guaranteed variable rate of interest. The Issuer may, with the prior written consent of the Trustee, open additional or replacement bank accounts. The Account Bank will agree to pay a guaranteed variable rate of interest on funds invested with it in accordance with the Account Bank Agreement.

The Issuer will, if required at any time following the Closing Date, also open and maintain a bank account in its name (the "**Liquidity Facility Stand-by Account**") with an appropriately rated bank (which will be the Liquidity Provider if it is rated at least A-1+ by S&P, at least P-1 by Moody's and at least F1+ by Fitch) to be used for any Liquidity Stand-by Drawings.

If the short-term, unguaranteed and unsubordinated debt of the Account Bank ceases to be rated A-1+ by S&P, ceases to be rated P-1 by Moody's or ceases to be rated F1 by Fitch, then the Transaction Accounts and the Reserve Account will be closed and replacement accounts opened within 30 days with a bank that is rated at least A-1+ by S&P, at least P-1 by Moody's and at least F1 by Fitch or with such other banks as at least two of the Rating Agencies (one of which must be S&P) confirm will not result in its then current ratings of any class of the Notes being downgraded, withdrawn or qualified.

Compensation of Cash Manager

The Cash Manager will be paid an annual fee for its services in four instalments quarterly in arrear on each Payment Date.

Resignation of Cash Manager

The Cash Manager may resign only on giving 12 months' notice to the Trustee and the Issuer *provided that* (i) the Issuer and the Trustee consent in writing to the Cash Manager's resignation; (ii) a substitute cash manager has been appointed and a new cash management agreement is entered into on terms satisfactory to the Trustee and the Issuer; and (iii) at least two of the Rating Agencies (one of which must be S&P) have previously confirmed in writing to the Issuer and the Trustee that the replacement would not cause the then current ratings of the Notes to be downgraded, withdrawn or qualified.

Termination of Appointment of Cash Manager

The Issuer or the Trustee may, upon written notice to the Cash Manager, terminate the Cash Manager's rights and obligations immediately if any of the following events occur:

- (a) the Cash Manager defaults in the payment of any amount due and fails to remedy such default for a period of 7 Business Days after the earlier of becoming aware of the default and receiving written notice from the Issuer or the Trustee;
- (b) the Cash Manager fails to comply with any of its other obligations under the Cash Management Agreement which in the opinion of the Trustee is materially prejudicial to the Noteholders and does not remedy that failure within 60 Business Days after the earlier of becoming aware of the failure and receiving a notice from the Issuer or Trustee;
- (c) (i) the Cash Manager having consented or taking any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets; or (ii) an order of the court is made or an effective resolution is passed for its sequestration, winding up, dissolution, administration or insolvent re-organisation; or (iii) a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets is appointed; or
- (d) a member of the board of directors of the Cash Manager having admitted in writing that the Cash Manager is unable to pay its debts as they fall due or the Cash Manager makes a general assignment, assignation or trust for the benefit of a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness.

Upon termination of the appointment of the Cash Manager, the Trustee will agree to use its reasonable endeavours to appoint a substitute cash manager. Any such substitute cash manager will be required to enter into an agreement on substantially the same terms as the Cash Management Agreement and at least two of the Rating Agencies (one of which must be S&P) must have previously confirmed in writing to the Issuer and the Trustee that the appointment of such substitute will not cause its then current ratings of the Notes to be downgraded, withdrawn or qualified.

If the appointment of the Cash Manager is terminated before the Notes have been fully redeemed or the Cash Manager resigns, the Cash Manager must deliver its books of account relating to the Issuer and the Notes to, or at the direction of, the Trustee. The Cash Management Agreement will terminate automatically when the Notes have been fully redeemed and the Issuer has no further obligations pursuant to the Transaction Documents.

Governing Law

The Cash Management Agreement will be governed by English law.

CASHFLOWS

Payment of Available Revenue Receipts

On each Calculation Date, the Cash Manager will calculate an amount (such amount, the “**Available Revenue Receipts**”) equal to the sum of (without double counting):

- (a) an amount equal to the portion of Revenue Receipts received by the Issuer during the Calculation Period ending on the immediately preceding Calculation Period End Date;
- (b) amounts due to be received by the Issuer under the Basis Rate Swap on the immediately following Payment Date (other than any early termination amounts due to be received by the Issuer under the Basis Rate Swap);
- (c) interest receivable on each of the Transaction Accounts and the Reserve Account, if any, and any income from Authorised Investments which, in either case, has been or will be received on or before the immediately following Payment Date;
- (d) all amounts standing to the credit of the Reserve Fund;
- (e) (only to the extent required following the calculation of the Revenue Shortfall Amount (if any) for such Payment Date by the Cash Manager as described below) an amount equal to the Reallocated Principal Receipts for the immediately following Payment Date;
- (f) the undrawn Liquidity Facility Commitment under the Liquidity Facility, subject to any limits or conditions on drawings under the Liquidity Facility;
- (g) any amount recovered, following enforcement of an Included Mortgage Loan Advance and/or its Related Security, which is in excess of the unprovisioned then Current Balance less Unpaid Interest of such Included Mortgage Loan Advance;
- (h) any amount to be transferred to the Revenue Transaction Account on such Payment Date pursuant to paragraph (A)(g) or (B)(f) of the Pre-Enforcement Principal Priority of Payments; and
- (i) any amounts standing to the credit of the Revenue Transaction Account paid pursuant to the operation of paragraph (dd) of the Pre-Enforcement Revenue Priority of Payments on previous Payment Dates.

Available Revenue Receipts will not include any collateral held in the Swap Collateral Accounts or any Replacement Premium.

“**Replacement Premium**” means the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Basis Rate Swap Agreement or the Currency Swap Agreement, as appropriate.

Calculation of Revenue Shortfall Amounts

On each Calculation Date, the Cash Manager will be required to calculate whether or not there will be sufficient Available Revenue Receipts (ignoring for the purposes of this calculation the amounts, if any, referred to in paragraphs (e) and (f) of the definition thereof) to enable the Issuer to pay or provide for in full the amounts referred to in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Payment Date.

If there would be any such insufficiency (the amount of such insufficiency, the “**Revenue Shortfall Amount**”) then the Cash Manager will (subject as described below) be required to apply (to the extent available under paragraph (a) of the Pre-Enforcement Principal Priority of Payments) Available Principal Receipts as Reallocated Principal Receipts in an amount up to the Revenue Shortfall Amount.

If any Available Principal Receipts are so applied then a corresponding debit entry will be recorded to the relevant Principal Deficiency Sub-Ledgers.

However, Available Principal Receipts will not be used as Reallocated Principal Receipts to make payment of interest due in respect of a class of Notes if and to the extent that, as a consequence of doing so, the Principal Deficiency Sub-Ledger applicable to that class of Notes would record a debit balance in excess of 50 per cent. of the then Principal Amount Outstanding of that class of Notes.

Pre-Enforcement Revenue Priority of Payments

The Cash Management Agreement sets out the order of priority of distribution by the Cash Manager, prior to the service of a Note Enforcement Notice, of Available Revenue Receipts on each Payment Date.

Subject as set out below, on each Payment Date the Cash Manager will apply the Available Revenue Receipts in the following order of priority (the “**Pre-Enforcement Revenue Priority of Payments**”):

- (a) *first*, to pay amounts due to the Trustee and to provide for any costs, charges, liabilities and expenses due or to become due during the current Interest Period to the Trustee, under the Trust Deed or the Deed of Charge;
- (b) *second, pari passu and pro rata*, to pay amounts due to the Agent Bank and the Paying Agents and to provide for any costs, charges, liabilities and expenses due or to become due during the current Interest Period to the Agent Bank and the Paying Agents, under the Paying Agency Agreement;
- (c) *third, pari passu and pro rata*, to pay amounts due to any third party creditors of the Issuer (other than those referred to elsewhere in this order of Priority of Payments or in the Pre-Enforcement Principal Priority of Payments), of which the Cash Manager has notice prior to such Payment Date, and for which payment has not been provided elsewhere and to provide for any such amounts expected to become due and payable during the current Interest Period by the Issuer and to pay or discharge any liability of the Issuer for corporation tax on any chargeable income or gain of the Issuer;
- (d) *fourth, pari passu and pro rata*, to pay amounts due to the Cash Manager under the Cash Management Agreement, the Corporate Services Provider under the Issuer Corporate Services Agreement, the Account Bank under the Account Bank Agreement and to provide for any amounts due, or to become due in the current Interest Period, to the Cash Manager under the Cash Management Agreement, to the Corporate Services Provider under the Issuer Corporate Services Agreement and to the Account Bank under the Account Bank Agreement;
- (e) *fifth*, in or towards payment of all amounts of principal, interest, costs, expenses, commitment fee, any Additional Percentage (as defined in the Liquidity Facility Agreement) and any other amounts payable under the Liquidity Facility Agreement, except as provided below, due but unpaid to the Liquidity Provider under the terms of the Liquidity Facility Agreement (other than any additional amounts in respect of gross-up payments resulting from withholding taxes, Additional Percentage and increased costs payable to the Liquidity Provider which, when aggregated, are in excess of 0.15 per cent. per annum of the maximum aggregate amount available to be drawn under the Liquidity Facility (such amounts being together, the “**Liquidity Subordinated Amounts**”));
- (f) *sixth*, to pay amounts due to the Basis Swap Counterparty under the Basis Rate Swap Agreement (except for any termination payment due and payable to the Basis Swap Counterparty as a result of a Basis Swap Counterparty Default);
- (g) *seventh, pari passu and pro rata* at the Applicable Ratio, to pay (i) those amounts due and payable by the Issuer to the Currency Swap Counterparty pursuant to the Currency Swap Agreement (except for payments due to the Currency Swap Counterparty under paragraphs (u) or (v) below) (all Euro amounts received in exchange for payments under this paragraph (i) shall be applied in payment of interest due on the Class A1 Notes (other than the interest due after the Step-Up Date in respect of the increase of the Class A1 Margin to the Class A1 Step-Up Margin (the “**Class A1 Step-Up Amount**”)) to the Class A1 Noteholders); and (ii) interest due on the Class A2 Notes (other than the interest due after the Step-Up Date in respect of the increase of the Class A2 Margin to the Class A2 Step-Up Margin (the “**Class A2 Step-Up Amount**”, together with the Class A1 Step-Up Amount, the “**Class A Step-Up Amount**”)) to the Class A2 Noteholders;
- (h) *eighth, pari passu and pro rata*, at the Applicable Ratio (i) an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class A1 Principal Deficiency Sub-Ledger; and (ii) an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class A2 Principal Deficiency Sub-Ledger;
- (i) *ninth*, to pay interest due on the Class B Notes (other than the interest due after the Step-Up Date in respect of the increase of the Class B Margin to the Class B Step-Up Margin (the “**Class B Step-Up Amount**”)) to the Class B Noteholders;
- (j) *tenth*, an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class B Principal Deficiency Sub-Ledger;
- (k) *eleventh*, to pay interest due on the Class C Notes (other than the interest due after the Step-Up Date in respect of the increase of the Class C Margin to the Class C Step-Up Margin (the “**Class C Step-Up Amount**”)) to the Class C Noteholders;

- (l) *twelfth*, an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class C Principal Deficiency Sub-Ledger;
- (m) *thirteenth*, to pay interest due on the Class D Notes (other than the interest due after the Step-Up Date in respect of the increase of the Class D Margin to the Class D Step-Up Margin (the “**Class D Step-Up Amount**”)) to the Class D Noteholders;
- (n) *fourteenth*, an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class D Principal Deficiency Sub-Ledger;
- (o) *fifteenth*, to pay interest due on the Class E Notes (other than interest due after the Step-Up Date in respect of the increase of the Class E Margin to the Class E Step-Up Margin (the “**Class E Step-Up Amount**” and, together with the Class A Step-Up Amount, the Class B Step-Up Amount, the Class C Step-Up Amount and the Class D Step-Up Amount, the “**Step-Up Amounts**”)) to the Class E Noteholders;
- (p) *sixteenth*, an amount to be used as Available Principal Receipts up to the amount of any debit entry on the Class E Principal Deficiency Sub-Ledger;
- (q) *seventeenth*, in replenishment of the Reserve Fund up to the Required Reserve Amount;
- (r) *eighteenth*, prior to the Step-Up Date only, to pay Liquidity Subordinated Amounts up to a maximum amount of 0.15 per cent. per annum of the maximum aggregate amount available to be drawn under the Liquidity Facility;
- (s) *nineteenth*, prior to the Step-Up Date only, to redeem the Class E Notes, until the Class E Notes have been redeemed in full;
- (t) *twentieth*, in or towards payment to the Liquidity Provider of the Liquidity Subordinated Amounts in excess of those paid in paragraph (r) above;
- (u) *twenty-first, pari passu and pro rata*, in or towards payment of (i) any termination payment due and payable to the Basis Swap Counterparty as a result of a Basis Swap Counterparty Default, *provided that* the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Basis Rate Swap Agreement shall to the extent of any such termination payment due to the Basis Swap Counterparty be paid directly to the Basis Swap Counterparty and not via any of the Priorities of Payment; and (ii) any Subordinated Termination Payment due and payable to the Currency Swap Counterparty as a result of a Currency Swap Counterparty Default, *provided that* the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Currency Swap Agreement shall to the extent of any such termination payment due to the Currency Swap Counterparty be paid directly to the Currency Swap Counterparty and not via any of the Priorities of Payment;
- (v) *twenty-second, pari passu and pro rata* at the Applicable Ratio, in or towards payment of (i) those amounts due and payable by the Issuer to the Currency Swap Counterparty pursuant to the Currency Swap Agreement in relation to Class A1 Step-Up Amounts (all Euro amounts received in exchange for payments under this paragraph (i) shall be applied in payment of Class A1 Step-Up Amount due on the Class A1 Notes (including any interest on interest)); and (ii) any Class A2 Step-Up Amount then due (including any interest on interest);
- (w) *twenty-third*, in or towards payment of any Class B Step-Up Amount then due (including any interest on interest);
- (x) *twenty-fourth*, in or towards payment of any Class C Step-Up Amount then due (including any interest on interest);
- (y) *twenty-fifth*, in or towards payment of any Class D Step-Up Amount then due (including any interest on interest);
- (z) *twenty-sixth*, in or towards payment of any Class E Step-Up Amount then due (including any interest on interest);
- (aa) *twenty-seventh*, to pay the Issuer an amount equal to 0.01 per cent. per annum of the Principal Amount Outstanding of the Notes which will be retained by the Issuer as profit less corporation tax;
- (bb) *twenty-eighth*, to pay the Subordinated Loan Provider amounts due under the Subordinated Loan Agreement;

- (cc) *twenty-ninth*, in or towards payment to the Originator of the Deferred Trust Consideration due under the Originator Trust Deed; and
- (dd) *thirtieth*, to pay the surplus, if any, to the Issuer to remain credited to the Revenue Transaction Account.

Prior to the service of a Note Enforcement Notice, the Cash Manager may (other than during each period which commences on the Calculation Period End Date and ends on the immediately following Payment Date) apply Available Revenue Receipts to pay amounts due to third parties under paragraph (c) above on the date when such sums fall due for payment. In addition, as Unpaid Interest as at the close of business on the Business Day prior to the date of inclusion in the Originator Trust of each New Mortgage Loan Advance is not so held for to the Issuer, any amounts received by the Cash Manager representing such Unpaid Interest will be paid to the Originator on identification of such amounts.

On any Payment Date, any amounts of Available Revenue Receipts applied towards items in paragraphs (h), (j), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments so as to reduce or eliminate debits on the relevant Principal Deficiency Sub-Ledger shall form part of the Available Principal Receipts to be applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Payment Date.

All collateral due to be returned to the Currency Swap Counterparty, or Replacement Premium, shall be paid directly to the Currency Swap Counterparty.

For these purposes:

“**Applicable Ratio**” means, in relation to the Class A Notes, on any Payment Date, the ratio of the Base Currency PAO of the Class A1 Notes to the Class A2 Notes as at that Payment Date;

“**Base Currency PAO**” means, in relation to the Class A1 Notes, the sterling equivalent of the Principal Amount Outstanding of the Class A1 Notes calculated using the Currency Swap Rate, and, in relation to the Class A2 Notes, the Principal Amount Outstanding of the Class A2 Notes;

“**Basis Swap Counterparty Default**” means the occurrence of an Event of Default (as defined in the Basis Rate Swap Agreement) where the Basis Swap Counterparty is the Defaulting Party or (as defined in the Basis Rate Swap Agreement) an Additional Termination Event (as defined in the Basis Rate Swap Agreement) as a result of the downgrade of the Basis Swap Counterparty;

“**Calculation Date**” means, for each Calculation Period, the date falling 5 Business Days prior to the Payment Date immediately following the Calculation Period End Date in respect of such Calculation Period;

“**Calculation Period**” means in each year, each period (i) from and including 1 March to but excluding 1 June; (ii) from and including 1 June to but excluding 1 September; (iii) from and including 1 September to but excluding 1 December and (iv) from and including 1 December to but excluding 1 March *provided that* the initial Calculation Period will be the period from and including the Closing Date to but excluding 1 March 2006;

“**Calculation Period End Date**” means the last day of each Calculation Period;

“**Currency Swap Counterparty Default**” means the occurrence of an Event of Default (as defined in the Currency Swap Agreement) where the Currency Swap Counterparty is the Defaulting Party (as defined in the Currency Swap Agreement) or an Additional Termination Event (as defined in the Currency Swap Agreement) as a result of the downgrade of the Currency Swap Counterparty;

“**Payment Date**” means the 20th day of March, June, September and December in each year or, if such day is not a Business Day, the next succeeding Business Day; and

“**Subordinated Termination Payment**” means any amount of termination payment due and payable to the Currency Swap Counterparty as a result of a Currency Swap Counterparty Default after deducting any Replacement Premium.

Calculations for the Payment of Available Principal Receipts

Determination of Non-Sequential Payment Condition

On each Calculation Date, the Cash Manager will be required to determine for the immediately following Payment Date whether or not the Non-Sequential Payment Condition will be met on the immediately following Payment Date.

The “**Non-Sequential Payment Condition**” will be met on any Payment Date, if:

- (a) such Payment Date falls after the Payment Date falling in December 2008;
- (b) the aggregate amount of the then Current Balance less Unpaid Interest of each Included Mortgage Loan Advance which is in arrears by an amount equal to or greater than 2.5 per cent. of such Included Mortgage Loan Advance’s then Current Balance is less than 4 per cent. of the aggregate then Current Balance less Unpaid Interest of all Included Mortgage Loan Advances on the immediately preceding Calculation Period End Date;
- (c) there are no debit balances on any Principal Deficiency Sub-Ledger on the immediately preceding Calculation Period End Date;
- (d) the balance of the Reserve Fund on such date is equal to the Required Reserve Amount;
- (e) the Issuer has not made a drawing under the Liquidity Facility Agreement (other than a Liquidity Stand-by Drawing which has not been used) which has not been repaid in full;
- (f) the Class A Subordination Ratio on such Payment Date is greater than 40 per cent.;
- (g) the Class B Subordination Ratio on such Payment Date is greater than 34 per cent.;
- (h) the Class C Subordination Ratio on such Payment Date is greater than 19 per cent.;
- (i) the Class D Subordination Ratio on such Payment Date is greater than 8 per cent.;
- (j) no Included Mortgage Loan Advance accounts for more than 15 per cent. of the aggregate Current Balance less Unpaid Interest of all Included Mortgage Loan Advances on the immediately preceding Calculation Period End Date; and
- (k) the largest five Included Mortgage Loan Advances account for no more than 60 per cent. of the aggregate Current Balance less Unpaid Interest of all Included Mortgage Loan Advances on the immediately preceding Calculation Period End Date.

For these purposes:

“**Class A Subordination Ratio**” means the ratio (expressed as a percentage) of:

- (a) the aggregate Principal Amount Outstanding of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes less the then aggregate balance of the Principal Deficiency Sub-Ledgers (expressed as a positive number) in respect of those classes of Notes; to
- (b) the then Principal Amount Outstanding of the Notes, disregarding, in each case, the amount of any principal repayment to be made on that date.

“**Class B Subordination Ratio**” means, the ratio (expressed as a percentage) of:

- (a) the aggregate Principal Amount Outstanding of the Class C Notes, the Class D Notes and the Class E Notes less the then aggregate balance of the Principal Deficiency Sub-Ledgers (expressed as a positive number) in respect of those classes of Notes; to
- (b) the then Principal Amount Outstanding of the Notes, disregarding, in each case, the amount of any principal repayment to be made on that date.

“**Class C Subordination Ratio**” means the ratio (expressed as a percentage) of:

- (a) the aggregate Principal Amount Outstanding of the Class D Notes and the Class E Notes less the then aggregate balance of the Principal Deficiency Sub-Ledgers (expressed as a positive number) in respect of those classes of Notes; to
- (b) the then Principal Amount Outstanding of the Notes, disregarding, in each case, the amount of any principal repayment to be made on that date.

“**Class D Subordination Ratio**” means the ratio (expressed as a percentage) of:

- (a) the aggregate Principal Amount Outstanding of the Class E Notes less the then aggregate balance of the Class E Principal Deficiency Sub-Ledger (expressed as a positive number); to
- (b) the then Principal Amount Outstanding of the Notes, disregarding, in each case, the amount of any principal repayment to be made on that date.

PROVIDED THAT in respect of the calculations of each of the Class A Subordination Ratio, the Class B Subordination Ratio, the Class C Subordination Ratio, the Class D Subordination Ratio and the Class E

Subordination Ratio, any calculation in respect of the Principal Amount Outstanding of the Class E Notes or the Notes (to the extent such calculation includes the Class E Notes) shall disregard the aggregate of any amounts by which the Class E Notes have been redeemed using Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

On each Calculation Date, the Cash Manager will also be required to determine, for the immediately following Payment Date, the Available Principal Receipts.

“**Available Principal Receipts**” for the Issuer in respect of any Payment Date will be calculated by the Cash Manager on the Calculation Date immediately preceding that Payment Date and will be an amount equal to the sum of:

- (a) all Principal Receipts received by the Issuer during the Calculation Period ending on the immediately preceding Calculation Period End Date; and
- (b) the amount of Available Revenue Receipts which when applied on such Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments would cause the debit entry on the Principal Deficiency Ledger to be reduced.

“**Targeted Balance**” means, in respect of the Class A1 Notes on any Payment Date prior to the Step-Up Date, the amount specified “*Maturity and Payment Considerations – Targeted Balance of the Notes*”.

