

## OAT HILL NO.1 PLC

*(incorporated in England and Wales with limited liability under registered number 10720357)*

Notes	Initial Principal Amount Outstanding	Issue Price	Interest Reference Rate	Relevant Margin	Step-Up Date/ Optional Redemption Date	Pre-Call Redemption Profile	Final Maturity Date	Ratings (Fitch/Moody's)
Class A Notes	£477,100,000	99.496%	Three-month Sterling LIBOR	Prior to the first Optional Redemption Date, 0.65 per cent. and on and after the first Optional Redemption Date, 1.30 per cent.	Interest Payment Date falling in May 2020 and each subsequent Interest Payment Date	Pass-through amortisation	Interest Payment Date falling in May 2046	AAAs/f/Aaa(sf)
Class Z VFN	£ 112,100,000 (being the initial principal amount subscribed for as at the Closing Date) up to a maximum of £200,000,000	100%	Three-month Sterling LIBOR	0.00 per cent.	N/A	Pass-through amortisation	Interest Payment Date falling in May 2046	Unrated

Prospectus dated 22 June 2017

*Arranger*

**BofA Merrill Lynch**

*Joint Lead Managers*

**BofA Merrill Lynch**

**NatWest Markets**

<b>Issue Date</b>	The Issuer expects to issue the Notes described above on the Closing Date.
<b>Standalone/ programme issuance</b>	Standalone issuance.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, inter alia, payments of principal and interest received from a portfolio comprising mortgage loans originated by the relevant Originator and the Legal Title Holder to borrowers secured on Properties in England, Wales and Northern Ireland to be acquired by the Issuer from the Beneficial Title Seller on the Closing Date.</p> <p>See the section entitled "<i>The Mortgage Portfolio and the Mortgage Loans</i>" for further details.</p>
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• The General Reserve Fund will be a non amortising reserve fund initially funded from the proceeds of issue of the Class Z VFN and thereafter from Available Revenue Funds in an amount up to General Reserve Fund Target Amount (being an amount equal to 1.45 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes as at the Closing Date). There will be two ledgers under the General Reserve Fund: (i) the Liquidity Ledger; and (ii) the Credit Ledger.</li> <li>• The Credit Ledger Required Amount (being an amount by which General Reserve Fund Target Amount exceeds the Liquidity Ledger Required Amount) will be applied to reduce or eliminate any shortfall in Available Revenue Funds to pay items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities.</li> <li>• The Liquidity Ledger Required Amount (being an amount equal to 1.45% of the aggregate Principal Amount Outstanding of the Class A Notes) will be applied to reduce or eliminate any shortfall in Available Revenue Funds (after the application of any General Reserve Drawings) to pay items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities.</li> <li>• Principal Losses and Principal Reallocation Amounts will be debited to the sub-ledgers of the Principal Deficiency Ledger in reverse sequential order: first to the Class Z Principal Deficiency Sub-Ledger and second to the Class A Principal Deficiency Sub-Ledger. Revenue Reallocation Amounts will be credited to the relevant Principal Deficiency Sub-Ledgers in accordance with the Pre-Enforcement Revenue Payments Priorities.</li> <li>• Available Revenue Funds will be applied to replenish the General Reserve Fund on each Interest Payment Date in accordance with the applicable Payments Priorities. Available Revenue Funds may be applied as Available Principal Funds to the extent of, among other things, any Principal Losses on the Mortgage Loans.</li> <li>• In respect of the Class A Notes only, subordination of the Class Z VFN.</li> </ul> <p>See the section entitled "<i>Credit Enhancement and Liquidity Support</i>" for further details.</p>
<b>Liquidity Support</b>	<ul style="list-style-type: none"> <li>• The Credit Ledger Required Amount will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (without taking into account any Liquidity Reserve Drawings or Principal Reallocation Amounts) to pay Interest Amounts in respect of the Class A Notes.</li> <li>• The Liquidity Ledger Required Amount will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of any General Reserve Drawings but without taking into account any Principal Reallocation Amounts) to pay Interest Amounts in respect of the Class A Notes.</li> </ul>

- Available Principal Funds will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of any Liquidity Reserve Drawings and any General Reserve Drawings) to pay Interest Amounts in respect of the Class A Notes.
- Available Revenue Funds will be applied to replenish the General Reserve Fund on each Interest Payment Date in accordance with the applicable Payments Priorities.

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

#### **Redemption Provisions**

Repayment of the Notes with Available Principal Funds. Available Principal Funds includes, among other things, principal receipts from any disposal of the Mortgage Portfolio. Redemption to occur no later than the Final Maturity Date.

See the sections entitled "*Description of the Terms and Conditions of the Notes*" and Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).

#### **Credit Rating Agencies**

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Each of Fitch and Moody's is a credit rating agency established in the European Community and registered under the CRA Regulation.

ESMA is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Each of Fitch and Moody's are included on the list of registered and certified credit rating agencies that is maintained by ESMA.

#### **Credit Ratings**

Ratings are expected to be assigned to the Class A Notes only as set out above on or before the Closing Date. The Class Z VFN will not be rated.

The ratings assigned by Fitch and Moody's address the likelihood of full and timely payment to the holders of the Class A Notes of: (i) interest due on each Interest Payment Date; and (ii) principal on a date that is not later than the Final Maturity Date.

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

#### **Listing**

This document comprises a prospectus (the "**Prospectus**") for the purpose of the Prospectus Directive. The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange p.l.c. (the "**Stock Exchange**") for the Class A Notes to be admitted to the Official List and trading on its regulated market. The regulated market (the "**Main Securities Market**") of the

Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Class A Notes.

Such approval relates only to the Class A Notes which are to be admitted to trading on the regulated market of the Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

The Class Z VFN will not be admitted to the Official List nor will it be admitted to trading on the Main Securities Market.

**Eurosystem Eligibility**

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Class A Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

**Obligations**

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any of the Beneficial Title Seller, Legal Title Holder, their affiliates or any other party named in the Prospectus.

**Retention Undertaking**

Pursuant to Article 405 of Regulation (EU) No. 575/2013, referred to as the Capital Requirements Regulation ("**CRR**"), Article 51 of Regulation (EU) No 231/2013 ("**Article 51**") referred to as the Alternative Investment Fund Managers Regulation ("**AIFMR**") and Article 254 ("**Article 254**") of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 referred to as the Solvency II Regulation ("**Solvency II Regulation**"), in each case disregarding any implementation rules in any relevant jurisdiction and as each are interpreted and applied on the date hereof the Beneficial Title Seller will undertake to the Issuer, for the benefit of the Noteholders, that it will retain at all times until the redemption of the last of the Notes, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures (representing downside risk and economic outlay) in accordance with the text of Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation. As at the Closing Date, such interest will be comprised of an interest in the first loss tranche in the Class Z VFN, as contemplated by Article 405(1)(d) of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation.

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

The Beneficial Title Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. See the section entitled "*Risk Factors – U.S. Risk Retention Requirements*".

**Volcker Rule**

The Issuer is not, and solely after giving effect to any offering and sale of the Notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the "**Volcker Rule**"). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that the Issuer would satisfy all of the elements of the exemption from the definition of "investment company"

under the Investment Company Act provided by Section 3(c)(5) thereunder.

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

## IMPORTANT NOTICE

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

UK Mortgages Corporate Funding Designated Activity Company (the "**Beneficial Title Seller**") accepts responsibility for the information set out in the sections headed "*The Mortgage Portfolio and the Mortgage Loans*", "*Characteristics of the Provisional Mortgage Portfolio*" and "*Description of the Beneficial Title Seller*". To the best of the knowledge and belief of the Beneficial Title Seller (having taken all reasonable care to ensure that such is the case), the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information.

Capital Home Loans Limited (the "**Servicer**", an "**Originator**" and the "**Legal Title Holder**") accepts responsibility for the information set out in the section headed "*Description of the Legal Title Holder, an Originator and the Servicer*". To the best of the knowledge and belief of Capital Home Loans Limited (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information.

Citibank N.A., London Branch (the "**Cash Manager**", the "**Transaction Account Bank**", the "**Principal Paying Agent**" and the "**Agent Bank**") accepts responsibility for the information set out in the section headed "*Description of the Transaction Account Bank, Principal Paying Agent, Cash Manager and Agent Bank*". To the best of the knowledge and belief of Citibank N.A., London Branch (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information.

Citicorp Trustee Company Limited (the "**Trustee**") accepts responsibility for the information in the section headed "*Description of the Trustee*". To the best of the knowledge and belief of the Trustee (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information.

Homeloan Management Limited (the "**Back-Up Servicer**") accepts responsibility for the information in the section headed "*Description of the Back-Up Servicer*". To the best of the knowledge and belief of the Back-Up Servicer (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, Merrill Lynch International (the "**Arranger**" and a "**Joint Lead Manager**") and The Royal Bank of Scotland PLC (trading as NatWest Markets) (a "**Joint Lead Manager**", and together with Merrill Lynch International the "**Joint Lead Managers**") to inform themselves about and to observe any such restriction. BofA Merrill Lynch is the marketing name of, and means, Merrill Lynch

International. For a further description of certain restrictions on offers and sales of the Notes and distribution of this document (or any part hereof), see the section entitled "*Subscription and Sale*".

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

**None of the Joint Lead Managers, the Arranger, the Trustee, the Beneficial Title Seller, the Originator, the Legal Title Holder, the Corporate Services Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Transaction Account Bank, the Principal Paying Agent, the Agent Bank or the Class Z VFN Registrar makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes, other than as expressly set out above. None of the Joint Lead Managers, the Arranger, the Trustee, the Beneficial Title Seller, the Originator, the Legal Title Holder, the Corporate Services Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Transaction Account Bank, the Principal Paying Agent, the Agent Bank or the Class Z VFN Registrar 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, other than as expressly set out above. 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 Joint Lead Managers, the Arranger, the Trustee, the Beneficial Title Seller, the Originator, the Legal Title Holder, the Corporate Services Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Transaction Account Bank, the Principal Paying Agent, the Agent Bank or the Class Z VFN Registrar undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to their attention (other than as expressly required by the Transaction Documents).**

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and the Notes are subject to U.S. tax law requirements. The Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons (see the section entitled "*Subscription and Sale*") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Except with the prior written consent of the Beneficial Title Seller (a "**U.S. Risk Retention Waiver Consent**") and where such sale falls within the exemption provided by section 20 of the final rules promulgated under section 15g of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any "U.S. Person" as defined in the U.S. Risk Retention Rules ("**Risk Retention U.S. Persons**"). Prospective investors should note that the definition of "U.S. Person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, from the definition of "U.S. Person" in Regulation S. Each purchaser of the Notes or a beneficial interest therein acquired in the initial syndication of the Notes, by its acquisition of the Notes or a beneficial interest therein will be deemed to have made certain representations and agreements, including that it (1) either (i) is not a Risk Retention U.S. Person or (ii) it has obtained a U.S. Risk Retention Waiver Consent from the Beneficial Title Seller, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such note through a non-risk retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in section 20 of the U.S. Risk Retention Rules).

None of the Issuer, the Trustee, the Joint Lead Managers, the Arranger, the Beneficial Title Seller, the Originator, the Legal Title Holder, the Corporate Services Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Transaction Account Bank, the Principal Paying Agent, the Agent Bank or the Class Z VFN Registrar makes any representation to any prospective investor or purchaser of the Notes

regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC as amended ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

The Class A Notes will be represented initially by a temporary global note in bearer form, without Coupons or talons (a "**Temporary Global Note**"), in the principal amount of £477,100,000 which will be deposited with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA / NV ("**Euroclear**" and together with Clearstream, Luxembourg, the "**Clearing Systems**") on or around the Closing Date. Upon confirmation by the Common Safekeeper that it has custody of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Temporary Global Notes ("**Book-Entry Interests**") representing beneficial interests in the Class A Notes attributable thereto. Interests in each Temporary Global Note will be exchangeable not earlier than 40 days from the issue date of the relevant Notes (the "**Exchange 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 Class A Notes (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 Safekeeper. The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg. The Class A Notes, issued in new global note form and represented by the Global Notes may be transferred in book-entry form only. The Class A Notes will be issued in the denomination of £100,000 and integral multiples of £1,000 in excess thereof. Except in the limited circumstances described under "*Description of the Global Notes – Issuance of Definitive Notes*", the Class A Notes will not be available in definitive form (the "**Definitive Notes**").

The Class Z VFN will be in dematerialised registered form. The Issuer will maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the holder of the Class Z VFN. Transfers of all or any portion of the interest in the Class Z VFN may be made only through the register maintained by the Issuer.

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes ("**Book-Entry Interests**"). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be



effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

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

As at the date of this Prospectus notes denominated in Sterling are (temporarily) recognised as eligible collateral for the purposes of the funding programmes and liquidity schemes established by the European Central Bank pursuant to Guideline of the European Central Bank (ECB/2014/31), subject to certain valuation markdowns described therein.

### **Forward Looking Statements and Statistical Information**

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

### **The Notes may not be a suitable investment for all investors**

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (without limitation):

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of assets of the type comprising the Mortgage Portfolio, the market for securities of the type represented by the Notes, and the financial markets generally; and

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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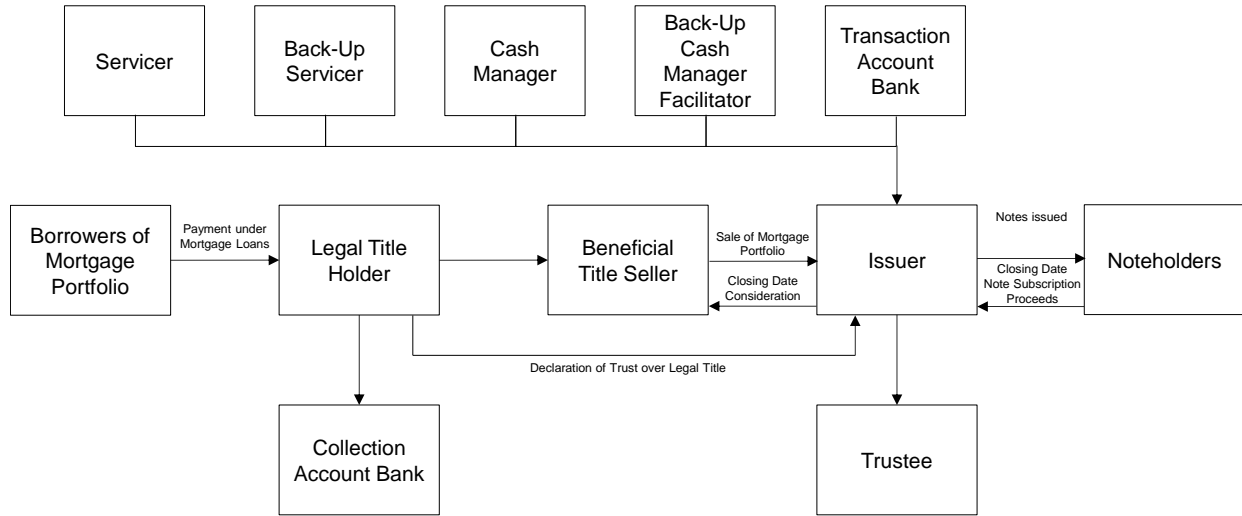
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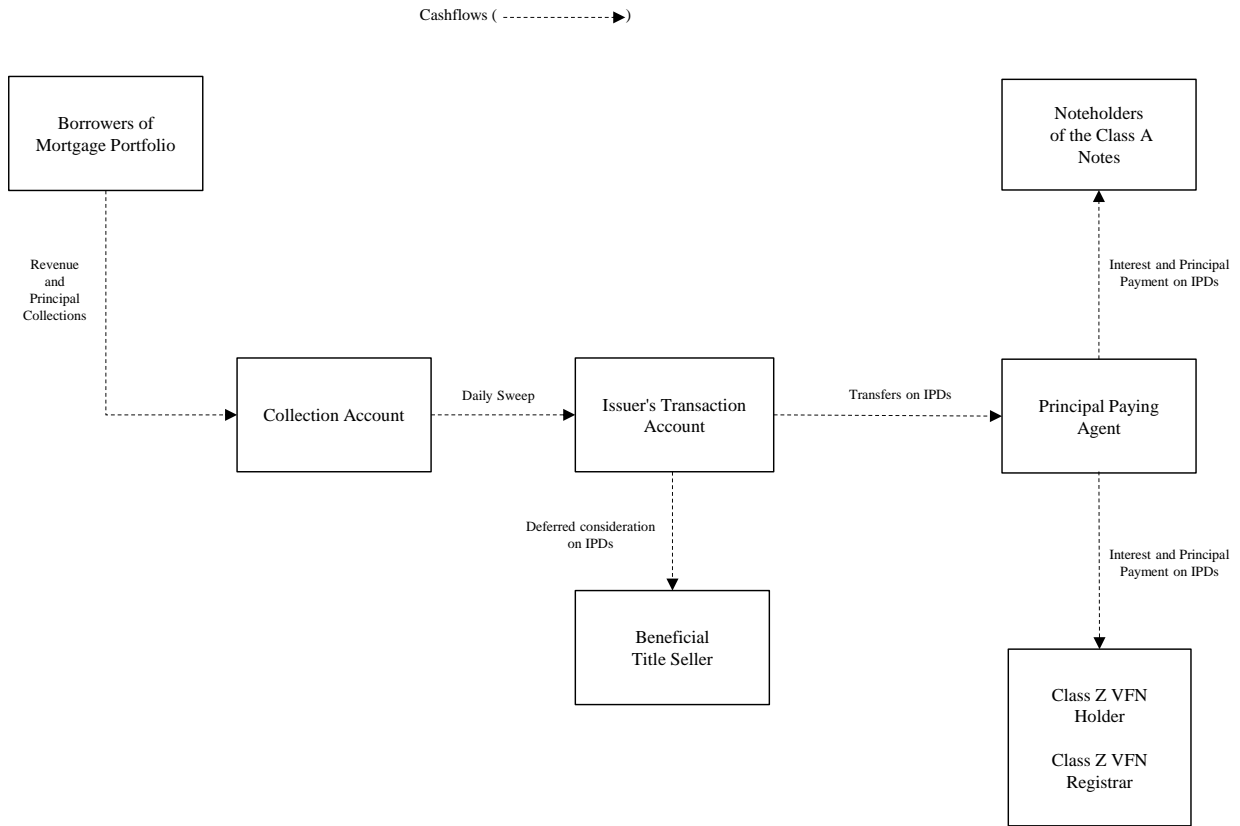
## OVERVIEW

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

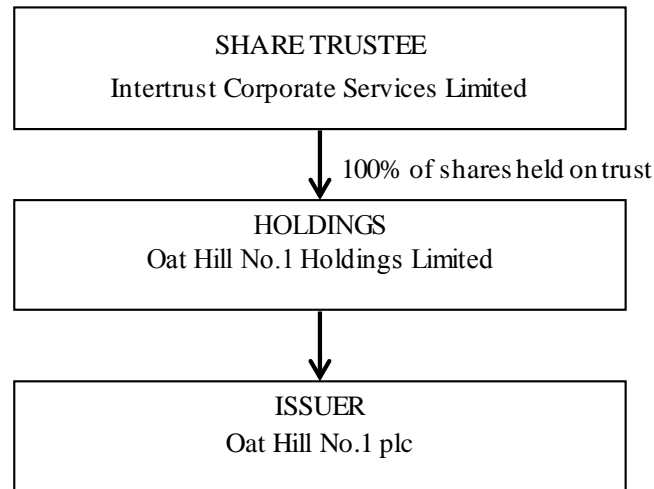
### (A) DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



(B) DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW



(C) OVERVIEW OF THE OWNERSHIP STRUCTURE



The above diagram illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly-owned subsidiary of Oat Hill No.1 Holdings Limited ("**Holdings**") in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by Intertrust Corporate Services Limited as share trustee (the "**Share Trustee**") under the terms of a discretionary trust, the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings and the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Beneficial Title Seller or the Legal Title Holder or any member of the group of companies of the Beneficial Title Seller or the Legal Title Holder.