Pre-Enforcement Principal Priority of Payments

Prior to the service of a Note Enforcement Notice, on each Payment Date, the Cash Manager on behalf of the Issuer will transfer (to the extent not already transferred) the Available Principal Receipts to the Principal Transaction Account to be applied in accordance with the following order of priorities:

- (A) on each Payment Date prior to the Step-Up Date:
 - (a) *first*, if Available Revenue Receipts (excluding any undrawn Liquidity Facility Commitment under the Liquidity Facility and any Reallocated Principal Receipts) would be insufficient to pay in full the amounts set out in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments, in or towards application as Available Revenue Receipts an amount of Available Principal Receipts, up to the Revenue Shortfall Amount for such Payment Date, which when applied would not lead (following such application and the application of any Losses on such Payment Date) to a debit on the Principal Deficiency Sub-Ledger for any class of Notes being greater than 50 per cent. of the then Principal Amount Outstanding (or, in the case of the Class A1 Notes, the Base Currency PAO) of such class of Notes if the amount so applied would be used to pay interest on such class of Notes (the “**Reallocated Principal Receipts**”);
 - (b) *second*, to redeem the Class A1 Notes until the Principal Amount Outstanding of the Class A1 Notes is equal to the Targeted Balance for such Payment Date (which shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate);
 - (c) *third*, to pay to the Originator amounts towards payment of Further Consideration in respect of any Included Mortgage Loan Advance where there is a debit entry on the Further Consideration Amount Ledger in respect of such Included Mortgage Loan Advance and where the relevant Pool Adjustment Criteria are satisfied on such Payment Date until such debit entry is reduced to zero *provided that* no such payment shall be made in respect of an Included Mortgage Loan Advance which is a Non-Documented Further Advance which was included in the Originator Trust on or after the Substitution Period End Date;
 - (d) *fourth*, to pay to the Originator amounts in respect of New MLA Trust Consideration in order to acquire a beneficial interest under the Originator Trust in any New Mortgage Loan Advances on such Payment Date pursuant to the terms of the Originator Trust Deed;
 - (e) *fifth*, provided the Non-Sequential Payment Condition has been satisfied on such Payment Date, to redeem each class of Notes *pro rata* and *pari passu* to the respective Principal Amounts Outstanding thereof (or, in respect of the Class A Notes, the aggregate of the Base Currency PAO of the Class A1 Notes (after taking into account the redemption of the Class A1 Notes pursuant to paragraph (b) above) and the Principal Amount Outstanding of the Class A2 Notes):
 - (i) the Class A Notes (which, in the case of the Class A1 Notes, shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate);

- (ii) the Class B Notes;
- (iii) the Class C Notes;
- (iv) the Class D Notes; and
- (v) the Class E Notes,

in each case until the same have been redeemed in full, *provided that*, the *pro rata* share of the Available Principal Receipts available to redeem the Class A Notes shall be applied to redeem the Class A Notes in the following order of priority:

- (i) *first*, the Class A2 Notes, until the Class A2 Notes are redeemed in full; and
 - (ii) *second*, the Class A1 Notes (which shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate), until the Class A1 Notes are redeemed in full;
- (f) *sixth*, if the Non-Sequential Payment Condition is not satisfied on such Payment Date to redeem each class of Notes in the following order of priority:
- (i) *first*, the Class A2 Notes, until the Class A2 Notes are redeemed in full;
 - (ii) *second*, the Class A1 Notes (which shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate), until the Class A1 Notes are redeemed in full;
 - (iii) *third*, the Class B Notes, until the Class B Notes are redeemed in full;
 - (iv) *fourth*, the Class C Notes, until the Class C Notes are redeemed in full;
 - (v) *fifth*, the Class D Notes, until the Class D Notes are redeemed in full; and
 - (vi) *sixth*, the Class E Notes, until the Class E Notes are redeemed in full; and
- (g) *seventh*, the surplus (if any) to the Revenue Transaction Account to form part of Available Revenue Receipts on such Payment Date; and
- (B) on each Payment Date from and including the Step-Up Date:
- (a) *first*, if Available Revenue Receipts (excluding any undrawn Liquidity Facility Commitment under the Liquidity Facility and any Reallocated Principal Receipts) would be insufficient to pay in full the amounts set out in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments, in or towards application as Available Revenue Receipts an amount of Available Principal Receipts, up to the Revenue Shortfall Amount for such Payment Date, which when applied would not lead (following such application and the application of any Losses on such Payment Date) to a debit on the Principal Deficiency Sub-Ledger for any class of Notes being greater than 50 per cent. of the then Principal Amount Outstanding (or, in the case of the Class A1 Notes, the Base Currency PAO) of such class of Notes if the amount so applied would be used to pay interest on such class of Notes (the “**Reallocated Principal Receipts**”);
 - (b) *second*, to pay to the Originator amounts towards payment of Further Consideration in respect of any Included Mortgage Loan Advance where there is a debit entry on the Further Consideration Amount Ledger in respect of such Included Mortgage Loan Advance and where the relevant Pool Adjustment Criteria are satisfied on such Payment Date until such debit entry is reduced to zero *provided that* no such payment shall be made in respect of an Included Mortgage Loan Advance which is a Non-Documented Further Advance which was included in the Originator Trust on or after the Substitution Period End Date;
 - (c) *third*, to pay to the Originator amounts in respect of New MLA Trust Consideration in order to acquire a beneficial interest under the Originator Trust in any New Mortgage Loan Advances on such Payment Date pursuant to the terms of the Originator Trust Deed;
 - (d) *fourth*, provided the Non-Sequential Payment Condition has been satisfied on such Payment Date, to redeem each class of Notes *pro rata* and *pari passu* to the respective Principal Amounts Outstanding thereof (or, in respect of the Class A Notes, the aggregate of the Base Currency PAO of the Class A1 Notes and the Principal Amount Outstanding of the Class A2 Notes):

- (i) the Class A Notes (*provided that* the pro rata share of the Available Principal Receipts available to redeem the Class A Notes shall be applied to redeem the Class A Notes *pro rata* and *pari passu*, at the Applicable Ratio (which, in the case of the Class A1 Notes, shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate));
 - (ii) the Class B Notes;
 - (iii) the Class C Notes;
 - (iv) the Class D Notes; and
 - (v) the Class E Notes,
- in each case until the same have been redeemed in full;
- (e) *fifth*, if the Non-Sequential Payment Condition is not satisfied on such Payment Date to redeem each class of Notes in the following order of priority:
 - (i) *first, pro rata* and *pari passu*, at the Applicable Ratio, the Class A1 Notes (which shall be effected by payment of the Available Principal Receipts available to be applied to redeem the Class A1 Notes to the Currency Swap Counterparty under the Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate) and the Class A2 Notes, until the Class A1 Notes and the Class A2 Notes are redeemed in full;
 - (ii) *second*, the Class B Notes, until the Class B Notes are redeemed in full;
 - (iii) *third*, the Class C Notes, until the Class C Notes are redeemed in full;
 - (iv) *fourth*, the Class D Notes, until the Class D Notes are redeemed in full; and
 - (v) *fifth*, the Class E Notes, until the Class E Notes are redeemed in full; and
 - (f) *sixth*, the surplus (if any) to the Revenue Transaction Account to form part of Available Revenue Receipts on such Payment Date.

Payment of Further Consideration

On each Calculation Date, the Cash Manager will calculate in respect of the immediately following Payment Date, the amount of Available Principal Receipts available to be applied by the Issuer in accordance with paragraph (A)(c) or (B)(b) of the Pre-Enforcement Principal Priority of Payments and on such Payment Date, the Issuer will apply such Available Principal Receipts in order to pay to the Originator amounts towards payment of the Further Consideration in respect of any Included Mortgage Loan Advance in circumstances where there is a debit entry on the corresponding Further Consideration Amount Ledger, *provided that*:

- (a) the Issuer shall only pay Further Consideration in respect of Included Mortgage Loan Advances which were previously Secondary Mortgage Loan Advances if the Secondary Pool Adjustment Criteria are met on the Calculation Date immediately preceding the relevant Payment Date; and
- (b) the Issuer shall not pay any Further Consideration in respect of a Non-Documented Further Advance which was designated as an Included Mortgage Loan Advance on or after the Substitution Period End Date.

Acquisition of beneficial interest in New Mortgage Loan Advances

On any date on which a Documented Further Advance or a Non-Documented Further Advance is designated as an Included Mortgage Loan Advance, the amount of New MLA Trust Consideration paid to the Originator by the Issuer on such date in respect of such Documented Further Advance or Non-Documented Further Advance will be zero and the Further Consideration Amount in respect of such Documented Further Advance or Non-Documented Further Advance on such date shall be 99 per cent. of the Current Balance less Unpaid Interest of such Documented Further Advance or Non-Documented Further Advance (as the case may be).

On each Calculation Date, the Cash Manager will calculate in respect of the immediately following Payment Date, the amount of Available Principal Receipts available to be applied by the Issuer in

accordance with paragraph (A)(d) or (B)(c) of the Pre-Enforcement Principal Priority of Payments and on such Payment Date, the Issuer will apply such Available Principal Receipts in order to pay to the Originator New MLA Trust Consideration in respect of any Secondary Mortgage Loan Advance designated by the Originator to be an Included Mortgage Loan Advance on such Calculation Date, *provided that*, the Secondary Pool Adjustment Criteria are met on such Payment Date in respect of such Secondary Mortgage Loan Advance and provided such Payment Date is prior to the Substitution Period End Date.

On or after the Substitution Period End Date, the Issuer will not be permitted to apply Available Principal Receipts pursuant to paragraph (A)(d) or (B)(c) of the Pre-Enforcement Principal Priority of Payments in order to acquire a beneficial interest in any Secondary Mortgage Loan Advances. The Issuer will be permitted to acquire a beneficial interest in any Documented Further Advance on any date following the Closing Date, including, for the avoidance of doubt, on or after the Substitution Period End Date.

Post-Enforcement Priority of Payments

After the Trustee has served a Note Enforcement Notice on the Issuer, the Trustee shall apply all amounts, other than any swap collateral due to be returned to the Currency Swap Counterparty, and any Replacement Premium, received or recovered by it (or by a receiver appointed on its behalf) pursuant to the Deed of Charge as follows (the “**Post-Enforcement Priority of Payments**”):

- (a) *first*, to pay amounts due to the Trustee and to provide for any costs, charges, liabilities and expenses then due or to become due and payable to the Trustee and any receiver under the provisions of the Trust Deed and the Deed of Charge;
- (b) *second, pari passu and pro rata*, to pay amounts due to the Agent Bank and the Paying Agents and to provide for any costs, charges, liabilities and expenses to become due and payable to them under the provisions of the Paying Agency Agreement;
- (c) *third, pari passu and pro rata*, to pay amounts due to the Cash Manager under the Cash Management Agreement and to the Corporate Services Provider under the Issuer Corporate Services Agreement and to the Account Bank under the Account Bank Agreement and, in each case, to provide for any amounts to become due and payable to any of them under the relevant agreement;
- (d) *fourth*, in or towards payment of all amounts of principal, interest, commitment fee, costs, expenses, any Additional Percentage (as defined in the Liquidity Facility Agreement) and any other amounts payable under the Liquidity Facility Agreement due but unpaid to the Liquidity Provider under the terms of the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (e) *fifth*, to pay amounts due to the Basis Swap Counterparty under the Basis Rate Swap Agreement (except for any termination payment due and payable to the Basis Swap Counterparty as a result of a Basis Swap Counterparty Default);
- (f) *sixth*, to pay to the Originator amounts towards payment of Further Consideration in respect of any Included Mortgage Loan Advance where there is a debit entry on the Further Consideration Amount Ledger in respect of such Included Mortgage Loan Advance and where the relevant Pool Adjustment Criteria are satisfied on such Payment Date until such debit entry is reduced to zero *provided that* no such payment shall be made in respect of an Included Mortgage Loan Advance which is a Non-Documented Further Advance which was included in the Originator Trust on or after the Substitution Period End Date;
- (g) *seventh, pari passu and pro rata* at the Applicable Ratio, to pay (i) those amounts due and payable by the Issuer to the Currency Swap Counterparty pursuant to the Currency Swap Agreement (except for payments due to the Currency Swap Counterparty under paragraphs (m) or (n) below) (all Euro amounts received in exchange for payments under this paragraph (i) shall be applied in payment of interest (other than any Class A1 Step-Up Amount) due on the Class A1 Notes and to repay principal on the Class A1 Notes until the Class A1 Notes have been repaid in full); and (ii) interest (other than any Class A2 Step-Up Amount) due and to repay principal on the Class A2 Notes until the Class A2 Notes have been repaid in full;
- (h) *eighth*, to pay interest (other than any Class B Step-Up Amount) due and to repay principal on the Class B Notes until the Class B Notes have been repaid in full;

- (i) *ninth*, to pay interest (other than any Class C Step-Up Amount) due and to repay principal on the Class C Notes until the Class C Notes have been repaid in full;
- (j) *tenth*, to pay interest (other than any Class D Step-Up Amount) due and to repay principal on the Class D Notes until the Class D Notes have been repaid in full;
- (k) *eleventh*, to pay interest (other than any Class E Step-Up Amount) due and to repay principal on the Class E Notes until the Class E Notes have been repaid in full;
- (l) *twelfth*, in or towards payment to the Liquidity Provider of the Liquidity Subordinated Amounts;
- (m) *thirteenth*, *pari passu* and *pro rata*, in or towards payment of (i) any termination payment due and payable to the Basis Swap Counterparty as a result of a Basis Swap Counterparty Default; and (ii) any Subordinated Termination Payment due and payable to the Currency Swap Counterparty as a result of a Currency Swap Counterparty Default;
- (n) *fourteenth*, *pari passu* and *pro rata*, in or towards payment of (i) those amounts due and payable by the Issuer to the Currency Swap Counterparty relating to the Class A1 Step-Up Amounts pursuant to the Currency Swap Agreement (all Euro amounts received in exchange for payments under this paragraph (i) shall be applied in payment of Class A1 Step-Up Amount due on the Class A1 Notes); and (ii) any Class A2 Step-Up Amount then due;
- (o) *fifteenth*, in or towards payment of any Class B Step-Up Amount then due;
- (p) *sixteenth*, in or towards payment of any Class C Step-Up Amount then due;
- (q) *seventeenth*, in or towards payment of any Class D Step-Up Amount then due;
- (r) *eighteenth*, in or towards payment of any Class E Step-Up Amount then due;
- (s) *nineteenth*, to pay to the Subordinated Loan Provider amounts due under the Subordinated Loan Agreement;
- (t) *twentieth*, to pay to the Originator the Deferred Trust Consideration due under the Originator Trust Deed; and
- (u) *twenty-first*, to pay the surplus, if any, to the Issuer.

CREDIT STRUCTURE

The Notes will be the obligations of the Issuer only and will not be obligations of, or the responsibility of, or guaranteed by, any other party. However, the following features of the transaction enhance the likelihood of timely receipt of payments to Noteholders:

Subordinated Loan Agreement and Reserve Fund

On the Closing Date, the Reserve Fund will be established by the Issuer making a drawing under the Subordinated Loan Agreement in the sum of £10,000,000. This drawing will, on the Closing Date, be deposited in the Reserve Account which may be invested in Authorised Investments. If not, pursuant to the Account Bank Agreement, the Account Bank will agree to pay a guaranteed variable rate of interest on funds invested in the Reserve Account.

Prior to the earlier of (a) the service of a Note Enforcement Notice, (b) the date on which the Notes are redeemed in full and (c) the Final Maturity Date, the Reserve Fund will be utilised by the Issuer as Available Revenue Receipts on each Payment Date.

The Cash Manager will record the balance from time to time of the Reserve Fund. On any Payment Date, any Available Revenue Receipts remaining after the Issuer has, *inter alia*, paid in full all amounts of interest due under each class of Notes (other than Step-Up Amounts) and eliminated any debit on the Principal Deficiency Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, will be applied to increase the Reserve Fund up to the Required Reserve Amount in accordance with the Pre-Enforcement Revenue Priority of Payments.

For these purposes the “**Required Reserve Amount**” will be £10,000,000.

Following the service of a Note Enforcement Notice, amounts standing to the credit of the Reserve Fund may be applied in making payments of principal on the Notes in accordance with the Post-Enforcement Priority of Payments.

On the Final Maturity Date or the date on which the Notes are paid in full, amounts standing to the credit of the Reserve Fund will be applied under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

Use of Available Principal Receipts to pay Revenue Shortfalls

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts (excluding any undrawn Liquidity Facility Commitment) are sufficient to pay or provide for payment of items in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Payment Date. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being the “**Revenue Shortfall Amount**”), the Issuer will subject to certain conditions described below use Available Principal Receipts as Reallocated Principal Receipts which will form part of Available Revenue Receipts on such Payment Date to be applied in accordance with the Pre-Enforcement Revenue Priority of Payments (and the Cash Manager will make a corresponding entry in the relevant Principal Deficiency Sub-Ledger(s)).

Available Principal Receipts cannot be used as Reallocated Principal Receipts in respect of an interest obligation on a class of Notes if and to the extent that as a consequence of doing so the Principal Deficiency Sub-Ledger applicable to that class of Notes would record a debit balance in excess of 50 per cent. of the then Principal Amount Outstanding of that class of Notes.

Principal Deficiency Ledger

The Cash Manager will establish and maintain a ledger in the books of the Issuer (the “**Principal Deficiency Ledger**”) to record (i) amounts of Reallocated Principal Receipts and (ii) any Losses under the Included Mortgage Loan Advances suffered by the Issuer.

On the Closing Date, the Principal Deficiency Ledger will be divided into six sub-ledgers which will correspond to each of the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (each such sub-ledger, a “**Principal Deficiency Sub-Ledger**”). Each Principal Deficiency Sub-Ledger will record entries relating to the corresponding class of Notes.

On each Payment Date, an amount equal to the aggregate of (i) the Reallocated Principal Receipts on such Payment Date and (ii) Losses under the Included Mortgage Loan Advances will be recorded as follows:

- (a) *first*, on the Class E Principal Deficiency Sub-Ledger, until the balance of the Class E Principal Deficiency Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class E Notes;
- (b) *second*, on the Class D Principal Deficiency Sub-Ledger, until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class D Notes;
- (c) *third*, on the Class C Principal Deficiency Sub-Ledger, until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class C Notes;
- (d) *fourth*, on the Class B Principal Deficiency Sub-Ledger, until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class B Notes; and
- (e) *fifth, pro rata and pari passu*, at the Applicable Ratio, on (a) the Class A1 Principal Deficiency Sub-Ledger, until the balance of the Class A1 Principal Deficiency Sub-Ledger is equal to the then aggregate Base Currency PAO of the Class A1 Notes; and (b) the Class A2 Principal Deficiency Sub-Ledger, until the balance of the Class A2 Principal Deficiency Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class A2 Notes.

As described in “Cashflows – Pre-Enforcement Revenue Priority of Payments”, Available Revenue Receipts may, on each Payment Date, be applied as follows:

- (a) *first, provided that* interest due and overdue on the Class A1 Notes and Class A2 Notes (other than any Class A1 Step-Up Amounts and Class A2 Step-Up Amounts) has been paid in full, in or towards Available Principal Receipts with a corresponding reduction in the debit balance, *pro rata and parri passu*, at the Applicable Ratio, on (a) the Class A1 Principal Deficiency Sub-Ledger until such balance is reduced to zero; and (b) the Class A2 Principal Deficiency Sub-Ledger until such balance is reduced to zero;
- (b) *second, provided that* interest due and overdue on the Class B Notes (other than any Class B Step-Up Amounts) has been paid in full, in or towards Available Principal Receipts with a corresponding reduction in the debit balance of the Class B Principal Deficiency Sub-Ledger until such balance is reduced to zero;
- (c) *third, provided that* interest due and overdue on the Class C Notes (other than any Class C Step-Up Amounts) has been paid in full, in or towards Available Principal Receipts with a corresponding reduction in the debit balance of the Class C Principal Deficiency Sub-Ledger until such balance is reduced to zero;
- (d) *fourth, provided that* interest due and overdue on the Class D Notes (other than any Class D Step-Up Amounts) has been paid in full, in or towards Available Principal Receipts with a corresponding reduction in the debit balance of the Class D Principal Deficiency Sub-Ledger until such balance is reduced to zero; and
- (e) *fifth, provided that* interest due and overdue on the Class E Notes (other than any Class E Step-Up Amounts) has been paid in full, in or towards Available Principal Receipts with a corresponding reduction in the debit balance of the Class E Principal Deficiency Sub-Ledger until such balance is reduced to zero.

“**Loss**” means:

- (a) in respect of each Included Mortgage Loan Advance which becomes 12 months or more in arrears, an amount equal to the greater of:
 - (i) zero; and
 - (ii)
 - (A) the Current Balance of the relevant Mortgage Loan Advance and the estimated cost of selling the Property or Properties servicing the relevant Mortgage Loan Advance; less
 - (B) the most recent available market valuation of the Property or Properties securing the relevant Included Mortgage Loan Advance; and

- (b) upon completion of enforcement proceedings in respect of an Included Mortgage Loan Advance and its Related Security, the final write-off or writeback equal to the amount by which the unprovisioned principal amount outstanding of the Included Mortgage Loan Advance exceeds or is less than the proceeds realised on enforcement less costs, expenses and accrued interest related thereto.

Basis Rate Swap

On or before the Closing Date, the Issuer will enter into the Basis Rate Swap with the Basis Swap Counterparty documented under the Basis Rate Swap Agreement to hedge against the difference between interest rates applicable to the Included Mortgage Loan Advances and rates of interest payable on the Notes.

Under the Basis Rate Swap Agreement, (a) the Issuer will pay to the Basis Swap Counterparty an amount calculated by reference to a rate (which is referable to the basis element of the interest rate on the Included Mortgage Loan Advances) multiplied by a notional amount calculated by reference to the Included Mortgage Loan Advances and (b) the Basis Swap Counterparty will pay to the Issuer on each Interest Payment Date, payments calculated by reference to three-month sterling LIBOR multiplied by a notional amount equal to the Included Mortgage Loan Advances. Such notional amounts will be adjusted for, among other things, defaults in relation to Included Mortgage Loan Advances. Payments from each of the Issuer and the Basis Swap Counterparty are subject to reduction in payment obligations for non-receipt of Revenue Receipts.

The Basis Rate Swap is described in more detail below in “*The Swap Agreements – Basis Rate Swap Agreement*” below.

Currency Swap

On or before the Closing Date, the Issuer will enter into the Currency Swap with the Currency Swap Counterparty documented under the Currency Swap Agreement to hedge against the currency exchange rate exposure in relation to the Class A1 Notes which are denominated in Euro.

Under the Currency Swap Agreement, the Issuer will pay to the Currency Swap Counterparty, on the Closing Date, the proceeds in Euro of the issue of the Class A1 Notes and on each Payment Date, an amount in sterling by reference to the Base Currency PAO of the Class A1 Notes and sterling LIBOR and a margin. The Currency Swap Counterparty will pay to the Issuer, on the Closing Date, the sterling equivalent of the proceeds of the issue of the Class A1 Notes and on each Payment Date, amounts in Euro calculated by reference to the principal amount of the Class A1 Notes and EURIBOR and a margin.

The Currency Swap is described in more detail below in “*The Swap Agreements – Currency Swap Agreement*” below).

The Class B Notes, the Class C Notes, Class D Notes and the Class E Notes

The order of priority for the payment of interest under the Notes will be such that:

- (a) interest payments on the Class E Notes will be subordinated to interest payments on the Class D Notes (other than the Class D Step-Up Amounts), the Class C Notes (other than the Class C Step-Up Amounts), the Class B Notes (other than the Class B Step-Up Amounts), the Class A1 Notes and the Class A2 Notes (other than the Class A1 Step-Up Amounts and Class A2 Step-Up Amounts);
- (b) interest payments on the Class D Notes will be subordinated to interest payments on the Class C Notes (other than the Class C Step-Up Amounts), the Class B Notes (other than the Class B Step-Up Amounts), the Class A1 Notes and the Class A2 Notes (other than the Class A1 Step-Up Amounts and Class A2 Step-Up Amounts);
- (c) interest payments on the Class C Notes will be subordinated to interest payments on the Class B Notes (other than the Class B Step-Up Amounts), the Class A1 Notes and the Class A2 Notes (other than the Class A1 Step-Up Amounts and Class A2 Step-Up Amounts); and
- (d) interest payments on the Class B Notes will be subordinated to interest payments on the Class A1 Notes and the Class A2 Notes (other than Class A1 Step-Up Amounts and Class A2 Step-Up Amounts), as set out in the Pre-Enforcement Revenue Priority of Payments.

Any shortfall in payments of interest due on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or Class A Step-Up Amounts on any Payment Date will be deferred until the immediately succeeding Payment Date. On that immediately succeeding Payment Date, the amount of interest due on the relevant class of Notes will be increased to take account of any deferred interest. If on that Payment Date there is still a shortfall, that shortfall will be deferred again. This deferral process will continue until the Final Maturity Date.

The Issuer is not able to defer payments of interest due on any Payment Date in respect of the Class A1 Notes or the Class A2 Notes (other than Class A1 Step-Up Amounts and Class A2 Step-Up Amounts). After the expiry of any applicable grace period, the failure to pay interest on the Class A1 Notes or the Class A2 Notes (other than Class A1 Step-Up Amounts and Class A2 Step-Up Amounts) will be a Note Event of Default.

The Notes will be constituted by the Trust Deed and will share the Issuer Security. Upon the service of a Note Enforcement Notice, the Class A Notes will rank in priority to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. The Class B Notes will rank in priority to the Class C Notes, the Class D Notes and the Class E Notes. The Class C Notes will rank in priority to the Class D Notes and the Class E Notes. The Class D Notes will rank in priority to the Class E Notes.

Authorised Investments

Authorised Investments include (i) sterling denominated government securities; and (ii) sterling demand or time deposits, certificates of deposit, money market funds and short-term debt obligations (including commercial paper), *provided that* in all cases such investments will mature at least one Business Day prior to the next Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made is rated at least A-1+ by S&P, at least P-1 by Moody's and at least F1+ by Fitch or is otherwise acceptable to the Rating Agencies.

Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Provider will provide the Liquidity Facility to the Issuer. Save as provided below, the Issuer will be permitted at any time during the Liquidity Facility Commitment Period to make drawings under the Liquidity Facility or, as the case may be, from the Liquidity Facility Stand-by Account up to the Liquidity Facility Commitment at that time where the Issuer has insufficient Available Revenue Receipts (excluding the amounts then available to be drawn under the Liquidity Facility) to pay in full on any Payment Date any of the items in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments (such an insufficiency, a "**Liquidity Shortfall Amount**").

The Liquidity Facility Commitment will on the Closing Date, be £65,000,000 and will, on each Payment Date, be the greater of (a) £10,000,000 and (b) 6.5 per cent. of the aggregate of the Principal Amount Outstanding of the Sterling Notes and the Base Currency PAO of the Class A1 Notes on such Payment Date (before taking into account any payments of principal on the Notes made on such Payment Date). The Liquidity Facility Commitment may be further reduced after the Closing Date if at least two of the Rating Agencies (one of which must be S&P) have confirmed in writing to the Issuer and the Trustee that the then current ratings of the Notes will not be withdrawn, downgraded or qualified as a result of the proposed reduction.