(D) TRANSACTION PARTIES AND OTHER RELATED PARTIES ON THE CLOSING DATE

<u>Party</u>	<u>Name</u>	<u>Address</u>	<u>Document under which appointed/Further Information</u>
<b>Issuer</b>	Oat Hill No.1 plc (incorporated on 11 April 2017)	35 Great St. Helen's London EC3A 6AP	N/A See the section entitled " <i>The Issuer</i> "
<b>Holdings</b>	Oat Hill No.1 Holdings Limited (incorporated on 11 April 2017)	35 Great St. Helen's London EC3A 6AP	N/A See the section entitled " <i>Holdings</i> "
<b>Legal Title Holder and Servicer</b>	Capital Home Loans Limited	Admiral House Harlington Way Fleet Hampshire GU51 4YA	Mortgage Sale Agreement and Servicing Agreement. See the section entitled " <i>Description of the Legal Title Holder, an Originator and the Servicer</i> " and " <i>Servicing of the Mortgage Portfolio</i> "
<b>Originators</b>	Capital Home Loans Limited	Admiral House Harlington Way Fleet Hampshire GU51 4YA	See the section entitled " <i>The Mortgage Portfolio and the Mortgage Loans</i> "

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
	Irish Permanent plc	N/A	See the section entitled " <i>The Mortgage Portfolio and the Mortgage Loans</i> "
<b>Beneficial Title Seller</b>	UK Mortgages Corporate Funding Designated Activity Company	5 George's Dock I.F.S.C Dublin 1 Ireland	Mortgage Sale Agreement.  See the section entitled " <i>Description of the Beneficial Title Seller</i> "
<b>Portfolio Option Holder</b>	UK Mortgages Corporate Funding Designated Activity Company	5 George's Dock I.F.S.C Dublin 1 Ireland	Deed Poll.  See the section entitled " <i>Early Redemption of Notes</i> "
<b>Class Z VFN Holder</b>	UK Mortgages Corporate Funding Designated Activity Company	5 George's Dock I.F.S.C Dublin 1 Ireland	See the section entitled " <i>Description of the Beneficial Title Seller</i> "
<b>Back-Up Servicer</b>	Homeloan Management Limited	The Pavilions Bridgwater Road Bristol BS13 8AE	Back-Up Servicing Agreement.
<b>Back-Up Cash Manager Facilitator</b>	Intertrust Management Limited	35 Great St. Helen's London EC3A 6AP	Cash Management Agreement.
<b>Transaction Account Bank and Cash Manager</b>	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Transaction Account Agreement and Cash Management Agreement.  See the sections entitled " <i>Description of the Transaction Account Bank, Principal Paying Agent, Cash Manager and Agent Bank</i> " and " <i>Credit Enhancement and Liquidity Support</i> "
<b>Trustee</b>	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Trust Deed.  See the sections entitled " <i>Description of the Trustee</i> " and " <i>The Trust Deed</i> "
<b>Principal Paying Agent / Agent Bank</b>	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement.
<b>Corporate Services Provider</b>	Intertrust Management Limited	35 Great St. Helen's London EC3A 6AP	Corporate Services Agreement.  See the section entitled " <i>The Issuer</i> "
<b>Class Z VFN Registrar</b>	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement.
<b>Competent Authority for the purposes of the Prospectus Directive</b>	Central Bank of Ireland	New Wapping Street North Wall Quay Dublin 1 Ireland	N/A
<b>Listing Authority and Stock Exchange</b>	The Irish Stock Exchange p.l.c.	28 Anglesea Street Dublin 2 Ireland	N/A
<b>Clearing Systems</b>	Euroclear Bank SA / NV	1, Boulevard du Roi Albert II B-1210 Brussels Belgium	N/A



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
	Clearstream Banking, <i>société anonyme</i>	42 Avenue JF Kennedy L-1855 Luxembourg	N/A
<b>Rating Agencies</b>	Fitch Ratings Limited	30 North Colonnade Canary Wharf E14 5GN	N/A
	Moody's Investor Service Limited	One Canada Square Canary Wharf London E14 5FA	N/A

## **RISK FACTORS**

*The following is a summary of the principal risks (including all material risks of which the Issuer is presently aware) associated with an investment in the Notes about which prospective investors should be aware. It is not intended to be exhaustive as to all the matters about which prospective investors should be aware.*

*All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

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

### **Risks Related to the Notes**

#### **Obligations of Issuer only**

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

#### **Limited source of funds**

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

#### **Limited recourse**

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

#### **Deferral of interest payments on the Class Z VFN**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class Z VFN, after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Payments Priorities, then that amount shall not be due and payable and the Issuer will be entitled under Condition 7.10 (*Interest Accrual*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class Z VFN becomes immediately due and repayable in accordance with the Conditions and it shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of the Class Z VFN is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date or any earlier date on which Notes are redeemed pursuant to Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).

## **Credit risk**

The Issuer is subject to the risk of default in payment by the Borrowers and the risk of failure by the Servicer (or, if at any time applicable, the Back-Up Servicer and any other back-up servicer) on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Mortgage Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by certain credit enhancement features for the Class A Notes which are described in the section entitled "*Credit Enhancement and Liquidity Support*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

## **Liquidity risk**

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of various reasons including (i) payments being made late by Borrowers after the end of the relevant Calculation Period, (ii) contractual interest rates of the Mortgage Loans being lower than required by the Issuer in order to meet its commitments to pay interest on the Notes and (iii) 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. This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent for the Class A Notes by the provision of liquidity from alternative sources as described in the section entitled "*Credit Enhancement and Liquidity Support*".

## **Subordination of the Class Z VFN**

The Class Z VFN is subordinated in right of payment of interest and principal to the Class A Notes. There is no assurance that the subordination of the Class Z VFN will protect the holders of the Class A Notes from all risk of loss.

## **Yield and Prepayment Considerations**

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

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

Pursuant to the Deed Poll, the Portfolio Option Holder has the option to purchase the Mortgage Portfolio and its Related Security by giving notice to the Issuer with a copy to the Trustee at any time in the period from the Business Day falling 20 Business Days prior to the relevant Optional Redemption Date until such Optional Redemption Date for a purchase price which shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Optional Portfolio Purchase Completion Date and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes as at the Optional Portfolio Purchase Completion Date plus accrued but unpaid interest thereon up to and including the Optional Portfolio Purchase Completion Date, together with any payments due from the Issuer in respect of items ranking in priority to or *pari passu* with the Class A Notes (including interest and principal due and payable in respect of the Class A Notes) pursuant to the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date less any Available Principal Funds and Available Revenue Funds to be applied in accordance

with the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date (including the credit balance of the General Reserve Fund).

The occurrence of the Optional Portfolio Purchase will lead to a reduction in the average weighted life of the Notes. See also the section entitled "*Early Redemption of Notes*".

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of all Class A Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A Notes. Further, the Issuer may, subject to certain conditions, redeem all of the Notes on any Interest Payment Date after the Optional Redemption Date. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a Tax Deduction in respect of any payment in respect of the Notes, or the Issuer would be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the Issuer Profit Amount retained during that accounting period. See Condition 8.6 (*Optional Redemption of the Class A Notes in whole for taxation or other reasons*) for further information.

Early redemption of the Notes may adversely affect the yield on the Notes.

### **Interest Rate Risk**

The Issuer is subject to the risk of a mismatch resulting from interest in respect of the Mortgage Loans and the rate of interest rate payable on the Notes. The Tracker Mortgage Loans in the Mortgage Portfolio pay interest based on the Bank of England base rate and the Standard Variable Rate Mortgage Loans in the Mortgage Portfolio pay a variable rate of interest set by the Servicer on behalf of the Legal Title Holder from time to time. However, the Issuer's liabilities under the Notes are based on three month LIBOR for the relevant period.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to the Mortgage Loans and as a result there is no hedge in respect of the risk of any variances in the rate of interest charged on the Standard Variable Rate Mortgage Loans and Tracker Mortgage Loans in the Mortgage Portfolio and the rate of interest payable in respect of the Notes (where applicable). As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Mortgage Loans and the rate of interest payable in respect of the Notes (where applicable). This in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors.

### **Certain material interests**

Certain of the advisers and other parties to the transaction have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Beneficial Title Seller in the ordinary course of business. Other parties to the transaction may also perform multiple roles. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties. The parties to the transaction may pursuant to the Transaction Documents be replaced by one or more new parties. It cannot be excluded that such a new party also could have a potential conflicting interest.

### **Certain conflicts of interest**

Certain of the Transaction Parties and their respective affiliates are acting in a number of capacities in connection with the transaction described herein. Those Transaction Parties and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such Transaction Parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their or any of their respective affiliates acting in any capacity.

In addition to the interests described in this Prospectus, the Arranger and the Joint Lead Managers and their respective related entities, associates, officers or employees (each a "**Joint Lead Managers Related Person**"):

- (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note or any other Transaction Party;
- (b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Notes;
- (c) may purchase all or some of the Notes and resell them in individually negotiated transactions with varying terms; and
- (d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions (which may include financing of the risk retention), investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

- (i) each Joint Lead Managers Related Person in the course of its business (including in respect of interests described above) may act independently of any other Joint Lead Managers Related Person or Transaction Party;
- (ii) to the maximum extent permitted by applicable law, the duties of each Joint Lead Managers Related Person in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Joint Lead Managers Related Person shall have any obligation to account to the Issuer, any Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any Transaction Party;
- (iii) a Joint Lead Managers Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Noteholder or to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors ("**Relevant Information**");
- (iv) to the maximum extent permitted by applicable law no Joint Lead Managers Related Person is under any obligation to disclose any Relevant Information to any other Joint Lead Managers Related Person, to any Transaction Party or to any potential investor and this Prospectus and any subsequent conduct by an Joint Lead Managers Related Person should not be construed as implying that such Joint Lead Managers Related Person is not in possession of such Relevant Information; and
- (v) each Joint Lead Managers Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, a Joint Lead Managers Related Person's dealings with respect to a Note, the Issuer or a Transaction Party, may affect the value of a Note.

These interests may conflict with the interests of a Noteholder and the Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Joint Lead Managers Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders and the Joint Lead Managers Related Persons may in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

## **Ratings of the Class A Notes**

A rating issued by a Rating Agency is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one or both 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 such revision, suspension or withdrawal of the rating of the Class A Notes.

At any time, a Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Class A Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact the market value of the Class A Notes. The Class Z VFN will not be rated by the Rating Agencies.

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

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

The terms of certain Transaction Documents require that certain action proposed to be taken by the Issuer and/or the Trustee may only occur if the Rating Agencies provide a Rating Agency Confirmation.

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

Any such Rating Agency Confirmation may or may not be given at the sole discretion of the Rating Agencies. 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 a Rating Agency Confirmation in the time available or at all, and the Rating Agencies shall not be responsible for the consequences thereof. A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

## **The Trustee may assume performance and is not obliged to act in certain circumstances**

The Trustee is under no obligation to monitor or supervise the functions of the Servicer from time to time under the terms of the Servicing Agreement or any other person under any other Transaction Document, and will not do so, and is entitled to assume that the Servicer is properly performing its obligations in accordance with the provisions of the Servicing Agreement and that such other person is properly performing its obligations in accordance with each other Transaction Document, and will so assume.

The Trustee is under no obligation to, and shall not, review the information or documents or reports or files or discs which the Mortgage Sale Agreement or the Servicing Agreement or other Transaction Documents provide for to be delivered to it.

The Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes or the Transaction Documents (including the Conditions) to which it is a party, and at any time after the service of an Enforcement Notice the Trustee may, at its discretion and without notice, take such proceedings, actions or steps as it may think fit to enforce the Security. However, the Trustee shall not be bound to take any such proceedings, actions or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) unless:

- (a) it shall have been directed to do so by an Extraordinary Resolution of the Most Senior Class of Noteholders or in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

### **Risks Associated with Rising Mortgage Rates**

Borrowers with a Mortgage Loan subject to a variable rate of interest may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward. This increase in Borrowers' monthly payments, which ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments (caused by, for example, a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave Borrowers with insufficient equity in their homes to permit them to refinance, especially borrowers with higher current LTVs.

These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment rates and higher losses on the Mortgage Portfolio, which in turn may adversely affect the ability of the Issuer to make payments of interest and principal on the Notes.

### **Limited Liquidity**

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities has experienced disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing limited liquidity. In the future, limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

There can be no assurance that the market for mortgage-backed securities will recover from these disruptions at all, or, if it does begin to recover, to what degree or how quickly it will do so.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, Sterling Monetary Framework and Funding for Lending Scheme and the European Central Bank Liquidity Scheme provide an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral in the future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

### **Denominations**

The Class A Notes are issued in the denominations of £100,000 per Note. However, for so long as the Class A Notes are represented by Global Notes, and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be

tradable in minimum nominal amounts of £100,000 and integral multiples of £1,000 thereafter. In such a case a Noteholder of a Class A Note who, as a result of trading such amounts, holds a principal amount of less than the minimum authorised denomination of £100,000 in his account with the relevant clearing system at the relevant time will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the relevant class of Class A Notes such that it holds an amount equal to one or more minimum authorised denominations.

If Definitive Notes are issued, Noteholders of Class A Notes should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

### **Book-Entry Interests**

Unless and until Definitive Notes are issued in exchange for Book-Entry Interests (in the limited set of circumstances described under Condition 3 (*Form, Denomination and Title*)), holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Class A Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

The Class A Notes will be represented by Global Notes delivered to a common safekeeper for Euroclear or Clearstream, Luxembourg, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Class A Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Trustee as Noteholders, as that term is used in the Trust Deed. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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



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

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

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

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

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Class A Noteholders and the Class Z VFN Holder equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

If, in the Trustee's opinion, there is a conflict between the interests of holders of the Class A Notes and the Class Z VFN, the Trustee will have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding.

So long as any of the Notes are outstanding, the Trustee will have regard solely to the interest of the Noteholders and shall not have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed.

### **Risks in respect of amendments to the Transaction Documents**

The Trustee shall be obliged, without any consent or sanction of the Noteholders or any of the other Secured Creditors, or, (subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or who would need to be a party to a new, supplemental or additional agreement, or which, as a result of the relevant amendment, would be further contractually subordinated to any Secured Creditor than would otherwise have been the case prior to such amendment) to concur with the Issuer and any other relevant parties in making any modification (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of Reserved Matter) to the Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary for the purpose of (i) complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) complying with certain risk retention legislation, regulations or official guidance in relation thereto, (iii) enabling the Class A Notes to be (or to remain) listed on the Stock Exchange, (iv) enabling the Issuer or any of the other Transaction Parties to comply with FATCA and (v) complying with any changes in the requirements of the CRA Regulation after the Closing Date (each a "**Proposed Amendment**"), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 16.4 (*Additional Right of Modification*).

The Servicer's written consent is required to modify or supplement any Transaction Document to which the Servicer is not a party if such modification or supplement would, in the commercially reasonable opinion of the Servicer, affect: (a) the Servicer's rights under the Pre-Enforcement Revenue Payments Priorities or the Post-Enforcement Payments Priorities; (b) Clause 20.1 (*Modification of Transaction Documents*) of the Trust Deed; or (c) Condition 16.1 (*Modification*).

In relation to any such Proposed Amendment, the Issuer is required to, amongst other things, give at least 30 calendar days' notice to the Noteholders of the proposed modification in accordance with Condition 21 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, unless Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have contacted the Trustee in writing (or, in the case of the Class A Notes, otherwise in accordance with the then current practice

of any applicable clearing system through which such Class A Notes may be held) within such notification period notifying the Trustee that such Noteholders do not consent to the modification, the modification can be made without Noteholder consent.

The full requirements in relation to the modifications discussed above are set out in Condition 16.4 (*Additional Right of Modification*).

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer or the Principal Paying Agent in writing (or, in respect of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 15 (*Meetings of Noteholders*).

In addition, Noteholders should be aware that the Trustee may agree with the Issuer and/or any other person, to make certain modifications or amendments to the Conditions or the Transaction Documents without the consent of the Noteholders in certain circumstances as set out in Condition 16.1 (*Modification*).

### **Risks Related to the Mortgage Loans**

#### **Payment obligations of the Beneficial Title Seller**

None of the Arranger, the Joint Lead Managers, the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their Related Security and will rely instead on, inter alia, the Asset Warranties. The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement and save as described below) of the Issuer in respect of a material breach of an Asset Warranty in relation to a Mortgage Loan shall be the requirement that the Beneficial Title Seller make a cash payment to the Issuer in respect of all Liabilities relating to the material breach of Asset Warranty subject to (i) the Beneficial Title Seller's liability in relation to the Mortgage Loans being a maximum of the Current Balance of such Mortgage Loan and (ii) the Beneficial Title Seller's total aggregate liability not exceeding an amount equal to 100 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Closing Date. The sole remedy provided for in the Mortgage Sale Agreement of the Issuer in respect of a breach of the Asset Conditions and/or a material breach of the Asset Warranties in relation to a Further Advance, Flexible Drawing or Product Switch shall be the requirement that the Beneficial Title Seller make a cash payment to the Issuer in respect of the breach of Asset Conditions and/or material breach of the Asset Warranties equal to the Further Advance Payment Price, the Flexible Drawing Payment Price or the Product Switch Payment Price (as applicable). There can be no assurance that the assets of the Beneficial Title Seller will be sufficient to meet its obligations under the Mortgage Sale Agreement or the Class Z VFN.

On the same date as the Initial Mortgage Sale Agreement, the Beneficial Title Seller entered into a mortgage sale agreement with Cornhill in respect of the Mortgage Loans. On or prior to the Closing Date, the Beneficial Title Seller will re-purchase the Mortgage Loans from Cornhill pursuant to the terms of an optional purchase notice (the "**Optional Purchase Notice**"). Investors should note that Cornhill will not give any warranties in favour of the Issuer and that the Beneficial Title Seller will not have recourse to Cornhill for breach of warranty in respect of the Mortgage Loans (if any) given by Cornhill to the Beneficial Title Seller under the Optional Purchase Notice. Investors should also be aware that the liability of the Seller under the Initial Mortgage Sale Agreement in respect of any breach of Asset Warranty in respect of the Mortgage Loans (the "**Original Asset Warranties**") is limited in both amount and time. Accordingly, no assurance can be given that in the event of a material breach of an Asset Warranty under the Mortgage Sale Agreement the Beneficial Title Seller will have the right to make a counterclaim against the Seller in respect of an equivalent Original Asset Warranty breach and in the event that any Mortgage Loan is found to be in material breach of the Asset Warranties, there can be no assurance that the assets of the Beneficial Title Seller will be sufficient to meet its obligation under the Mortgage Sale Agreement. Such a shortfall may have an adverse effect on the Issuer's ability to make payments on the Notes. There is no obligation

on the Beneficial Title Seller to repurchase a Mortgage Loan and its Related Security following a material breach of an Asset Warranty.

In addition, as the amount of any Liabilities is based upon the amount of, inter alia, actual costs, damages or loss suffered by the Issuer and which results directly from the particulars of the resulting breach of the relevant Asset Warranty on the relevant Mortgage Loan, the amount of such Liabilities may not be known at the time at which the breach of the Asset Warranty is discovered and further additional time (which could be months or years) may be required before any such actual loss (if any) can be determined. Depending upon the scenario at the time which leads the Issuer to suffer a loss on the applicable Mortgage Loan it may in addition be difficult to accurately assess and determine the level and amount of Liabilities which the resulting breach of the relevant Asset Warranty actually contributed to the loss that the Issuer has suffered on such Mortgage Loan at such time (and to the extent such quantum cannot be agreed between the Issuer and the Seller, an independent auditor will be required to determine the quantum). Accordingly, any indemnity payment required to be made by the Beneficial Title Seller in respect of any material breach of Asset Warranty may be uncertain as to appropriate quantum and also significantly delayed, both of which may impact the ability of the Issuer to meet its payment obligations under the Notes.

### **Breach of or disclosures in relation to Asset Warranties**

There are Mortgage Loans in the Mortgage Portfolio that are in breach of one or more of certain of the Asset Warranties (as at 21 February 2017 other than in relation to the MCOB Mortgage Loan which is made as at the Closing Date) given by the Beneficial Title Seller in the Mortgage Sale Agreement (the "**Disclosed Mortgage Loans**"). The Mortgage Portfolio includes one Mortgage Loan where a Borrower has raised a complaint with the Financial Ombudsman Service (the "**FOS**") and the Beneficial Title Seller has disclosed this complaint against Asset Warranties (g) and (jj). Three disclosures have been made against Asset Warranties (j) and (jj) in relation to Mortgage Loans where there are potential claims against the valuer and the valuation techniques. In relation to two of the Mortgage Loans in the Mortgage Portfolio, the Originator's solicitor failed to register a first ranking charge following completion and this disclosure has been made against Asset Warranties (c) and (k). There are 49 Mortgage Loans in the Mortgage Portfolio which, as at the date of the Initial Mortgage Sale Agreement, are the subject of ordinary enforcement proceedings resulting from defaulting Borrowers (in breach of Asset Warranty (jj)). There is one Mortgage Loan in the Portfolio which, as at the Closing Date, is in breach of Asset Warranty (w) (the "**MCOB Mortgage Loan**"). The Issuer has no recourse against the Beneficial Title Seller for losses arising as a result of a breach of any Asset Warranties where disclosure has been made against such specific Asset Warranty as set out in the Mortgage Sale Agreement. Given this risk the Issuer is funding the purchase of the Disclosed Mortgage Loans through the issuance of the Class Z VFN. Accordingly, if a loss is realised on a Mortgage Loan as a result of a breach of an Asset Warranty which has been disclosed against in the Mortgage Sale Agreement there is no obligation for the Beneficial Title Seller to make an indemnity payment in relation to such breach and this may affect the ability of the Issuer to make payments due on the Notes. However, the current balance of the Provisional Mortgage Portfolio is £587,532,528.5, the aggregate Current Balance of the Disclosed Mortgage Loans is £7,201,513.08 and the initial Principal Amount Outstanding under the Class A Notes is £477,100,000. As such, there is a degree of overcollateralisation in the transaction to protect the Class A Noteholders against losses in relation to the Disclosed Mortgage Loans.

### **Portfolio Option**

Under the Deed Poll, the Portfolio Option Holder may exercise the Portfolio Option on and from the Step-Up Date (and every Interest Payment Date thereafter) to require the Issuer to transfer the Mortgage Loans and their Related Security in the Mortgage Portfolio to it. The initial Portfolio Option Holder is the Beneficial Title Seller. The exercise of the Portfolio Option will give rise to an early redemption of the Notes on the relevant Optional Redemption Date (see "*Early Redemption of Notes*").

### **Knowledge of matters represented in Asset Warranties**

Although the Beneficial Title Seller will give certain representations and warranties in respect of the Mortgage Loans sold by it to the Issuer, the Beneficial Title Seller was not the originator of any of the Mortgage Loans. The Beneficial Title Seller purchased beneficial title to the Mortgage Loans and Related Security from the Seller under

the Initial Mortgage Sale Agreement. The Beneficial Title Seller does not have any direct knowledge as to whether an Asset Warranty (including Asset Warranties which relate to the origination process) is correct or not or (where a warranty is qualified by reference to the awareness of the Beneficial Title Seller) it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. Accordingly it may be practically difficult for the Beneficial Title Seller to detect a breach of warranty in respect of the Mortgage Loans sold by it to the extent that the same related to a matter outside of the immediate knowledge of the Beneficial Title Seller. Consequently, there is a risk that where an Asset Warranty is qualified by reference to awareness of the Beneficial Title Seller there is a limited chance of recovery under the relevant Asset Warranty given the limited knowledge of the Beneficial Title Seller.

To the extent that an Asset Warranty is not expressed to be limited by reference to the awareness of the Beneficial Title Seller, the Beneficial Title Seller will nevertheless be liable to make a cash payment in respect of all Liabilities relating to the material breach of Asset Warranty subject to (i) the Beneficial Title Seller's liability in relation to the Mortgage Loan being a maximum of the Current Balance of such Mortgage Loan and (ii) the Beneficial Title Seller's total aggregate liability not exceeding an amount equal to 100 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Closing Date.

### **Standard Documentation**

Prospective investors should note that since origination of the Mortgage Loans, the Standard Documentation may have been subject to certain amendments or variations including with respect to: (a) any variation agreed with a Borrower to control or manage arrears on a Mortgage Loan; (b) any variation in the maturity date of a Mortgage Loan; (c) any variation imposed by statute or as a result of legally binding UK government policy changes or initiatives aimed at assisting home owners in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Mortgage Loan is charged; (d) any variation to the interest rate as a result of the Borrower switching to a different rate; (e) any change to a Borrower under the Mortgage Loan or the addition of a new Borrower under a Mortgage Loan; (f) any change in the repayment method of the Mortgage Loan (including from an interest only loan to a repayment loan); or (g) any other variation that would be acceptable to a Prudent Mortgage Lender.

### **Tax risks associated with non owner-occupied Properties**

As of the Provisional Cut-Off Date, approximately 93.3 per cent. of the Mortgage Loans are secured by non-owner occupied freehold or leasehold properties (the "**Buy to Let Mortgage Loans**").

The UK Government has passed legislation restricting the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction is being introduced gradually with the first stage of changes applying from 6 April 2017. From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") applied to the purchase of additional residential properties (such as buy-to-let properties). The current additional rate is three per cent above the current SDLT rates.

The introduction of these measures may adversely affect the private residential rental market in England, Wales and Northern Ireland in general, or (in the case of the restriction of income tax relief) the ability of individual Borrowers of Buy to Let Mortgage Loans to meet their obligations under those Mortgage Loans which in turn may adversely affect the Issuer's ability to make payment on the Notes.

### **Further Advances, Flexible Drawings and Product Switches**

The Legal Title Holder or the Servicer (on behalf of the Legal Title Holder) may offer a Borrower, or a Borrower may request a Further Advance, Flexible Drawing or a Product Switch from time to time. Any Mortgage Loan which has been the subject of a Further Advance, Flexible Drawing or a Product Switch following an application by the Borrower will remain in the Mortgage Portfolio. If the Issuer subsequently determines that any Further Advance, Flexible Drawing or Product Switch does not satisfy an Asset Condition, as at the last day of the Monthly Period in which the relevant Further Advance, Flexible Drawing or Product Switch was made and as determined on the Monthly Test Date immediately following the relevant Monthly Period, and such default is not remedied in accordance with the Mortgage Sale Agreement, the Beneficial Title Seller will be required to make a

cash payment (equal to the Further Advance Payment Price, Flexible Drawing Payment Price or the Product Switch Payment Price, as applicable) in respect of the relevant Mortgage Loan and its Related Security. Neither the Legal Title Holder, nor the Servicer (on behalf of the Legal Title Holder) shall be obliged to offer, or be instructed by any party to offer a Further Advance or Product Switch but is obliged (subject to the satisfaction of certain conditions) to offer a Flexible Drawing.

The number of Further Advance, Flexible Drawing or Product Switch requests received by the Legal Title Holder and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

Further, there may be circumstances in which a Borrower might seek to argue that any Mortgage Loan, Further Advance, Flexible Drawing or Product Switch is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the CCA as further discussed below. If this were to occur, then this could adversely affect the Issuer's ability to make payments due on the Notes or to redeem the Notes (see "*General Regulatory Considerations – Regulation of buy-to-let mortgages*").

### **Collection of amounts due under Mortgage Loans**

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

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

### **Risk of Losses Associated with Declining Property Values**

The Security for the Notes consists of the Charged Property and may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. Declines in property values could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if the Security is required to be enforced.

### **Risk of Losses Associated with Interest Only Mortgage Loans**

As of the Provisional Cut-Off Date, approximately 97.54 per cent. of the loans in the Provisional Mortgage Portfolio by value constitute Interest Only Mortgage Loans. Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only and, as such, there is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the Current Balance. The ability of such Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower's ability to refinance the Property, to sell the Property, or to obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to sell or refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition and payment history of the Borrower, tax laws and general economic conditions at that time. Because of the greater risk relating to refinancing of Interest Only Mortgage Loans, a significant downturn in the property markets or the economy could lead to a greater increase in defaults or repayment of principal of Interest Only Mortgage Loans than on Repayment Mortgage Loans. Moreover, the Mortgage Conditions in respect of Interest Only Mortgage Loans do not require a Borrower to put in place alternative funding arrangements.

Borrowers may have insufficient equity to refinance their Mortgage Loans with lenders and may have insufficient resources to pay amounts in respect of their Mortgage Loans as and when they fall due. This could lead to a higher delinquency rates and losses which in turn may adversely affect the Issuer's ability to make payment on the Notes.

#### **Risk of Losses Associated with Arrears Loans**

Some Borrowers may have breached payment or non-payment obligations under the Mortgage Loans during the period since they were originated. While the Issuer will receive a degree of comfort by virtue of the Asset Warranties (see "*Assignment of the Mortgage Loans and Related Security*"), mortgage loans in arrears may experience higher rates of delinquency, write offs, enforcements and bankruptcy than mortgage loans without such arrears or breaches.

#### **Payment Holidays**

The terms and conditions of the Mortgage Loans provide that the Legal Title Holder will not require monthly repayments of capital in respect of any amount covered by a repayment plan or option acceptable to it. The Legal Title Holder may also permit suspension of monthly payments other than as a result of a repayment plan or option, in which case the Borrower will pay such interest and any reduced monthly payment as the Legal Title Holder may require as a condition of the suspension. At the end of the suspension period, subsequent monthly payments must be sufficient to pay off the arrears.

To the extent that the Legal Title Holder (or the Servicer on its behalf) permits Borrowers to suspend monthly payments, this may result in a shortfall in interest receipts and/or principal receipts.

#### **Geographic Concentration of Properties**

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

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

#### **Realisation of Charged Property and Liquidity Risk**

The ability of the Issuer to redeem all the Notes in full and to pay amounts to the Noteholders including after the occurrence of an Event of Default, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes. Unless such Mortgage Loans are sold pursuant to an exercise of the Portfolio Option, there can be no assurance that the Mortgage Loans can be realised for an amount sufficient to redeem the Notes. There may not be an active and liquid secondary market in the United Kingdom for loans with characteristics similar to the Mortgage Loans. It may not, therefore, be possible for the Issuer or, as the case may be, the Trustee or a Receiver to sell the Mortgage Loans on appropriate terms should such a course of action be required.

#### **Servicing of the Mortgage Loans and Reliance on Third Parties**

Capital Home Loans Limited has been appointed by the Issuer as Servicer to service the Mortgage Loans. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the service of an Enforcement Notice and with the prior written consent of the Trustee) the Issuer or (after the service of an Enforcement Notice) the Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Back-Up Servicer will be required by notice to act as servicer within 60 calendar days of receipt of such notice of termination, as set out in the Back-Up Servicing Agreement.

There can be no assurance that the Back-Up Servicer will be able to perform its obligations under the Back-Up Servicing Agreement, in which case there can be no assurance that a replacement servicer with sufficient experience of servicing loans would be found who would be willing and able to service the Mortgage Loans on the terms, or substantially similar terms, of the Servicing Agreement.

If the appointment of the Back-Up Servicer is terminated or if the Back-Up Servicer is unable to perform the services following a Servicer Termination Event, there can be no assurance that a replacement back-up servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans and the Trustee has no obligation to act as servicer in such event. Any delay or inability to appoint a replacement back-up servicer may adversely affect payments on the Mortgage Loans and hence the Issuer's ability to make payments when due on the Notes.

As at the Closing Date, the Servicer has the ability under the Servicing Agreement to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer will (subject to certain qualifications) (see "*Servicing of the Mortgage Portfolio*") remain responsible for the performance of such obligations under the Servicing Agreement.

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

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Cash Manager and the Back-Up Cash Manager Facilitator under the Cash Management Agreement, the Transaction Account Bank under the Transaction Account Agreement, the Principal Paying Agent, the Common Safekeeper, the Agent Bank and the Class Z VFN Registrar under the Agency Agreement and the Corporate Services Provider under the Corporate Services Agreement have all agreed to provide services with respect to the Notes. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party or were to resign from their appointment or if their appointment under the agreements to which they are a party were to be terminated (in each case, without being replaced), Noteholders may be adversely affected. It should also be noted that the liability of a number of these parties, including the Servicer and the Cash Manager, is limited in accordance with the terms of their relevant agreements.

### **Buildings Insurance Policy**

No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance policy or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

### **Title of the Issuer**

Legal title to all of the Mortgage Loans and (subject to registration or recording at the Land Registry) their related Mortgages are currently vested in the Legal Title Holder.

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

Until the Issuer obtains legal title to the Mortgage Loans and their related Mortgages, the sale of the Mortgage Loans and their related Mortgages will take effect in equity only, in terms of which the Issuer will acquire the beneficial interest therein.

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

### **General Regulatory Considerations**

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

### **Regulated Mortgage Contracts**

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the date known as the "**Regulation Effective Date**"). Residential mortgage lending under the FSMA is regulated by the FCA (and prior to 1 April 2013, was regulated by its predecessor the FSA). Subject to certain exemptions, entering into a Regulated Mortgage Contract as a lender, arranging Regulated Mortgage Contracts and advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are each regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

If a mortgage contract was entered into on or after the Regulation Effective Date, it will be a Regulated Mortgage Contract under the RAO if: (i) the lender provides credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

There have been incremental changes to the definition of regulated mortgage contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK. If the mortgage contract was entered into on or after 21 March 2016, it will be a regulated mortgage contract if it meets the following conditions (when read in conjunction with relevant exclusions) (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling by that individual or a related person; or (in the case of credit provided to a trustee who is not an individual), as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person (and a related person is broadly the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

The Servicer has permission to administer regulated mortgage contracts but this permission is limited so that the Servicer is unable to undertake home finance administration which is connected to new regulated mortgage contracts.

### **Regulation of buy-to-let mortgages**

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated by the Consumer Credit Act 1974 (the "**CCA**") as a regulated credit agreement – as defined by article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") (a "**Regulated Credit Agreement**");



- regulated by the Financial Services and Markets Act 2000 (the "**FSMA**") as a regulated mortgage contract - as defined by article 61 RAO) (a "**Regulated Mortgage Contract**"); or
- regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime - as defined by the Mortgage Credit Directive Order 2015 (a "**Consumer Buy-to-Let Loan**").

The Mortgage Portfolio comprises Mortgage Loans that the Beneficial Title Seller believes are either unregulated or Regulated Mortgage Contracts and as described below, the Beneficial Title Seller has given warranties in the Mortgage Sale Agreement that no agreement for any Mortgage Loan is in whole or in part a Regulated Credit Agreement. If any of the Mortgage Loans are in fact Regulated Credit Agreements, then breach of the relevant regulations could give rise to a number of consequences (as applicable), including but not limited to: unenforceability of the Mortgage Loans, interest payable under the Mortgage Loans being irrecoverable for certain periods of time, or borrowers being entitled to claim damages for losses suffered and being entitled to set off the amount of their claims against the amount owing by the borrower under the Mortgage Loans, all of which may adversely affect the ability of the Issuer to make payments in full on the Notes when due. A loan will not be a Consumer Buy-to-Let Loan unless it was originated on or after 21 March 2016 and no Mortgage Loan was originated on or after 21 March 2016.

### **Unregulated buy-to-let mortgage loans**

Many buy-to-let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or Consumer Buy-to-Let Loan. There are, however, still some regulated activities that apply to unregulated buy-to-let mortgage loans. The relevant activities in respect of the Mortgage Loans being debt administration and debt collection. The Servicer and Issuer will be excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated loan.

### **Unfair Relationships**

Under the Consumer Credit Act, the "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant Originator, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

*Plevin v Paragon* [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

In March 2017, the FCA published final rules and guidance with respect to payment protection insurance complaints in light of *Plevin*. The rules will not apply to borrowers with Regulated Mortgage Contracts. The FCA rules come into force on 29 August 2017 and require that firms that sold payment protection insurance ("**PPI**") to write to previously rejected mis-selling complainants who are eligible to complain again in light of *Plevin* in order to explain this to them by 29 November 2017. The FCA rules state that if the anticipated profit share and commission or the likely range of profit share and commission on a PPI contract were not disclosed to the borrower before the PPI contract was entered into, the firm should consider whether it can satisfy itself on

reasonable grounds that an unfair relationship did not arise. A firm should make a rebuttable presumption that failure to disclose commission gave rise to an unfair relationship if the anticipated profit share plus the commission known or reasonably foreseeable at the time of sale was in relation to a single premium payment protection contract, more than 50% of the total amount paid in relation to the PPI contract or in the case of a regular premium PPI contract, at any time in the relevant period or period more than 50% of the total amount paid in relation to the PPI contract in respect of the relevant period or periods. The FCA cites, amongst others, an example of such presumption being rebutted by the lender not having known and not being reasonably expected to have known or foreseen the level of commission and anticipated profit share. Where the firm concludes that the non-disclosure of commission on a PPI contract has given rise to an unfair relationship, the FCA states that the firm should remedy the unfairness by paying the complainant a sum equal to the total commission paid by the complainant for PPI plus an amount representing any profit share payment, minus 50% of the total amount paid by the complainant for the PPI ("**Compensation Sum**"). The firm should also pay historic interest in relation to the Compensation Sum (which is the interest the complainant paid as a result of the Compensation Sum being included in the loan) where relevant and also pay simple interest on the whole amount.

If a court determines that there was an unfair relationship between the Lender and the Borrowers in respect of the Mortgage Loans and orders that financial redress be made in respect of such Mortgage Loans, such redress may adversely affect the ultimate amount received by the Issuer in respect of the relevant Mortgage Loans and the realisable value of the Mortgage Portfolio and/or the Issuer's ability to make payment in full on the Notes when due.

### **Automatic capitalisation**

The FCA has recently issued a finalised guidance relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance and keep a separate record of the borrower's arrears and seek separate (and additional) payment of those. In the finalised guidance, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation. The review period for remediation begins from 25 June 2010 and the FCA expects all remediation programmes to be concluded by 30 June 2018.

The FCA have proposed a framework for remediation and in broad terms, the FCA expect borrowers to be compensated for any incorrectly charged fees and interest and where fees have been paid by the customer, simple interest of 8% p.a. and simple interest of 8% on any "overpayments", i.e. any actual payments of monthly payments in excess of those which would have been required to pay off the arrears had there been no automatic capitalisation. Firms using the remediation framework will only reconstitute mortgage accounts where at least one automatic capitalisation resulted in an additional payment greater than £10 per month. Use of the framework is not mandatory, but the FCA expect firms to determine a remediation approach to achieve fair outcomes for the affected customers.

If any remediation is required or Borrowers bring claims in connection with their Mortgage Loans in respect of an automatic capitalisation, such remediation and claims and any set-off by Borrowers in respect of such claims against the amount due by Borrowers under the relevant Mortgage Loans, may adversely affect the ultimate amount received by the issuer in respect of the relevant Mortgage Loans and the realisable value of the Mortgage Portfolio and/or the ability of the Issuer to make payments under the Notes.

### **Repossessions policy**

The Mortgage Repossession (Protection of Tenants etc.) Act 2010 (the "**Repossession Act 2010**") came into force on 1 October 2010. The Repossession Act 2010 gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

The protocol in the Repossession Act 2010 and the MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of

responsive action in respect of the Mortgage Loans may result in delayed or lower recoveries and a lower repayment rate on the Notes.

### **The Renting Homes (Wales) Act 2016**

The Renting Home (Wales) Act (the "**Renting Homes Act**") received royal assent on 18 January 2016 but has not yet been brought into force. This Act will convert the majority of residential tenancies in Wales into a 'standard contract' with retrospective effect when it has been brought into force, however some tenancies will not be converted with retrospective effect (including those which have Rent Act protection and tenancies for more than 21 years).

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgage loans over Properties in Wales and may affect the ability of the Issuer to make payments under the Notes.

### **Unfair Terms in Consumer Contracts Regulations 1994 and 1999**

In the United Kingdom, the 1999 Regulations, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made between 1 July, 1995 and 30 September, 2015 and affect all or almost all of the Mortgage Loans. The CRA has revoked the UTCCR as from 1 October 2015 (see "*Consumer Rights Act 2015*" below).