If, on the date when the Issuer requests a drawing under the Liquidity Facility or, as the case may be, from the Liquidity Facility Stand-by Account, there are any funds standing to the credit of the Reserve Fund or there are Reallocated Principal Receipts available, the Issuer shall only be entitled to draw an amount which is equal to the amount by which such Liquidity Shortfall Amount exceeds the aggregate of the amount standing to the credit of the Reserve Fund and the amount of available Reallocated Principal Receipts.

The Issuer will also be prevented from drawing under the Liquidity Facility, *inter alia*:

- (a) to the extent that there are (i) amounts in the Reserve Fund or (ii) Reallocated Principal Receipts, in each case, available to meet shortfalls under items in paragraphs (a) to (g), (i), (k), (m) and (o) of the Pre-Enforcement Revenue Priority of Payments which would otherwise be Liquidity Shortfall Amounts;
- (b) in respect of the Class B Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class B Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class B Notes;

- (c) in respect of the Class C Notes only when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class C Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class C Notes;
- (d) in respect of the Class D Notes when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class D Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class D Notes; and
- (e) in respect of the Class E Notes when the amount debited to the Principal Deficiency Sub-Ledger in respect of the Class E Notes is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class E Notes.

The “**Liquidity Facility Commitment Period**” means the 364-day period from and including the Closing Date. The Issuer may request the extension of the Liquidity Facility for a further 364-day period subject to giving written notice thereof to the Liquidity Provider.

The Liquidity Facility Agreement will provide that if the Liquidity Provider:

- (a) (i) ceases to be rated A-1+ by S&P; (ii) ceases to be rated P-1 by Moody’s; or (iii) ceases to be rated F1+ by Fitch; or
- (b) does not agree to extend the Liquidity Facility Commitment Period,

the Issuer may require the Liquidity Provider to pay into a designated bank account of the Issuer (the “**Liquidity Facility Stand-by Account**”), maintained with an appropriately rated bank (which shall be the Liquidity Provider if it is rated at least A-1+ by S&P, at least P-1 by Moody’s and at least F1+ by Fitch), an amount equal to the then undrawn commitment under the Liquidity Facility Agreement (the “**Liquidity Stand-by Drawing**”).

Amounts standing to the credit of the Liquidity Facility Stand-by Account will be available to the Issuer for drawing during the Liquidity Facility Commitment Period in the circumstances described above. If the Issuer makes Liquidity Stand-by Drawings it shall on each Payment Date on which the Liquidity Stand-by Drawing remains outstanding pay to the Liquidity Provider interest in respect of that Liquidity Stand-by Drawing at a rate equal to the commitment fee in respect of that Liquidity Stand-by Drawing plus interest earned on the Liquidity Facility Stand-by Account during that period.

The Issuer may require that the Liquidity Provider transfers its rights and obligations under the Liquidity Facility Agreement to a replacement liquidity provider which is rated (i) at least A-1+ by S&P, (ii) at least P-1 by Moody’s and (iii) at least F1+ by Fitch *provided that* the then current ratings of the Notes are not adversely affected thereby.

The Liquidity Provider will be a Secured Creditor of the Issuer pursuant to the Deed of Charge, including in an event whereby Liquidity Stand-by Drawings are made.

All amounts owing to the Liquidity Provider (other than any Liquidity Subordinated Amounts) will, on enforcement of the security for the Notes, rank in priority to the payment of all amounts of interest and principal in respect of the Class A Notes and the Basis Rate Swap and Currency Swap.

THE SWAP AGREEMENTS

Basis Rate Swap Agreement

The Available Revenue Receipts received by the Issuer in respect of the Included Mortgage Loan Advances will fluctuate by reference to the interest rates applicable to the Included Mortgage Loan Advances. The Initial Mortgage Portfolio contains LIBOR Mortgage Loans, Base Rate Mortgage Loans and Fixed Rate Mortgage Loans.

On or before the Closing Date, the Issuer will enter into the Basis Rate Swap with the Basis Swap Counterparty documented under the Basis Rate Swap Agreement to hedge against the difference between interest rates applicable to the Included Mortgage Loan Advances and rates of interest payable on the Notes.

Under the Basis Rate Swap Agreement, (a) the Issuer will pay to the Basis Swap Counterparty an amount calculated by reference to a rate (which is referable to the basis element of the interest rate on the Included Mortgage Loan Advances) multiplied by a notional amount calculated by reference to the Investor Interest in the Included Mortgage Loan Advances and (b) the Basis Swap Counterparty will pay to the Issuer on each Interest Payment Date, payments calculated by reference to three-month sterling LIBOR multiplied by a notional amount equal to the Investor Interest in the Included Mortgage Loan Advances. Such notional amounts will be adjusted for, among other things, defaults in relation to Included Mortgage Loan Advances. Payments from each of the Issuer and the Basis Swap Counterparty are subject to reduction in payment obligations for non-receipt of Revenue Receipts.

Basis Swap Counterparty Ratings Downgrade

Under the terms of the Basis Rate Swap Agreement, in the event that the Basis Swap Counterparty (a) ceases to have a short term, unsecured and unsubordinated debt rating of at least A-1+ by S&P; (b) ceases to have a short term, unsecured and unsubordinated debt rating of at least P-1 or a long term, unsecured and unsubordinated debt rating of at least A1 by Moody's; or (c) ceases to have a short term, unsecured and unsubordinated debt rating of at least F1 or ceases to have a long term, unsecured and unsubordinated debt rating of at least A by Fitch, then the Basis Swap Counterparty shall, within certain specified time frames of the occurrence of such downgrade, be required to take certain remedial measures which may include providing collateral for its obligations under the Basis Rate Swap Agreement, arranging for its obligations under the Basis Rate Swap Agreement to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with ratings required by the relevant Rating Agency to become a co-obligor or guarantor, as applicable, in respect of its obligations under the Basis Rate Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency in order to maintain the then current ratings of the Notes (provided that, below certain specified ratings levels, the Basis Swap Agreement provides that the Basis Swap Counterparty must arrange for a replacement swap counterparty or a guarantee and that collateralisation will not be sufficient remedial action).

Any collateral provided in these circumstances will not form part of Available Revenue Receipts or Available Principal Receipts.

The Issuer will have the right to terminate the Basis Rate Swap Agreement in accordance with the terms of the Basis Rate Swap Agreement if the Basis Swap Counterparty fails to take such steps.

Any collateral amounts that may be required to be provided by the Basis Swap Counterparty following such rating downgrade may be delivered in the form of cash or securities. Cash amounts will be paid into a newly opened account of the Issuer designated "**Basis Swap Collateral Cash Account**" and securities will be transferred to an account designated "**Basis Swap Collateral Custody Account**" (the Basis Swap Collateral Cash Account and the Basis Swap Collateral Custody Account together referred to as the "**Basis Swap Collateral Accounts**").

Termination of the Basis Rate Swap

The Basis Rate Swap will terminate on the earlier of the Final Maturity Date and the date on which all of the Notes are redeemed in full.

The Basis Rate Swap may also be terminated in accordance with certain termination events and events of default as set out in the Basis Rate Swap Agreement.

Where the Basis Rate Swap is terminated, (either wholly or partially) prior to the Final Maturity Date, the Issuer or the Basis Swap Counterparty may be liable to make a swap termination payment to the other. This swap termination payment will be payable in sterling. The amount of any swap termination payment will be based on market quotations of the cost of entering into a swap with 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). Any such termination payment could be substantial.

To the extent that a termination results from a default of the Basis Swap Counterparty, any swap termination payment arising from such termination will be made by the Issuer to the Basis Swap Counterparty only after paying interest amounts due on the Notes and after providing for any debit balance on the Principal Deficiency Ledger. However, if the Basis Rate Swap terminates for any other reason that results in a termination payment becoming due from the Issuer to the Basis Swap Counterparty, such swap termination payment will be made by the Issuer in accordance with the relevant Priority of Payments. The Issuer shall apply amounts received from the Basis Swap Counterparty in respect of swap termination payments in accordance with the Pre-Enforcement Revenue Priority of Payments, or, as the case may be, the Post-Enforcement Priority of Payments, *provided that* the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Basis Rate Swap Agreement shall to the extent of any such payment due to the replacement Basis Swap Counterparty be paid directly to the replacement Basis Swap Counterparty and not via any of the Priorities of Payment. The application by the Issuer of swap termination payments due to the Basis Swap Counterparty may affect the funds available to pay amounts due to the Noteholders (see “*Risk Factors – Swap Termination Payments*”).

If the Basis Rate Swap is terminated prior to the service of a Note Enforcement Notice or the redemption in full of all of the Notes, the Issuer shall use its best efforts to enter into a replacement Basis Rate Swap in respect of the Notes. Any replacement Basis Rate Swap must be entered into on terms, and with a Basis Swap Counterparty, acceptable to the Issuer and the Trustee and which at least two of the Rating Agencies (one of which must be S&P) have previously confirmed in writing to the Issuer and the Trustee will not cause the then current ratings of the Notes to be downgraded, withdrawn or qualified.

Taxation

Pursuant to the terms of the Basis Rate Swap Agreement, the Issuer is not required to gross up payments made by it to the Basis Swap Counterparty if the Issuer is required to deduct or withhold an amount in respect of tax from payments made under the Basis Rate Swap.

Pursuant to the terms of the Basis Rate Swap Agreement, the Basis Swap Counterparty is always obliged to gross up payments made by it to the Issuer if the Basis Swap Counterparty is required to deduct or withhold an amount in respect of tax from payments made under the Basis Rate Swap.

The Basis Rate Swap Agreement will provide that if, due to action taken by a relevant taxing authority or court or any change in tax law, the Basis Swap Counterparty will (or there is a substantial likelihood that it will) be required to deduct or withhold an amount in respect of tax from payments due from it to the Issuer, or receive any payment from the Issuer from which an amount is required to be deducted or withheld for or on account of tax (a “**Tax Event**”), the Basis Swap Counterparty will be required to (i) promptly notify the Issuer and (ii) use its reasonable endeavours to transfer its rights and obligations under the Basis Swap to another office or branch to avoid the relevant Tax Event. If no such transfer can be effected within 20 days of such notice being given to the Issuer, the Basis Swap Counterparty will be entitled to terminate the Basis Rate Swap.

Governing Law

The Basis Rate Swap Agreement will be governed by English law.

Currency Swap Agreement

The Class A1 Notes will be denominated in Euro and the Issuer will pay interest and principal on the Class A1 Notes in Euro. However, payments of interest and principal by the Borrowers under the Included Mortgage Loan Advances will be made in sterling. In addition, the Class A1 Notes will bear interest at a rate based on a margin over EURIBOR. 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 Class A1 Notes, the Issuer will enter into the Currency Swap Agreement with the Currency Swap Counterparty on or prior to the Closing Date.

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

- (a) on the Closing Date, the Euro proceeds received on the issue of the Class A1 Notes;
- (b) on each Payment Date, an amount in sterling referable to sterling LIBOR plus a specified margin in respect of the sterling equivalent (converted at the Currency Swap Rate) of the Principal Amount Outstanding of the Class A1 Notes (subject, in the case of an amount referable to the increased interest after the Step-Up Date to non-receipt of such amounts by the Issuer); and
- (c) on each Payment Date, an amount in sterling equal to the amount available to be applied in repayment of principal on the Class A1 Notes for that Payment Date subject to the Priorities of Payment.

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

- (a) on the Closing Date, an amount in sterling equal to the net Euro proceeds of the issue of the Class A1 Notes, such proceeds to be converted into sterling at the Currency Swap Rate;
- (b) on each Payment Date, an amount in Euro equal to the amount of interest to be paid on the Class A1 Notes in accordance with the Pre-Enforcement Revenue Priority of Payments on such Payment Date (subject, in the case of an amount referable to the increased interest after the Step-Up Date to non-receipt of such amounts by the Issuer (in which event the payment by the Currency Swap Counterparty would be reduced by a proportionate amount)); and
- (c) on each Payment Date, an amount in Euro equal to the sterling amounts available to be applied in repayment of principal of the Class A1 Notes on that Payment Date converted into Euro at the Currency Swap Rate.

The Euro/sterling exchange rate has been set at £1 = €41.4600 (the “**Currency Swap Rate**”).

Currency Swap Counterparty Ratings Downgrade

Under the terms of the Currency Swap Agreement, in the event that the Currency Swap Counterparty (a) ceases to have a short term, unsecured and unsubordinated debt rating of at least A-1+ by S&P; (b) ceases to have a short term, unsecured and unsubordinated debt rating of at least P-1 or a long term, unsecured and unsubordinated debt rating of at least A1 by Moody's; or (c) ceases to have a short term, unsecured and unsubordinated debt rating of at least F1 or ceases to have a long term, unsecured and unsubordinated debt rating of at least A+ by Fitch, or in certain circumstances if the then current rating of the Class A1 Notes is downgraded or placed under review for possible downgrade, then the Currency Swap Counterparty shall, within certain specified time frames of the occurrence of such downgrade, be required to take certain remedial measures which may include providing collateral for its obligations under the Currency Swap Agreement, arranging for its obligations under the Currency Swap Agreement to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with ratings required by the relevant Rating Agency to become a co-obligor or guarantor, as applicable, in respect of its obligations under the Currency Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency in order to maintain the then current ratings of the Notes (provided that, below certain specified ratings levels, the Currency Swap Agreement provides that the Currency Swap Counterparty must arrange for a replacement swap counterparty or a guarantee and that collateralisation will not be sufficient remedial action).

Any collateral provided in these circumstances or Replacement Premium will not form part of Available Revenue Receipts or Available Principal Receipts or proceeds available for distribution under the Post-Enforcement Priority of Payments.

The Issuer will, subject to certain conditions, have the right to terminate the Currency Swap Agreement in accordance with the terms of the Currency Swap Agreement if the Currency Swap Counterparty fails to take such steps.

Any collateral amounts that may be required to be provided by the Currency Swap Counterparty following such rating downgrade may be delivered in the form of cash or securities. Cash amounts will be paid into a newly opened account of the Issuer designated “**Currency Swap Collateral Cash Account**” and securities will be transferred to an account designated “**Currency Swap Collateral Custody Account**” (the Currency Swap Collateral Cash Account and the Currency Swap Collateral

Custody Account together referred to as the “**Currency Swap Collateral Accounts**” and together with the Basis Swap Collateral Accounts, the “**Swap Collateral Accounts**”).

Termination of the Currency Swap

The Currency Swap will terminate on the earlier of the Final Maturity Date and the date on which all of the Class A1 Notes are redeemed in full.

The Currency Swap may also be terminated in accordance with certain termination events and events of default as set out in the Currency Swap Agreement.

Where the Currency Swap is terminated, (either wholly or partially) prior to the Final Maturity Date, the Issuer or the Currency Swap Counterparty may be liable to make a swap termination payment to the other. This swap termination payment will be payable in sterling. The amount of any swap termination payment will be based on market quotations of the cost of entering into a swap with 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). Any such termination payment could be substantial.

To the extent that a termination results from a default of the Currency Swap Counterparty, any swap termination payment arising from such termination will be made by the Issuer to the Currency Swap Counterparty only after paying interest amounts (other than Step-Up Amounts) due on the Notes and after providing for any debit balance on the Principal Deficiency Ledger. However, if the Currency Swap terminates for any other reason that results in a termination payment becoming due from the Issuer to the Currency Swap Counterparty, such swap termination payment will be made by the Issuer in accordance with the relevant Priority of Payments. The Issuer shall apply amounts received from the Currency Swap Counterparty in respect of swap termination payments in accordance with the Pre-Enforcement Revenue Priority of Payments, or, as the case may be, the Post-Enforcement Priority of Payments, *provided that* the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Currency Swap Agreement shall to the extent of any such payment due to the Currency Swap Counterparty be paid directly to the Currency Swap Counterparty and not via any of the Priorities of Payment. The application by the Issuer of swap termination payments due to the Currency Swap Counterparty may affect the funds available to pay amounts due to the Noteholders (see “*Risk Factors – Swap Termination Payments*”).

If the Currency Swap is terminated prior to the service of a Note Enforcement Notice or the redemption in full of all of the Notes, the Issuer shall use its best efforts to enter into a replacement Currency Swap in respect of the Notes. Any replacement Currency Swap must be entered into on terms, and with a Currency Swap Counterparty, acceptable to the Issuer and the Trustee and which at least two of the Rating Agencies (one of which must be S&P) have previously confirmed in writing to the Issuer and the Trustee will not cause the then current ratings of the Notes to be downgraded, withdrawn or qualified.

Taxation

Pursuant to the terms of the Currency Swap Agreement, the Issuer is not required to gross up payments made by it to the Currency Swap Counterparty if the Issuer is required to deduct or withhold an amount in respect of tax from payments made under the Currency Swap.

Pursuant to the terms of the Currency Swap Agreement, the Currency Swap Counterparty is always obliged to gross up payments made by it to the Issuer if the Currency Swap Counterparty is required to deduct or withhold an amount in respect of tax from payments made under the Currency Swap.

The Currency Swap Agreement will provide that if, due to action taken by a relevant taxing authority or court or any change in tax law, the Currency Swap Counterparty will (or there is a substantial likelihood that it will) be required to deduct or withhold an amount in respect of tax from payments due from it to the Issuer, or receive any payment from the Issuer from which an amount is required to be deducted or withheld for or on account of tax (a “**Tax Event**”), the Currency Swap Counterparty will be required to (i) promptly notify the Issuer and (ii) use its reasonable endeavours to transfer its rights and obligations under the Currency Swap to another office or branch to avoid the relevant Tax Event. If no such transfer can be effected within 20 days of such notice being given to the Issuer, the Currency Swap Counterparty will be entitled to terminate the Currency Swap.

Governing Law

The Currency Swap Agreement will be governed by English law.

Description of the Currency Swap Counterparty

Citibank, N.A. ("**Citibank**") was originally organised on 16 June 1812, and Citibank now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc. ("**Citigroup**"), a diversified global financial services holding company incorporated in Delaware. As of 30 June 2005, the total assets of Citibank and its consolidated subsidiaries represented approximately 46 per cent. of the total assets of Citigroup and its consolidated subsidiaries.

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank, N.A., London Branch was registered in the United Kingdom as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The London Branch is primarily regulated by The Financial Services Authority and operated in the United Kingdom as a fully authorised commercial banking institution offering a wide range of corporate banking products.

Although Citicorp was merged into Citigroup Inc. on 1 August 2005, Citicorp's historical financials are still available on the web-site of the U.S. Securities and Exchange Commission ("**SEC**") at <http://www.sec.gov>. Citibank was a wholly-owned subsidiary of Citicorp prior to such merger. The Consolidated Balance Sheets of Citibank as of 31 December 2004 and as of 31 December 2003 are set forth on page 52 of the Annual Report on Form 10-K of Citicorp and its subsidiaries for the year ended 31 December 2004 and as of 30 June 2005 and 31 December 2004 are set forth on page 68 of the Quarterly Report on Form 10-Q for Citicorp and its subsidiaries for the quarter ended 30 June 2005 (the "**June 2005 10-Q**"). Consolidated Balance Sheets of Citibank subsequent to 30 June 2005 will be included in the Form 10-Q's (quarterly) and Form 10-K's (annually) filed by Citigroup with the SEC, which will be filed not later than 40 days after the end of the calendar quarter or 60 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding Citibank, reference should be made to the June 2005 10-Q and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citigroup with the SEC. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such reports are available at the SEC website (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the U.S. Office of the Comptroller of the Currency (the "**Comptroller**") certain reports called "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices" ("**Call Reports**"). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the website of the U.S. Federal Deposit Insurance Corporation of the United States (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with the regulatory instructions issued by the U.S. Federal Financial Institutions Examination Council in the United States. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about Citibank, the reports nevertheless provide important information concerning the financial condition and results of operations of Citibank.

The obligations of Citibank, N.A., London Branch under the Currency Swap Agreement or any other Transaction Document will not be guaranteed by Citigroup or by any other affiliate.

The information in the preceding six paragraphs has been provided by Citibank for use in this Prospectus. Except for the foregoing six paragraphs on this page, Citibank, Citigroup and their affiliates do not accept responsibility for this Prospectus as a whole.

SECURITY FOR THE ISSUER'S OBLIGATIONS

Covenant to pay

The Issuer will covenant in favour of the Trustee for the benefit of the Secured Creditors that the Issuer will pay all amounts due to each of the Secured Creditors as they become due and payable and that the Issuer will comply with its other obligations under the Transaction Documents.

Issuer Security

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

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit in, to and under the Investor Interest (and supplemental assignments so far as relating to underlying Scottish assets);
- (b) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party, including:
 - (i) the Originator Trust Deed (and supplemental assignments so far as relating to underlying Scottish assets);
 - (ii) the Cash Management Agreement;
 - (iii) the Basis Rate Swap Agreement;
 - (iv) the Currency Swap Agreement;
 - (v) the Liquidity Facility Agreement;
 - (vi) the Paying Agency Agreement;
 - (vii) the Subscription Agreement;
 - (viii) the Issuer Corporate Services Agreement;
 - (ix) the Account Bank Agreement;
 - (x) the Incorporated Terms Memorandum;
 - (xi) the Subordinated Loan Agreement;
 - (xii) the Post-Enforcement Call Option Agreement;
 - (xiii) the Regulatory Call Option;
 - (xiv) the Deed of Novation; and
 - (xv) all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Trust Deed and the Deed of Charge);
- (c) an assignment by way of first fixed security (which assignment may take effect as a floating charge) over the Issuer's right, title, interest and benefit in the Issuer Accounts and each other account (if any) of the Issuer, and all amounts standing to the credit of those accounts (including all interest earned on such amounts);
- (d) a first fixed charge (which may take effect as a floating charge) over the Issuer's right, title, interest and benefit in all Authorised Investments (other than in respect of any amounts standing to the credit of the Liquidity Facility Stand-by Account) from time to time held by or on behalf of the Issuer, including all monies and income payable under those investments; and
- (e) a first floating charge over all the assets and undertaking of the Issuer (which are not otherwise effectively subject to a fixed charge or assignment by way of security as described in the preceding paragraphs) and over Scottish assets subject to such fixed security,

as more particularly described in the Deed of Charge.

Pre-Enforcement and Post-Enforcement Priority of Payments

The Cash Management Agreement sets out the order of priority for the application of cash by the Cash Manager prior to the service of a Note Enforcement Notice. This payment order of priority is described in "*Cashflows*" above.

The Deed of Charge sets out the order of priority for the application by the Trustee (or the Cash Manager on its behalf), following service of a Note Enforcement Notice, of amounts received or recovered by the Trustee or a receiver appointed on its behalf. This order of priority is described in “*Cashflows*” above.

Enforcement

The Issuer Security shall only become enforceable on the service of a Note Enforcement Notice pursuant to Condition 9 (*Events of Default*). The Deed of Charge will set out the procedures by which the Trustee may take steps to enforce the Issuer Security.

No enforcement by Secured Creditors

Each of the Secured Creditors (other than the Trustee) will agree under the Deed of Charge that only the Trustee may enforce the security created by the Deed of Charge and it will not take steps directly against the Issuer to recover amounts owing to it by the Issuer unless the Trustee has become bound to enforce the Issuer Security but has failed to do so within 30 days of becoming so bound.

Governing Law

The Deed of Charge will be governed by English law and supplements thereto relating to Scottish assets will be governed by Scots law.

THE TRUST DEED

The Issuer and the Trustee will enter into the Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes of each class. Under the Trust Deed, the Issuer will covenant to the Trustee to pay all amounts due under the Notes and the Trustee will hold the benefit of such covenant to pay on trust for the Noteholders.

Conflicts

The Trust Deed will contain provisions which require the Trustee to consider the interests of the Noteholders and the other Secured Creditors as to the exercise of its powers, trusts, authorities and duties. In the event of a conflict between the interests of the Noteholders and the interests of any other Secured Creditor, the Trustee is required to consider only the interests of the Noteholders. If, in the sole opinion of the Trustee, there may be a conflict among the Noteholders of different classes, the Trustee will have regard to the interests of the holders of the most senior class of Notes outstanding. In all cases, the Trustee will only be obliged to act if it is indemnified and/or secured to its satisfaction. For more information on how the Trustee will resolve conflicts between Noteholders, see "*Terms and Conditions of the Notes – Meetings of Noteholders, modifications and waiver*".

Modification and waiver

Without the consent of any of the Noteholders the Trustee may:

- (a) agree any amendment or modification to the Transaction Documents (including the Notes):
 - (i) which in the opinion of the Trustee is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or is of a formal, minor, administrative or technical nature; or
 - (ii) (excluding a Basic Terms Modification) which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders; and
- (b) authorise or waive any breach or proposed breach of any provisions of the Notes or of any other Transaction Documents which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders.