The UTCCR provide that a consumer (which would include any Borrowers who are not in the business of letting Properties) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term). A term is unfair for these purposes, if contrary to the requirements of good faith, it causes a significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the Originator is permitted to do) is found to be unfair, the relevant Borrower will not be liable to pay interest at the increased rate or, to the extent that the relevant Borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the relevant Borrower under the loan or any other loan agreement that the relevant Borrower has taken with the Originator. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

On 12 January 2016, the FCA and the Competition and Markets Authority (the "**CMA**") entered into a memorandum of understanding in relation to consumer protection (the "**MoU**") which stated that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under FSMA. Further, the MoU stated that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms, and the CRA of negotiated terms, in financial services contracts issued by authorised firms or appointed representatives, when such firms or representatives are undertaking any regulated activity (as specified in Part II of the RAO), in the United Kingdom. In this MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission. This will include contracts for:

- mortgages and the selling of mortgages;

- insurance and the selling of insurance;
- bank, building society and credit union accounts;
- life assurance;
- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

In July 2012, the Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair. The Law Commission also recommended that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of the term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Act 2015, which came into force in October 2015.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Mortgage Loans entered into between 1 October 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

### **Consumer Rights Act 2015**

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. The CRA has revoked the UTCCR for contracts entered into on and after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the

requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A consumer contract may not be assessed for fairness to the extent that: (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" as set out in Schedule 2 to the CRA. A trader must ensure that a written term of a consumer contract, or consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings have explicitly raised the issue of fairness.

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "CMA") published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**").

The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs". In general, there is little reported case law on the UTCCR and/or the CRA and the interpretation of each is open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Mortgage Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Notes. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Legal Title Holder, the Servicer or the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans.

### **Consumer Protection from Unfair Trading Regulations 2008**

On 11 May, 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Generally, this directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the Unfair Practices Directive. The

Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set off to an individual consumer.

The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("CPUTRs"), which came into effect on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. The possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No.2014/870) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. These amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements. This will apply to any CBTLs in the Mortgage Portfolio and any debt collection activity with regard to commercial demands for payment.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into law in the UK and any further harmonisation will not have a material adverse effect on the Mortgage Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

### **Distance Marketing**

The Financial Services (Distance Marketing) Regulations 2004 apply to, inter alia, credit agreements entered into on or after 31 October 2004 by a "consumer" within the meaning of these regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). Certain credit agreements may be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time, or in any event, for unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

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

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

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

### **Financial Ombudsman Service**

Under FSMA, the Ombudsman, an independent adjudicator, is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance rather than strictly on the basis of compliance with law.

Complaints properly brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict whether any future decision of the Ombudsman may have an adverse effect on the Mortgage Loans, the Issuer, the Servicer and their respective businesses and operations and such decision may affect the ability of the Issuer to make payments to Noteholders.

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

The Basel Committee approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 such changes being commonly referred to as Basel III. In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). Basel Committee member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the implementation of the Liquidity Coverage Ratio from the start of 2015, with full implementation by January 2019 and the implementation of the Net Stable Funding Ratio from January 2018). Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 15 per cent.

Implementation of the Basel Committee framework and any changes as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

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

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

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

Investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the

relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor.

In particular, investors should be aware of Articles 404 to 410 of Regulation (EU) No. 575/2013 referred to as the Capital Requirements Regulation ("**CRR**") which apply, in general, to securitisations newly issued on or after 1 January 2014. Article 405 of the CRR restricts an EU regulated credit institution and consolidated group affiliates thereof from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation as contemplated by Article 405. Article 406 also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the notes it has acquired and the underlying exposures and that procedures have been established for such due diligence to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Articles 404 to 410 may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant investor.

Investors should also be aware of Section 5 of Regulation (EU) No 231/2013 (the "**AIFMR**"), the provisions of which section introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers that are required to become authorised under the EU Directive 2011/61/EC on Alternative Investment Fund Managers and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under Section 5 of the AIFMR are similar to those which apply under Articles 404 to 410 (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures), they are not identical and, in particular, additional due diligence obligations apply to relevant alternative investment fund managers.

Investors should also be aware of Chapter VIII of Title I of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (the "**Solvency II Regulation**"). Article 254 of the Solvency II Regulation, which took effect on 1 January 2016, restricts an EU regulated insurance or reinsurance undertaking from investing in a securitisation unless the originator, sponsor or original lender has explicitly disclosed that it shall retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation. The requirements under Chapter VIII of Title I of the Solvency II Regulation are similar, but not identical to, the requirements under Articles 404 and 410 of the CRR. In particular, additional due diligence obligations apply to relevant EU regulated insurance or reinsurance undertakings.

Aspects of the risk retention and due diligence requirements described above and what is or will be required to demonstrate compliance to national regulators remain unclear. In particular, in the context of the requirements which apply in respect of EU regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments may result in changes to the corresponding interpretation materials which apply in respect of such requirements. No assurance can be provided that any such changes will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine (i) whether the transaction complies with any relevant requirements and (ii) the sufficiency of the information described in this Prospectus and in any investor reports provided in relation to the transaction for the purposes of complying with any relevant requirements and none of the Issuer, the Arranger, the Joint Lead



Managers, the Originator, the Servicer or any Transaction Party makes any representation that the information described above is sufficient in all circumstances for such purposes or that the transaction complies with any relevant requirements.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

### **U.S. Risk Retention Requirements**

Section 941 of the Dodd-Frank Act amended the Exchange Act to generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules came into effect on 24 December 2015 with respect to residential mortgage-backed securitizations. The U.S. Risk Retention Rules provide that the securitizer of an asset backed securitization is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Beneficial Title Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that: (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the "ABS interests" (as defined in Section 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitization transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules, "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the Issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Mortgage Portfolio will be comprised of mortgage loans and their related security, all of which are originated by the Legal Title Holder, a company incorporated in England. See the section entitled "*Description of the Legal Title Holder, an Originator and the Servicer*".

Prior to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes must first disclose to the Joint Lead Managers that it is a Risk Retention U.S. Person and obtain the written consent of the Beneficial Title Seller in the form of a U.S. Risk Retention Waiver Consent. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to paragraphs (b) and (h)(i), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "**U.S. person**" (and "**Risk Retention U.S. Person**" as used in this Prospectus) means any of the following:

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States<sup>1</sup>;

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<sup>1</sup> The comparable provision from Regulation S is "(i) any partnership or corporation organised or incorporated under the laws of the United States.

- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
  - (i) organised or incorporated under the laws of any foreign jurisdiction; and
  - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act<sup>2</sup>.

Each holder of a Note or a beneficial interest therein acquired on the Closing Date, by its acquisition of a Note or a beneficial interest in a Note, will be deemed, and, in certain circumstances, will be required to represent to the Issuer, the Beneficial Title Seller and the Joint Lead Managers that it (1) either (i) is not a Risk Retention U.S. Person or (ii) it has obtained a U.S. Risk Retention Waiver Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

There can be no assurance that the requirement to request the Beneficial Title Seller to give its prior written consent to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person will be complied with or will be made by such Risk Retention U.S. Persons.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. No assurance can be given as to whether a failure by the Beneficial Title Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the Notes or the market value of the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitization market generally is uncertain, and a failure by the Beneficial Title Seller to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes.

None of the Joint Lead Managers or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Prospectus comply as a matter of fact with the U.S. Risk Retention Rules on the Closing Date or at any time in the future. Investors should consult their own advisors as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **CRA Regulation**

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such regulation has not been withdrawn or suspended), subject to transitional

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<sup>2</sup> The comparable provision from Regulation S "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the [Securities Act], unless it is organised or incorporated, and owned, by accredited investors (as defined in [17 CFR 230.501(a)]) who are not natural persons, estates or trusts.

provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Fitch and Moody's, each of which, as at the date of this Prospectus, is a credit rating agency established in the European Community and registered under the CRA Regulation. Each of the Issuer and the Beneficial Title Seller (as originator for the purposes of the CRA Regulation) will be required to comply with any applicable requirements under Article 8b of CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the "**Article 8b Requirements**") in respect of any relevant Notes issued by the Issuer. As at the date of this Prospectus, aspects of the Article 8b Requirements remain subject to further clarification and may be replaced by transparency and disclosure requirements set out in the European Commission's proposed regulations referred to above.

## **Tax Considerations**

### **UK taxation treatment of the Issuer**

The Issuer has been advised that it should fall within the permanent regime for the Securitisation Tax Regulations, and, as such, should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations) for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not in fact satisfy the conditions of the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

### **Withholding Tax under the Notes**

Provided that the Class A Notes are and continue to be "listed on a recognised stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007), as at the date of this Prospectus no withholding or deduction for or on account of United Kingdom income tax will be required on payments of interest on the Class A Notes. However, there can be no assurance that the law in this area will not change during the life of the Class A Notes.

In the event that any withholding or deduction for or on account of any tax is imposed on payments in respect of the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for such withholding or deduction. However, in such circumstances in respect of the Class A Notes, the Issuer will, in accordance with Condition 8.6 (*Optional Redemption of the Class A Notes in whole for taxation or other reasons*), be required to provide to the Trustee a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction in respect of the Class A Notes cannot be avoided.

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Class A Notes is discussed further under "*Taxation – United Kingdom Taxation*" below.

### **U.S. Foreign Account Tax Compliance**

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a withholding tax is imposed on (i) certain U.S. source payments, (ii) beginning 1 January 2019, payments of gross proceeds from the disposition of assets that can produce U.S. source interest or dividends and (iii) beginning 1 January 2019 (at the earliest), certain payments made by "foreign financial institutions" ("**foreign passthru payments**"). This withholding tax is imposed on such payments made to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions

(including the United Kingdom) have entered into, or have agreed in substance to "intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of FATCA to instruments or agreements such as the Mortgage Loans and Notes, including whether withholding on foreign passthru payments would ever be required pursuant to FATCA or an IGA with respect to payments on instruments or agreements such as the Mortgage Loans and Notes, are uncertain and may be subject to change.

If the Issuer fails to comply with its obligations under FATCA (including the U.S.-UK IGA and any IGA legislation thereunder), it may be subject to FATCA withholding on all, or a portion of, payments it receives with respect to the Mortgage Loans (if any). Any such withholding would, in turn, result in the Issuer having insufficient funds from which to make payments that would otherwise have become due in respect of the Notes (if any). No other funds will be available to the Issuer to make up any such shortfall and, as a result, the Issuer may not have sufficient funds to satisfy its payment obligations to Noteholders. No assurance can be given that the Issuer can or will comply with its obligations under FATCA or that the Issuer will not be subject to FATCA withholding.

Notes that are not treated as equity for U.S. federal income tax purposes and have a fixed term that are not issued more than six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding in respect of foreign passthru payments unless materially modified after such date (including by reason of a substitution of the Issuer).

In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

#### **EU financial transactions tax**

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**") for a financial transaction tax ("**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including concluding purchases or sales of securities (such as authorised investments)) if it is adopted based on the Commission's proposal. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating member states. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## **Legal Considerations**

### **Effect of set-off**

Where a Borrower has a valid claim against a mortgagee, that Borrower will be entitled to set-off payment otherwise due to that mortgagee to the extent of the Borrower's claim where the Borrower's claim arises out of the contract in respect of which the mortgagee claims payment (that is, the relevant Mortgage Condition) or in respect of closely connected transactions.

If a Borrower were to attempt to set-off, the amount he or she could set-off would be limited to the damages that Borrower suffered as a result of the breach by the Legal Title Holder of such contractual obligation. The likely measure of damages would be the difference, if any, between the cost of borrowing from the Legal Title Holder and the cost of borrowing from another lender.

### **Change of Law**

The structure of the transaction as described in this Prospectus and, among other things, the issue of the Notes and the ratings which are to be assigned to the Notes are based on English law, tax, accounting, regulatory and administrative practice in effect as at the date hereof as it affects the parties to the transaction and the Mortgage Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date hereof nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

### **Enforcement of Buy to Let Mortgage Loans**

The Dwelling Houses (Execution of Possession Orders by Mortgagees) Regulations 2010 came into effect on 1 October 2010 and contain new requirements for creditors to give at least 14 days' notice of their intention to execute a possession order over residential premises which have been let. Additionally, pursuant to the Mortgage Repossessions (Protection of Tenants etc.) Act 2010, a court could delay execution of possession orders for up to two months on an application by a tenant. These changes in the law may delay the Legal Title Holder exercise of its power of sale in relation to the Buy to Let Mortgage Loans and may in turn reduce the timeliness of receipts receivable by the Issuer under the Mortgage Portfolio and may adversely impact on the ability of the Issuer to make payments under the Notes.

### **General market volatility and post-UK referendum uncertainty**

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone. If such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any exit(s) by any member state(s) from the European Union and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the UK housing market, the issuing entity, one or more of the other parties to the transaction documents (including the Beneficial Title Seller, the Servicer and the Transaction Account Bank) and/or any borrower in respect of the underlying loans.

In particular, prospective investors should note that, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union and the negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the impact that these matters will have on the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any borrower in respect of the underlying loans, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the issuing entity to satisfy its obligations under the notes and/or the market value or liquidity of the notes.

### **Liquidation Expenses**

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge.

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

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

### **English law security and insolvency considerations**

The Issuer will enter into the Security Deed pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see "*Security for the Issuer's Obligations*"). In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the security impaired. While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Security Deed may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Security Deed, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the

Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

### **Fixed Charges May Take Effect under English Law as Floating Charges**

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

The law in England and Wales relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then certain claims, which are given priority over the floating charge by law, would be given priority over the claims of the floating chargeholder. See the section entitled "*English law security and insolvency considerations*" above.

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

## MORTGAGE PORTFOLIO AND SERVICING

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

### Sale of Portfolio

The Mortgage Portfolio will consist of the Mortgage Loans, the Related Security, and all monies derived therefrom from time to time after the Cut-Off Date, which will be sold to the Beneficial Title Seller on or before the Closing Date and which the Beneficial Title Seller will on-sell to the Issuer on the Closing Date and includes any Further Advances made in respect of such Mortgage Loans.

The Mortgage Portfolio comprises Mortgage Loans secured over properties in England and Wales (any such Mortgage Loan, an "**English Loan**") and Northern Ireland (any such Mortgage Loan, a "**Northern Irish Loan**").

Each English Loan and its Related Security is governed by English law.

Each Northern Irish Loan and its Related Security is governed by Northern Irish law.

The Mortgage Portfolio comprises Buy to Let Mortgage Loans, Flexible Mortgage Loans and owner occupied Mortgage Loans originated by the relevant Originator.

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

### Features of Mortgage Loans

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

Type of mortgage	repayment, interest only, part & part
Buy to let Mortgage Loans	Yes – 93.3%
Individual Borrowers	Yes – 83.39%
Corporate Borrowers	Yes – 16.61%
Number of Mortgage Loans	4,875 (subject to removals due to repossession or redemption)
Current Balance	£587,532,528.5
	<b>Average / Weighted average</b>
Weighted Average Current Balance / Original Valuation	82.10%
Weighted Average Current Balance / Indexed Valuation	69.65%
Seasoning	10.15 years
Remaining Term	12.64 years

### Consideration

The consideration payable by the Issuer to the Beneficial Title Seller in respect of the sale of the Mortgage Loans and Related Security shall be £578,806,920 in cash consideration (the "**Purchase Price**"), plus the Deferred Consideration.

In the event of a breach of an Asset Warranty given in respect of the relevant



Mortgage Loan (which is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy within the applicable grace period following such breach of Asset Warranty), the Beneficial Title Seller will be required to make a cash payment to the Issuer in respect of all Liabilities relating to the breach of Asset Warranty subject to (i) the Beneficial Title Seller's liability in relation to the Mortgage Loans being a maximum of the Current Balance of such Mortgage Loan and (ii) the Beneficial Title Seller's total aggregate liability not exceeding an amount equal to 100 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Closing Date.

In the event of a breach of an Asset Warranty given in respect of the relevant Mortgage Loan subject to a Further Advance, Product Switch or Flexible Drawing or breach of the Asset Conditions (which in either case is not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy within the applicable grace period following such breach of Asset Warranty or breach of Asset Condition), the Beneficial Title Seller will be required to make a cash payment to the Issuer equal to the Further Advance Payment Price, the Flexible Drawing Payment Price or the Product Switch Payment Price (as applicable).

**Representations and Warranties**

The Beneficial Title Seller will make certain Asset Warranties regarding the Mortgage Loans and Related Security to the Issuer on the Closing Date, on the Advance Date in relation to a Further Advance, on the Switch Date in relation to a Product Switch and on the Drawings Date in relation to a Flexible Drawing. The Asset Warranties will be subject to the disclosures as set out in the Mortgage Sale Agreement. See "*Risk Factors – Breach of or disclosures in relation to Asset Warranties*" for further information.

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

**Indemnity payments in relation to the Mortgage Loans and Related Security**

The Beneficial Title Seller shall make a cash payment in respect of all Liabilities relating to the relevant Mortgage Loans and their Related Security following a material breach of an Asset Warranty (which is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy within the applicable grace period following such material breach of an Asset Warranty) subject to the Beneficial Title Seller's liability in relation to the Mortgage Loan being a maximum of the Current Balance of such Mortgage Loan. The Beneficial Title Seller's total aggregate liability shall be limited to an amount equal to 100 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Closing Date. Following the Beneficial Title Seller making an indemnity payment in relation to a Mortgage Loan in an amount equal to 100 per cent. of the Current Balance of such Mortgage Loan, any amounts received by the Issuer in respect of such Mortgage Loan will be for the benefit of the Beneficial Title Seller and will not form part of Available Revenue Funds or Available Principal Funds.

**Cash Payment for Further Advances, Product Switches and Flexible Drawings**

Where the Beneficial Title Seller is required to make a cash payment in relation to any Mortgage Loan the subject of a Further Advance, Product Switch or a Flexible Drawing following a material breach of an Asset Warranty or in relation to any Mortgage Loan which is subject to a Further Advance, Product Switch or a Flexible Drawing due to an Asset Condition breach, the consideration payable by the Beneficial Title Seller in respect of a Further Advance shall be equal to the Further Advance Payment Price, in respect of a Product Switch shall be equal to the Product Switch Payment Price and in respect of a Flexible Drawing shall be equal to the Flexible Drawing Payment Price.

**Purchase of Mortgage Portfolio by Portfolio Option Holder**

The Portfolio Option Holder may exercise the Portfolio Option by notice to the Issuer with a copy to the Trustee at any time in the period from the Business Day falling 20 Business Days prior to an Optional Redemption Date until such Optional

Redemption Date (the "**Optional Portfolio Purchase**"). Completion of the purchase by the Portfolio Option Holder will occur on the Business Day falling two Business Days prior to the next Interest Payment Date to occur after the exercise date, provided that, if the Portfolio Option is exercised later than 10 Business Days prior to the next Interest Payment Date, the completion date shall occur on the Business Day falling two Business Days prior to the second Interest Payment Date to occur after the date of exercise (the "**Optional Portfolio Purchase Completion Date**").

**Consideration for purchase by Portfolio Option Holder**

The purchase price payable by the Portfolio Option Holder in respect of the Optional Portfolio Purchase shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Optional Portfolio Purchase Completion Date and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes as at the Optional Portfolio Purchase Completion Date plus accrued but unpaid interest thereon up to and including the Optional Portfolio Purchase Completion Date, together with any payments due from the Issuer in respect of items ranking in priority to or *pari passu* with the Class A Notes (including interest and principal due and payable in respect of the Class A Notes) pursuant to the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date less any Available Principal Funds and Available Revenue Funds to be applied in accordance with the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date (including the credit balance of the General Reserve Fund).

**Perfection Events:**

Transfer of the legal title to the relevant Mortgage Loans and Related Security will be perfected if certain specified perfection events occur. Such perfection events will include (i) insolvency of the Legal Title Holder (ii) perfection being required by an order of the court or change in law (iii) unless, at the sole discretion of the Issuer, otherwise agreed with the Legal Title Holder, the replacement of Capital Home Loans Limited as Servicer and (iv) delivery of an Enforcement Notice or a Security Protection Notice by the Trustee and (v) the security under the Security Deed or any material part of that security is, in the opinion of the Trustee, in jeopardy.

Prior to the completion of the transfer of legal title to the relevant Mortgage Loans and Related Security to the Issuer (or a nominee of the Issuer), the Issuer will hold only the equitable title to those Mortgage Loans and the Related Security and will therefore be subject to certain risks as set out in the section entitled "*Risk Factors – Title of the Issuer*".

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

**Servicing of the Mortgage Portfolio:**

The Servicer will be appointed by the Issuer to service the Mortgage Portfolio on a day-to-day basis (such services, the "**Services**").

The appointment of the Servicer may be terminated by the Issuer or by the Trustee, upon the occurrence of certain events, as more particularly described in the section entitled "*Servicing of the Mortgage Portfolio*".

In the event that (subject to applicable grace periods and materiality thresholds):

- (a) there is a default by the Servicer in the payment of any payment due and payable under the Servicing Agreement;
- (b) there is a default by the Servicer in the performance or observance of any of the covenants and obligations under the Servicing Agreement, which default is materially prejudicial to the interests of the Issuer;
- (c) there is a misrepresentation by the Servicer with respect to its Sanctions and Anti-Bribery warranties under the Servicing Agreement, which

misrepresentation is materially prejudicial to the interests of the Issuer; or

(d) an Insolvency Event occurs in respect of the Servicer,

then the Issuer may terminate the appointment of the Servicer under the Servicing Agreement and the Back-Up Servicer will within 60 days of notice of its appointment commence the provision of the Services as set out in the Back-Up Servicing Agreement.

In the absence of a Servicer Termination Event, Noteholders have no right to instruct the Trustee to terminate the appointment of the Servicer. Once a Servicer Termination Event has occurred, Noteholders may, by Extraordinary Resolution, instruct the Trustee to terminate the appointment of the Servicer.

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

## **DESCRIPTION OF THE TERMS AND CONDITIONS OF THE NOTES**

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

## FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class Z VFN
Currency:	GBP	GBP
Initial Principal Amount Outstanding:	£477,100,000	£ 112,100,000 (being the initial Principal Amount subscribed at the Closing Date) up to a maximum of £200,000,000
Note Credit Enhancement:	Subordination of the Class Z VFN, Liquidity Ledger, Credit Ledger, excess spread	Excess spread
Liquidity Support:	Liquidity Ledger, Credit Ledger, Principal Reallocation Amount and excess spread	N/A
Issue Price:	99.496	100%
Interest Reference Rate:	3 month Sterling LIBOR	3 month Sterling LIBOR
Margin:	0.65% p.a.	0% p.a.
Step-Up Margin:	1.30% p.a.	0% p.a.
Interest Accrual Method:	Act/365 (fixed)	
Interest Determination Date:	Interest Payment Date	
Interest Payment Dates:	Interest is payable quarterly in arrear on the 27th day of February, May, August and November	
Business Day Convention:	Modified Following	
First Interest Payment Date:	The Interest Payment Date falling in August 2017	
First Interest Period:	The period from the Closing Date to the First Interest Payment Date	
Optional Redemption Date:	The Interest Payment Date falling in May 2020 and each subsequent Interest Payment Date	
Pre-Enforcement Redemption Profile:	Pass through amortisation on each Interest Payment Date to the extent of Available Principal Funds subject to and in accordance with the relevant Payments Priorities.	
Portfolio Call Option:	On or after the Optional Redemption Date, the Portfolio Option Holder may exercise the option to purchase the Mortgage Portfolio. The purchase price for the Mortgage Portfolio shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Optional	

Portfolio Purchase Completion Date and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes as at the Optional Portfolio Purchase Completion Date plus accrued but unpaid interest thereon, less any Available Principal Funds and Available Revenue Funds to be applied in accordance with the applicable Payments Priorities on the immediately following Interest Payment Date (including the credit balance of the General Reserve Fund).

Portfolio Call:

If the Optional Portfolio Purchase is exercised later than 10 Business Days prior to the next Interest Payment Date to occur after the exercise date in respect of the Portfolio Option the Notes will be redeemed on the Interest Payment Date immediately following that Interest Payment Date.

Other Early Redemption in Full Events:

Tax/clean-up call/Issuer voluntary call on each Interest Payment Date after the 3rd anniversary

Post-Enforcement Redemption Profile:

Sequential pass-through amortisation in accordance with the Post-Enforcement Payments Priorities.

Final Maturity Date:

Interest Payment Date falling in May 2046

	<b>Class A Notes</b>	<b>Class Z VFN</b>
Form of the Notes:	Bearer	Registered
Application for Listing:	Main Securities Market of the Irish Stock Exchange	N/A
ISIN:	XS1609323925	N/A
Common Code:	160932392	N/A
Clearance/Settlement:	Euroclear / Clearstream, Luxembourg	N/A
Minimum Denomination:	£100,000 and £1,000 increments	£100,000 and £1,000 increments
Rating of Notes on Issue (Fitch/Moody's):	AAAsf/Aaa(sf)	N/A

The Issuer will issue the following classes of the Notes on the Closing Date under the Trust Deed:

- Class A Mortgage Backed Floating Rate Notes due May 2046 (the "**Class A Notes**"); and
- the Class Z VFN Variable Funded Note due May 2046 (the "**Class Z VFN**"),

(and together, the Class A Notes and the Class Z VFN, are the "**Notes**" and the holders thereof from time to time, the "**Noteholders**").

**Ranking**

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

The "**Most Senior Class**" shall be:

- (a) the Class A Notes whilst they remain outstanding; and
- (b) thereafter the Class Z VFN whilst it remains outstanding.

Any reference to a "**class**" of Noteholders shall be a reference to the Class A Notes and/or the Class Z VFN, as the case may be, or to the respective holders thereof.

**Form of Notes**

The Class A Notes will be issued in global bearer form. The Class Z VFN will be issued in dematerialised registered form.

**Pre-Enforcement  
Ranking of Payments  
of Interest:**

Payments of interest due on the Notes will be made in Sequential Order in the following order of priority:

- (a) first, in respect of the Class A Notes; and
- (b) second, in respect of the Class Z VFN,

in each case in accordance with the Pre-Enforcement Revenue Payments Priorities.

**Pre-Enforcement  
Ranking of Payments  
of Principal:**

Payments of principal due on the Notes will be made in Sequential Order in the following order of priority:

- (a) first, in respect of the Class A Notes; and
- (b) second, in respect of the Class Z VFN,

in each case in accordance with the Pre-Enforcement Principal Payments Priorities.

**Sequential Order:**

In respect of payments of interest and principal to be made to the Class A Notes and Class Z VFN: first, to the Class A Notes and second, to the Class Z VFN.

**Pre-Enforcement  
Ranking of the Notes:**

Payments of interest on the Notes will at all times rank in priority to any payments of Deferred Consideration.

**Variable Funded Note**

The Issuer will issue the Class Z VFN on the Closing Date.

So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the nominal value of the securitised exposures.

On the Closing Date, the Class Z VFN will be subscribed for in the amount of £112,100,000. Prior to the Class Z VFN Commitment Termination Date, the Class Z VFN will have a maximum principal amount of £200,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class Z VFN (the "**Class Z VFN Holder**", which on the Closing Date will be the

Beneficial Title Seller) and notified to the Trustee (the "**Maximum Class Z VFN Amount**"), that can be funded by the Class Z VFN Holder at the request of the Issuer.

The commitment of the Class Z VFN Holder in respect of holding the Class Z VFN will be extinguished on the earlier to occur of:

- (a) the Interest Payment Date falling in May 2046; and
  - (b) an Event of Default,
- (the "**Class Z VFN Commitment Termination Date**").

The maximum principal amount outstanding under the Class Z VFN shall not exceed the Maximum Class Z VFN Amount.

## **Security**

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

- (a) a first fixed charge over the benefit of the Issuer in each Mortgage Loan, Mortgage and other Related Security relating to such Mortgage Loan, each Mortgage Conditions and all Receivables;
- (b) an assignment, or to the extent not assignable, a first fixed charge of rights held by the Issuer against certain third parties;
- (c) a first fixed charge of the benefit of any bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- (d) assignment of rights in respect of the Collection Account Trust;
- (e) an assignment of the benefit of the Issuer under each relevant Transaction Document (other than the Trust Documents); and
- (f) a first floating charge over all the assets and undertaking of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (e) above.

Some of the other Secured Amounts rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Post-Enforcement Payments Priorities.

See also the following risk factor under "*Risk Factors – Fixed Charges May Take Effect under English Law as Floating Charges*".

## **Interest Provisions**

See "*Full Capital Structure of the Notes*" and "*Terms and Conditions of the Notes*".

## **Interest Deferral**

Interest due and payable on the Class Z VFN may be deferred in accordance with Condition 7.10 (*Interest Accrual*).

## **Gross-up**

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

## **Redemption**

The Notes are subject to the following mandatory redemption events:

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*);
- mandatory redemption of the Class A Notes in whole after the occurrence of an Optional Portfolio Purchase, as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*);



- mandatory redemption in part on any Interest Payment Date as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*);
- optional redemption of the Class A Notes exercisable by the Issuer in whole on any Interest Payment Date where the Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes as at the Closing Date, as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*);
- optional redemption of the Class A Notes exercisable by the Issuer in whole on any Interest Payment Date after the Optional Redemption Date, as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*); and
- optional redemption exercisable by the Issuer in whole for tax reasons, as fully set out in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding (or the relevant proportion thereof, if in part) of the relevant Note, together with accrued (and unpaid) interest on the Principal Amount Outstanding (or the relevant proportion thereof, if in part) of the relevant Notes to be redeemed, in each case up to (but excluding) the date of redemption.

#### **Events of Default**

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

- non-payment of interest and/or principal in respect of the Most Senior Class of Notes (provided that, for the avoidance of doubt, a deferral of interest in respect of the Class Z VFN in accordance with Condition 7.10 (*Interest Accrual*) shall not constitute a default in the payment of such interest);
- breach of contractual obligations by the Issuer under the Transaction Documents or of the Notes; and
- Insolvency Events.

#### **Enforcement**

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

#### **Limited Recourse**

The Notes are limited recourse obligations of the Issuer and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 9 (*Limited Recourse*).

#### **Non-petition**

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

- to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security other than when expressly permitted to do so under the Conditions; or

- to take or join any person in any steps against the Issuer to obtain payment of any amount due from the Issuer to it; or
- until the date falling two years after the Final Discharge Date, to initiate or join in initiating any proceeding in relation to an Insolvency Event in relation to the Issuer; or
- to take or join in taking of any steps or proceedings which would result in any of the Payments Priorities not being observed.

**Governing Law**

English law.

## RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

*See the section entitled "Terms and Conditions of the Notes" for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.*

### **Prior to an Event of Default**

Noteholders holding no less than 10 per cent. of the Principal Amount Outstanding of the outstanding Notes of the relevant class are entitled to request the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to convene a Noteholders' Meeting with respect to that class and all Noteholders of each class are entitled to participate in a Noteholders' Meeting with respect to that class convened by the Issuer or Trustee to consider any matter affecting their interests.

However, investors should note that the Noteholders will not be entitled to instruct or direct the Issuer to take any actions, either directly or through the Trustee, where the Issuer has no right, obligation or ability to take such action under the Transaction Documents.

### **Following an Event of Default**

Following the occurrence of an Event of Default which is continuing, the holders of the Most Senior Class of Notes may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, direct the Trustee (provided it has been indemnified and/or secured and/or prefunded to its satisfaction) to deliver an Enforcement Notice to the Issuer stating that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.

### **Noteholders Meeting provisions**

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	21 clear days	14 clear days
Quorum for meetings on Extraordinary Resolutions:	One or more persons holding or representing a majority of the Principal Amount Outstanding of the relevant class or classes of Notes then outstanding (other than a Reserved Matter (which must be proposed separately to each class of Noteholders), which requires one or more persons holding or representing not less than 75 per cent. of the Principal Amount Outstanding of the relevant class or classes of Notes then outstanding).	One or more persons, whatever the Principal Amount Outstanding of the Notes then represented by them (other than a Reserved Matter (which must be proposed separately to each class of Noteholders), which requires one or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the relevant class or classes of Notes then outstanding).
Extraordinary Resolution passed at a Meeting:	75 per cent. of votes cast for matters requiring Extraordinary Resolution	

Electronic Consent: 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding. Electronic Consent has the same effect as an Extraordinary Resolution.

Written Resolution: 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding. A Written Resolution has the same effect as an Extraordinary Resolution

**Matters requiring Extraordinary Resolution**

The following matters (including but not limited to):

- Reserved Matter;
- subject to Condition 16 (*Modification and Waiver*), modification of the Conditions;
- substitution of the Issuer;
- subject to Condition 16 (*Modification and Waiver*), waiving a breach of covenant by the Issuer;
- after the service of an Enforcement Notice, the termination of the Servicer's appointment;
- (absent an instruction in writing given by holders of not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding) giving of a direction to the Trustee to deliver an Enforcement Notice;
- removal of the Trustee and approval of the successor trustee;
- approval of the terms of a merger, reorganisation or amalgamation of the Issuer; and
- (absent an instruction in writing given by holders of not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding) giving of a direction to the Trustee to refrain from exercising any powers conferred upon it by Condition 16.2 (*Waiver*).

**Relationship between classes of Noteholders**

Subject to the provisions in respect of a Reserved Matter, a resolution of Noteholders of the Most Senior Class of Notes then outstanding shall be binding on all other classes and will override any resolutions to the contrary of any class ranking behind such Most Senior Class of Notes.

A Reserved Matter requires an Extraordinary Resolution of each class of Notes then outstanding.

**Relationship between Noteholders and other Secured Creditors**

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders only in the exercise of its discretion and the Secured Creditors shall have no claim against the Trustee for doing so.

**Issuer or Beneficial Title Seller as Noteholder**

For the purpose of, inter alia, the right to attend and vote at any Meeting of Noteholders, the right to resolve by Extraordinary Resolution in writing or by Electronic Consent and certain rights to direct, the relevant Notes must be "outstanding". Those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Beneficial Title Seller, any holding

company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

**Provision of Information to the Noteholders**

The Cash Manager will provide an investor report on a quarterly basis containing information in relation to the Notes including, but not limited to, amounts paid by the Issuer pursuant to the Payments Priorities in respect of the relevant period and required counterparty information. The Quarterly Investor Report and the Monthly Investor Report will be published on [www.sfcitidirect.com](http://www.sfcitidirect.com). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

**Communication with Noteholders**

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

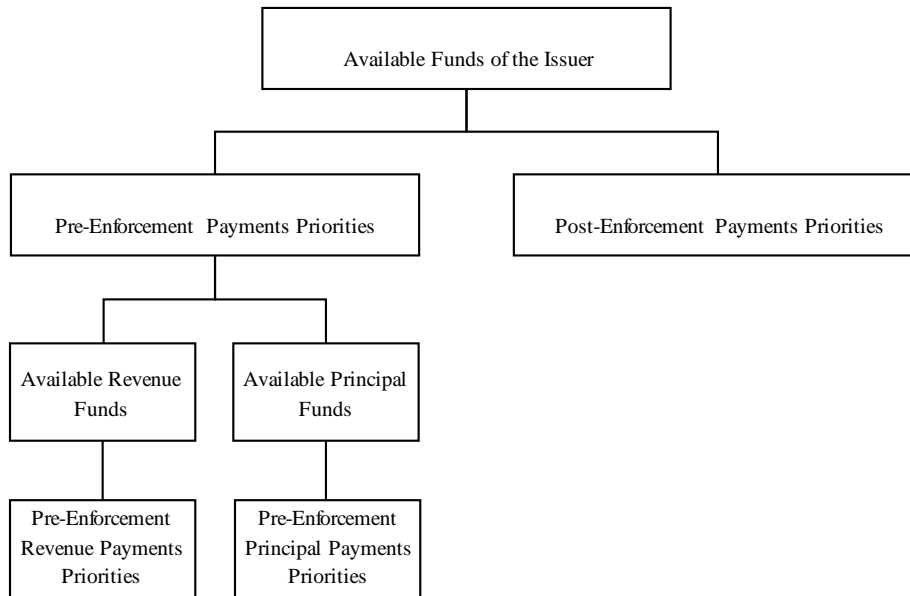
- so long as the Class A Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders;
- so long as the Class A Notes are listed on a recognised stock exchange, by delivery to them in accordance with the notice requirements of such stock exchange; or
- in respect of all Notes, by publication on the Relevant Screen.

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

Notices to the Class Z VFN Holder will be sent by the Issuer to the fax number or email address of the Class Z VFN Holder notified to the Issuer from time to time in writing.

## CREDIT STRUCTURE AND CASHFLOW

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



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

"**Available Revenue Funds**" will, broadly, include the following:

- Revenue Receipts (including any Revenue Collections paid by the Beneficial Title Seller into the Transaction Account pursuant to the Mortgage Sale Agreement) received during the immediately preceding Calculation Period, or, if in a Determination Period, Calculated Revenue Funds, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Principal Funds on that Interest Payment Date;
- (prior to the occurrence of an Optional Portfolio Purchase) any Principal Reallocation Amounts (as required to meet any Senior Revenue Shortfall);
- (prior to the occurrence of an Optional Portfolio Purchase) amounts standing to the credit of the Credit Ledger drawn from the General Reserve Fund (as required to meet any Revenue Shortfall);
- (prior to the occurrence of an Optional Portfolio Purchase) amounts standing to the credit of the Liquidity Ledger drawn from the General Reserve Fund (as required to meet any Revenue Shortfall);
- interest paid to the Issuer on the Transaction Account during the immediately preceding Calculation Period;
- (upon the redemption in full of the Class A Notes) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amount; and
- in relation to a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Funds in accordance with Condition 7.11 (*Determinations and Reconciliation*);

*plus* any other amounts which the Cash Manager may have credited to the Revenue Ledger during that Calculation Period pursuant to the Cash Management Agreement; and

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

- any Borrower Repayment Amount of a revenue nature;
- any amounts necessary in respect of, inter alia, insurance premiums paid by the Servicer in relation to the Mortgage Loans and in accordance with the Legal Title Holder's Policies and the Servicing Agreement;
- any amount received from a Borrower at any time (including upon redemption of the relevant Mortgage Loan) for the express purpose of payment being made to a third party or the Legal Title Holder for the provision of a service to that Borrower or the Legal Title Holder;
- any tax payment;
- any Third Party Expenses;
- amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank;

**"Available Principal Funds"**, broadly, includes the following:

- all Principal Receipts (including any Principal Collections paid by the Beneficial Title Seller into the Transaction Account pursuant to the Mortgage Sale Agreement), or, in relation to a Determination Period, any Calculated Principal Funds, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Funds on that Interest Payment Date, received by the Issuer during the immediately preceding Calculation Period;
- amounts transferred from the Revenue Ledger comprising Revenue Reallocation Amounts;
- (in respect of the first Interest Payment Date only) proceeds of the issue of the Notes (to the extent any such amounts stand to the credit of the Principal Ledger as at the relevant Calculation Date) over the Purchase Price;
- (upon the redemption in full of the Class A Notes prior to the occurrence of an Optional Portfolio Purchase) all amounts standing to the credit of the General Reserve Fund;
- (on the occurrence of an Optional Portfolio Purchase) all amounts standing to the credit of the General Reserve Fund; and
- in relation to a Determination Period, any Reconciliation Amounts deemed to be Available Principal Funds in accordance with Condition 7.11 (*Determinations and Reconciliation*),

*plus* any amounts which the Cash Manager may have credited to the Principal Ledger during that Calculation Period pursuant to the Cash Management Agreement; and

*less* (i) any Borrower Repayment Amount of a principal nature debited during the related Calculation Period; (ii) Further Advance Purchase Prices; and (iii) Flexible Drawings Purchase Price.

#### **Payments Priorities**

Prior to the service of an Enforcement Notice by the Trustee, Available Revenue Funds shall be applied in the order of priority set out in the Pre-Enforcement Revenue

Payments Priorities and Available Principal Funds shall be applied in the order of priority set out in the Pre-Enforcement Principal Payments Priorities. After an Enforcement Notice is delivered by the Trustee, Trust Proceeds shall (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) be held by the Trustee upon trust to be applied in the order of priority set out in the Post-Enforcement Payments Priorities.

Please see full details of the payments priorities set out in the section entitled "*Cashflows*".

## **General Credit Structure**

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

(a) ***Credit Support:***

- *General Reserve Fund:* the General Reserve Fund, initially funded in an amount equal to £6,917,950 (being approximately 1.45 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes as at the Closing Date) initially funded from the proceeds of issue of the Class Z VFN, and thereafter to be maintained at the General Reserve Fund Target Amount from Available Revenue Funds. The General Reserve Fund is represented by the credit balance of the Liquidity Ledger and the Credit Ledger.
  - The Credit Ledger Required Amount may be applied to reduce or eliminate any shortfall in Available Revenue Funds to pay items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities.
  - *Revenue Reallocation Amounts:* Available Revenue Funds may be applied as Available Principal Funds to the extent of, among other things, any Principal Losses on the Mortgage Loans.
  - *Redemption of Notes:* following the redemption of the Class A Notes, the Residual Principal Allocation Amount will be applied to the Pre-Enforcement Revenue Payments Priorities.