The Trustee in determining whether any such modification, amendment, waiver or authorisation will not be materially prejudicial to the interests of the Noteholders or any class of Noteholders, may have regard to, among other things, any confirmations issued by any Rating Agency that the then current ratings of the applicable class or classes of Notes will not be downgraded, withdrawn or qualified by such exercise or performance and any other confirmation which it considers, in its sole and absolute discretion, is appropriate. The Rating Agencies are not obliged under the Transaction Documents to provide such confirmations if so requested. The failure of any Rating Agency to respond to a request to provide such confirmations may be disregarded by the Trustee.

Any such modification, amendment, waiver or authorisation shall be binding on the Noteholders and, if the Trustee so requires, any such modification shall be notified to the Noteholders and the Rating Agencies in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

Relationship with Noteholders

The Trustee is not obliged to take steps or action to enforce its rights under the Transaction Documents (including enforcing the Issuer Security). The Trustee shall be required to serve a Note Enforcement Notice if it has been directed or instructed to do so by an Extraordinary Resolution of any class of Noteholders or in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Notes of a class then outstanding *provided that*:

- (a) the Trustee will not act at the direction or request of the Class B Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholder or such action is sanctioned by an Extraordinary Resolution of the Class A Noteholders;
- (b) the Trustee will not act at the direction or request of the Class C Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders, as the case may be;

- (c) the Trustee will not act at the direction or request of the Class D Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders, as the case may be;
- (d) the Trustee will not act at the direction or request of the Class E Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A and/or the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders, as the case may be; and
- (e) it has been indemnified and/or secured to its satisfaction against all costs, liabilities and claims which it may incur or in respect of which it may become liable.

Fees and expenses

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

Retirement and removal

Subject to the appointment of a successor Trustee, the Trustee may retire after giving three months' notice in writing to the Issuer. If within 30 days of having given notice of its intention to retire, the Issuer has failed to appoint a replacement Trustee, the outgoing Trustee will be entitled to appoint a successor (*provided that* such successor is acceptable to the Rating Agencies and agrees to be bound by the terms of the Deed of Charge). The Issuer may remove the Trustee or appoint a new Trustee at any time *provided that* it has the approval, which must not be unreasonably withheld or delayed, of the Noteholders of each class acting by Extraordinary Resolution. In addition, the Trustee may, subject to the conditions specified in the Trust Deed, appoint a co-trustee to act jointly with it.

Governing Law

The Trust Deed will be governed by English law.

TERMS AND CONDITIONS OF THE LISTED NOTES

The following are the Terms and Conditions (the “Conditions”, and any reference to a “Condition” shall be construed accordingly) of the Listed Notes in the form (subject to completion and amendment) in which they will be set out in the Trust Deed. A glossary of definitions appears in Condition 21 of these Conditions.

The Notes of Prominent CMBS Funding No.1 PLC (the “**Issuer**”) are constituted pursuant to a trust deed (the “**Trust Deed**”, which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated on or about 6 December 2005 (the “**Closing Date**”) and made between the Issuer and Citicorp Trustee Company Limited (in such capacity, the “**Trustee**”, which expression includes its successors or any further or other trustee under the Trust Deed) as trustee for the Noteholders.

The security for the Notes is created pursuant to, and on the terms set out in a deed of charge and assignment (the “**Deed of Charge**”) dated the Closing Date and made between, *inter alios*, the Issuer and the Trustee (which expression includes its successors or any other trustee under the Deed of Charge).

By a Paying Agency Agreement dated the Closing Date (the “**Paying Agency Agreement**”, which expression includes such Paying Agency Agreement as from time to time modified in accordance with the provisions contained therein) and made among the Issuer, the Trustee and Citibank, N.A., as paying agent in the United Kingdom (the “**Principal Paying Agent**” and, together with any further or other paying agents for the time being appointed under the Paying Agency Agreement, the “**Paying Agents**”) and Citibank, N.A., as agent bank (the “**Agent Bank**” and, together with the Paying Agents, the “**Agents**”), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes. These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge and the Paying Agency Agreement.

Copies of the Trust Deed, the Deed of Charge, the Incorporated Terms Memorandum, the Paying Agency Agreement and each of the other Transaction Documents are available for inspection at the London office for the time being of the Principal Paying Agent, being at the date hereof 5 Carmelite Street, London EC4Y OPA. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions, and definitions contained or incorporated in, the Trust Deed, the Deed of Charge, the Cash Management Agreement, the Paying Agency Agreement, the Liquidity Facility Agreement, the Incorporated Terms Memorandum, the Basis Rate Swap Agreement and the Currency Swap Agreement. Capitalised terms not otherwise defined in these Conditions are defined in Condition 21 or in the Incorporated Terms Memorandum. In the event of a conflict between the terms defined in these Conditions and the Incorporated Terms Memorandum, the Incorporated Terms Memorandum will prevail.

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on or about 29 November 2005.

1. Form, Denomination and Title

Each of the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes (together, the “**Listed Notes**”), which are, in the case of the Sterling Notes, in denominations of £50,000 and in the case of the Class A1 Notes, in denominations of €50,000 (the “**Minimum Denomination**”), subject to redemption as hereinafter provided, is initially represented by a temporary global note (the “**Class A1 Temporary Global Note**”, the “**Class A2 Temporary Global Note**”, the “**Class B Temporary Global Note**” and the “**Class C Temporary Global Note**”, respectively, and together, the “**Temporary Global Notes**”) in bearer form without coupons or talons attached in the aggregate principal amount equal to the Principal Amount Outstanding from time to time of the Notes.

The Listed Notes are issued in the Minimum Denomination. However, for so long as the Listed Notes are represented by a Global Note (as defined below), and Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme so permit, the Sterling Notes shall be tradeable in the minimum nominal amount of £50,000 and integral multiples of £1,000 thereafter and the Class A1 Notes shall be tradeable in the minimum nominal amount of €50,000 and integral multiples of €1,000 thereafter.

Listed Notes in definitive form (the “**Definitive Notes**”), if required to be issued, will be in the denomination of £50,000 (or €50,000 in the case of the Class A1 Notes) and every denomination between £51,000 and £99,000 (or €51,000 and €99,000 in the case of the Class A1 Notes) that is an integral multiple of £1,000 (or €1,000 in the case of the Class A1 Notes). Under no circumstances will Definitive Notes be issued in respect of a principal amount of Listed Notes less than the Minimum Denomination and any Noteholder which on the date of issue of the Definitive Notes holds Listed Notes having a principal amount which cannot be represented by a Definitive Note in the Minimum Denomination will not be entitled to receive a Definitive Note in respect of such Notes or to receive interest or principal in respect of such Notes. The absence of any obligation on the Issuer to issue a Definitive Note in respect of a holding of Listed Notes which in aggregate principal amount is less than the Minimum Denomination shall not limit any rights of the relevant Noteholder against the Issuer under the Trust Deed and/or any of the other Transaction Documents in respect of such holding of Notes.

The Temporary Global Notes will be deposited on behalf of the subscribers of the Listed Notes with the Common Depositary on the Closing Date.

Interests in each Temporary Global Note are exchangeable not earlier than 40 days after the Closing Date (the “**Exchange Date**”), provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for interests in a permanent global note (each a “**Permanent Global Note**” and together the “**Permanent Global Notes**” and, with the Temporary Global Notes, the “**Global Notes**”) in bearer form (which will also be deposited with the Common Depositary) representing the same class of Notes. On the exchange of the Temporary Global Note for the Permanent Global Note of the relevant class, that Permanent Global Note will remain deposited with the Common Depositary. The Permanent Global Notes will only be exchangeable for Definitive Notes in certain limited circumstances described below.

Title to the Global Notes will pass by delivery. For so long as any Listed Notes are represented by a Global Note, such Notes are transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg as appropriate.

For so long as any Listed Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the holder of such Listed Notes shall be treated by the Issuer and the Trustee as the holder of such Listed Notes for all purposes other than with respect to the payment of principal and interest on the relevant Global Note, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer thereof in accordance with and subject to its terms (and the expression “**Noteholder**” and related expressions shall be construed accordingly).

If, after the Exchange Date (i) either Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof or of any authority therein or thereof having power to tax) or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Listed Notes which would not be required were the Notes in definitive form, then the Issuer will issue Definitive Notes (in bearer form, serially numbered with interest coupons (“**Interest Coupons**”) and principal coupons (“**Principal Coupons**”) and talons for further coupons (“**Talons**”) attached and title to which will pass by delivery) in exchange for the whole outstanding interest in the Permanent Global Note of each class within 30 days of the occurrence of the relevant event. Listed Notes in definitive form will not be issuable in any other circumstances. These Conditions, the Trust Deed and the Paying Agency Agreement will be amended in such manner as the Trustee reasonably requires to take account of the issue of Definitive Notes. If the Issuer fails to meet its obligations to issue Definitive Notes then the Global Note in respect of which Definitive Notes have not (but should have) been issued will remain in full force and effect.

2. **Status, Priority and Security**

(a) **Status**

The Notes are direct, secured and unconditional obligations of the Issuer. All of the Notes are secured by the same security. Payments of both principal and interest on each class of Notes will be made equally amongst all Notes of that class.

(b) **Priority**

(i) *Interest*

Payments of interest on the Class A1 Notes and the Class A2 Notes will be made in priority to payments of interest on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (except that all payments in respect of any Class A1 Step-Up Amounts and Class A2 Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class B Step-Up Amounts, any Class C Step-Up Amounts, any Class D Step-Up Amounts and any Class E Step-Up Amounts); payments of interest on the Class B Notes will be made in priority to payments of interest on the Class C Notes, the Class D Notes and the Class E Notes (except that all payments in respect of any Class B Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class C Step-Up Amounts, any Class D Step-Up Amounts and any Class E Step-Up Amounts); payments of interest on the Class C Notes will be made in priority to payments of interest on the Class D Notes and the Class E Notes (except that all payments in respect of any Class C Step-Up Amounts will rank after all payments under the Notes other than all payments in respect of any Class D Step-Up Amounts and any Class E Step-Up Amounts); payments of interest on the Class D Notes will be made in priority to payments of interest on the Class E Notes (except that all payments in respect of any Class D Step-Up Amounts will rank after all other payments under the Notes other than any Class E Step-Up Amounts); and all payments in respect of any Class E Step-Up Amounts will rank after all other payments under the Notes.

Payments of all Step-Up Amounts are subordinated to all other payments under the Notes as provided in these Conditions and the Priorities of Payment.

(ii) *Principal*

At all times after the service of a Note Enforcement Notice, the Issuer will, in accordance with the Post-Enforcement Priority of Payments, make (i) payments of principal on the Class A1 Notes and the Class A2 Notes (*pari passu* and *pro rata*) ahead of payments of principal on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, (ii) payments of principal on the Class B Notes ahead of payments of principal on the Class C Notes, the Class D Notes and the Class E Notes, (iii) payments of principal on the Class C Notes ahead of payments of principal on the Class D Notes and the Class E Notes and (iv) payments of principal on the Class D Notes ahead of payments of principal on the Class E Notes.

Prior to the service of a Note Enforcement Notice and prior to the Step-Up Date, the Class A1 Notes will, in accordance with the Pre-Enforcement Principal Priority of Payments, be subject to redemption in part on each Payment Date up to their Targeted Balance in respect of such Payment Date in priority to payments of principal on the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Prior to the service of a Note Enforcement Notice and from and including the Step-Up Date, the Class A1 Notes will be redeemed *pro rata* and *pari passu* with the Class A2 Notes.

Prior to the service of a Note Enforcement Notice (i) on any Payment Date upon which the Non-Sequential Payment Condition is satisfied, the Issuer will make repayments of principal in proportion to the Principal Amount Outstanding (or, in the case of the Class A1 Notes, the Base Currency PAO) on each class of Notes *pro rata* in respect of each class of Notes (*provided that*, prior to the Step-Up Date, the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the redemption of the remaining outstanding balance of the Class A1 Notes); and (ii) on any Payment Date upon which the Non-Sequential Payment Condition is not satisfied, the Issuer will make repayments of principal sequentially beginning with the Class A Notes (*provided that*, prior to the Step-Up Date, the amount of Available Principal Receipts available to redeem the Class A Notes shall first be applied to redeem the Class A2 Notes in priority to the remaining outstanding balance of the Class A1 Notes), in each case, as more fully set out in the Pre-Enforcement Principal Priority of Payments.

Prior to the Step-Up Date, the Issuer will make repayments of principal in respect of the Class E Notes in accordance with the Pre-Enforcement Revenue Priority of Payments.

(c) **Conflict between the Classes of Notes**

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders as a whole as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee to have regard (i) (for so long as there are any Class A Notes outstanding (as that term is defined in the Trust Deed)) only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders, (ii) subject to (i) above, (for so long as there are any Class B Notes outstanding (as that term is defined in the Trust Deed)) only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders, (iii) subject to (i) and (ii) above (for so long as there are any Class C Notes outstanding (as that term is defined in the Trust Deed)), only to the interests of the Class C Noteholders, if, in the Trustee's opinion, there is or may be a conflict between the interests of the Class C Noteholders and the interests of the Class D Noteholders and/or the Class E Noteholders and (iv) subject to (i)-(iii) inclusive above, (for so long as there are any Class D Notes outstanding (as that term is defined in the Trust Deed)) only to the interests of the Class D Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Class D Noteholders and the interests of the Class E Noteholders. In the case of each conflict between the interests of the Noteholders and the interests of any other Secured Creditor, the interests of the Noteholders shall prevail over the interests of any other Secured Creditors.

The Trustee has no duties under the Deed of Charge to any person (other than the Noteholders) entitled to the benefit of the security created by the Deed of Charge save to pay to them any monies held by the Trustee and due to them. The Trustee will not be obliged to take any action to enforce the security constituted by the Deed of Charge unless indemnified and/or secured to its satisfaction.

(d) **Security**

As security for, *inter alia*, the payment of all monies payable in respect of the Notes, the Issuer has entered into the Deed of Charge creating, *inter alia*, the following security (the "**Issuer Security**") in favour of the Trustee for itself and on trust for the Secured Creditors:

- (i) an assignment by way of first fixed security and Scots law assignments of the Issuer's right, title, interest and benefit in, to and under the Investor Interest;
- (ii) an assignment by way of first fixed security and Scots law assignments of the Issuer's rights, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party, including:
 - (A) the Originator Trust Deed;
 - (B) the Cash Management Agreement;
 - (C) the Basis Rate Swap Agreement;
 - (D) the Currency Swap Agreement;
 - (E) the Liquidity Facility Agreement;
 - (F) the Paying Agency Agreement;
 - (G) the Subscription Agreement;
 - (H) the Issuer Corporate Services Agreement;
 - (I) the Account Bank Agreement;
 - (J) the Incorporated Terms Memorandum;
 - (K) the Subordinated Loan Agreement;
 - (L) the Post-Enforcement Call Option Agreement;
 - (M) the Regulatory Call Option;
 - (N) the Deed of Novation; and

- (O) all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Trust Deed and the Deed of Charge);
 - (iii) an assignment by way of first fixed security (which may take effect as a floating charge) over the Issuer's rights, title, interest and benefit, in and to the Transaction Accounts and the Reserve Account and each other account (if any) of the Issuer and all amounts standing to the credit of those accounts (including all interest earned on such amounts);
 - (iv) a first fixed charge (which may take effect as a floating charge) over the Issuer's rights, title, interest and benefit in and to all Authorised Investments (other than any amounts standing to the credit of the Liquidity Facility Stand-by Account) from time to time held by or on behalf of the Issuer, including all monies and income payable thereunder; and
 - (v) a first ranking floating charge over the whole of the assets and undertaking of the Issuer which is not otherwise effectively subject to any fixed charge or assignment by way of security as described in (i) to (iv) above and over Scottish assets subject to such fixed security,
- all as more particularly set out in the Deed of Charge.

3. **Covenants**

Save with the prior written consent of the Trustee or unless provided in or contemplated under these Conditions or any of the Transaction Documents to which the Issuer is a party, the Issuer shall not, so long as any Note remains outstanding:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, pledge, lien, charge or other Security Interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets or its undertakings, present or future;

(b) ***Disposal of Assets***

sell, assign, transfer, convey, lease or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its properties, assets, or undertakings or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do any of the foregoing;

(c) ***Equitable Interest***

permit any person other than itself and the Trustee (as to itself and on behalf of the Secured Creditors) to have any equitable interest in any of its assets or undertakings or any other interest, estate, right, title or benefit therein;

(d) ***Bank Accounts***

have an interest in any bank account, other than the Issuer Accounts and the Liquidity Facility Stand-by Account;

(e) ***Restrictions on Activities***

carry on any business other than as described in the Prospectus dated 1 December 2005 relating to the issue of the Notes and the related activities described therein or as contemplated in the Transaction Documents;

(f) ***Borrowings***

incur any indebtedness whatsoever other than under the Notes, the Liquidity Facility Agreement, the Subordinated Loan Agreement or any of the other Transaction Documents or give any guarantee or indemnity in respect of any indebtedness or obligation of any person;

(g) ***Merger***

consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

(h) ***Waiver or Consent***

permit the validity or effectiveness of any of the Trust Deed or the Deed of Charge or the priority of the security interests created thereby to be amended, terminated, postponed, waived or discharged, or permit any other person whose obligations form part of the Issuer Security to be released from such obligations;

(i) **Employees or premises**

have any employees or premises or subsidiaries;

(j) **Dividends and Distributions**

pay any dividend or make any other distribution to its shareholders or issue any further shares or alter any rights attaching to its shares existing as at the date of the Deed of Charge; and

(k) **Tax grouping**

(i) become a member of a group of companies for the purposes of VAT; or

(ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988.

4. **Interest**

(a) **Period of Accrual**

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of redemption in part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue on such unpaid amount (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (either in accordance with Condition 14 or individually) that, upon presentation thereof being duly made, such payment will be made, *provided that* upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of the Notes for any period (including any Interest Period), such interest shall be calculated (i) in respect of the Class A1 Notes, on the basis of actual days elapsed in a 360-day year; or (ii) in respect of the Sterling Notes, on the basis of actual days elapsed in a 365-day year (or, in the case of an Interest Period ending in a leap year, a 366-day year).

(b) **Payment Dates and Interest Periods**

Interest on the Notes is payable quarterly in arrear on the 20th day of March, June, September and December in each year or, if such day is not a Business Day, the next succeeding Business Day (each a "**Payment Date**"), the first Payment Date being the Payment Date falling in March 2006 in respect of the Interest Period commencing on the Closing Date and the last Payment Date being the Final Maturity Date or, if the Notes are redeemed prior to the Final Maturity Date, on the date fixed for redemption of the relevant Notes.

(c) **Rates of Interest**

The rate of interest payable in respect of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") and the relevant Interest Amount shall be determined on the basis of the provisions set out below:

(i) on the initial Interest Determination Date, the Agent Bank will determine the Initial Relevant Screen Rate in respect of each class of Note, respectively as at or about 11.00 a.m. (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month and four month Euro deposits of €10,000,000 in the inter-bank market (in the case of the Class A1 Notes) or three month and four month sterling deposits of £10,000,000 in the London inter-bank market (in the case of the Sterling Notes) as at or about 11.00 a.m. (London time) on such Interest Determination Date. The Rates of Interest for the first Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Initial Relevant Screen Rate in respect of each class of Notes or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for three month and four month Euro deposits or (as the case may be) sterling deposits (rounded upwards, if necessary, to five decimal places);

- (ii) on each subsequent Interest Determination Date, the Agent Bank will determine the Relevant Screen Rate in respect of each class of Notes respectively, as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Euro deposits of €10,000,000 in the inter-bank market (in the case of the Class A1 Notes) or three-month sterling deposits of £10,000,000 in the London inter-bank market (in the case of the Sterling Notes) as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate in respect of each class of Notes or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for Euro deposits or (as the case may be) sterling deposits (rounded upwards, if necessary, to five decimal places); and
- (iii) if on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Trustee suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the immediately preceding Interest Period to which sub-paragraph (i) or (ii), as the case may be, shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

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

- (i) The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time), on each Interest Determination Date, determine, and notify the Issuer, the Cash Manager, the Trustee and the Paying Agents of, (A) the Rates of Interest applicable to the Notes for the Interest Period starting on such Interest Determination Date and (B) the Euro amount of interest (in the case of the Class A1 Notes) or the sterling amount of interest (in the case of the Sterling Notes) (in each case of each Note, the “**Interest Amount**”) payable in respect of such Interest Period.
- (ii) Subject to Condition 4(i), the Interest Amount in respect of each class of Notes shall be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of the relevant Note of such Class, multiplying the sum by the applicable day count fraction described in Condition 4(a) and rounding the resultant figure to the nearest penny or Euro-cent (as the case may be) (half a penny and half a Euro-cent being rounded upwards).
- (iii) Subject to Condition 4(i), on and after the Step-Up Date, the Interest Amount in respect of the relevant class of Notes which comprises the Class A1 Step-Up Amount, the Class A2 Step-Up Amount, the Class B Step-Up Amount, the Class C Step-Up Amount, the Class D Step-Up Amount or the Class E Step-Up Amount shall be calculated the same way as provided above but as if the relevant Rate of Interest was equal to the Relevant Margin on and after the Step-Up Date minus the Relevant Margin before the Step-Up Date.

(e) ***Publication of Rates of Interest, Interest Amounts and other Notices***

As soon as possible, the Agent Bank will cause the Rate of Interest and the Interest Amount applicable to each class of Notes for each Interest Period and the Payment Date falling immediately after the end of such Interest Period to be notified to the Issuer, the Cash Manager, the Trustee, the Paying Agents and to each stock exchange, competent listing authority and/or quotation system (if any) on or by which the Notes are then listed, quoted and/or traded, and will cause notice thereof

to be given to the relevant class of Noteholders in accordance with Condition 14. The Rates of Interest and Interest Amounts 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 relevant Interest Period.

(f) **Determination and/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 for any class of Notes in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as (having such regard as it shall think fit to the procedure described above) it shall in its sole discretion deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for such class of Notes in the manner specified in Condition 4(d)(ii) and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, whether by the Reference Banks (or any of them) or by the Trustee or the Agent Bank or any other bank (in the absence of wilful default, bad faith, manifest error or proven error) shall be binding on the Issuer, the Cash Manager, the Reference Banks, the Agent Bank, such other bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, such other bank, the Trustee or the Cash Manager in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) **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 four Reference Banks with offices in London and an Agent Bank.

The initial Reference Banks are the principal London offices of Barclays Bank PLC, Citibank, N.A., HSBC Bank plc and The Royal Bank of Scotland plc. The initial Agent Bank is acting through its principal London office. In the event of any Reference Bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall, with the approval of the Trustee, appoint a successor Reference Bank to act as such in its place. In the event of Citibank N.A. being unwilling to act as the Agent Bank, or resigning pursuant to the Paying Agency Agreement, the Issuer shall, with the approval of the Trustee, appoint a successor Agent Bank. If the Issuer shall fail to appoint a successor Reference Bank or successor agent bank (as the case may be), the Agent Bank shall appoint such other bank as may be previously approved in writing by the Trustee to act as the Reference Bank or agent bank (as the case may be). The resignation of the Agent Bank will not take effect until a successor agent bank approved by the Trustee has been appointed.

(i) **Deferral of Interest**

Interest on the Class B Notes shall be payable in accordance with Condition 4 (*Interest*) save in the event that, whilst there are Class A Notes outstanding, the aggregate funds (if any) (including amounts available to the Issuer other than from the Included Mortgage Loan Advances) calculated in accordance with the Pre-Enforcement Revenue 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(i), due on the Class B Notes on such Payment Date (such aggregate available funds being referred to in this Condition 4(i) as the “**Class B Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which would have been, save for the operation of this Condition 4(i), due on the Class B Notes on such Payment Date, the Interest Amount payable on such Payment Date, by way of interest on each Class B Note, shall be an amount equal to a *pro rata* share of the Class B Residual Amount calculated by dividing the Class B Residual Amount by the number of Class B Notes then outstanding or, where the Class B Residual Amount is nil, nil.

Interest on the Class C Notes shall be payable in accordance with Condition 4 save in the event that, whilst there are Class A Notes and/or Class B Notes outstanding, the aggregate funds (if any) (including amounts available to the Issuer other than from the Included Mortgage Loan Advances) calculated in accordance with the Pre-Enforcement Revenue Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest, due on the Class C Notes on such Payment Date (such aggregate available funds being referred

to in this Condition 4(i) as the “Class C Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which would have been, save for the operation of this Condition 4(i), due on the Class C Notes on such Payment Date, the Interest Amount payable on such Payment Date, by way of interest on each Class C Note, shall be an amount equal to a *pro rata* share of the Class C Residual Amount calculated by dividing the Class C Residual Amount by the number of Class C Notes then outstanding or, where the Class C Residual Amount is nil, nil.