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

(b) ***Liquidity Support:***

Amounts standing to the credit of the Credit Ledger will be applied to reduce or eliminate any shortfall in Available Revenue Funds to pay items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities.

Amounts standing to the credit of the Liquidity Ledger will be applied to reduce or eliminate any Revenue Shortfall by paying amounts referred to in items (a) to (e) (after application of any General Reserve Drawings) of the Pre-Enforcement Revenue Payments Priorities.

To the extent that any Revenue Shortfall occurs, such shortfall shall be reduced or eliminated using amounts standing to the credit of:

- (i) first, the Credit Ledger;
- (ii) second, the Liquidity Ledger; and
- (iii) third, the Principal Ledger.

*Principal Reallocation Amounts:* Available Principal Funds will be applied to reduce or eliminate, among other things, any shortfall in Available Revenue Funds (after the application of the any Liquidity Reserve Drawings and General Reserve Drawings) to pay any Interest Amount due and payable in respect of the Class A Notes.



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

**Bank Accounts and  
Cash Management**

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Portfolio are received by the Legal Title Holder into its Collection Account. The Servicer is obliged to transfer collections in respect of the Mortgage Loans in the Mortgage Portfolio to the Transaction Account on a daily basis. On each Interest Payment Date, the Cash Manager will withdraw monies from the Transaction Account to be applied in accordance with the relevant Payments Priorities. Monies may also be transferred from the Transaction Account on any Business Day during a Calculation Period prior to delivery of an Enforcement Notice to pay, inter alia, the Further Advance Purchase Price in respect of any Further Advance and the Flexible Drawings Purchase Price in respect of any Flexible Drawings (see section "*Cashflows – Payments on Business Days other than Interest Payment Dates*" for further details). The Servicer is permitted to withdraw amounts standing to the credit of the Collection Account towards providing a Borrower with the relevant Flexible Drawing (subject to satisfaction of the relevant Mortgage Conditions).

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

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Transaction Account Bank	<p>(i) in respect of Fitch at least A (long-term) and F1 (short-term); and</p> <p>(ii) in respect of Moody's, at least Baa3 (long-term),</p> <p>or in each case such other rating or ratings as would maintain the then current rating of the Class A Notes.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled "<i>Cash Management</i>".</p>	<p>The Issuer shall, within 30 calendar days, use all reasonable endeavours to replace the Transaction Account Bank</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
Cash Manager	<p data-bbox="461 365 1015 674">Ceasing to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) and Fitch of at least A (long term) and F1 (short term) (or (i) such other lower risk assessment which is consistent with then current methodology of Moody's and/or Fitch or (ii) such other lower risk assessment that the Cash Manager certifies in writing to the Trustee would not have an adverse effect on the ratings of the Class A Notes)</p> <p data-bbox="461 692 1015 927">The Cash Manager shall not be required to take any action or provide any certification in relation to the above in so far as it relates to a lower risk assessment unless the Beneficial Title Seller has confirmed to the Cash Manager that such lower risk assessment would not have an adverse effect on the ratings of the Class A Notes.</p>	<p data-bbox="1038 365 1415 674">The Issuer shall, with the assistance of the Back-Up Cash Manager Facilitator, within 60 days, use best efforts to appoint a back-up cash manager which meets the requirements for a substitute service provided for by the Cash Management Agreement.</p>

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Collection Account Bank	<p>(i) in the case of Moody's, a short-term, unsecured, unguaranteed and unsubordinated debt rating of at least P-2 by Moody's, or should the Collection Account Bank not benefit from a short-term, unsecured, unguaranteed and unsubordinated debt rating of at least P-2 by Moody's, a long-term, unsecured, unguaranteed and unsubordinated rating of at least Baa3 by Moody's;</p> <p>(ii) in the case of Fitch, a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F2 by Fitch, or should the Collection Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F2 by Fitch, a long-term unsecured, unsubordinated and unguaranteed rating of at least BBB+ by Fitch,</p>	<p>The Legal Title Holder (or the Servicer on behalf of the Legal Title Holder) shall:</p> <p>(a) terminate the appointment of the Collection Account Bank and approve a successor Collection Account Bank; or</p> <p>(b) obtain a guarantee of the Collection Account Bank's obligations</p> <p>in each case within a period not exceeding 35 calendar days from the date on which such downgrade occurred.</p>
	<p>or in each case such other rating or ratings as would maintain the then current rating of the Class A Notes.</p>	

## Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• perfection being required by an order of court or by a change in law in each case occurring after the Signing Date or by a Regulatory Authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply;</li> <li>• unless, at the sole discretion of the Issuer, otherwise agreed with the Legal Title Holder, the termination of the appointment of CHL as Servicer or the resignation of CHL as Servicer;</li> <li>• the date on which an Insolvency Event occurs with respect to the Legal Title Holder; and</li> <li>• delivery of an Enforcement Notice or a Security Protection Notice by the Trustee; and</li> <li>• the security under the Security Deed or any material part of that security is, in the opinion of the Trustee, in jeopardy.</li> </ul>	<p>A number of events will occur, including Borrowers being notified of the sale to the Issuer (or a nominee of the Issuer) and legal title to the Mortgage Portfolio being transferred to the Issuer (or a nominee of the Issuer) by way of registration or recording in the Land Registry.</p>
Servicer Termination Events	<p>The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds) (each a "<b>Servicer Termination Event</b>"): </p> <ul style="list-style-type: none"> <li>• default by the Servicer in the payment of any amount due and payable under the Servicing Agreement;</li> <li>• default by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default is materially prejudicial to the interests of the Issuer;</li> <li>• misrepresentation by the Servicer with respect to its Sanctions and Anti-Bribery warranties, which</li> </ul>	<p>Termination of appointment of the Servicer under the Servicing Agreement and the Back-Up Servicer will within 60 days of notice of its appointment commence the provision of the Services as set out in the Back-Up Servicing Agreement.</p>

misrepresentation is materially prejudicial to the interests of the Issuer; and

- the occurrence of an Insolvency Event in respect of the Servicer.

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

Back-Up Servicer Termination Events

The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds) (each a "**Back-Up Servicer Termination Event**"):

Successor Back-Up Servicer to be appointed.

- default by the Back-Up Servicer in the performance or observance of any of its other covenants and obligations under the Back-Up Servicing Agreement, which default in the opinion of the Trustee is materially prejudicial to the interests of the Noteholders;
- the occurrence of an Insolvency Event in respect of the Back-Up Servicer; and
- unlawfulness in respect of the Back-Up Servicer.

Cash Manager Termination Events

The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds) (each a "**Cash Manager Termination Event**"):

Termination of appointment of Cash Manager.

- failure to make a payment;
- breach of certain representations and warranties;
- non-compliance with certain covenants or obligations;
- an Insolvency Event in respect of the Cash Manager;
- invalidity of the Cash Manager's obligations;
- unlawfulness in respect of the Cash Manager; or
- to protect the Secured Creditors' interests after service of an Enforcement Notice.

## FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees to Servicer	0.20 per cent. per annum on the aggregate outstanding current balance of the Mortgage Loans as at the open of business on the first day of each Collection Period.	Ahead of all outstanding Notes	Payable quarterly in arrear on each Interest Payment Date
Back-Up Servicing Fees (prior to invocation)	0.008% per cent. of the outstanding balance of the Mortgage Loans as at the close of business on the last day of the previous month, subject to a minimum annual fee of £55,000.	Ahead of all outstanding Notes	Payable quarterly in arrear on each Interest Payment Date
Invocation of Back-Up Servicer	A fee of £125,000	Ahead of all outstanding Notes	Payable on receipt of written notice of appointment
Servicing fees of Back-Up Servicer post invocation	0.1% per cent. of the outstanding balance of the Mortgage Loans comprising the Portfolio as at the close of business on the last day of the previous quarter subject to a minimum monthly fee of £10,000.  A fee of £50 per calendar month in respect of any Mortgage Loans that is one month or more in arrears.  A fee of £120 in respect of any account that is redeemed.	Ahead of all outstanding Notes	Payable quarterly in arrear
Other fees and expenses of the Issuer	Estimated at £24,500 each year (exclusive of VAT)	Ahead of all outstanding Notes	Payable quarterly in arrear on each Interest Payment Date

## REGULATORY DISCLOSURE

### Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation

The Beneficial Title Seller will retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with Article 405 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 21 June 2013 ("**CRR**"), Article 51 of the AIFMR and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any relevant national measures and as each are interpreted and applied on the date hereof). As at the Closing Date, such interest will comprise an interest in the first loss tranche as required by Article 405(1)(d) of the CRR, Article 51(1)(d) of the AIFMR and Article 254(2)(d) of the Solvency II Regulation. Such retention requirement will be satisfied by the Beneficial Title Seller holding the Class Z VFN (the "**Retention Notes**"). The aggregate Principal Amount Outstanding of the Class Z VFN as at the Closing Date is equal to at least 5 per cent of the nominal value of the securitised exposures. The Beneficial Title Seller will confirm its ongoing retention of the net economic interest described above in the Quarterly Investor Reports and any change to the manner in which such interest is held will be notified to Noteholders.

The Beneficial Title Seller will undertake in the risk retention letter (the "**Risk Retention Letter**"):

- (a) to retain on an on-going basis a material net economic interest of not less than 5 per cent. (which such amount shall take into account the discounted purchase price paid by the Retention Holder under the Initial Mortgage Sale Agreement of the Mortgage Loans and represents downside risk and economic outlay) of the nominal value of the securitised exposures for the purposes of Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation (the "**Minimum Required Interest**");
- (b) to retain the Minimum Required Interest by holding an exposure in the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFMR and paragraph (d) of Article 254(2) of the Solvency II Regulation, represented by its holding of the Retention Notes;
- (c) not to change the manner or form in which it retains the Minimum Required Interest, except as permitted under each of the CRR, the AIFMR and the Solvency II Regulation;
- (d) not to dispose of, assign or transfer its rights, benefits or obligations under the Retention Notes except as permitted under each of the CRR, the AIFMR and the Solvency II Regulation;
- (e) not to take any action which would reduce its exposure to the economic risk of the Retention Notes in such a way that it ceases to hold the Minimum Required Interest except as permitted under each of the CRR, the AIFMR and the Solvency II Regulation;
- (f) to comply with the applicable disclosure obligations under Article 409 of the CRR as if the Retention Holder were an "institution" subject to the requirements of Article 409 of the CRR, subject always to any requirement of law, provided that the Retention Holder will not be in breach of this paragraph (f) if it fails to so comply due to events, actions or circumstances beyond its control;
- (g) that it shall immediately notify the Issuer, the Arranger, the Joint Lead Managers, the Trustee and the Cash Manager in writing if for any reason it fails to comply with the undertakings set out in (a) to (f) above in any way.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405) of the CRR, Section Five of Chapter III of the AIFMR (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any relevant national measures and none of the Issuer, the Beneficial Title Seller, the Arranger, the Joint Lead Managers, the Servicer nor any of the Transaction Parties (i) makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Part Five of the CRR (including



Article 405), Section Five of Chapter III of the AIFMR (including Article 51) and Chapter VIII of the Solvency II Regulation or any other applicable legal, regulatory or other requirements or (iii) shall have any obligation (other than the obligations in respect of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFMR (including Article 51) and Chapter VIII of the Solvency II Regulation undertaken by the Beneficial Title Seller in the Risk Retention Letter) to enable compliance with the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFMR (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation or any other applicable legal, regulatory or other requirements.

In addition each prospective Noteholder should ensure that it complies with the implementing provisions in respect of Articles 405 to 410 of the CRR, Section 5 of the AIFMR and Article 256 of Solvency II Regulation in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

### **CRA Regulation**

The credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies.

Each of Fitch and Moody's is a credit rating agency established in the European Community and registered under the CRA Regulation.

### **Article 8b Requirements**

The Issuer and the Beneficial Title Seller (each an "**Applicable Entity**" and together, the "**Applicable Entities**") have undertaken to (a) procure the appointment of a designated reporting entity for the purposes of complying with the Article 8b Requirements (the "**Designated Reporting Entity**") and (b) procure that the Designated Reporting Entity provides notice to ESMA of the appointment of the designated reporting entity for the purposes of complying with the Article 8b Requirements and to provide such notice in accordance with article 2(2) of Regulation (EU) No. 2015/3 and any corresponding formal guidance provided by ESMA.

## **DESCRIPTION OF THE BENEFICIAL TITLE SELLER**

### **UK Mortgages Corporate Funding Designated Activity Company**

The Beneficial Title Seller is a designated activity company incorporated under the laws of Ireland (registration number 567943), having its registered office at 5 George's Dock, IFSC, Dublin 1, Ireland.

The Beneficial Title Seller was established on 10 September 2015 for the purposes of acquiring residential mortgage loans advanced to borrowers in the United Kingdom. It was not incorporated solely for the purpose of the transaction described in this Prospectus.

The Beneficial Title Seller has an authorised share capital of EUR1,000,000.

The Beneficial Title Seller has engaged in a number of transactions since the date of its formation in connection with the acquisition of the beneficial title to portfolios of residential mortgage loans secured on Property in England, Wales and Northern Ireland and associated activities, including in relation to the financing of such acquisition. It also holds notes that were issued in previous securitisation transactions in which it acted as the seller of beneficial title to the mortgage loans securitised in such transactions.

## **DESCRIPTION OF THE LEGAL TITLE HOLDER, AN ORIGINATOR AND THE SERVICER**

Capital Home Loans Limited ("**CHL**") is a limited company incorporated in England and Wales on 6 October 1987, under the Companies Act 1985 and 1989 with registered number 02174236, having its registered office at Admiral House, Harlington Way, Fleet, Hampshire, GU51 4YA. CHL began trading on 2 May 1989. CHL has no subsidiaries.

CHL was formed as a result of a joint venture between Credit Foncier de France and Société Generale. Société Generale's 51 per cent. holding in CHL was later purchased by Credit Foncier de France on 23 October 1992. CHL was acquired from Credit Foncier de France by Permanent TSB p.l.c. ("**PTSB**") on 22 October 1996 and was sold by PTSB to Promontoria (Lansdowne) Limited, an affiliate of Cerberus Capital Management L.P. on 31 July 2015.

CHL is engaged in the business of purchasing and selling (including for investment) and managing residential mortgage loans and residential investment mortgage loans (including third party administration) secured on properties in the United Kingdom. CHL acts as legal title holder and servicer for a mortgage portfolio of approximately £4.4bn as at 30 April 2017, some of which has been securitised.

As of 31 December 2016, CHL had total assets (audited) of £2.3bn and a total net worth (audited) of £184m. CHL made a loss (audited) of £13.9m for the period ended 31 December 2016, this is attributable to the ultimate parent.

## **DESCRIPTION OF THE INTERIM SELLER**

### **Cornhill Mortgages No. 3 Limited**

Cornhill Mortgages No. 3 Limited is a private limited company incorporated under the laws of England and Wales (registration number 10561144), having its registered office at 35 Great St. Helen's London EC3A 6AP.

Cornhill Mortgages No. 3 Limited was established as a special purpose vehicle for the purposes of acquiring residential mortgage loans advanced to borrowers in England, Wales and Northern Ireland.

**DESCRIPTION OF THE TRANSACTION ACCOUNT BANK, PRINCIPAL PAYING  
AGENT, CASH MANAGER AND AGENT BANK**

**Citibank N.A., London Branch**

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

The Citibank N.A. London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the PRA. It is subject to regulation by the FCA and limited regulation by the PRA.

## **DESCRIPTION OF THE TRUSTEE**

### **Citicorp Trustee Company Limited**

Citicorp Trustee Company Limited ("CTCL") was incorporated on 24 December 1928 under the laws of England and Wales and has its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

CTCL is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

CTCL is regulated by the UK's FCA.

## **DESCRIPTION OF THE BACK-UP SERVICER**

Homeloan Management Limited ("**HML**") (regulated by the Financial Conduct Authority) has been appointed as the Back-Up Servicer pursuant to the Back-Up Servicing Agreement and pursuant to which HML is responsible for the provision of certain administration services.

HML is part of the Computershare Loan Services group, which is one of the largest providers of financial outsourced services in the United Kingdom and Ireland, and is responsible for delivering a diverse range of administration and analytical services to support a variety of mortgage and loan products. Computershare Loan Services manages over £64.6bn of assets for over 28 leading financial institutions across the commercial and residential mortgage markets.

The registered office and principal place of business of HML are The Pavilions, Bridgwater Road, Bristol BS13 8AE and Gateway House, Gargrave Road, Skipton BD23 2HL respectively. HML has a residential primary servicer rating of RPS1- by Fitch and S&P's primary servicer rating of Above Average with a Positive Outlook.

The information in the preceding three paragraphs has been provided solely by HML for use in this Prospectus. Except for the foregoing three paragraphs, HML and its affiliates do not accept responsibility for this Prospectus.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 11 April 2017 with registered number 10720357. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP (telephone number +44 (0)20 7398 6300). The Issuer's issued share capital comprises 50,000 ordinary shares of £1.00 each, of which 1 ordinary share is fully paid up and 49,999 ordinary shares are 25 per cent. paid up, all of which are beneficially owned by Holdings (see the section entitled "*Holdings*").

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities and will be mostly passive. The Issuer has no subsidiaries. Neither of the Beneficial Title Seller nor the Legal Title Holder own, directly or indirectly, any of the share capital of the Issuer or Holdings.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 2006, 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. As at the date of this Prospectus no financial statements have been prepared by the Issuer.

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

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

### Directors and Secretary

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities/Business Occupation</b>
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director

The directors of each of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities are as follows:

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



<b>Name</b>	<b>Business Address</b>	<b>Principal Activities/Business Occupation</b>
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director/Company Secretary

All of the directors of the Issuer are residents of the United Kingdom, or companies incorporated in the United Kingdom.

The company secretary of the Issuer is:

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

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

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.

#### **Capitalisation and Borrowings**

The following table shows the unaudited capitalisation and borrowings of the Issuer as at 26 June 2017 adjusted for the issue of Notes:

	<u>£</u>
<b>Share Capital</b>	
Issued Share Capital.....	
50,000 issued ordinary shares of £1 each (1 fully paid and 49,999 one quarter paid) .....	
	<u>12,500.75</u>
<b>Borrowings</b>	
Class A Notes .....	477,100,000
Class Z VFN.....	112,100,000
	<u>589,200,000</u>

The current financial period of the Issuer will end on 30 June 2018.

#### **Issuer profit**

An amount equal to £1,000 as at each Interest Payment Date (£4,000 per annum) shall be retained by the Issuer pursuant to the relevant Payments Priorities (the "**Issuer Profit Amount**") and recognised in the accounts of the Issuer as profit for the relevant accounting year. Any Issuer Profit Amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales as a private limited company limited by shares under the Companies Act 2006 on 11 April 2017 with registered number 10720300. The registered office of the Holdings is at 35 Great St. Helen's, London EC3A 6AP (telephone number +44(0)2073986300). The issued share capital of Holdings comprises 1 ordinary share of £1.00. Intertrust Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

Neither the Beneficial Title Seller nor any company connected with it can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

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

### Directors and Secretary

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities/Business Occupation</b>
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director

The directors of each of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities/Business Occupation</b>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director/Company Secretary

All of the directors of Holdings are residents of the United Kingdom, or companies incorporated in the United Kingdom.

The company secretary of the Holdings is:

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

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

The accounting reference date of Holdings is 30 June and the first statutory accounts of Holdings will be drawn up to 30 June 2018.

Holdings has no employees.

## **THE CORPORATE SERVICES PROVIDER AND BACK-UP CASH MANAGER FACILITATOR**

Intertrust Management Limited (registered number 3853947), having its principal address at 35 Great St. Helen's, London EC3A 6AP will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement and Back-Up Cash Manager Facilitator pursuant to the Cash Management Agreement.

Intertrust Management Limited has served and is currently serving as corporate services provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 1 month's prior written notice to the Issuer and/or Holdings and the Trustee, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the Corporate Services Provider shall have the right to terminate the Corporate Services Agreement forthwith at any time by giving notice in writing to the Issuer and/or Holdings, copied to the Trustee, if the Issuer or Holdings commits a material breach of any of the terms or conditions of the Corporate Services Agreement or any of the Transaction Documents and fails to remedy the same within 30 days (or such other period as shall be agreed between the parties) of being required to do so or in the case of the Transaction Documents, within the period permitted under such Transaction Document.

The Issuer or, following delivery of an Enforcement Notice, the Trustee can terminate the appointment of the Corporate Services Provider on 1 month's prior written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the Issuer and Holdings (with the prior written consent of the Trustee) have the right to terminate the appointment of the Corporate Services Provider at any time by giving notice in writing to the Corporate Services Provider if the Corporate Services Provider:

- (a) commits a material breach of any of the terms or conditions of the Corporate Services Agreement and fails to remedy the same within 30 days (or such other period as shall be agreed between the parties) of being required so to do; or
- (b) enters into liquidation whether compulsorily or voluntarily (other than for the purpose of amalgamation or reconstruction) or compounds with any of its creditors or has a receiver, administrative receiver or administrator appointed over all or any part of its assets or takes or suffers any similar action in consequence of its debt; or
- (c) ceases or threatens to cease to carry on its business or a substantial part of its business; or
- (d) purports to assign the Corporate Services Agreement or any rights under the Corporate Services Agreement without the express written consent of the Issuer, Holdings and the Trustee, such consent not to be unreasonably withheld.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of an Enforcement Notice, the Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

## THE MORTGAGE PORTFOLIO AND THE MORTGAGE LOANS

### Introduction

Cornhill Mortgages No.3 Limited ("**Cornhill**" or the "**Interim Seller**") will sell the Mortgage Portfolio to the Beneficial Title Seller on or before the Closing Date. The Beneficial Title Seller will on-sell the Mortgage Portfolio to the Issuer on the Closing Date.

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

Each of the Mortgage Loans in the Mortgage Portfolio was selected from the Provisional Mortgage Portfolio and originally advanced by the relevant Originator.

The Provisional Mortgage Portfolio was drawn up as at the Provisional Cut-Off Date and comprised 4,875 Mortgage Loans with an aggregate Current Balance of £587,532,528.5. The Provisional Mortgage Portfolio consists of Mortgage Loans originated by the relevant Originator, and previously legally and beneficially owned by the relevant Originator.

The Properties over which the Mortgage Loans in the Provisional Mortgage Portfolio are secured have not been revalued for the purposes of the issue of the Notes.

The legal title to the Mortgage Loans in the Mortgage Portfolio has been retained by the Legal Title Holder for the life of those Mortgage Loans (subject to the occurrence of a Perfection Event). See the section entitled "*Characteristics of the Provisional Mortgage Portfolio*" for more detail on the Provisional Mortgage Portfolio.

The Beneficial Title Seller will sell the Mortgage Portfolio with the benefit of all collections received in respect thereof during the period from the Cut-Off Date to the Closing Date.

In relation to the Northern Irish Mortgage Loans, the Standard Documentation may vary as to the treatment and application of Further Advances, Flexible Drawings and Product Switches. The description set out below relates in this respect to the English Mortgage Loans only.

### ***Origination of the Mortgage Loans***

The Mortgage Loans originated by CHL, included in the Provisional Mortgage Portfolio were all made no earlier than September 1989 and no later than mid-2008 (with some Mortgage Loans having been subject to porting on or before April 2016). CHL derived its mortgage lending business at the relevant times primarily from intermediaries that included mortgage brokers and independent financial advisors.

The Provisional Mortgage Portfolio comprises Standard Variable Rate Mortgage Loans and Tracker Mortgage Loans (see "*Types of Interest Rate Terms for all Mortgage Products*" below). Repayment terms under each Mortgage Loan differ according to the repayment type. The Provisional Mortgage Portfolio will include, inter alia, Repayment Mortgage Loans and Interest Only Mortgage Loans (see "*Types of Repayment Terms for all Mortgage Products*" below).

£335,816.65 of the Mortgage Loans in the Provisional Mortgage Portfolio were originated by Irish Permanent plc.

### ***Types of Interest Rate Terms for all Mortgage Products***

The type of interest rate terms contained within each mortgage product will comprise any of the following types:

- (a) Standard Variable Rate Mortgage Loans; or
- (b) Tracker Mortgage Loans.

Mortgage Loans which were but are no longer subject to a fixed rate of interest are treated as and are referred to herein as Tracker Mortgage Loans or Standard Variable Rate Mortgage Loans, as applicable.

### ***Types of Repayment Terms for all Mortgage Products***

The repayment terms contained within each mortgage product will comprise one of the following types (including possible combinations thereof):

- (a) Interest Only Mortgage Loans; and
- (b) Repayment Mortgage Loans.

### ***Payment Holidays***

Payment holidays are available only to Borrowers who have "flexible mortgage product accounts" and **provided that** all payments are up-to-date with no arrears during the six months prior to the start of the payment holiday and the relevant Mortgage Loan has not exceeded the maturity date. All payment holiday requests are subject to the Legal Title Holder's current Lending Criteria (the current loan-to-value ratio of the relevant Mortgage Loan will not exceed 25 per cent. and the payment holiday does not cause the amount owed to the Legal Title Holder to exceed the Borrower's maximum borrowing limit). Any payment holiday requests received from a Borrower in the final 24 months of the term of the relevant Mortgage Loan will only be considered if confirmation is received from the Borrower that a suitable plan is in place to repay the increased balance at maturity. There are no restrictions on the number of payment holiday requests a Borrower can make, though a Borrower is limited to 3 months of payment holiday in any 12 month period.

### ***Flexible Drawings***

A Borrower may apply to the Legal Title Holder to request a Flexible Drawing subject to a minimum amount of £500. All Flexible Drawing requests are subject to the Legal Title Holder's current Lending Criteria (the current loan-to-value ratio of the relevant Mortgage Loan following the granting of the Flexible Drawing will not exceed 25 per cent. and the Flexible Drawing does not cause the amount owed to the Legal Title Holder to exceed the Borrower's maximum borrowing limit). Any Flexible Drawing requests received from a Borrower in the final 24 months of the term of the relevant Mortgage Loan will only be considered if confirmation is received from the Borrower that a suitable plan is in place to repay the increased balance at maturity. Any such request will not be approved by the Legal Title Holder where the Mortgage Loan has been in arrears in the six months prior to the Drawings Date or the Mortgage Loan has exceeded the maturity date.

Where a Flexible Drawing is made to a Borrower, the Legal Title Holder shall only be obliged to fund in relation to any Flexible Drawing request to the extent it has available funds. See the section entitled "*Assignment of the Mortgage Loans and Related Security – Flexible Drawings*" for more detail.

### ***Porting***

Porting involves the release of a Property originally subject to mortgage in connection with a Mortgage Loan and its replacement with another Property.

No new advances are provided in connection with the porting. The Legal Title Holder responds to porting requests in accordance with its Lending Criteria, and porting is typically approved only in respect of a small number of Mortgage Loans.

### ***Product Switches***

From time to time a Borrower may request, or the Legal Title Holder (or the Servicer on behalf of the Legal Title Holder) may offer and the Borrower may accept, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Mortgage Loan. In addition, in order to promote the retention of Borrowers, the Legal Title Holder may periodically contact certain Borrowers in respect of the Legal Title Holder's total portfolio of outstanding residential mortgages in order to encourage a Borrower to review the Legal Title Holder's other residential mortgage loans and to discuss moving the Borrower to an alternative mortgage. However, CHL is currently not originating loans. If a Mortgage Loan is subject to a Product Switch it will remain in the Portfolio provided that it continues to satisfy the Asset Conditions. See the section entitled "*Assignment of the Mortgage Loans and Related Security – Product Switches*" for more detail.

### ***Further Advances***

The Legal Title Holder considers application for Further Advances in accordance with its Lending Criteria. If a Mortgage Loan is subject to a Further Advance after being sold to the Issuer, amounts standing to the credit of the Principal Ledger will be used to fund the Further Advance Purchase Price. If the aggregate of amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN. See the section entitled "*Assignment of the Mortgage Loans and Related Security – Further Advances*" for more detail.

### ***Valuations***

Valuations are carried out in full on all proposed new loans by one of the CHL's panel valuers being a qualified surveyor (ARICS or equivalent qualification). Where a Further Advance was granted within 5 years of the original valuation a re-valuation of the Property, rather than a full mortgage valuation, was carried out. Prior to February 2007, a re-valuation was carried out if the relevant Further Advance was taken within 2 years of the original valuation. Automated valuation models and/or House Price Indexed calculations were not used for lending by CHL.

### **Lending Criteria**

#### ***General Lending Criteria***

As at the Provisional Cut-Off Date, the following general lending criteria will have been applied (subject to minor changes made prior to such date) in respect of the Mortgage Loans originated by CHL, and forming part of the Provisional Mortgage Portfolio (including Buy to Let Mortgage Loans and Standard Mortgage Loans) and will apply in respect of all Further Advances, Flexible Mortgage Loan and Product Switches. Additional specific criteria in relation to the Buy to Let Mortgage Loans and Standard Mortgage Loans are set out below.

#### ***Security***

- (a) Each loan must be secured by a first legal Mortgage over a freehold or long leasehold residential or commercial property (at least 35 years longer than the term of the Mortgage Loan) in England, Wales or Northern Ireland. CHL will not have created more than one Mortgage over any Property.
- (b) Properties under 10 years old will have the benefit of a National House Building Council or an architect's certificate or equivalent guarantee from an acceptable body.
- (c) The following types of Property are deemed unacceptable as security and loans secured over such Properties are thus not included in the Mortgage Portfolio:
  - (i) flats/maisonettes subject to statutory right to buy provisions or local authority flats/maisonettes (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);
  - (ii) houses subject to statutory right to buy provisions or ex local authority houses in an area with less than a 50 per cent. owner/occupied rate;
  - (iii) individual studios/bedsits (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);
  - (iv) freehold flats;
  - (v) flats above shops or commercial premises (other than certain exceptions in city centre locations with a confirmed value in excess of £150,000 and where the valuer has confirmed that such property can be resold in the residential property market);
  - (vi) flats in blocks with more than four storeys (unless specifically authorised by CHL);

- (vii) Properties with agricultural restrictions, tie bars, continuing structural movement, or movement that requires monitoring, provided that the valuer does not make any detrimental comments in respect of the existence of tie bars;
- (viii) multi tenanted (presently or recently) Properties divided into bed sits with individual kitchen / kitchenette facilities;
- (ix) steel framed Properties (with the exception of new build flats steel frames);
- (x) Properties with more than one kitchen;
- (xi) Properties which have been underpinned within the last three years or require underpinning;
- (xii) Properties of concrete construction with the exception of Wimpey No Fines & Laing Easiform;
- (xiii) Properties likely to be affected by local planning, including but not limited to road widening;
- (xiv) Properties where a third party retains an interest;
- (xv) Properties deemed by the valuer to not be capable of being readily sold;
- (xvi) Properties used for commercial purposes;
- (xvii) freehold coach houses unless they are on a long term lease that covers the flat and garage related to that flat;
- (xviii) Properties with a CHL's panel valuation figure of less than £50,000;
- (xix) Properties with more than six bedrooms;
- (xx) Properties above food outlets;
- (xxi) Properties with any dry rot;
- (xxii) "Monkey Puzzle" style houses. These are mid-terrace houses where there are two houses interlocked with approximately 50 to 60 per cent. flying freehold;
- (xxiii) Properties with an element of flying freehold exceeding 10 per cent.; and
- (xxiv) pre-1960 timber framed properties.

### ***Buy to Let Mortgage Loans***

As at the Provisional Cut-Off Date, the following additional lending criteria to that set out in "*General Lending Criteria*" above (the "**Lending Criteria**") will have been applied subject to minor changes made prior to such date in respect of the Buy to Let Mortgage Loans, originated by CHL, comprising the Provisional Mortgage Portfolio and will apply in respect of all Flexible Drawings for the Buy to Let Mortgage Loans. Buy to Let Mortgage Loans are mortgage loans originated by the relevant Originator which are intended for individual or corporate Borrowers. Individual borrowers may be either (i) self-employed ("**Self-Certified Borrowers**") or (ii) employed ("**Full Status Borrowers**") and where for both the loan size is calculated based on verification of the sustainable gross monthly rental income (as assessed by a valuer from the originator's panel of approved valuers) of the Borrower, which must be at least 115 per cent. of the gross monthly interest charge, and who wish to use the Mortgage Loan as a means to purchase or remortgage residential property for the purpose of letting to third parties.

### ***Security***

The Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and have lower CHL panel valuation figures than that specified in paragraph (xviii) above. That reflects the then current lower market values which have been adjusted since in line with the market.

- (a) Each Property offered as security will have been valued by a qualified surveyor (an associate of the Royal Institution of Chartered Surveyors or equivalent qualification) chosen from a panel of valuation firms approved by CHL.



- (b) Rights of consolidation will entitle CHL to refuse to release security over one Property if a Borrower fails to comply with its obligations under a Mortgage Loan secured over another of its Properties. However, default under one Mortgage Loan does not result in cross default under other Mortgage Loans to the same Borrower.
- (c) All tenancies must be six to twelve month assured shorthold tenancies or company lets. No Department of Social Security tenants, tenants with diplomatic immunity or specific trusts are permitted.
- (d) Properties must be insured in accordance with a surveyor's recommended reinstatement valuation and the building insurance must recognise tenanted use.

#### *Loan Amount*

The Mortgage Loan at the time of completion must be at least £15,001 for Mortgage Loans originated by CHL before 1 May 1998 and £25,001 thereafter. The Mortgage Loan is not subject to any pre set maximum, however no Mortgage Loan within the Provisional Mortgage Portfolio exceeded £ 1,415,187.19 as at the Provisional Cut-Off Date.

#### *Loan to Value*

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Mortgage Loan by the valuation of the Property or the purchase price of the Property, whichever is the lesser amount.
- (b) Various fees including those payable on completion and on the making of Further Advances, higher percentage advance charges and interest due in respect of the month which a Mortgage Loan completes may be added to the balance of the loan above the permitted maximum LTV.
- (c) The LTV of each Mortgage Loan at the date of the initial advance by CHL must be no more than:
  - (i) 90 per cent. for advances secured on an individual Property up to a maximum lend of £750,000;
  - (ii) 85 per cent. for advances secured on an individual Property up to a maximum lend of £1 million; and
  - (iii) 80 per cent. for advances secured on an individual Property up to a maximum lend of £3 million.

#### *Loan to Total Lend*

- (a) The loan to total lend ratio (the "LTL") is calculated by dividing the initial principal amount at completion of the relevant Mortgage Loan by the current valuation of all properties owned by the relevant Borrower subject to a first ranking all monies charge in favour of the Legal Title Holder.
- (b) Various fees including those payable on completion and on the making of Further Advances, interest due in respect of the month in which a Mortgage Loan completes may be added to the balance of the loan above the permitted maximum LTL.
- (c) The LTL of a Mortgage Loan at the date of the initial advance must be no more than:
  - (i) 90 per cent. of the total aggregate valuation of all properties owned by the Borrower up to £3,000,000 lending;
  - (ii) 85 per cent. of the total aggregate valuation of all properties owned by the Borrower more than £3,000,000 and up to £5,000,000 lending; and
  - (iii) 75 per cent. of the total aggregate valuation of all properties owned by the Borrower (following approval of the relevant Borrower's financial status) in excess of £5,000,000 lending (prior to March 2005, 85 per cent. to maximum lend of £850,000).

Subsequent advances can be approved up to 75 per cent. of LTL subject to group credit approval.

### *Minimum Valuation*

No Property can be worth less than £50,000. The Provisional Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and with securing properties worth less than the current value requirement of £50,000. The values of the Properties securing those Mortgage Loans reflect the then current lower market values, and the minimum value requirements have been adjusted since in line with the market.

### *Term*

- (a) For Repayment Mortgage Loans, the Mortgage Loan's initial term must be between five (5) and thirty-five (35) years.
- (b) For Interest Only Mortgage Loans, the Mortgage Loan's for up to thirty-five (35) years, initial term must be between five (5) and thirty-five (35) years. There is no minimum initial term for Interest Only Mortgage Loans for more than thirty-five (35) years. There can be no scheduled principal repayment prior to the stated final maturity of the Interest Only Mortgage Loans. No Interest Only Mortgage Loan in the Mortgage Portfolio has stated final maturity date later than April 2039.

### *Solicitors*

The Borrower's own solicitor acts on behalf of both the Borrower and CHL. The firm of solicitors acting on behalf of CHL or the Borrower (or both) must have at least two practising partners and must be registered with the Law Society.

### *Further Advances*

Since 31 October 2004, CHL has applied the approach discussed in further detail in "*Standard Mortgage Loans*" below to Further Advances in respect of the Buy to Let Mortgage Loans. Further Advances are governed by the same criteria as initial advances with the following additions:

- (a) at least six months must have elapsed since completion of the initial advance;
- (b) the payment history in respect of a Mortgage Loan must be satisfactory to CHL, acting as a Prudent Mortgage Lender;
- (c) the Property may, at the request of CHL, be subject to a new valuation and/or inspection of the Property;
- (d) the Mortgage Loan must not have experienced arrears greater than 1 month at any time in the previous twelve months; and
- (e) the Mortgage Loan must not be in arrears for more than 30 days.

### *Credit History of Borrowers and Guarantors*

- (a) The credit history of the Guarantor(s) and/or the Borrowers will have been assessed with the aid of a search supplied by credit reference agency.
- (b) Where past county court judgments or sheriff court decrees relating to a Borrower or a Guarantor have been revealed by a credit reference search, such county court judgments or sheriff court decree must have been satisfied for at least two years before the mortgage is granted.
- (c) The Guarantor or Guarantors, and in relation to Mortgage Loans originated after November 2004, the Borrower, shall have had no more than two county court judgments or sheriff court decrees totalling no more than £500.

### *Income and Rental Income*

- (a) The income of a Borrower or a Guarantor (as the case may be) is determined by reference to the application form and supporting documentation, where appropriate, and may consist of the following:
  - (i) a Borrower's and/or Guarantor's salary plus any guaranteed overtime and 75 per cent. of any proven but unguaranteed regular overtime or bonus payments (as evidenced by the borrower's

or other Guarantor's previous two years' P60s), or net profits plus any additional income confirmed by the accountant for self employed borrowers or other Guarantors (borrowers or other Guarantors are considered as self employed if they hold at least 20 per cent. of the issued share capital of a company);

- (ii) investments and rental income;
  - (iii) accounts or accountant's certificate if a loan application on full status basis;
  - (iv) references from current lenders or twelve months proof of payment evidenced by bank statements or mortgage statements if a credit reference is not provided; or
  - (v) any other income approved by an authorised officer of CHL.
- (b) Sustainable gross monthly rental income (as assessed by a valuer from the originator's panel of approved valuers) of the Borrower must be at least 115 per cent. of the gross monthly interest charge.

### ***Standard Mortgage Loans***

The following additional Lending Criteria to that set out under "*General Lending Criteria*" above will have been applied in respect of Mortgage Loans originated by CHL (subject to minor changes made prior to such date) which are intended for individual Borrowers who wish to use the Mortgage Loan as a means to purchase or remortgage a residential property to be used solely as the Borrower's own residence which the Borrower either intends to buy or currently resides in (the "**Standard Mortgage Loans**") comprising the Provisional Mortgage Portfolio and will apply in respect of all Flexible Drawings for Standard Mortgage Loans. Borrowers of a Standard Mortgage Loan may be either Self-Certified Borrowers or Full Status Borrowers.

On origination by CHL of each Standard Mortgage Loan from time to time comprised in the Mortgage Portfolio, the Lending Criteria would have been applied with certain minor variations to reflect the differing identities of the Borrowers of Standard Mortgage Loans and minor changes to the Lending Criteria made prior to the date of this Prospectus.

### ***Security***

- (a) The Mortgage Portfolio includes a very small number of Mortgage Loans which were originated prior to 2005 and with related securing property value lower CHL panel valuation figures than that specified in paragraph (xviii) above under "Security".
- (b) Each property offered as security will have been valued by a qualified surveyor (an associate of the Royal Institution of Chartered Surveyors or equivalent qualification) chosen from a panel of valuation firms approved by CHL.
- (c) At the time of completion, the relevant Property must have been either insured under a buildings insurance policy in the name of CHL, or CHL must be jointly insured with the Borrower under, or its interest noted on a buildings policy in relation to the relevant Property.
- (d) The Borrower must have life assurance that at least matches the value of the Mortgage Loan.
- (e) CHL, at its discretion accepts personal guarantees on the Borrower's repayment of the Mortgage Loan and, if so, the ability of the Guarantor to service the Mortgage Loan is based on the same lending criteria as that applied to the Borrower.
- (f) All married Borrowers must apply for a mortgage in joint names.