Interest in respect of any Class A Step-Up Amount shall be payable in accordance with Condition 4 save in the event that, whilst there are Notes outstanding, the aggregate funds (if any) (including amounts available to the Issuer other than from the Included Mortgage Loan Advances) calculated in accordance with the Pre-Enforcement Revenue Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest, due in respect of any Class A Step-Up Amount on such Payment Date (such aggregate available funds being referred to in this Condition 4(i) as the “**Class A Step-Up Residual Amount**”), are not sufficient to satisfy in full the aggregate amount of interest which would have been, save for the operation of this Condition 4(i), due in respect of any Class A Step-Up Amount on such Payment Date, the Class A Step-Up Amount payable on such Payment Date, by way of interest in respect of any Class A Step-Up Amount, shall be an amount equal to a *pro rata* share of the Class A Step-Up Residual Amount calculated by dividing the Class A Step-Up Residual Amount by the number of Class A Notes then outstanding or where the Class A Step-Up Residual Amount is nil, nil.

Interest in respect of any Class B Step-Up Amount shall be payable in accordance with Condition 4 save in the event that, whilst there are Notes outstanding, the aggregate funds (if any) (including amounts available to the Issuer other than from the Included Mortgage Loan Advances) calculated in accordance with the Pre-Enforcement Revenue Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest due in respect of any Class B Step-Up Amount on such Payment Date (such aggregate available funds being referred to in this Condition 4(i) as the “**Class B Step-Up Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which would have been, save for the operation of this Condition 4(i), due in respect of any Class B Step-Up Amount on such Payment Date, the Class B Step-Up Amount payable on such Payment Date, by way of interest in respect of any Class B Step-Up Amount, shall be an amount equal to a *pro rata* share of the Class B Step-Up Residual Amount calculated by dividing the Class B Step-Up Residual Amount by the number of Class B Notes then outstanding or where the Class B Step-Up Residual Amount is nil, nil.

Interest in respect of any Class C Step-Up Amount shall be payable in accordance with Condition 4 save in the event that, whilst there are Notes outstanding, the aggregate funds (if any) (including amounts available to the Issuer other than from the Included Mortgage Loan Advances) calculated in accordance with the Pre-Enforcement Revenue Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest due in respect of any Class C Step-Up Amount on such Payment Date (such aggregate available funds being referred to in this Condition 4(i) as the “**Class C Step-Up Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which would have been, save for the operation of this Condition 4(i), due in respect of any Class C Step-Up Amount on such Payment Date, the Class C Step-Up Amount payable on such Payment Date, by way of interest in respect of any Class C Step-Up Amount, shall be an amount equal to a *pro rata* share of the Class C Step-Up Residual Amount calculated by dividing the Class C Step-Up Residual Amount by the number of Class C Notes then outstanding or where the Class C Step-Up Residual Amount is nil, nil.

In the event that, by virtue of the provisions of this Condition 4(i), (i) a *pro rata* share of either the Class B Residual Amount or nil is paid to the Class B Noteholders, (ii) a *pro rata* share of the Class C Residual Amount or nil is paid to the Class C Noteholders or in accordance with such provisions, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes and the Class C Notes on any Payment Date in accordance with this Condition 4(i) falls short of the aggregate amount of interest which would have been payable save for the operation of this Condition 4(i) payable on the Class B Notes and the Class C Notes on that date pursuant to the other provisions of these Conditions. Such shortfall shall accrue interest at a rate for each day for which it is outstanding equal to the Rate of Interest for the Class B Notes or the Class C Notes applicable for such Interest Period. 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 on each Class B Note and/or each Class C Note as relevant on the next succeeding Payment Date, when payment of such amounts may again be recalculated in accordance with the provisions of Condition 4(i).

In the event that, by virtue of the provisions of this Condition 4(i), (i) a *pro rata* share of either the Class A Step-Up Residual Amount or nil is paid to the Class A Noteholders, (ii) a *pro rata* share of either the Class B Step-Up Residual Amount or nil is paid to the Class B Noteholders, (iii) a *pro rata* share of either the Class C Step-Up Residual Amount or nil is paid to the Class C Noteholders, in accordance with such provisions, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid in respect of any Class A Step-Up Amount, Class B Step-Up Amount or Class C Step-Up Amount, on any Payment Date in accordance with this Condition 4(i) falls short of the aggregate amount of interest payable in respect of any Class A Step-Up Amount, Class B Step-Up Amount or Class C Step-Up Amount, on that date pursuant to the other provisions of these Conditions. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the Rate of Interest in respect of any Class A Step-Up Amount, Class B Step-Up Amount or Class C Step-Up Amount, applicable for such Interest Period. 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 in respect of all Class A Step-Up Amounts and/or Class B Step-Up Amounts and/or Class C Step-Up Amounts as relevant on the next succeeding Payment Date only if and to the extent that on such Payment Date the Issuer will have available to it sufficient funds under the Pre-Enforcement Revenue Priority of Payments to make such payment.

Any amount of interest in respect of the Class A Notes, the Class B Notes and the Class C Notes, which would have been payable save for the operation of this Condition 4(i) under these Conditions which is not paid by virtue of this Condition 4(i), together with accrued interest thereon, shall become payable on the Final Maturity Date or on such earlier date as the Notes become immediately due and payable.

Payments of interest due on a Payment Date in respect of the Class A Notes (other than Class A Step-Up Amounts) will not be deferred. In the event of the delivery of a Class A Note Enforcement Notice (as described in Condition 9), the amount of interest that was due but not paid on such Payment Date will itself bear interest at the applicable rate until both the unpaid interest and the interest on that unpaid interest are paid.

5. **Redemption And Cancellation**

(a) ***Final Redemption***

Unless previously redeemed in full as provided in this Condition 5, the Issuer shall redeem each class of Notes at their then Principal Amount Outstanding together with all accrued interest on the Final Maturity Date.

The Issuer may not redeem the Notes in whole or in part prior to the Final Maturity Date except as provided in Conditions 5(b), (d) or (e), but without prejudice to Condition 9 (*Events of Default*).

(b) ***Mandatory Redemption of the Notes in Part***

On each Payment Date, other than a Payment Date on which the Notes are to be redeemed under Conditions 5(a), (d) or (e), the Issuer shall repay principal in respect of the Notes in accordance with and subject to the relevant Priority of Payments applicable to the Issuer on such Payment Date and then only to the extent of Available Principal Receipts on such Payment Date in the manner described in and subject to the Cash Management Agreement and/or, as applicable, the Deed of Charge and/or these Conditions.

(c) ***Note Principal Payments, Principal Amount Outstanding and Pool Factor***

The principal amount redeemable (the “**Note Principal Payment**”) in respect of each Note of a particular class on any Payment Date under Condition 5(b) shall be the amount required as at that Payment Date to be applied in redemption of the relevant class of Notes on such date, divided by the number of Notes outstanding of that class on such Payment Date and rounded to the nearest Euro-cent (in the case of the Class A1 Notes) or penny (in the case of the Sterling Notes) (half a penny and half a Euro-cent being rounded up); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment payable in respect of each Note of the relevant class on the immediately following Payment Date, (ii) the principal amount outstanding of each such Note which shall be its nominal value on the Closing Date less (in each case) the aggregate amount of all Note Principal Payments in respect of such Notes that have been paid since the Closing Date and on or prior to that Calculation Date (the "**Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the fifth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator is the nominal value of that Note on the Closing Date. Each determination by or on behalf of the Issuer of any Note Principal Payment of a Note, the Principal Amount Outstanding of a Note and the 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 the Notes of each class, the Issuer will cause each determination of the Note Principal Payment, the Principal Amount Outstanding and the Pool Factor to be notified forthwith, and in any event not later than 1.00 p.m. (London time) on the Business Day immediately succeeding each Calculation Date, to the Trustee, 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 cause notice of each determination of the Note Principal Payment, the Principal Amount Outstanding and the Pool Factor to be given to Noteholders in accordance with Condition 14 (*Notice to Noteholders*) by no later than the Business Day after the relevant Payment Date.

If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine), a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor with respect to the Notes of any Class in accordance with the preceding provisions of this Condition 5(c), such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this Condition 5(c) and each such determination or calculation shall be deemed to have been made by the Issuer. Any such determination shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Cash Manager and the Noteholders.

(d) ***Optional Redemption in Full***

Subject to the provisos below, upon giving not more than 60 nor less than 30 days' prior notice to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), the Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with any accrued interest on any Payment Date:

- (i) from and including the Step-Up Date; or
- (ii) on which the aggregate Principal Amount Outstanding of the Notes (after taking into account any mandatory redemption in part on such Payment Date in accordance with Condition 5(b)) is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date,

PROVIDED THAT (in each of the cases above), prior to giving any such notice, the Issuer shall have provided to the Trustee prior to the date of such redemption 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 and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Cash Management Agreement, the Deed of Charge and the relevant Priority of Payments.

(e) ***Mandatory sale of Notes to the Issuer upon the occurrence of a Regulatory Call Event***

Subject to the provisos below, upon giving not more than 60 nor less than 30 days' prior notice to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), the Issuer (or any assignee or novatee of the Regulatory Call Option) shall as soon as practicable following the occurrence of a Regulatory Call Event, call all (but not some only) of one or more Classes of Notes then outstanding, such call to be exercised on the Payment Date following such notice. On such Payment Date, the Noteholders will sell all (but not some only) of their holdings in the Notes to the Issuer (or any assignee or novatee of the Regulatory Call Option) pursuant to a regulatory call option deed (the "**Regulatory Call Option**") dated on or about the Closing Date between the Issuer and the Trustee. This Issuer will acquire all (but not some only) of the then outstanding Notes, plus accrued interest (if any) on them, for a purchase price equal to their Principal Amount Outstanding together with any accrued interest on any Payment Date.

PROVIDED THAT, the Notes shall not be called pursuant to the Regulatory Call Option prior to (i) the date that the new Basel Capital Accord of 1988 (as described in the consultative document "The New Basel Capital Accord" published in January 2001 by the Basel Committee on Banking Supervision) has been implemented in the United Kingdom, whether by rule of law, recommendation of best practice or by any other regulation; and (ii) the Payment Date falling in March 2009 and **PROVIDED FURTHER THAT**, any such notice given pursuant to this Condition 5(e) shall confirm that the Issuer will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Cash Management Agreement, the Deed of Charge and the relevant Priority of Payments.

(f) ***Optional Redemption for Tax and other Reasons***

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that on the next Payment Date:

- (i) the Issuer would be required to deduct or withhold from any payment of principal or interest or any other amount under any of the Notes or under the Basis Rate Swap Agreement; or
- (ii) the Basis Swap Counterparty would be required to deduct or withhold from any payment under the Basis Rate Swap Agreement:
 - (A) any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; and
 - (B) if such obligation of the Issuer or the Basis Swap Counterparty as applicable, cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer shall use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Trustee as principal debtor under the Notes in accordance with Condition 15 (*Substitution*) and Clause 18 (*Substitution*) of the Trust Deed. Only if the Issuer is unable to arrange such a substitution will the Issuer be entitled to redeem the Notes as described in this Condition 5(f).

Subject to the proviso below, if the Issuer is unable to arrange a substitution as described above and, as a result, one or more of the events described in (i) or (ii) above is or are continuing, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), redeem all (but not some only) of the Notes on the immediately succeeding Payment Date at their aggregate Principal Amount Outstanding together with any interest accrued thereon *provided that* (in either case), prior to giving any such notice, the Issuer shall have provided to the Trustee (A) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (i) and (ii) above prevail and setting out details of such circumstances and (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances, set out in (i) and (ii) above, in which event they shall be conclusive and binding, on the Noteholders. The Issuer may only redeem the Notes as aforesaid if the Issuer shall have provided to the Trustee 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 any amounts required under the Pre-Enforcement Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

(g) ***Cancellation of redeemed Notes***

All Notes redeemed in full will be cancelled forthwith by the Issuer, together with all unmatured Coupons appertaining thereto or surrendered therewith, and no such Notes or Coupons may be reissued or resold.

6. **Payments**

(a) ***Global Notes***

On and after the Exchange Date, no payments will be made on a Temporary Global Note unless exchange for an interest in the corresponding Permanent Global Note is improperly withheld or

refused. Payments of principal and interest in respect of any Global Note will be made only against presentation (and, in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note) surrender) of such Global Note at the specified office of the Principal Paying Agent. A record of each payment so made, distinguishing between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be prima facie evidence that such payment has been made.

Payments in respect of the Global Notes representing the Class A1 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 bank in London. Payments in respect of the Global Notes representing the Sterling Notes 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 Notes***

Payments of principal and interest in respect of Definitive Notes will be made against presentation (and (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) or (ii) in the case of the payment of interest due on a Payment Date, surrender) of the relevant Coupon (as the case may be) at the specified office of the Principal Paying Agent and, at the option of the holder, by transfer to a Euro account (in the case of the Class A1 Notes) or a sterling account (in the case of the Sterling Notes) maintained by the payee with a bank in London.

(c) ***Laws and Regulations***

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

(d) ***Payment of interest following a failure to pay Principal***

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4(a) will be paid in accordance with this Condition 6 (*Payments*).

(e) ***Change of Agents***

The initial Principal Paying Agent and its initial Specified Offices are listed in 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 a Paying Agent with a Specified Office in London. Except where otherwise provided in the Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their Specified Offices to be given in accordance with Condition 14 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition. For so long as any Note is outstanding, the Issuer will endeavour to maintain at all times a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/4B/EC or any other directive implementing the ECOFIN council meeting of 26 to 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such directive.

(f) ***No payment on non-Payment Business Day***

Where payment is to be made by transfer to a sterling account, payment instructions (for value the due date or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day. In this paragraph, "**Payment Business Day**" means a day which is a Business Day and, in the case of surrender (or, in the case of part payment only, endorsement) of the Global Note or Definitive Note, any day on which banks are open for business in the place in which such Note is surrendered (or, as the case may be, endorsed).

(g) **Payment of Interest**

Subject as provided otherwise in these Conditions, if interest is not paid in respect of a Note of any class on the date when due and payable (other than because the due date is not a Payment Business Day (as defined in Condition 6(f)) or by reason of non-compliance with Condition 6(a) or Condition 6(b)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 14 (*Notice to Noteholders*).

7. **Prescription**

Claims against the Issuer for payment of interest and principal on redemption shall be prescribed and become void if the relevant Global Note is not surrendered for payment within a period of 10 years from the relevant date in respect thereof. After the date on which a payment under a Note becomes void in its entirety, no claim may be made in respect thereof. In this Condition 7 (*Prescription*), the “**relevant date**”, in respect of a payment under a Note, is the date on which the payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of those payments under all the Notes 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 or notice to that effect is duly given to Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

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 or charges of whatsoever nature unless the Issuer or any relevant Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent 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. No Paying Agent nor the Issuer will be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. **Events Of Default**

(a) **Class A Noteholders**

The Trustee in its absolute discretion may, subject to it being indemnified and/or secured to its satisfaction, give written notice to the Issuer in respect of the Class A Notes (a “**Class A Note Enforcement Notice**”) on the occurrence of a Note Event of Default and shall give such notice (i) if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or (ii) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class A Notes then outstanding, declaring (in writing) the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events which is continuing or unwaived (each, together with the events set out below in Conditions 9(a),(A),(B),(C),(D) and (E) below, a “**Note Event of Default**”):

- (A) default being made for a period of seven Business Days in the payment of any amount of principal of, or interest on, any Class A Note (other than, for the avoidance of doubt, in respect of any amounts deferred under Condition 4(i)) when and as the same ought to be paid in accordance with these Conditions; or
- (B) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class A Notes, the Trust Deed, the Deed of Charge or any other Transaction Document and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy, in which case no notice will be required), such failure is continuing unremedied for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied and the Trustee has confirmed that the failure to perform or observe is in its sole opinion materially prejudicial to the interests of the Class A Noteholders; or
- (C) the Issuer, otherwise than for the purposes of such amalgamation, reconstruction or merger as is referred to in sub-paragraph (D) below, ceasing or threatening to cease to carry on its business or a substantial part of its business or the Issuer being deemed unable to pay its

debts within the meaning of section 123(1) (a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or becoming unable to pay its debts within the meaning of section 123(2) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted); or

- (D) 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, restructuring or merger the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Class A Notes then outstanding; or
- (E) 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 an administration order) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or, in the sole opinion of the Trustee, any substantial part of the undertaking, property or assets of the Issuer, or an encumbrancer taking possession of the whole or, in the sole opinion of the Trustee, any substantial part of the undertaking, property 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, in the sole opinion of the Trustee, any substantial part of the undertaking, property 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 judicial 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.

(b) ***Class B Noteholders***

This Condition 9(b) shall have no effect if, and for as long as, any Class A Notes are outstanding. Subject thereto, for so long as any Class B Notes are outstanding, the Trustee in its absolute discretion may, subject to it being indemnified and/or secured to its satisfaction, give written notice to the Issuer of a Note Event of Default in respect of the Class B Notes (a “**Class B Note Enforcement Notice**”), and shall give such notice (i) if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or (ii) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class B Notes then outstanding, declaring (in writing) the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (A) default being made for a period of seven Business Days in the payment of any amount of principal of, or interest on, any Class B Note (other than, for the avoidance of doubt, in respect of any amounts deferred under Condition 4(i)) when and as the same ought to be paid in accordance with these Conditions; or
- (B) the occurrence of any of the events in Condition 9(a)(B), (C), (D) or (E) above *provided that* the references in Condition 9(a)(B) and Condition 9(a)(D) to Class A Notes and Class A Noteholders shall be read as references to Class B Notes and Class B Noteholders, respectively.

(c) ***Class C Noteholders***

This Condition 9(c) shall have no effect if, and for as long as, any Class A Notes or any Class B Notes are outstanding. Subject thereto, for so long as any Class C Notes are outstanding, the Trustee in its absolute discretion may, subject to it being indemnified and/or secured to its satisfaction, give written notice to the Issuer of a Note Event of Default in respect of the Class C Notes (a “**Class C Note Enforcement Notice**”), and shall give such notice (i) if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class C Notes then outstanding or (ii) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class C Notes then outstanding, declaring (in writing) the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (A) default being made for a period of seven Business Days in the payment of any amount of principal of, or interest on, any Class C Note (other than, for the avoidance of doubt in respect of any amounts deferred under Condition 4(i)) when and as the same ought to be paid in accordance with these Conditions; or
- (B) the occurrence of any of the events in Condition 9(a)(B), (C), (D) or (E) above provided that the references in Condition 9(a)(B) and Condition 9(a)(D) to Class A Notes and Class A Noteholders shall be read as references to Class C Notes and Class C Noteholders, respectively.

(d) ***Following Service of a Note Enforcement Notice***

For the avoidance of doubt, upon any Note Enforcement Notice being given by the Trustee in accordance with Conditions 9(a), (b) or (c) above, all classes of the Notes then outstanding shall immediately become due and repayable, without further action or formality, at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10. **Enforcement**

The Trustee may, at its discretion and without notice at any time and from time to time, take such steps and institute such proceedings against the Issuer or any other person as it may think fit to enforce its rights under the Notes, the Trust Deed (including these Conditions), the Deed of Charge or any of the other Transaction Documents. The Trustee may upon serving a Note Enforcement Notice in accordance with Condition 9, at its discretion and without any further notice take such steps as it may think fit to enforce the Issuer Security in accordance with the Trust Deed and the Deed of Charge. The Trustee shall not be bound to take any such proceedings or steps unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the holders of any class of Notes then outstanding or so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of any class of Notes then outstanding;
- (b) *provided that:*
 - (i) the Trustee will not act at the direction or request of the Class B Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders or such action is sanctioned by an Extraordinary Resolution of the Class A Noteholders;
 - (ii) the Trustee will not act at the direction or request of the Class C Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders, as the case may be;
 - (iii) the Trustee will not act at the direction or request of the Class D Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders and/or Class C Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders, as the case may be;
 - (iv) the Trustee will not act at the direction or request of the Class E Noteholders unless either to do so would not, in its opinion, be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders and/or Class D Noteholders or such action is sanctioned by Extraordinary Resolutions of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders, as the case may be; and
 - (v) it has been indemnified and/or secured to its satisfaction against all costs, liabilities and claims which it may incur or in respect of which it may become liable.

Amounts available for distribution on enforcement of the Issuer Security shall be distributed in accordance with the terms of the Deed of Charge and these Conditions.

No Noteholder may take any steps or proceedings against the Issuer to enforce its rights under or in respect of the Notes or the Trust Deed unless the Trustee has become bound to institute proceedings and has failed to do so within 30 days of becoming so bound and such failure is continuing.

No Noteholder nor the Trustee shall be entitled to institute against the Issuer any winding-up, administration, insolvency or similar proceedings for so long as any sum is outstanding under the Notes or for one year plus one day since the last day on which any such sum was outstanding *provided that* the Trustee may prove or lodge a claim in the event of liquidation initiated by any other person.

11. Meetings of Noteholders, Modifications and Waiver

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of a Class or Classes of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any provision of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

Subject as provided in the following paragraph, the quorum at any meeting of the Noteholders of any Class convened to consider an Extraordinary Resolution will be two or more persons (or, if the Notes are in global form, one or more persons) holding or representing more than half of the aggregate Principal Amount Outstanding of the Notes of that Class then outstanding or, at any adjourned meeting, two or more persons (or, if the Notes are in global form, one or more persons) being or representing Noteholders of that Class then outstanding, whatever the aggregate Principal Amount Outstanding of the Notes then outstanding so held or represented.

The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution to sanction any of the following matters (each a “**Basic Terms Modification**”), namely:

- (i) any reduction or cancellation of the amount payable or, where applicable, any modification of the method of calculating the amount payable or any modification of any date of payment or, where applicable, of the method of calculating the date for payment in respect of any principal, premium or interest in respect of the Notes;
- (ii) any alteration in the priority in which payments are made to Noteholders pursuant to any Priority of Payment;
- (iii) any alteration of the quorum or majority required to pass an Extraordinary Resolution;
- (iv) any alteration of the currency in which amounts due in respect of the Notes are payable;
- (v) effecting the exchange, conversion or substitution of the Notes of any class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; and
- (vi) any alteration of this definition,

shall be two or more persons (or if the Notes are in global form one or more persons) holding or representing not less than three quarters or, at any adjourned and reconvened meeting, not less than one quarter of the aggregate Principal Amount Outstanding of the Notes then outstanding of such Class.

A resolution signed by or on behalf of holders of at least 75 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant class who for the time being are entitled to receive notice of a meeting under the Trust Deed shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such class of Noteholders.

(b) Class B Noteholders

Subject to Condition 11(f), no Extraordinary Resolution of the Class B Noteholders shall take effect for any purpose while any Class A Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders.

(c) Class C Noteholders

Subject to Condition 11(f), no Extraordinary Resolution of the Class C Noteholders shall take effect for any purpose while any Class A Notes or any Class B Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders and an Extraordinary Resolution of the Class B Noteholders, or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders.

(d) ***Class D Noteholders***

Subject to Condition 11(f), no Extraordinary Resolution of the Class D Noteholders shall take effect for any purpose while any Class A Notes, any Class B Notes or any Class C Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders and an Extraordinary Resolution of the Class B Noteholders and an Extraordinary Resolution of the Class C Noteholders, or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders and/or Class C Noteholders.

(e) ***Class E Noteholders***

Subject to Condition 11(f), no Extraordinary Resolution of the Class E Noteholders shall take effect for any purpose while any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, an Extraordinary Resolution of the Class B Noteholders, an Extraordinary Resolution of the Class C Noteholders, an Extraordinary Resolution of the Class D Noteholders, or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and/or the Class D Noteholders.

(f) ***Basic Terms Modification***

An Extraordinary Resolution of holders of any class of Notes to consider a Basic Terms Modification will not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the holders of each class of Notes then outstanding.

(g) ***Modifications and Determinations by Trustee***

The Trustee may agree, without the consent of the Noteholders:

- (i) to any amendments or modifications to these Conditions or any other Transaction Document:
 - (A) which in the opinion of the Trustee is made to correct a manifest or proven (to the satisfaction of the Trustee) error or is of a formal, minor or administrative or technical nature; or
 - (B) (excluding a Basic Terms Modification) which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders; or
- (ii) to the waiver or authorisation of any breach or proposed breach of, these Conditions or any of the other Transaction Documents which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or determine that any Note Event of Default shall not, or shall not subject to specified conditions, be treated as such provided always that the Trustee shall not exercise such powers of waiver or determination in contravention of any express direction given by an Extraordinary Resolution of holders of the relevant class of Notes (but so that no such direction shall affect any authorisation, waiver or determination previously given or made).

The Trustee in determining whether any such modification, amendment, waiver or authorisation will not be materially prejudicial to the interests of the Noteholders or any class of Noteholders, may have regard to, among other things, any confirmations issued by any Rating Agency that the then current ratings of the applicable class or classes of Notes will not be downgraded, withdrawn or qualified by such exercise or performance and any other confirmation which it considers, in its sole and absolute discretion, is appropriate. The Rating Agencies are not obliged under the Transaction Documents to provide such confirmations if so requested. The failure of any Rating Agency to respond to a request to provide such confirmations may be disregarded by the Trustee.

Any such modification, amendment, waiver or authorisation shall be binding on the Noteholders and, if the Trustee so requires, any such modification shall be notified to the Noteholders and the Rating Agencies in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

(h) ***Exercise of Trustee's Functions***

Where the Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders of one class, it shall have regard to the interests of such Noteholders as a Class and, in particular but without prejudice to the

generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Issuer or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

12. **Indemnification of the Trustee**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including, among others, provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security unless indemnified to its satisfaction. The Trustee is also entitled to be paid its costs and expenses in priority to any interest payments to Noteholders.

The Trustee and its related companies are entitled to enter into business transactions with the Issuer, the Cash Manager, the Originator and/or the related companies of any of them and to act as trustee for the holders of any new Notes and/or any other person who is a party to any Transaction Document or whose obligations are comprised in the Issuer Security and/or any of its subsidiary or associated companies without accounting for any profit resulting therefrom.

13. **Replacement of Notes**

If a Global Note or any Definitive Note is lost, stolen, mutilated, defaced or destroyed, the Noteholder can replace them at the Specified Office of any Paying Agent. The Noteholder will be required both to pay the expenses of producing a replacement and to comply with the Issuer's and such Paying Agent's reasonable requests for evidence and indemnity. The Noteholder must surrender any defaced or mutilated Global Note, or, as the case may be, Definitive Note before replacements will be issued.

14. **Notice to Noteholders**

(a) ***Publication of Notice***

Save as provided below, all notices shall be deemed to be validly given if published in a leading English language daily newspaper having general circulation in the United Kingdom (which is expected to be the Financial Times) or if that is not practicable, in another leading English language newspaper as may be approved in writing by the Trustee; *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, or any other medium for electronic display of data as may be previously approved in writing by the Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), publication in the newspapers set out above or such other newspaper or newspapers shall not be required with respect to such information, provided however, that in the case that any Notes are listed on the Irish Stock Exchange, notices of meetings of Noteholders shall continue to be published as set forth above. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

So long as any of the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

(b) ***Trustee's Discretion to Sanction Alternative Method***

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges 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.

15. Substitution

The Trustee may, without the consent of the Noteholders, concur (subject to such amendment of the Trust Deed, the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and such other conditions as the Trustee may require under Clause 18 (*Substitution*) of the Trust Deed) with the Issuer in substituting in place of the Issuer (or any previous substitute under this Condition) a single purpose company incorporated in any jurisdiction that meets the criteria established from time to time by the Rating Agencies for a single purpose company in England and Wales (or such other jurisdiction in which the Issuer or any such single purpose company is incorporated and/or subject to taxation) as the principal debtor in respect of the Transaction Documents (including the Notes) and the other obligations owed to Secured Creditors. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

16. Post Enforcement Call Option

- (a) The Noteholders will, at the request of Prominent CMBS Holdings Limited (“**Option Co.**”) sell all (but not some only) of their holdings of Notes then outstanding to Option Co. pursuant to a post enforcement call option agreement (the “**Post Enforcement Call Option Agreement**”) dated the Closing Date among Option Co. and the Trustee.
- (b) Under the Post Enforcement Call Option Agreement, Option Co. is, once the Post Enforcement Call Option has become exercisable, entitled to acquire all (but not some only) of the outstanding Notes for a consideration of the sum of one penny (in the case of the Sterling Notes) or one Euro-cent (in the case of the Class A1 Notes) (inclusive of any value added tax) in respect of each Note then outstanding (the “**Post Enforcement Call Option**”). Immediately upon such transfer, no such former Noteholder shall have any further interest in the Notes. The Trustee has no liability to the Noteholders or any other person under the Post Enforcement Call Option Agreement.
- (c) The Post Enforcement Call Option will become exercisable on the date on which the Trustee has advised that, following the service of a Note Enforcement Notice, enforcement of the Issuer Security and payment in full of all amounts available to pay amounts outstanding under the Notes in accordance with the Post-Enforcement Priority of Payments, the proceeds of such enforcement are or will be insufficient, after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments, to pay in full all principal and/or interest and any other amounts whatsoever due in respect of the Notes.
- (d) Each of the Noteholders grants to the Trustee, and acknowledges that the Trustee has, the authority and the power to bind such Noteholder in accordance with the provisions set out in the Post Enforcement Call Option Agreement and each Noteholder by acquiring the relevant Notes irrevocably authorises the Trustee to act as agent on its behalf in respect of the Post Enforcement Call Option and agrees to be bound by the terms of the Post Enforcement Call Option Agreement accordingly.
- (e) The Issuer shall give Notice of the exercise of the Post Enforcement Call Option by Option Co. to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

17. Redenomination, Renominalisation and Reconventioning

- (a) If the United Kingdom becomes, or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders on giving at least 30 days’ prior notice to the Noteholders, the Paying Agents and the Trustee, designate a Payment Date as the Redenomination Date.
- (b) Notwithstanding the other provisions of these Conditions with effect from the Redenomination Date:
 - (i) the Sterling Notes in each class shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with the Principal Amount Outstanding of each Sterling Note in each class being equal to the Principal Amount Outstanding of that Note in such class in sterling, converted into Euro at the rate for conversion of sterling into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations);

- (ii) notwithstanding Condition 17(b)(i), if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provision and these Conditions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and the Couponholders, the Irish Stock Exchange and the Paying Agents of such deemed amendments in accordance with Condition 14.
- (c) The Issuer will notify the Noteholders and Couponholders of the intended Redenomination Date in accordance with Condition 14 (*Notice to Noteholders*).
- (d) With effect from the Redenomination Date:
 - (i) if Definitive Notes have been issued by the Issuer, all unmatured Coupons denominated in sterling (whether or not attached to the Sterling Notes) will become void and no payments will be made in respect of such Coupons;
 - (ii) the payment obligations contained in all Definitive Notes denominated in sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Sterling Notes in accordance with this Condition) shall remain in full force and effect;
 - (iii) if Definitive Notes have been issued by the Issuer, new Sterling Notes and Coupons denominated in Euro will be issued in exchange for Notes and Coupons denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*); and
 - (iv) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

18. Governing Law

The Transaction Documents and all matters arising from or connected with them, are governed by, and shall be construed in accordance with, English law, save for supplements thereto relating to Scottish assets, which are governed by Scottish law, and to terms particular to Scots law, which shall be construed in accordance with Scots law. The Notes are governed by English law.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy of a third party which exists or is available apart from that Act.

20. Sterling Denominations

In these Conditions (except where otherwise provided) where the Issuer, the Trustee and/or the Cash Manager is required to determine:

- (a) the Principal Amount Outstanding;
- (b) an amount of principal or interest; and/or
- (c) a single sterling monetary figure,

in respect of any of the Notes, the Issuer, the Trustee and/or the Cash Manager shall (where the context permits and requires) convert the Euro amounts referable to the Class A1 Notes into sterling at the Currency Swap Rate.

21. Definitions

Unless otherwise defined in these Conditions or unless the context otherwise requires, in these Conditions the following terms shall have the following meanings and any other capitalised terms used in these Conditions shall have the meanings ascribed to them or incorporated in the Trust Deed or the Incorporated Terms Memorandum. In respect of any Transaction Document defined or described in these Conditions (including this Condition 21), such definition shall encompass such Transaction Document as it may be amended, restated, varied or supplemented from time to time.

“£”, “sterling”, “pounds sterling” or “Pounds Sterling” means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

“€”, “euro” or “Euro” means 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;

“Applicable Ratio” means, in relation to the Class A Notes, on any Payment Date, the ratio of the Base Currency PAO of the Class A1 Notes to the Class A2 Notes as at that Payment Date;

“Authorised Investments” include (i) sterling denominated government securities or (ii) sterling demand or time deposits, certificates of deposit, money market funds and short-term debt obligations (including commercial paper), *provided that* in all cases such investments will mature at least one Business Day prior to the next Payment Date and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made is rated at least A-1+ by S&P, at least P-1 by Moody’s and at least F1+ by Fitch or is otherwise acceptable to the Rating Agencies;

“Available Principal Receipts” for the Issuer in respect of any Payment Date will be calculated by the Cash Manager on the Calculation Date immediately preceding that Payment Date and will be an amount equal to the sum of:

- (a) all Principal Receipts received by the Issuer during the Calculation Period ending on the immediately preceding Calculation Period End Date; and
- (b) the amount of Available Revenue Receipts which when applied on such Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments would cause the debit entry on the Principal Deficiency Ledger to be reduced;

“Available Revenue Receipts” for the Issuer in respect of any Payment Date will be calculated by the Cash Manager on the Calculation Date immediately preceding that Payment Date and will be an amount equal to the sum of (without double counting):

- (a) an amount equal to the portion of Revenue Receipts received by the Issuer during the Calculation Period ending on the immediately preceding Calculation Period End Date;
- (b) amounts due to be received by the Issuer under the Basis Rate Swap Agreement on the immediately following Payment Date (other than any early termination amounts due to be received by the Issuer under the Basis Rate Swap);
- (c) interest payable on the Transaction Accounts and the Reserve Account, if any, and any income from Authorised Investments which, in either case, has been or will be received on or before the immediately following Payment Date;
- (d) all amounts standing to the credit of the Reserve Fund;
- (e) (only to the extent required following the calculation of the Revenue Shortfall Amount (if any) for such Payment Date by the Cash Manager as described below) an amount equal to the Reallocated Principal Receipts for the immediately following Payment Date;
- (f) the undrawn Liquidity Facility Commitment under the Liquidity Facility, subject to any limits or conditions on drawings under the Liquidity Facility;
- (g) any amount recovered, following enforcement of an Included Mortgage Loan Advance and/or its Related Security, which is in excess of the unprovisioned then Current Balance less Unpaid Interest of such Included Mortgage Loan Advance;
- (h) any amount to be transferred to the Revenue Transaction Account on such Payment Date pursuant to paragraph (A)(g) or (B)(f) of the Pre-Enforcement Principal Priority of Payments; and
- (i) any amounts standing to the credit of the Revenue Transaction Account paid pursuant to the operation of paragraph (dd) of the Pre-Enforcement Revenue Priority of Payments on previous Payment Dates,

provided that, Available Revenue Receipts will not include any collateral held in the Swap Collateral Accounts or Replacement Premium;

“**Base Currency PAO**” means, in relation to the Class A1 Notes, the sterling equivalent of the Principal Amount Outstanding of the Class A1 Notes calculated using the Currency Swap Rate, and, in relation to the Class A2 Notes, the Principal Amount Outstanding of the Class A2 Notes;

“**Basis Rate Swap Agreement**” means the 1992 ISDA master agreement, including the schedule and confirmation thereto (and any credit support annex, if applicable), entered into on or about the Closing Date, as amended from time to time, between the Basis Swap Counterparty and the Issuer which includes any additional and/or replacement basis swap agreement entered into by the Issuer from time to time in connection with the Notes;

“**Basis Swap Counterparty**” means Bank of Scotland and/or, as applicable, such other basis swap provider appointed from time to time in connection with the Notes in accordance with the terms of the Transaction Documents;

“**Borrower**” means in relation to each Included Mortgage Loan Advance a limited company, limited liability partnership or trust incorporated or established in England and Wales or Scotland or other body corporate incorporated overseas;

“**Business Day**” means (i) a day (other than a Saturday or Sunday) on which banks are generally open for business in London; and (ii) a TARGET Business Day;

“**Calculation Date**” means, for each Calculation Period, the date falling 5 Business Days prior to the Payment Date immediately following the Calculation Period End Date in respect of such Calculation Period;

“**Calculation Period**” means in each year, each period (i) from and including 1 March to but excluding 1 June; (ii) from and including 1 June to but excluding 1 September; (iii) from and including 1 September to but excluding 1 December; and (iv) from and including 1 December to but excluding 1 March, *provided that* the initial Calculation Period will be the period from and including the Closing Date to but excluding 1 March 2006;

“**Calculation Period End Date**” means the last day of each Calculation Period;

“**Cash Management Agreement**” means the agreement entered into on or about the Closing Date, as amended from time to time, between the Cash Manager, the Originator, the Issuer, the Account Bank and the Trustee

“**Cash Manager**” means Bank of Scotland or such other person or persons for the time being acting, under the Cash Management Agreement, as agent for the Issuer and the Trustee for the purposes of, *inter alia*, managing all cash transactions on behalf of the Issuer and the Trustee;

“**Class A Noteholders**” means the Class A1 Noteholders and the Class A2 Noteholders;

“**Class A1 Noteholders**” means the holders from time to time of the Class A1 Notes;

“**Class A Notes**” means the Class A1 Notes and the Class A2 Notes;

“**Class A1 Notes**” means the Issuer’s €584,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Class A2 Noteholders**” means the holders from time to time of the Class A Notes;

“**Class A2 Notes**” means the Issuer’s £400,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Class B Noteholders**” means the holders from time to time of the Class B Notes;

“**Class B Notes**” means the Issuer’s £30,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Class C Noteholders**” means the holders from time to time of the Class C Notes;

“**Class C Notes**” means the Issuer’s £76,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Class D Noteholders**” means the holders from time to time of the Class D Notes;

“**Class D Notes**” means the Issuer’s £54,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Class E Noteholders**” means the holders from time to time of the Class E Notes;

“**Class E Notes**” means the Issuer’s £40,000,000 Mortgage Backed Floating Rate Notes due 2032;

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme;

“**Common Depositary**” means Citibank, N.A. in its capacity as common depositary;

“**Issuer Corporate Services Agreement**” means the corporate services agreement entered into on or prior to the Closing Date, as amended from time to time, between, *inter alios*, the Corporate Services Provider and the Issuer;

“**Coupons**” means the Interest Coupons and the Principal Coupons;

“**Currency Swap Agreement**” means the 1992 ISDA master agreement, including the schedule and confirmation thereto (and any credit support annex, if applicable), entered into on or about the Closing Date, as amended from time to time, between the Currency Swap Counterparty and the Issuer which includes any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the Notes;

“**Currency Swap Counterparty**” means Citibank, N.A., London Branch and/or, as applicable, such other currency swap provider appointed from time to time in connection with the Notes in accordance with the terms of the Transaction Documents;

“**Deed of Novation**” means the deed so named relating to the Regulatory Call Option dated on or about the Closing Date between the Issuer, the Trustee and the Bank of Scotland;

“**EMU**” means European Monetary Union;

“**Euroclear**” means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

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

“**Extraordinary Resolution**” has the meaning given to it in the Incorporated Terms Memorandum;

“**Final Maturity Date**” means the Payment Date falling in December 2032;

“**First Payment Date**” means 20 March 2006;

“**Global Notes**” means the Temporary Global Notes and the Permanent Global Notes;

“**Included Mortgage Loan Advance**” means any Initial Mortgage Loan Advance and any permitted New Mortgage Loan Advance which is included in the Originator Trust from time to time under the terms of the Originator Trust Deed and referred to by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including all Further Advances) due or owing with respect to that Initial Mortgage Loan Advance under the relevant Mortgage Loan Facility by a Borrower on the security of a mortgage or standard security from time to time outstanding or, as the context may require, the Borrower’s obligations in respect of the same;

“**Incorporated Terms Memorandum**” means the memorandum signed on or about the Closing Date relating to the Transaction Documents between, *inter alios*, the Originator, the Issuer and the Trustee, as the same may be amended, restated and supplemented from time to time;

“**Initial Relevant Screen Rate**” means:

- (a) in respect of the Class A1 Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for three-month Euro deposits and the arithmetic mean of the offered quotations to leading banks for four-month Euro deposits (rounded upwards, if necessary, to five decimal places), displayed on the Dow Jones/Telerate Monitor at Telerate page No. 3750 (or such other page as may replace Telerate page No. 3750); and
- (b) in respect of the Sterling Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for three-month sterling deposits and the arithmetic mean of the offered quotations to leading banks for four-month Sterling deposits (rounded upwards, if necessary, to five decimal places), displayed on the Dow Jones/Telerate Monitor at Telerate page No. 248 (or such other page as may replace Telerate page No. 248);

“**Interest Determination Date**” means:

- (a) in respect of the first Interest Period, the Closing Date;
- (b) in respect of the Class A1 Notes, two TARGET Business Days before the first day of the Interest Period for which the rate will apply; and
- (c) in respect of the Sterling Notes, the first day of the Interest Period for which the rate will apply;

“**Interest Period**” means the period from (and including) a Payment Date (or in respect of the first Interest Period, the Closing Date) to (but excluding) the next following Payment Date;

“**Issuer Accounts**” means the Transaction Accounts and the Reserve Account;

“**Listed Notes**” means the Class A Notes, the Class B Notes and the Class C Notes or any of them as the context may require;

“**Liquidity Facility Agreement**” means the committed 364-day facility agreement dated the Closing Date, as amended from time to time, and entered into between the Issuer, the Trustee and the Liquidity Provider;

“**Liquidity Facility Commitment**” means, on any Payment Date, the greater of £10,000,000 and 6.5 per cent. of the aggregate of the Principal Amount Outstanding of the Sterling Notes and the Base Currency PAO of the Class A1 Notes on such Payment Date (before taking into account any payments of principal on the Notes made on such Payment Date);

“**Liquidity Facility Stand-by Account**” means an account to be opened in the name of the Issuer with an appropriately rated bank (which shall be the Liquidity Provider for so long as it is rated at least A-1+ by S&P, at least P-1 by Moody’s and at least F1+ by Fitch);

“**Liquidity Provider**” means Danske Bank A/S, London Branch;

“**Mortgage Payment**” means the amount which the applicable Mortgage Loan Facility requires a Borrower to pay in respect of its Included Mortgage Loan Advance on each date on which the Borrower is required to make payments of interest and/or principal under the applicable commercial mortgage conditions;

“**Noteholders**” means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders;

“**Notes**” means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes or any of them as the context may require;

“**Originator Trust Deed**” means the originator trust deed entered into on the Closing Date between the Originator and the Issuer and supplements thereto;

“**Participating Member State**” means at any time any member state of the EMU that has adopted the euro as its lawful currency in accordance with the Treaty;

“**Payment Date**” has the meaning given to it in Condition 4(b);

“**Post-Enforcement Priority of Payments**” means the provisions relating to the order of priority of payments by the Issuer following a Note Enforcement Notice as set out in the Deed of Charge;

“**Pre-Enforcement Principal Priority of Payments**” means the provisions relating to the order of priority of payments of Available Principal Receipts as set out in the Cash Management Agreement;

“**Pre-Enforcement Revenue Priority of Payments**” means the provisions relating to the order of priority of payments of Available Revenue Receipts as set out in the Cash Management Agreement;

“**Principal Receipts**”, means any payment of principal received in respect of any Included Mortgage Loan Advance whether as all or part of a Mortgage Payment in respect of such Included Mortgage Loan Advance, on redemption (including partial redemption) of such Included Mortgage Loan Advance, on enforcement of such Included Mortgage Loan Advance or on the disposal of such Included Mortgage Loan Advance (to the extent of the unprovisioned then Current Balance less Unpaid Interest) or otherwise (including payments received pursuant to any insurance policy and Reacquisition Amounts but excluding Early Prepayment Charges);

“**Principal Transaction Account**” means as at the Closing Date the day-to-day principal account of the Issuer, held with the Account Bank;

“**Priorities of Payment**” means the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments and the Post-Enforcement Priority of Payments and as the context may require, each of them, a “**Priority of Payment**”;

“**Rating Agencies**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., Moody’s Investor Services, Inc. and Fitch Ratings Limited;

“**Redenomination Date**” means a Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to (or does) redenominate the currency of the Notes into euro;

“**Reference Banks**” means the initial reference banks (as set forth in Condition 4(h)) and/or such other banks as may be appointed pursuant to Condition 4(h);

“**Regulatory Call Event**” means Bank of Scotland having delivered to the Issuer and the Trustee a notice which states that the regulatory capital treatment for Bank of Scotland applicable in respect of the transaction to which the issuance of the Notes relates has become materially impaired by the implementation of the reform of the 1988 Capital Accord (in conjunction with proposals put forward by the Basel Committee on Banking Supervision and to be implemented for credit institutions pursuant to the EU Capital Adequacy Directive);

“**Related Security**” means the security for repayment of a Mortgage Loan Advance including the relevant mortgage or standard security and all other matters applicable to the Mortgage Loan Advance, acquired as part of the Mortgage Portfolio (including, *inter alia*, any corporate guarantees, personal guarantees, cash collateral reserve funds, assignments or assignments of rents, the relevant mortgage or standard security, any rights under buildings insurance policies and loss of rent policies and amounts held to the Originator’s order in any client account of a Borrower’s solicitor);

“**Relevant Margin**” means:

- (i) in respect of the Class A1 Notes, 0.23 per cent. per annum up to but excluding the Step-Up Date (the “**Class A1 Margin**”) and from and including the Step-Up Date, 0.46 per cent. per annum (the “**Class A1 Step-Up Margin**”);
- (ii) in respect of the Class A2 Notes, 0.26 per cent. per annum up to but excluding the Step-Up Date (the “**Class A2 Margin**”) and from and including the Step-Up Date, 0.52 per cent. per annum (the “**Class A2 Step-Up Margin**”);
- (iii) in respect of the Class B Notes, 0.42 per cent. per annum up to but excluding the Step-Up Date (the “**Class B Margin**”) and from and including the Step-Up Date, 0.84 per cent. per annum (the “**Class B Step-Up Margin**”);
- (iv) in respect of the Class C Notes, 0.70 per cent. per annum up to but excluding the Step-Up Date (the “**Class C Margin**”) and from and including the Step-Up Date, 1.40 per cent. per annum (the “**Class C Step-Up Margin**”);
- (v) in respect of the Class D Notes, 1.5 per cent. per annum up to but excluding the Step-Up Date (the “**Class D Margin**”) and from and including the Step-Up Date, 2.5 per cent. per annum (the “**Class D Step-Up Margin**”); and
- (vi) in respect of the Class E Notes, 4.5 per cent. per annum up to but excluding the Step-Up Date (the “**Class E Margin**”) and from and including the Step-Up Date, 5.5 per cent. per annum (the “**Class E Step-Up Margin**”);

“**Relevant Screen Rate**” means:

- (i) in respect of the first Interest Period, the Initial Relevant Screen Rate; and
- (ii) in respect of subsequent Interest Periods the arithmetic mean of offered quotations for three-month sterling deposits in the London inter-bank market displayed on the Dow Jones/Telerate Monitor at Telerate Page No. 3750 or, in the case of three-month Euro deposits in the inter-bank market, the Dow Jones/Telerate Monitor at Telerate Page No. 248,

in each case, displayed on the above-mentioned page of the Telerate Monitors (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer (with the approval of the Trustee, in its sole discretion) (rounded upwards, if necessary, to five decimal places);

“**Replacement Premium**” means the amount of any premium or other upfront payment paid to the Issuer to enter into a swap to replace the Basis Rate Swap Agreement or the Currency Swap Agreement, as appropriate;

“**Reserve Account**” means as at the Closing Date, the account of Issuer holding the Reserve Fund, held with the Account Bank;

“**Reserve Fund**” means the reserve fund established in the name of the Issuer on the Closing Date in an amount of £10,000,000;

“**Revenue Receipts**” means any payment received in respect of any Included Mortgage Loan Advance, whether or not as all or part of a monthly, quarterly, semi-annual, annual or other scheduled payment in

respect of such Included Mortgage Loan Advance, on redemption (including partial redemption) of such Included Mortgage Loan Advance, on enforcement of such Included Mortgage Loan Advance (including the proceeds of sale thereof), on the disposal of such Included Mortgage Loan Advance or otherwise (including payments received pursuant to any insurance policy and Reacquisition Amounts but excluding Early Prepayment Charges, commitment fees and other fees payable and, in respect of New Mortgage Loan Advances, excluding any Unpaid Interest in respect of such Included Mortgage Loan Advance prior to the date of inclusion of such Included Mortgage Loan Advance in the Originator Trust) which in each such case is not a Principal Receipt in respect of such Included Mortgage Loan Advance (including, without limitation, interest payments);

“Revenue Transaction Account” means as at the Closing Date the day-to-day revenue account of the Issuer, held with the Account Bank;

“Secured Creditors” means the Trustee (in its own capacity and for and on behalf of the Secured Creditors) (and any receiver appointed pursuant to the Deed of Charge), the Basis Swap Counterparty, the Currency Swap Counterparty, the Subordinated Loan Provider, the Liquidity Provider, the Originator, the Cash Manager, the Corporate Services Provider, the Account Bank, the Paying Agents, the Agent Bank and the Noteholders;

“Security Interest” means any mortgage or sub-mortgage, charge or sub-charge (whether legal or equitable), standard security, encumbrance, pledge, lien, hypothecation, assignment by way of security, assignation in security or other security interest or title retention arrangement and any agreement, trust or arrangement having substantially the same economic or financial effect as any of the foregoing (other than a lien arising in the ordinary course of business or by operation of law);

“Specified Office” means, as the context may require, in relation to any of the Agents, the office specified against the name of such Agent in the Paying Agency Agreement or such other specified office as may be notified to the Issuer and the Trustee pursuant to the Paying Agency Agreement;

“Step-Up Date” means the Payment Date falling in December 2012;

“Sterling Notes” means the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes;

“Subordinated Loan Agreement” means the subordinated loan agreement entered into on the Closing Date by the Issuer, the Trustee and the Subordinated Loan Provider;

“Subordinated Loan Provider” means Bank of Scotland as lender under the Subordinated Loan Agreement;

“Subordinated Termination Payment” means any amount of termination payment due and payable to the Currency Swap Counterparty as a result of a Currency Swap Counterparty Default after deducting any Replacement Premium;

“Subscription Agreement” means the subscription agreement dated 1 December 2005 between, *inter alios*, the Issuer, the Originator and the Lead Managers relating to the sale of the Listed Notes;

“TARGET Business Day” means a day on which banks in the TARGET System are open for business;

“TARGET System” means the Trans-European Automated Real-time Gross Settlement Express Transfer System (“TARGET”);

“Transaction Accounts” means each of the Revenue Transaction Account, the Principal Transaction Account and the Euro Account;

“Transaction Documents” means the Notes, the Subscription Agreement, the Issuer Corporate Services Agreement, the Originator Trust Deed, the Account Bank Agreement, the Deed of Charge, the Trust Deed, the Paying Agency Agreement, the Cash Management Agreement, the Post-Enforcement Call Option Agreement, the Basis Rate Swap Agreement, the Currency Swap Agreement, the Subordinated Loan Agreement, the Liquidity Facility Agreement, the Regulatory Call Option, the Deed of Novation and the Incorporated Terms Memorandum and all supplements thereto;

“Treaty” means the Treaty establishing the European Communities, as amended;

“Unpaid Interest” means in relation to any Included Mortgage Loan Advance as at any given date, the amount of interest which is due or accrued (whether or not due) as at (and which has not been paid by the relevant Borrower and which has not been capitalised in accordance with the relevant mortgage

conditions or with the relevant Borrower's consent in each case on or before) the end of the Business Day immediately preceding that given date.

USE OF PROCEEDS

The gross proceeds from the issue of the Notes (after exchanging the gross Euro proceeds of the Class A1 Notes for sterling calculated by reference to the Currency Swap Rate) will equal approximately £1,000,000,000 and will be used by the Issuer towards payment to the Originator of the Initial Trust Consideration on the Closing Date pursuant to the Originator Trust Deed. The expenses of the Issuer (estimated at approximately £6,250,000) will be met on the Closing Date from a drawing under the Subordinated Loan Agreement. The Issuer will also fund the Reserve Fund at £10,000,000 on the Closing Date from a drawing under the Subordinated Loan.

MATURITY AND PAYMENT CONSIDERATIONS

The weighted average lives of the Notes cannot be stated accurately, because the actual rate of repayment of the Mortgage Loan Advances and redemption of the Mortgages and a number of other relevant factors are unknown. Calculations of the possible weighted average lives of the Notes can be made, however, based on certain assumptions. The assumptions used to calculate the possible average lives of the Notes in the following tables are that:

- (a) each class of Notes is repaid in full by its final maturity date;
- (b) all Available Principal Receipts are used, pursuant to the Pre-Enforcement Principal Priority of Payments, to acquire a beneficial interest in Secondary Mortgage Loan Advances;
- (c) no Principal Deficiency arises, the Issuer Security is not enforced and no event occurs that would cause payments on the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes to be deferred;
- (d) the Issuer exercises its option to redeem all of the outstanding Notes on any Payment Date falling on or after the Payment Date in December 2012;
- (e) the First Payment Date falls on 20 March 2006;
- (f) the Non-Sequential Payment Condition once met will be maintained up to the Issuer exercising its option to redeem all of the outstanding Notes on the Payment Date falling on December 2012; and
- (g) the weighted average margin of the Mortgage Loan Advances remains at 1.12 per cent.

Assumption (d) reflects the current intentions of the Issuer but no assurance can be given that redemption of the Notes will occur as described. Assumptions (a), (b), (c), (f) and (g) relate to unpredictable circumstances.

The Targeted Balance of the Class A1 Notes is as follows:

Targeted Balance of the Class A1 Notes

<u>Dates</u>	<u>Class A1</u>
20/03/2006	€576,700,000
20/06/2006	€569,400,000
20/09/2006	€562,100,000
20/12/2006	€554,800,000
20/03/2007	€543,850,000
20/06/2007	€532,900,000
20/09/2007	€521,950,000
20/12/2007	€511,000,000
20/03/2008	€496,400,000
20/06/2008	€481,800,000
22/09/2008	€467,200,000
22/12/2008	€452,600,000
20/03/2009	€438,000,000
22/06/2009	€423,400,000
21/09/2009	€408,800,000
21/12/2009	€394,200,000
22/03/2010	€379,600,000
21/06/2010	€365,000,000
20/09/2010	€350,400,000
20/12/2010	€335,800,000
21/03/2011	€317,550,000
20/06/2011	€299,300,000
20/09/2011	€281,050,000
20/12/2011	€262,800,000
20/03/2012	€240,900,000
20/06/2012	€219,000,000
20/09/2012	€197,100,000

Based upon the foregoing assumptions, the approximate average lives of the Notes, at various constant payment rates for the Mortgage Loan Advances, would be as follows:

Weighted-Average Life (Years)

<u>Constant Payment Rate</u>	<u>Class A1</u>	<u>Class A2</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>
5%	5.09	7.00	7.00	7.00	7.00	3.29
10%	5.04	6.82	7.00	7.00	7.00	3.29
15%	5.04	5.27	6.99	6.99	6.99	3.45
20%	5.04	3.51	6.70	6.70	6.70	3.71
25%	4.64	2.42	6.19	6.19	6.19	3.80
30%	3.96	1.87	5.75	5.75	5.75	3.81
35%	3.19	1.50	5.35	5.35	5.35	3.87

Note:

The constant payment rate includes scheduled and unscheduled repayments.

RATINGS OF THE NOTES

The Notes are expected to be assigned the following ratings by Moody's, S&P and Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances in the future so warrant.

<u>Class of Notes</u>	<u>Expected Ratings by Moody's</u>	<u>Expected Ratings by S&P</u>	<u>Expected Ratings by Fitch</u>
Class A1 Notes	Aaa	AAA	AAA
Class A2 Notes	Aaa	AAA	AAA
Class B Notes	Aa2	AA+	AA
Class C Notes	A2	A	A
Class D Notes	Baa2	BBB	BBB
Class E Notes	Ba2	BB	BB

The ratings assigned by Moody's address the expected loss in proportion to the initial principal amount of each class of Notes posed to any Noteholder by the Final Maturity Date. The ratings assigned by S&P and Fitch address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal on the Notes by the Final Maturity Date. The ratings by S&P and Fitch address: (a) the timely payment of interest on each Payment Date and (b) the ultimate repayment of principal on a Payment Date not later than the Final Maturity Date.

Assignment of the expected ratings to the Notes of each class will be a condition to the issue of the Notes.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Morgan Stanley & Co. International Limited and UBS Limited (the “**Lead Managers**”) have each, pursuant to a subscription agreement dated the date of this Prospectus between, *inter alios*, the Lead Managers and the Issuer (the “**Subscription Agreement**”), agreed (subject to certain conditions) with the Issuer to subscribe, or to procure subscriptions, for the Class A1 Notes at the issue price of 100 per cent. of their initial principal amount, the Class A2 Notes at the issue price of 100 per cent. of their initial principal amount. The Lead Managers have each, pursuant to the Subscription Agreement, agreed (subject to certain conditions) with the Issuer to subscribe, or procure subscriptions, for the Class B Notes at the issue price of 100 per cent. of their initial principal amount and the Class C Notes at the issue price of 100 per cent. of their initial principal amount.

The Issuer has agreed to pay to the Lead Managers a selling and underwriting commission of 0.15 per cent. of the aggregate principal amount of the Class A1 Notes and a selling and underwriting commission of 0.15 per cent. of the aggregate principal amount of the Class A2 Notes. The Issuer has agreed to pay to the Lead Managers a selling and underwriting commission of 0.15 per cent. of the aggregate principal amount of the Class B Notes and a selling and underwriting commission of 0.15 per cent. of the aggregate principal amount of the Class C Notes.

Each Lead Manager is entitled to be released and discharged from its obligations under the Subscription Agreement in certain circumstances prior to payment for the Notes to the Issuer. The Issuer has agreed to indemnify the Lead Managers against certain liabilities in connection with the issue of the Notes.

United Kingdom

Each Manager has represented, warranted and agreed with the Issuer, *inter alia*, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or in certain transactions exempt from the registration requirements of the Securities Act. Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (the “**Restricted Period**”) within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling commission fee or other remuneration that purchases Notes from it during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Notes will have on their face a statement to the effect that any United States person who holds such Notes will be subject to limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

Ireland

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Notes other than pursuant to this Prospectus; and
- (b) to the extent applicable it has complied with and will comply with all applicable provisions of the Irish Companies Acts 1963-2005 (as amended); and the Investment Intermediaries Act, 1995 (as amended) including, without limitation, Sections 9 and 50 and will conduct itself in accordance with any Codes of Conduct drawn up pursuant to Section 37 with respect to anything done by it in relation to the Notes.

General

Except for listing of the Listed Notes on the Official List and the admission of the Listed Notes to trading on the Irish Stock Exchange and the delivery of a copy of this Prospectus for registration to the Registrar of Companies in Ireland, no action is being taken by the Issuer or any Manager in any jurisdiction which would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the Notes may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

Each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes, or distribute this document or any other material relating to the Notes in or from any country or jurisdiction, except in circumstances that will result in compliance with applicable law and regulation.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom Withholding Tax on UK Source Interest

Listed Notes listed on a recognised stock exchange

The Listed Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange. On the basis of the United Kingdom Inland Revenue’s published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a recognised stock exchange for these purposes. Whilst the Listed Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

Provision of Information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a Paying Agent), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a Collecting Agent), then the Issuer, the Paying Agent or the Collecting Agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 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, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also, with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States including Jersey, Guernsey, Isle of Man and British Virgin Islands, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not be subject to any United Kingdom withholding tax pursuant, but may be subject to reporting requirements as outlined in “*EU Savings Directive*” above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty

The references to “interest” in this summary mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above discussion of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 15 of the Notes and does not consider the tax consequences of any such substitution.

LISTING AND GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on or about 29 November 2005.

Admission to the Official List and trading of the Listed Notes on the Irish Stock Exchange

It is expected that the Listed Notes will be admitted to the Official List on or around 6 December 2005, subject only to the issue of the Listed Notes in global form and assignment of the expected ratings of the Listed Notes by the Rating Agencies as referred to in "*Ratings of the Notes*" in this Prospectus.

Clearing and settlement

Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the date of the transaction. Prior to admission of the Listed Notes to trading on the Irish Stock Exchange, however, dealings will be permitted by the Irish Stock Exchange in accordance with its rules.

The Notes have been accepted for clearing through Clearstream, Luxembourg and Euroclear under the following ISINs and common codes:

<u>Class of Notes</u>	<u>ISIN</u>	<u>Common Code</u>
Class A1 Notes	XS0234097128	023409712
Class A2 Notes	XS0234098365	023409836
Class B Notes	XS0234098951	023409895
Class C Notes	XS0234099256	023409925

Litigation

The Issuer is not or has not been involved since the date of its incorporation in any governmental, legal or arbitration proceedings which may have, or have had since the date of its incorporation, a significant effect upon its financial position nor, so far as the Issuer is aware, are any such governmental, legal or arbitration proceedings pending or threatened.

Accounts

No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Listed Notes are listed on the Official List and are traded on the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.

Since the date of its incorporation the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business other than the Subscription Agreement.

There has been no material change to the unaudited capitalisation, indebtedness, contingent liabilities and guarantees of the Issuer from the date of its incorporation to the date of this Prospectus.

Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up.

Significant or Material Change

Since the date of incorporation of the Issuer (being 9 December 2004), there has been:

- (a) no material adverse change in the financial position or prospects of the Issuer; and
- (b) no significant change in the financial or trading position of the Issuer.

Charges and Guarantees

Save as disclosed in this document, the Issuer does not have any outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or given any charges or guarantees.

Documents Available

Copies of the following documents may be inspected in physical form at the offices of Citibank International plc, Dublin Branch (the “**Irish Paying Agent**”), and the registered office of the Issuer during usual business hours, on any week day (excluding Saturdays, Sundays and public holidays) for the life of this Prospectus:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the balance sheet of the Issuer as at 1 December 2005;
- (c) the Subscription Agreement;
- (d) prior to the Closing Date, drafts (subject to minor amendment) and after the Closing Date copies of the following documents:
 - (i) the Originator Trust Deed;
 - (ii) the Deed of Charge;
 - (iii) the Basis Rate Swap Agreement;
 - (iv) the Currency Swap Agreement;
 - (v) the Trust Deed;
 - (vi) the Paying Agency Agreement;
 - (vii) the Cash Management Agreement;
 - (viii) the Post-Enforcement Call Option Agreement;
 - (ix) the Account Bank Agreement;
 - (x) the Incorporated Terms Memorandum;
 - (xi) the Issuer Corporate Services Agreement;
 - (xii) the Liquidity Facility Agreement;
 - (xiii) the Regulatory Call Option;
 - (xiv) the Deed of Novation; and
 - (xv) the Subordinated Loan Agreement.

Appendix 1 Summary of Large Initial Mortgage Loan Advances

Loan ID: 1200101185

Loan Information

Cut-Off Date Securitised Principal Balance:	£78m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	7.7% of the Initial Mortgage Portfolio
Origination Date:	13/08/03
Maturity Date:	13/08/13
Amortisation:	Bullet
Cut-off Date LTV:	53%
Cut-off Date ICR:	1.00
Cut-off Date DSCR:	1.00
Exit LTV:	53%
Hedging Type:	Partially

Property Information

No of Properties:	1
Property Type:	Retail
Property Region:	Scotland (North)
Total Market Value:	£147.5m*
Total VPV (if applicable):	N/A
Valuation Date:	2004

Information on Largest Properties

Property Ref:	1200101185-A
Property Type:	Retail
Location:	Scotland (North)
OMV:	£147.5m*
VPV:	N/A
Net Rent:	£6.0m
ERV:	£8.7m
Weighted Average Lease Term:	10.4 years
Occupancy:	88.6%
Freehold/Leasehold:	Freehold

*Valuation based on special assumption that all units are let

Description

- Single asset deal in respect of a major retail and leisure centre in the north of a Scottish city centre.
- Tenant income stream of £6.04m across 88 units of which 14 are vacant.
- ICR is adversely affected by the high level of operating charges but any shortfall in income to service debt is guaranteed by the JV partners - hence 100% cover has been assumed.
- Centre situated to the north of a Scottish city centre in an area which has been subject to significant regeneration.
- Centre opened in 2001 and extends to 410,000 sq. ft. It is designed over 3 floors and has 2,000 parking spaces.
- The retail units are primarily situated on the ground and first floor while a cinema, restaurants and leisure facilities are located on the second floor.

- The centre suffered initially by opening when largely vacant, resulting in a slow pick up to the c.80% occupancy level.
- The scheme is now anchored by 3 major national retailers and overall the tenant mix is generally considered to be good.
- The prospects in the medium and longer term are good in view of the ambitious plans for the regeneration of the area to provide 2,000,000 sq. ft. of retail and leisure facilities, as well as up to 18,000 new dwellings over the next 15 years.
- Well diversified tenant base with the largest exposure 13% of the rent roll.
- Weighted average unexpired lease term of 10.4 years.

Loan ID: 1200303732

Loan Information

Cut-Off Date Securitised Principal Balance:	£150.5m of which BoS holds £75.8m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	7.4% of the Initial Mortgage Portfolio
Origination Date:	23/12/02
Maturity Date:	07/01/21
Amortisation:	Reducing Balance
Cut-off Date LTV:	84%
Cut-off Date ICR:	1.24
Cut-off Date DSCR:	1.00
Exit LTV:	35%
Hedging Type:	Partially

Property Information

No of Properties:	1
Property Type:	Office
Property Region:	London
Total Market Value:	£178.5m
Total VPV (if applicable):	£150m
Valuation Date:	2002

Information on Largest Properties

Property Ref:	1200303732-A
Property Type:	Office
Location:	London
OMV:	£178.5m
VPV:	£150m
Net Rent:	£11.2m
ERV:	£8.6m
Weighted Average Lease Term:	15.3 years
Occupancy:	99.5%
Freehold/Leasehold:	Leasehold

Description

- Prime office building in London's West End.
- The property forms part of a complex, which comprises two principal office buildings and a number of retail units at ground floor level providing a gross area of 194,000 sq. ft.
- Modern open plan office accommodation with air conditioning spanning 6 floors located above 14 retail units.
- Good transport links with easy access into both the City and West End both by road and underground.
- The surrounding area includes a number of office buildings as well as residential and hotel accommodation.
- Office accommodation is c.48% over rented however the UK Government occupy the office space under a lease with guaranteed minimum annual uplifts of 2.5% from 2007.
- UK Government rental income discounted by previous Vendor until 2007 however a rental deposit equal to this discount is held by the Borrower (with Bank of Scotland).
- Total tenant income of £11.2m.
- Blue chip income stream with 99% of income derived from the UK Government on a lease expiring in 2021.

Loan ID: 1200304120

Loan Information

Cut-Off Date Securitised Principal Balance:	£69.75m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	6.9% of the Initial Mortgage Portfolio
Origination Date:	04/10/05
Maturity Date:	04/10/10
Amortisation:	Bullet
Cut-off Date LTV:	75%
Cut-off Date ICR:	1.49
Cut-off Date DSCR:	1.49
Exit LTV:	75%
Hedging Type:	Partially
Additional Info:	All sums parental guarantee. Parent is a large property group. Refinance of an existing facility originated in May 2003.

Property Information

No of Properties:	1
Property Type:	Mixed Use
Property Region:	North West England
Total Market Value:	£93m
Total VPV (if applicable):	N/A
Valuation Date:	2005

Information on Largest Properties

Property Ref:	1200304120-A
Property Type:	Mixed Use
Location:	North West England
OMV:	£93m
VPV:	N/A
Net Rent:	£6.1m
ERV:	£5.9m
Weighted Average Lease Term:	13.3 years
Occupancy:	96.1%
Freehold/Leasehold:	Freehold

Description

- Grade II listed Victorian warehouse building combined with a modern leisure facility located in a city centre location in the North West.
- The original building dates from 1885 but has been comprehensively redeveloped in the late 1990's/early 21st century to provide over 320,000 sq. ft. (excl. car parks) of leisure and retail space.
- Current usage provides for 74 units of mixed use accommodation including multi screen cinema, multi storey car park, leisure club, offices, shops, bars and restaurants.
- The property has a substantial prominent frontage on one of the major routes into the city centre and is situated in a well established retail and leisure location.
- There are a number of other retail sites in the city and historically parts of the building have been difficult to let.
- Recently the owner secured two new significant lettings on the majority of the vacant space.
- Tenant income stream of £6.1m across 35 different tenants.
- Largest tenant exposure 43% in respect of a multi screen cinema operator.
- Weighted average unexpired lease term of 13.3 years.

Loan ID: 1200405650

Loan Information

Cut-Off Date Securitised Principal Balance:	£66.6m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	6.5% of the Initial Mortgage Portfolio
Origination Date:	07/12/01
Maturity Date:	19/11/09
Amortisation:	Bullet
Cut-off Date LTV:	77.8%
Cut-off Date ICR:	1.42
Cut-off Date DSCR:	1.42
Exit LTV:	77.8%
Hedging Type:	None (Partially Fixed Loan)

Property Information

Number of Properties:	24
Property Type:	Mixed portfolio of 6 Office, 3 Retail, 10 Industrial, 4 Mixed Use and 1 Leisure
Property Region:	14 Scotland, 4 South East England, 2 North West England, 1 East Midlands, 1 West Midlands, 1 Yorkshire & Humberside and 1 London
Total Market Value:	£85.53m
Total VPV (if applicable):	N/A
Net Rent:	£6.7m
ERV:	£7.0m
Weighted Average Lease Term:	5.8 years
Occupancy:	97.0%
Valuation Date:	2004/2005

Information on Largest Properties

Property Ref:	1200405650-A
Property Type:	Office
Location:	North East Scotland
OMV:	£15.5m
VPV:	N/A
Net Rent:	£1.2m
ERV:	£1.3m
Weighted Average Lease Term:	5.5 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Single office property in a city centre location in the North East coast of Scotland extending to 80,000 sq. ft.
- Excellent road links available to Central Scotland and regular rail services available to all major UK destinations.
- Well located in a busy area which supports a wide range of commercial activities, both office based and a broad variety of industrial, storage and distribution type uses.
- Purpose built office development comprising a substantial corner sited building arranged over ground and six upper floors. Constructed around the 1980s and was extensively refurbished .5 years ago.

- Good quality modern office accommodation of an open plan design with a small number of additional partitioned offices.
- The property is let on 6 tenancies delivering £1.24m of income and a weighted average unexpired lease term of 5.5 years.
- The largest tenant which represents 73% of the total income is a subsidiary of a global oil and gas company.

Information on Largest Properties

Property Ref:	1200405650-B
Property Type:	Mixed use
Location:	South East England
OMV:	£7.25m
VPV:	N/A
Net Rent:	£0.6m
ERV:	£0.5m
Weighted Average Lease Term:	3.2 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Subject property is a prominent 8 storey building constructed in the mid 1970s with 5 lockup retail units on the ground floor and 7 storeys of offices above.
- Property located 30 miles to the north west of Central London with good access to the national motorway network.
- Situated at the northern end of the town's principal retail pitch with surrounding uses comprised mostly of retail outlets and offices.
- Well diversified tenant base - 5 retail occupiers and 12 office occupiers delivering income of £590k.
- The property has a net internal area of 41,560 sq. ft.
- The offices have a good quality reception area which has recently been refurbished.
- The building is not air-conditioned and does not have dedicated car parking.
- Weighted average unexpired lease term is 3.2 years.

Information on Largest Properties

Property Ref:	1200405650-C
Property Type:	Office
Location:	West Midlands
OMV:	£7m
VPV:	N/A
Net Rent:	£0.7m
ERV:	£0.8m
Weighted Average Lease Term:	7.7 years
Occupancy:	94.9%
Freehold/Leasehold:	Freehold

Description

- The property spans seven storeys comprising approximately 82,000 sq. ft. of open plan office accommodation with air conditioning.
- Situated to the south west of Birmingham city centre and is strategically located for access to the national motorway network and regular rail services to all major UK destinations.
- A landmark building constructed around the 1970's well located next to pay and display surface car parking and within minutes walk of the town centre.

- Well diversified tenant base - 28 tenants occupying the building delivering income of £657k.
- Property considered to be slightly reversionary.
- The building is not currently fully let with approximately 2,265 sq. ft. of accommodation available.
- Active management play - excluding two small long-term leases the weighted average unexpired term of the leases is less than 2 years.

Loan ID: 1200506036

Loan Information

Cut-Off Date Securitised Principal Balance:	£58.1m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	5.7% of the Initial Mortgage Portfolio
Origination Date:	27/01/05
Maturity Date:	27/01/15
Amortisation:	Bullet
Cut-off Date LTV:	46%
Cut-off Date ICR:	2.56
Cut-off Date DSCR:	2.56
Exit LTV:	46%
Hedging Type:	Partially

Property Information

Number of Properties:	36
Property Type:	Mixed portfolio of 23 Retail, 5 Office, 1 Industrial, 3 Warehouse/Distribution and 4 Mixed Use.
Property Region:	11 South East England, 6 East Midlands, 6 West Midlands, 4 North West England, 3 London, 2 Yorkshire & Humberside, 1 Scotland, 1 South West England, 1 Wales and 1 Guernsey
Total Market Value:	£125.6m
Total VPV (if applicable):	N/A
Net Rent:	£8.8m
ERV:	£8.9m
Weighted Average Lease Term:	8.7 years
Occupancy:	98.4%

Information on Largest Properties

Property Ref:	1200506036-A
Property Type:	Office
Location:	South East England
OMV:	£11.5m
VPV:	N/A
Net Rent:	£0.9m
ERV:	£0.7m
Weighted Average Lease Term:	10.5 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Modern office building constructed in 1998 and comprising 3 units with 37,000 sq. ft of office space.
- The property is situated in a suburban business park in the South East.
- Excellent transport links being close to M3 corridor with nearby mainline rail services operating directly to London Waterloo station.

- 3 units occupied by 2 tenants with one of the tenants accounting for 84% of total income.
- The property is currently fully let on three leases delivering income of £856k.
- Tenants secured on long term leases with a weighted average unexpired lease term of 10.5 years.
- However weak tenant demand in the area and property is substantially over rented in relation to the current market.

Information on Largest Properties

Property Ref:	1200506036-B
Property Type:	Mixed use
Location:	Scotland
OMV:	£10.4m
VPV:	N/A
Net Rent:	£0.8m
ERV:	£0.8m
Weighted Average Lease Term:	16.6 years
Occupancy:	100.0% (with rent guarantee)
Freehold/Leasehold:	Freehold

Description

- The subjects comprise a modern leisure development on the northern edge of a city in the north east of Scotland.
- Property includes four units, which in total extend to 87,402 sq. ft.
- Good access to the main spinal road running around the city, providing links to other Scottish cities.
- The scheme is anchored by a multi-screen cinema operator and a well-known gymnasium, which together account for around 75% of the total accommodation.
- The current gross rental income is £807k of which 81% secured against the cinema and the gym until 2025 - 20 years currently unexpired.
- The remaining income is from vacant units where a rental guarantee is in place until June 2007.

Information on Largest Properties

Property Ref:	1200506036-C
Property Type:	Office
Location:	North West England
OMV:	£9.95m
VPV:	N/A
Net Rent:	£0.7m
ERV:	£0.7m
Weighted Average Lease Term:	10.1 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Purpose built business park extending to approximately 3.149 acres located within the county of Cheshire, in the north west of England.
- The property is situated in a well-established office location with other surrounding uses including warehousing and industrial.
- Each building is of similar construction and is approximately 5 years old.
- Excellent transport links with major road network located nearby and Manchester airport in reasonably close proximity.

- The buildings comprise 4 detached purpose built office buildings separated into 7 units which provides a total Net Internal Floor Area of 53,186 sq. ft.
- Diverse income stream with the property let to 7 tenants (one currently not in occupation) delivering £726k of rental income.
- All tenants are secured on 25-year leases due to expire in 2015/16 (weighted average unexpired lease term of 10.1 years).

Information on Largest Properties

Property Ref:	1200506036-D
Property Type:	Retail
Location:	East Midlands
OMV:	£8.75m
VPV:	N/A
Net Rent:	£0.6m
ERV:	£0.6m
Weighted Average Lease Term:	11.5 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Small purpose built retail park extending to 50,000 sq. ft. situated in a city in the East Midlands.
- Good transport links being close to the M1 motorway, giving good access to the north and south.
- The retail park is situated approximately a half mile south of the city centre consisting of one main 'L' shape building and a smaller square building.
- The main building is split into 5 units and is single storey, of steel portal frame construction.
- The surrounding area is primarily mixed use with a leaning towards retail. There are also a number of light industrial and warehouse uses, together with residential and other commercial activities.
- Diversified income stream with the property fully let to 6 tenants delivering £558k of rental income.
- Tenants are on relatively long term leases with a weighted average unexpired lease term of 11.5 years.

Loan ID: 1200102256

Loan Information

Cut-Off Date Securitised Principal Balance:	£54.9m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	5.4% of the Initial Mortgage Portfolio
Origination Date:	18/06/01
Maturity Date:	18/09/21
Amortisation:	Reducing Balance
Cut-off Date LTV:	81%
Cut-off Date ICR:	1.19
Cut-off Date DSCR:	1.00
Exit LTV:	22%
Hedging Type:	Fully

Property Information

No of Properties:	1
Property Type:	Office
Property Region:	London
Total Market Value:	£67.8m
Total VPV (if applicable):	£47m
Date of Valuation:	2001

Information on Largest Properties

Property Ref:	1200102256-A
Property Type:	Office
Location:	London
OMV:	£67.8m
VPV:	£47m
Net Rent:	£4.5m
ERV:	£4.5m
Weighted Average Lease Term:	16.0 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Single office property situated on the northern outskirts of the City of London.
- Property is well served by the public transport network.
- The immediate vicinity is comprised of offices, retail and restaurants.
- The office itself provides 7 floors of office space spanning a total of 100,000 sq. ft.
- Property provides good office accommodation including air conditioning and the provision of car parking.
- Rental income currently £4.5m.
- Lease expires in 2027 with a break option in 2021 (16 years unexpired).
- Property substantially over rented in relation to the current market but tenant covenant considered strong.
- Strong tenant covenant with the entire property let on a single lease to a global law firm.

Loan ID: 1200405017

Loan Information

Cut-Off Date Securitised Principal Balance:	£50m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	4.91% of the Initial Mortgage Portfolio
Origination Date:	7/04/04
Maturity Date:	19/2/29
Amortisation:	Bullet
Cut-off Date LTV:	93%
Cut-off Date ICR:	1.03
Cut-off Date DSCR:	1.03
Exit LTV:	37%
Hedging Type:	Fully
Additional Info:	Exit LTV lower than Cut-off LTV due to amortisation of Class A Notes (see below)

Property Information

No of Properties:	35
Property Type:	33 Retail and 2 Warehouse/Distribution
Property Region:	16 South East England, 6 South West England, 4 Yorkshire & Humberside, 4 East Midlands, 2 North West England, 2 West Midlands and 1 London
Total Market Value:	£676.1m
Total VPV (if applicable):	£677.95m
Net Rent:	£37.4m
ERV:	£37.4m
Weighted Average Lease Term:	23.4 years
Occupancy Rate:	100%
Freehold/Leasehold:	All Leasehold
Valuation Date:	2004

Description

- Publicly rated transaction comprising sale and leaseback of part of the property portfolio of a large supermarket operator.
- Structure comprised - £382.5m of Class A Notes, £200m of Class B1 notes and £50m of Class B2 Notes issued by Delamare Finance plc and listed on the Irish Stock Exchange.
- BOS has made a £50m loan to a special purpose vehicle set up to hold the £50m Class B2 Notes. The loan is included in the securitisation.
- The Class A and B Notes rank pari passu upon enforcement as to payment of both principal and interest while the Class A notes fully amortise between 2016 and 2029. There is no amortisation of the Class B1 or Class B2 Notes.
- Modern portfolio - two thirds are less than 10 years old and the remaining properties have had refurbishments in this time.
- Tenant income stream of £37.42m across 35 properties.

- Leases are all on a 25-year basis and are due to expire in 2029.
- Lease terms provide for a fixed 2.5% p.a. uplift.
- Limited property substitution allowed (20%) subject to meeting certain criteria.

Loan ID: 1200101811

Loan Information

Cut-Off Date Securitised Principal Balance:	£51.8m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	5.1% of the Proposed Pool A balanceProvisional Initial Mortgage Portfolio
Origination Date:	30/03/01
Maturity Date:	30/03/22
Amortisation:	Reducing Balance
Cut-off Date LTV:	80%
Cut-off Date ICR:	1.24
Cut-off Date DSCR:	1.00
Exit LTV:	19%
Hedging Type:	Fully

Property Information

No of Properties:	1
Property Type:	Office
Property Region:	Scotland (North)
Total Market Value:	£65m
Total VPV (if applicable):	£54.8m
Date of Valuation:	2001

Information on Largest Properties

Property Ref:	1200101811-A
Property Type:	Office
Location:	Scotland (North)
OMV:	£65m
VPV:	£54.8m
Net Rent:	£4.3m
ERV:	£4.3m
Weighted Average Lease Term:	17.3 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Single office property situated in a prominent location in a Scottish city centre well served by the public transport network.
- The property forms part of a larger new development which offers leisure facilities including cinema, restaurants and bars.
- The office development extends to over 151,000 sq. ft. of Grade A office accommodation situated over 9 floors.
- The property benefits from raised access floors, comfort cooling and 6 passenger lifts.
- The property is let to two main tenants both of which have leases expiring in 2023 with no break options.
- Tenant income stream of £4.3m across the 2 tenants.
- Tenant quality is considered strong with 68% of income being secured by the largest independent Scottish investment management firm.

Loan ID: 1200304491

Loan Information

Cut-Off Date Securitised Principal Balance:	£46.75m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	4.6% of the Initial Mortgage Portfolio
Origination Date:	10/04/03
Maturity Date:	25/06/08
Amortisation:	Bullet
Cut-off Date LTV:	73%
Cut-off Date ICR:	1.10
Cut-off Date DSCR:	1.10
Exit LTV:	73%
Hedging Type:	None

Property Information

No of Properties:	1
Property Type:	Mixed Use
Property Region:	Scotland
Total Market Value:	£64m
Total VPV (if applicable):	N/A

Information on Largest Properties

Property Ref:	1200304491-A
Property Type:	Mixed Use
Location:	Scotland
OMV:	£64m
VPV:	N/A
Net Rent:	£4.1m
ERV:	£5.0m
Weighted Average Lease Term:	11.3 years
Occupancy:	84.3%
Freehold/Leasehold:	Mix (Freehold/Leasehold)

Description

- City centre shopping centre comprising 69 units in a location in the north east of Scotland. Excellent road links available to Central Scotland and regular rail services available to all major UK destinations.
- The centre is located to the north of the traditional retail high street and forms part of the central shopping area for the city.
- The property was opened in the late 70's and was refurbished in the late 80's.
- The centre is presently undergoing a programme of refurbishment and reconfiguration (funded by the Borrower) in order to improve the aesthetics of the centre and attract new tenants which will reduce the vacancy rate.
- The centre currently provides office accommodation and 337,000 sq. ft. of retail outlets arranged over 3 floors. There is also additional office space within the property.
- 600 car parking spaces are provided within the centre which provides a large proportion of the city's total car parking.

- Tenant income stream of £4.1m across 69 units (23 units vacant).
- The shopping centre is anchored by 5 major national retailers.
- Well diversified tenant roll - the largest tenant exposure is 13% in respect of a national department store.
- The existing tenancies have leases ranging from 1 to 30 years with a weighted average unexpired term of c.11 years.

Summary of Large Secondary Mortgage Loan Advances

Loan ID: 1200203035

Loan Information

Cut-Off Date Securitised Principal Balance: £86.2m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool: 18.7% of the Secondary Mortgage Portfolio
Origination Date: 20/03/02
Maturity Date: 20/03/12
Amortisation: Bullet
Cut-off Date LTV: 75%
Cut-off Date ICR: 2.18
Cut-off Date DSCR: 2.18
Exit LTV: 75%
Hedging Type: None (Partially Fixed rate loan)

Property Information

Number of Properties: 8
Property Type: 7 Office and 1 Warehouse/Distribution
Property Region: 3 South East England, 1 South West England, 1 West Midlands, 1 London, 1 North West England and 1 Guernsey
Total Market Value: £107.3m
Total VPV (if applicable): N/A
Net Rent: £7.5m
ERV: £7.1m
Weighted Average Lease Term: 9.6 years
Occupancy: 98.2%
Valuation Date: 2004/2005

Information on Largest Properties

Property Ref: 1200203035-A
Property Type: Office
Location: South East England
OMV: £22.7m
VPV: N/A
Net Rent: £1.5m
ERV: £1.5m
Weighted Average Lease Term: 11 years
Occupancy Rate: 100%
Freehold/Leasehold: Freehold

Description

- Three self contained offices in the South East in close proximity to motorway connections and direct train services to central London.
- Constructed in 2002, the offices cover four floors and provide over 100,000 sq. ft. of open plan office space.
- The buildings benefit from air conditioning and/or comfort cooling and incorporates 450 car parking spaces.
- The offices are situated in an established office area with the surrounding area primarily of mixed use including modern office properties, a retail park and car showroom.
- Tenants are on long term leases with a weighted average unexpired lease term of 11 years.
- Two of the tenants (68% of income) are investment grade rated entities.
- Property located in a reasonably buoyant market.
- Total tenant income of £1.54m.

Information on Largest Properties

Property Ref:	1200203035-B
Property Type:	Office
Location:	London, England
OMV:	£15.4m
VPV:	N/A
Net Rent:	£1.1m
ERV:	£0.9m
Weighted Average Lease Term:	4.4 years
Occupancy Rate:	100%
Freehold/Leasehold:	Freehold

Description

- Prime CBD office in central London with close proximity to transport network.
- Offices extend to 26,000 sq. ft. and were reconstructed in 1985 behind a retained Victorian façade.
- Refurbishment carried out in 2000.
- Open plan design across a lower ground, ground and six upper floors incorporating air conditioning and comfort cooling.
- Building situated in an area comprising a mixture of historic and modern office properties and retail premises.
- Tenants within the building occupy space predominantly on 10-year leases with a weighted average unexpired lease term of 4.4 years.
- Well diversified income stream with the largest tenant representing 23% of the £1.1m income stream.
- Property 15% over rented in current market.

Loan ID: 1200202879

Loan Information

Cut-Off Date Securitised Principal Balance:	£76.9m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	16.7% of the Secondary Mortgage Portfolio
Origination Date:	19/09/02
Maturity Date:	30/09/14
Amortisation:	Reducing Balance
Cut-off Date LTV:	77%
Cut-off Date ICR:	1.62
Cut-off Date DSCR:	1.00
Exit LTV:	50%
Hedging Type:	Partially

Property Information

No of Properties:	1
Property Type:	Office
Property Region:	London
Total Market Value:	£100m
Total VPV (if applicable):	£81m
Valuation Date:	2002

Information on Largest Properties

Property Ref:	1200202879-A
Property Type:	Office
Location:	London
OMV:	£100m
VPV:	£81m
Net Rent:	£8.3m
ERV:	£8.1m
Weighted Average Lease Term:	8.4 years
Occupancy Rate:	100%
Freehold/Leasehold:	Leasehold

Description

- Property located on the eastern boundary of the City of London and comprises a unique estate constructed around a courtyard housing four office buildings including a leisure element.
- The property occupies a prominent position well served by the public transport network.
- The property was developed in late 1980's and extends to over 466,000 sq. ft.
- The surrounding area is generally comprised of offices, retail, restaurants and leisure facilities.
- Three of the buildings are on single lets whilst the fourth building is multi-let. The majority of leases expire in 2013 / 2014.

- Tenant quality is considered strong with 70% of income being secured from 2 large financial institutions.
- Property 56% over rented in current market.
- Tenant income stream (net of headlease payment) of £8.3m is spread across 14 units.
- Weighted average unexpired lease term of 8.4 years.

Loan ID: 1200101831

Loan Information

Cut-Off Date Securitised Principal Balance:	£56.76m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	12.3% of the Secondary Mortgage Portfolio
Origination Date:	03/02/00
Maturity Date:	30/09/06
Amortisation:	Bullet
Cut-off Date LTV:	45.2%
Cut-off Date ICR:	2.76
Cut-off Date DSCR:	2.76
Exit LTV:	45.2%
Hedging Type:	Partially

Property Information

Number of Properties:	46
Property Type:	42 Retail and 4 Mixed Use
Property Region:	12 Scotland, 10 South East England, 6 West Midlands, 5 North West England, 4 Yorkshire & Humberside, 3 South West England, 2 London, 1 Wales, 1 East Midlands and 2 North England
Total Market Value:	£125.67m
Total VPV (if applicable):	N/A
Net Rent:	£8.2m
ERV:	£9.1m
Weighted Average Lease Term:	7.8 years
Occupancy:	97.0%
Valuation Date:	2004/2005

Information on Largest Properties

Property Ref:	1200101831-A
Property Type:	Retail
Location:	North West England
OMV:	£9.07m
VPV:	£7.35
Net Rent:	£0.55m
ERV:	£0.62m
Weighted Average Lease Term:	5.4 years
Occupancy:	97.0%
Freehold/Leasehold:	Freehold

Description

- The property comprises a shopping arcade covering 30,375 sq. ft. with 23 tenants in occupation.
- The property is situated in a town centre location.
- Well diversified tenant population with the largest tenant representing 8% of the rent roll.
- The tenants are of varying covenant strength with the weighted average unexpired lease term being 5.4 years.
- Total tenant income is currently £550k.

Information on Largest Properties

Property Ref:	1200101831-B
Property Type:	Retail
Location:	Scotland
OMV:	£7.6m
VPV:	N/A
Net Rent:	£0.5m
ERV:	£0.6m
Weighted Average Lease Term:	11.4 years
Occupancy:	97.0%
Freehold/Leasehold:	Freehold

Description

- The subjects comprise a parade of 14 properties which occupy 11,782 sq. ft. of the ground floor of a four-storey tenement block with residential properties above.
- Property located in a popular and affluent area around 3.2km (2 miles) west of a Scottish city centre.
- Excellent road and rail transport links with nearby motorway access and national rail services to all major UK destinations.
- The University is adjacent and as such the area is popular with students and young professionals.
- Established retail location with good tenant mix.
- The majority of surrounding occupiers are sole traders, although within the prime pitch which lies further north, several national retailers are represented.
- Well diversified income stream - property let to 15 tenants delivering income of £507k.
- Weighted average unexpired lease term of 11.4 years.

Information on Largest Properties

Property Ref:	1200101831-C
Property Type:	Retail
Location:	South East England
OMV:	£6.75m
VPV:	N/A
Net Rent:	£0.5m
ERV:	£0.6m
Weighted Average Lease Term:	7.4 years
Occupancy:	92.0%
Freehold/Leasehold:	Freehold

Description

- The property comprises a 1960's local shopping precinct covering 28,137 sq. ft. with 27 tenants in occupation.
- The property is located in a neighbourhood shopping location in Hampshire.
- The location is a minor commercial / retail centre which forms a satellite to a major centre 7 miles away.
- The major centre has good rail and road transport links as well as various cross channel ferries services.
- While there is no car parking spaces within the property, good public parks are adjacent / located nearby.
- Well diversified tenant population with the largest tenant representing 8% of the rent roll.
- The tenants are of varying covenant strength with the weighted average unexpired lease term being 6.5 years.

- Total tenant income is currently £467k.

Information on Largest Properties

Property Ref:	1200101831-D
Property Type:	Mixed Use
Location:	South East England
OMV:	£6.65m
VPV:	N/A
Net Rent:	£0.6m
ERV:	£0.8m
Weighted Average Lease Term:	4.1 years
Occupancy:	90.2%
Freehold/Leasehold:	Mix (Freehold/Leasehold)

Description

- The properties are all of the same architectural build, built in the 1960s incorporating two and three storey buildings. Property located in a secondary retail location within the county of Essex 35 miles to the east of London.
- Properties are located within the pedestrianised town centre and are adjacent to the primary retail area.
- The properties comprise 28,223 sq. ft. which form two parades of shops comprised of self-contained offices or ancillary accommodation on the upper floors. One parade includes residential blocks above.
- 26 tenants on varied lease terms which largely consist of individual retailers and financial service providers.
- Well diversified tenant population with the largest tenant representing 11% of the rent roll.
- 10 leases extend beyond 2010 however the weighted average unexpired lease term is 4 years.
- Total tenant income is currently £644k.

Information on Largest Properties

Property Ref:	1200101831-E
Property Type:	Retail
Location:	South West England
OMV:	£6.275m
VPV:	N/A
Net Rent:	£0.4m
ERV:	£0.4m
Weighted Average Lease Term:	9.9 years
Occupancy:	98.7%
Freehold/Leasehold:	Freehold

Description

- The property comprises a mid terraced building of modern design covering 14,817 sq. ft. which has been split to provide three ground floor shops with first floor sales and storage above.
- Retail property situated in a Somerset town to the south of Bristol. Strong local economy.
- The town benefits from good transport links with access to the motorway network and mainline railway station, which connects with London and Penzance.
- Property is situated on the main retail street which provides the primary thoroughfare in the town.
- Currently let on three leases with a weighted average unexpired lease term of 9.9 years.
- The largest tenant is a major national retailer which accounts for 68% of the total income expiring in 2018.
- Total tenant income is currently £366k.

Loan ID: 1200102464

Loan Information

Cut-Off Date Securitised Principal Balance:	£40m
Cut-Off Date Securitised Principal Balance as percentage of Loan Pool:	8.7% of the Secondary Mortgage Portfolio
Origination Date:	11/10/01
Maturity Date:	31/12/06
Amortisation:	Bullet
Cut-off Date LTV:	63%
Cut-off Date ICR:	1.74
Cut-off Date DSCR:	1.74
Exit LTV:	63%
Hedging Type:	None

Property Information

Number of Properties:	18
Property Type:	All retail
Property Region:	7 South East England, 3 West Midlands, 2 South West England, 2 North West England, 2 Wales, 1 East Midlands and 1 Scotland
Total Market Value:	£63.6m
Total VPV (if applicable):	N/A
Net Rent:	£3.8m
ERV:	£3.8m
Weighted Average Lease Term:	11.1 years
Occupancy:	100%
Valuation Date:	2004

Information on Largest Properties

Property Ref:	1200102464-A
Property Type:	Retail
Location:	West Midlands England
OMV:	£7.65m
VPV:	N/A
Net Rent:	£0.5m
ERV:	£0.5m
Weighted Average Lease Term:	14.5 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Retail property located in an important tourist destination in Warwickshire with good road and rail links.
- The property is a period style 2/3 storey property dating back to the late 18th century but incorporating a semi circular glass frontage.
- Town centre retail outlet surrounded by a diverse range of shops.
- Strong local economy with low retail vacancy rates.
- The property comprises a net internal area of approximately 69,000 sq. ft.
- The property is let in its entirety to a major national multiple with the lease expiring in 2020 (15 years unexpired)
- The current rent payable by the tenant is £464k.

Information on Largest Properties

Property Ref:	1200102464-B
Property Type:	Retail
Location:	South East England
OMV:	£5.5m
VPV:	N/A
Net Rent:	£0.3m
ERV:	£0.3m
Weighted Average Lease Term:	11.5 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Large single retail unit comprising approximately 21,000 sq. ft.
- Located in a Suffolk town centre 40 miles east of Cambridge.
- Good transport links with primary roads and motorway access in close proximity. Mainline train station provides access to London's Liverpool Street station.
- Located on the edge of the prime retail pitch with surrounding area primarily occupied by high street retail outlets.
- The property was let in entirety (in April 2005) to a national retailer and has 11 years unexpired term.
- The current rental payable by the tenant is £320k.

Information on Largest Properties

Property Ref:	1200102464-C
Property Type:	Retail Warehouse
Location:	South East England
OMV:	£4.5m
VPV:	N/A
Net Rent:	£0.3m
ERV:	£0.3m
Weighted Average Lease Term:	8.4 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- The subject property is a first generation retail warehouse situated approximately 2.5 miles from a city centre in Hampshire.
- The city has excellent road access to the motorway network whilst a rail station provides a direct service to London Waterloo Station.
- The property comprises a detached retail warehouse of steel framed construction with part profiled steel/part brick cladding under a flat roof. There is parking at the front of the property.
- The surrounding area is of mixed use including tertiary retail, residential, industrial and warehouse use.
- The property comprises 30,000 sq. ft. of space and is let on a single lease to a national multiple expiring in February 2014.
- The current rental payable by the tenant is £311k.

Information on Largest Properties

Property Ref:	1200102464-D
Property Type:	Retail
Location:	South West England
OMV:	£4.3m
VPV:	N/A
Net Rent:	£0.2m
ERV:	£0.2m
Weighted Average Lease Term:	5.7 years
Occupancy:	100%
Freehold/Leasehold:	Freehold

Description

- Single retail property in a market town in Gloucestershire.
- Good transport links with motorway access approximately 5 miles south.
- Located in the prime retail area of the city which forms a pedestrianised crossroads of retail properties.
- The property comprises 14,063 sq. ft. of accommodation within a four-storey mid terraced period building with basement built around 1900.
- Property provides retailing banking space on the ground floor and offices and staff accommodation above.
- The property is occupied in its entirety by a well-known high street bank on a lease expiring in June 2011.
- The current rental payable by the tenant is £238k.

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THE ISSUER

Prominent CMBS Funding No. 1 PLC
c/o Structured Finance Management Limited
35 Great St. Helen's
London EC3A 6AP

**ORIGINATOR, ORIGINATOR TRUSTEE, CASH MANAGER,
BASIS SWAP COUNTERPARTY AND ACCOUNT BANK**

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

ARRANGER

HBOS Treasury Services plc
33 Old Broad Street
London EC2N 1HZ

**PRINCIPAL PAYING AGENT, AGENT BANK
AND COMMON DEPOSITARY**

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

IRISH PAYING AGENT

Citibank International plc, Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

IRISH LISTING AGENT

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

LEGAL ADVISERS TO THE ISSUER, THE ORIGINATOR AND ARRANGER

as to English Law
**Clifford Chance Limited Liability
Partnership**
10 Upper Bank Street
London E14 5JJ

as to Scots Law
Tods Murray LLP
Edinburgh Quay
133 Fountainbridge
Edinburgh EH3 9AG

LEGAL ADVISERS TO THE LEAD MANAGERS AND THE TRUSTEE

Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

INDEPENDENT ACCOUNTANTS OF THE ISSUER

KPMG Audit plc
8 Salisbury Square
London EC4Y 8BB