### ***Loan Amount***

The Mortgage Loan at the time of completion must be at least £15,001 for Mortgage Loans originated by CHL before 1st May, 1998 and £25,001 thereafter. The Mortgage Loan is not subject to any pre-set maximum. However, no Mortgage Loan within the Provisional Mortgage Portfolio exceeds £1,415,187.19 as at the Provisional Cut-Off Date.

### *Loan to value*

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Mortgage Loan by the valuation of the Property or the purchase price of the Property, whichever is the lesser amount.
- (b) Various fees including those payable on completion and on the making of Further Advances, higher percentage advance charges, interest due in respect of the month which a Mortgage Loan completes and buildings insurance policy premia may be added to the balance of the loan above the permitted maximum LTV.
- (c) The LTV of each Mortgage Loan at the date of the initial advance by CHL must be no more than:
  - (i) 95 per cent. for advances secured by Property valued at up to £360,000;
  - (ii) 90 per cent, for advances secured by Property valued at more than £360,000 and up to £500,000;
  - (iii) 85 per cent, for advances secured by Property valued at more than £500,000 and up to £600,000; or
  - (iv) 80 per cent. for advances secured by Property valued at more than £600,000 and up to £750,000;
- (d) advances in excess of £500,000 are considered on an individual basis;
- (e) Self-Certified Borrowers are subject to a maximum Mortgage Loan of £600,000 regardless of the value of the Property; and
- (f) first time buyers are subject to a maximum Mortgage Loan of £300,000 regardless of the value of the Property; and
- (g) The value of a one bedroom Property must be in excess of £50,000.

### *Term*

Each Mortgage Loan must have an initial term of between 5 and 35 years and have no scheduled principal repayment prior to its stated final maturity which, in the case of mortgages in the Mortgage Portfolio, is no later than January 2043.

### *Borrowers*

- (a) Borrowers who are individuals must be a minimum of 18 (21 years of age for Self-Certified Borrowers or self-employed Borrowers) and, prior to application, the maximum allowed age for the Borrower is 60 at next birthday. The Borrower must also be no older than the normal retirement age (that is, 65) or 70 years of age if the Borrower's ability to repay the Mortgage Loan can be proven at the time of the maturity of the Mortgage Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to any one Mortgage Loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) search supplied by credit reference agency;
  - (ii) confirmation of voters roll entries or proof of residency;
  - (iii) references from current employers or payslips and/or P60;
  - (iv) accounts or accountant's certificate; or
  - (v) references from current lenders.
- (d) Where past county court judgments or sheriff Court decrees relating to a Borrower have been revealed by the credit reference search the county court judgements or sheriff Court decrees must have been satisfied for at least two years before the mortgage is granted.

- (e) The Borrower shall have had no more than two county court judgments or sheriff court decrees totalling no more than £500.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of the following:
  - (i) salary plus any guaranteed overtime and 75 per cent. of any proven but unguaranteed regular overtime or bonus payments (as evidenced by the borrower's previous two years' P60), or net profits plus any additional income confirmed by the accountant for self-employed borrowers;
  - (ii) pensions, investments and rental income; or
  - (iii) any other monies approved by an authorised officer of CHL.
- (b) With the exception of certain allowable fees added to the aggregate principal balance of the Mortgage, the principal amount advanced will not exceed the higher of (i) 3.5 (or, in the case of a first time buyer, 3.25) times the assessed income of the primary Borrower plus one times the assessed income of any secondary Borrower and (ii) 2.75 (or, in the case of a first time buyer, 2.5) times the combined assessed incomes of the primary and secondary Borrowers.

#### *Solicitors*

The firm of solicitors acting on behalf of CHL and the Borrowers on the making of each Mortgage Loan, must have at least two practising partners and must be registered with the Law Society.

#### *Further Advances*

Since 31 October 2004, CHL has applied the following approach only to regulated mortgages as all requests for Further Advances made on unregulated mortgages will require CHL to redeem the original loan and effectively remortgage the property through a regulated mortgage. Further Advances to regulated mortgages are governed by the same criteria as initial advances with the following additions:

- (a) At least six months must have elapsed since completion of the initial advance.
- (b) The payment history in respect of a Mortgage Loan must be satisfactory to CHL, acting as a Prudent Mortgage Lender.
- (c) The Property may, at the request of CHL, be subject to a new valuation and/or inspection of the Property.
- (d) The Mortgage Loan must not have experienced arrears greater than 1 month at any time in the previous three months.

#### ***Changes to Lending Criteria***

The Legal Title Holder may vary the Lending Criteria from time to time in the manner of a Prudent Mortgage Lender. Flexible Drawings may from time to time be included in the Mortgage Portfolio if they were originated in accordance with the Lending Criteria (as so varied) and, in relation to Flexible Drawings, the conditions contained in "*Assignment of the Mortgage Loans and Related Security – Flexible Drawings*" have been satisfied.

#### ***Information regarding the Policies and Procedures of the Legal Title Holder***

The Legal Title Holder has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies and procedures of the Legal Title Holder in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for amending and renewing credits, as to which please see the information set out earlier in this section entitled "*Servicing of the Mortgage Portfolio*";

- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Mortgage Portfolio will be serviced in line with the usual servicing procedure of the Legal Title Holder – please see further the section entitled "*Servicing of the Mortgage Portfolio*";
- (c) diversification of credit portfolios taking into account the Legal Title Holder's target market and overall credit strategy, as to which, in relation to the Mortgage Portfolio, please see the section entitled "*Characteristics of the Provisional Mortgage Portfolio*"; and
- (d) policies and procedures in relation to risk mitigation techniques, as to which please see further the section entitled "*Servicing of the Mortgage Portfolio*" and this section.

## CHARACTERISTICS OF THE PROVISIONAL MORTGAGE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Mortgage Portfolio of £587,532,528.5 as at the Provisional Cut-Off Date and is described further in the section entitled "*The Mortgage Portfolio and the Mortgage Loans – Introduction*".

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

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

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

### Summary Statistics

Total Current Balance (GBP)	587,532,528.5
Number of Loans	4,875
Max Loan Balance (GBP)	1,415,187.2
Average Loan Balance (GBP)	120,519.5
WA OLTV (%)	82.10
WA Indexed CLTV (%)	69.65
WA Interest Rate (%)	1.55
WA Seasoning (Years)	10.15
WA Remaining Term (Years)	12.64
BBR (%)	99.66

**1. Current Balance (GBP)**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
<= 50,000	14,877,433.10	2.53	564	11.57
50,001 to 70,000	40,305,935.88	6.86	658	13.5
70,001 to 90,000	66,436,865.15	11.31	835	17.13
90,001 to 110,000	75,558,930.54	12.86	756	15.51
110,001 to 130,000	63,384,703.19	10.79	531	10.89
130,001 to 150,000	59,555,150.88	10.14	427	8.76
150,001 to 170,000	43,683,747.75	7.44	275	5.64
170,001 to 190,000	28,700,782.71	4.88	160	3.28
190,001 to 210,000	27,596,268.38	4.7	139	2.85
210,001 to 230,000	27,472,924.46	4.68	125	2.56
230,001 to 250,000	17,067,558.17	2.9	71	1.46
250,001 to 270,000	19,189,375.30	3.27	74	1.52
270,001 to 290,000	10,943,604.04	1.86	39	0.8
290,001 to 310,000	10,809,628.73	1.84	36	0.74
310,001 to 330,000	8,222,930.80	1.4	26	0.53
>= 330,001	73,726,689.43	12.55	159	3.26
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

Min Current Balance: 1,187.80

Max Current Balance: 1,415,187.19

Average Current Balance: 120,519.49



## 2. Original Balance (GBP)

Original Balance	Current Balance (GBP)	Current Balance (%)	Number of Loans	Number of Loans (%)
<= 50,000	12,753,317.75	2.17	497	10.19
50,001 to 70,000	41,475,688.68	7.06	693	14.22
70,001 to 90,000	71,516,894.85	12.17	901	18.48
90,001 to 110,000	75,281,932.30	12.81	748	15.34
110,001 to 130,000	63,582,905.27	10.82	527	10.81
130,001 to 150,000	62,600,750.37	10.65	446	9.15
150,001 to 170,000	40,932,114.19	6.97	255	5.23
170,001 to 190,000	30,253,601.78	5.15	166	3.41
190,001 to 210,000	23,967,813.22	4.08	119	2.44
210,001 to 230,000	24,847,113.00	4.23	114	2.34
230,001 to 250,000	18,575,955.77	3.16	77	1.58
250,001 to 270,000	20,126,379.40	3.43	77	1.58
270,001 to 290,000	10,773,107.80	1.83	39	0.8
290,001 to 310,000	11,000,980.15	1.87	36	0.74
310,001 to 330,000	7,630,235.02	1.3	24	0.49
>= 330,001	72,213,738.96	12.29	156	3.2
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

Min Original Balance: 3,000.00

Max Original Balance: 1,400,000.00

Average Original Balance: 120,830.41

### 3. Current Indexed LTV\*

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
0.01 to 10.00	163,386.20	0.03	16	0.33
10.01 to 20.00	1,618,999.14	0.28	51	1.05
20.01 to 30.00	3,890,367.32	0.66	58	1.19
30.01 to 40.00	15,368,823.48	2.62	129	2.65
40.01 to 50.00	46,172,448.96	7.86	307	6.3
50.01 to 60.00	113,587,968.90	19.33	726	14.89
60.01 to 70.00	109,954,166.13	18.71	789	16.18
70.01 to 80.00	112,557,927.82	19.16	1,046	21.46
80.01 to 90.00	134,249,503.64	22.85	1,252	25.68
90.01 to 100.00	38,371,453.77	6.53	390	8
>= 100.01	11,597,483.15	1.97	111	2.28
<b>Total:</b>	<b><u>587,532,528.51</u></b>	<b><u>100</u></b>	<b><u>4,875</u></b>	<b><u>100</u></b>

Min Indexed CLTV: 1.00

Max Indexed CLTV: 139.44

Weighted Average Indexed CLTV: 69.65

\* Halifax Quarterly Non-Seasonally Adjusted Regional House Price Index

#### 4. Original LTV

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
0.01 to 10.00	0	0	0	0
10.01 to 20.00	0	0	0	0
20.01 to 30.00	713,484.69	0.12	16	0.33
30.01 to 40.00	1,401,309.04	0.24	29	0.59
40.01 to 50.00	4,654,662.96	0.79	65	1.33
50.01 to 60.00	11,970,565.09	2.04	116	2.38
60.01 to 70.00	34,860,545.07	5.93	310	6.36
70.01 to 80.00	101,565,642.49	17.29	834	17.11
80.01 to 90.00	420,169,418.48	71.51	3,410	69.95
90.01 to 100.00	11,784,570.79	2.01	89	1.83
>= 100.01	412,329.90	0.07	6	0.12
<b>Total:</b>	<b><u>587,532,528.51</u></b>	<b><u>100</u></b>	<b><u>4,875</u></b>	<b><u>100</u></b>

Min OLTV: 20.17

Max OLTV: 244.06

Weighted Average OLTV: 82.10

#### 5. Months in Arrears

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
0.00 to 0.99	580,634,637.40	98.83	4,815	98.77
1.00 to 1.99	3,376,930.27	0.57	27	0.55
2.00 to 2.99	799,264.93	0.14	8	0.16
3.00 to 3.99	390,081.66	0.07	6	0.12
4.00 to 4.99	442,668.75	0.08	4	0.08
5.00 to 5.99	468,539.13	0.08	3	0.06
>= 6.00	1,420,406.37	0.24	12	0.25
<b>Total:</b>	<b><u>587,532,528.51</u></b>	<b><u>100</u></b>	<b><u>4,875</u></b>	<b><u>100</u></b>

Min Months in Arrears: 0.00

Max Months in Arrears: 21.78

Weighted Average Months in Arrears: 0.05

## 6. Receivership

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
N	582,552,017.99	99.15	4,838	99.24
Y	4,980,510.52	0.85	37	0.76
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

## 7. Region

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Greater London	134,469,673.85	22.89	645	13.23
South East	103,009,510.81	17.53	696	14.28
North West	96,341,013.45	16.4	970	19.9
Yorkshire & Humberside	58,462,053.78	9.95	580	11.9
South West	40,938,651.91	6.97	280	5.74
West Midlands	33,971,298.56	5.78	329	6.75
Northern Ireland	30,462,753.79	5.18	478	9.81
North	27,593,069.80	4.7	333	6.83
East Midlands	27,286,093.56	4.64	255	5.23
Wales	17,882,670.56	3.04	168	3.45
East Anglia	17,115,738.44	2.91	141	2.89
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

## 8. Seasoning (Years)

	<b>Current Balance (GBP)</b>	<b>Current Balance (% )</b>	<b>Number of Loans</b>	<b>Number of Loans (% )</b>
<= 6.00	511,649.65	0.09	10	0.21
6.01 to 7.00	0	0	0	0
7.01 to 8.00	0	0	0	0
8.01 to 9.00	78,593,653.27	13.38	589	12.08
9.01 to 10.00	233,271,288.58	39.7	1,746	35.82
10.01 to 11.00	156,321,620.90	26.61	1,351	27.71
11.01 to 12.00	77,610,408.80	13.21	729	14.95
12.01 to 13.00	29,536,157.32	5.03	265	5.44
13.01 to 14.00	5,680,155.99	0.97	59	1.21
14.01 to 15.00	2,589,023.77	0.44	51	1.05
15.01 to 16.00	1,450,706.27	0.25	32	0.66
16.01 to 17.00	705,749.62	0.12	13	0.27
17.01 to 18.00	934,413.13	0.16	17	0.35
>= 18.01	327,701.21	0.06	13	0.27
<b>Total:</b>	<b><u><u>587,532,528.51</u></u></b>	<b><u><u>100</u></u></b>	<b><u><u>4,875</u></u></b>	<b><u><u>100</u></u></b>

Min Seasoning: 2.77

Max Seasoning: 21.60

Weighted Average Seasoning: 10.15

**9. Remaining Term (Years)**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
0.01 to 1.00	8,954,094.51	1.52	74	1.52
1.01 to 2.00	4,799,894.50	0.82	42	0.86
2.01 to 3.00	2,540,672.83	0.43	34	0.7
3.01 to 4.00	4,730,252.50	0.81	63	1.29
4.01 to 5.00	6,124,908.44	1.04	63	1.29
5.01 to 6.00	20,317,693.86	3.46	166	3.41
6.01 to 7.00	7,028,745.16	1.2	79	1.62
7.01 to 8.00	9,226,546.72	1.57	88	1.81
8.01 to 9.00	13,432,220.55	2.29	142	2.91
9.01 to 10.00	49,568,981.67	8.44	497	10.19
10.01 to 11.00	56,403,139.68	9.6	437	8.96
11.01 to 12.00	32,058,323.89	5.46	260	5.33
12.01 to 13.00	31,653,989.13	5.39	287	5.89
13.01 to 14.00	58,667,101.75	9.99	596	12.23
14.01 to 15.00	91,580,493.90	15.59	736	15.1
15.01 to 16.00	128,361,781.43	21.85	856	17.56
16.01 to 17.00	47,757,566.66	8.13	335	6.87
17.01 to 18.00	1,769,898.51	0.3	14	0.29
>= 18.01	12,556,222.82	2.14	106	2.17
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

Min Remaining Term: 0.04

Max Remaining Term: 26.07

Weighted Average Remaining Term: 12.64

## 10. Original Term (Years)

	<b>Current Balance (GBP)</b>	<b>Current Balance (% )</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
<= 12.00	12,907,232.78	2.2	108	2.22
12.01 to 13.00	2,139,101.04	0.36	27	0.55
13.01 to 14.00	2,470,811.01	0.42	26	0.53
14.01 to 15.00	2,287,217.05	0.39	27	0.55
15.01 to 16.00	27,677,420.61	4.71	246	5.05
16.01 to 17.00	4,277,920.66	0.73	34	0.7
17.01 to 18.00	5,564,381.98	0.95	45	0.92
18.01 to 19.00	6,842,914.53	1.16	72	1.48
19.01 to 20.00	7,559,818.96	1.29	89	1.83
20.01 to 21.00	111,749,115.54	19.02	949	19.47
21.01 to 22.00	8,982,111.63	1.53	79	1.62
22.01 to 23.00	15,358,770.34	2.61	140	2.87
23.01 to 24.00	15,846,624.69	2.7	190	3.9
24.01 to 25.00	8,934,415.14	1.52	116	2.38
25.01 to 26.00	339,063,683.33	57.71	2,590	53.13
26.01 to 27.00	73,746.76	0.01	1	0.02
27.01 to 28.00	821,265.15	0.14	5	0.1
28.01 to 29.00	1,977,147.52	0.34	20	0.41
29.01 to 30.00	1,497,448.29	0.25	14	0.29
>= 30.01	11,501,381.50	1.96	97	1.99
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

Min Original Term: 5.50

Max Original Term: 35.02

Weighted Average Original Term: 22.79

### 11. Repayment Method

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Interest Only	573,103,672.79	97.54	4,647	95.32
Repayment	8,403,421.04	1.43	187	3.84
Part & Part	6,025,434.68	1.03	41	0.84
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

### 12. Interest Rate Index

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
BBR	585,517,221.85	99.66	4,827	99.02
SVR	2,015,306.66	0.34	48	0.98
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

### 13. Current Interest Rate

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
0.51 to 0.70	0	0	0	0
0.71 to 0.90	79,988,689.59	13.61	653	13.39
0.91 to 1.10	8,347,834.74	1.42	87	1.78
1.11 to 1.30	25,527,956.06	4.34	198	4.06
1.31 to 1.50	225,697,985.08	38.41	2,000	41.03
1.51 to 1.70	15,784,571.37	2.69	82	1.68
1.71 to 1.90	161,810,445.69	27.54	1,270	26.05
1.91 to 2.10	67,018,759.74	11.41	529	10.85
2.11 to 2.30	1,075,089.81	0.18	6	0.12
>= 2.31	2,281,196.43	0.39	50	1.03
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

Min Current Interest Rate: 0.74

Max Current Interest Rate: 6.05

Weighted Average Current Interest Rate: 1.55



#### 14. Current Interest Margin

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
<= 0.50	79,867,018.84	13.59	652	13.37
0.51 to 0.70	121,670.75	0.02	1	0.02
0.71 to 0.90	14,591,385.35	2.48	128	2.63
0.91 to 1.10	20,544,158.77	3.5	169	3.47
1.11 to 1.30	225,985,296.97	38.46	1,995	40.92
1.31 to 1.50	41,779,858.78	7.11	295	6.05
1.51 to 1.70	151,763,981.89	25.83	1,211	24.84
1.71 to 1.90	49,522,870.92	8.43	368	7.55
1.91 to 2.10	1,075,089.81	0.18	6	0.12
2.11 to 2.30	0	0	0	0
>= 2.31	2,281,196.43	0.39	50	1.03
<b>Total:</b>	<b><u>587,532,528.51</u></b>	<b><u>100</u></b>	<b><u>4,875</u></b>	<b><u>100</u></b>

Min Current Interest Margin: 0.49

Max Current Interest Margin: 6.05

Weighted Average Current Interest Margin:  
1.30

## 15. Years Current

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Currently In Arrears	6,897,891.11	1.17	60	1.23
Less than or equal to 1 years	15,089,892.46	2.57	109	2.24
Less than or equal to 2 years but greater than 1 year	9,744,474.84	1.66	65	1.33
Less than or equal to 3 years but greater than 2 years	6,612,428.61	1.13	48	0.98
Less than or equal to 4 years but greater than 3 years	5,816,652.75	0.99	42	0.86
Less than or equal to 5 years but greater than 4 years	9,577,761.63	1.63	66	1.35
Less than or equal to 6 years but greater than 5 years	5,808,930.94	0.99	34	0.7
Less than or equal to 7 years but greater than 6 years	6,999,452.40	1.19	55	1.13
Less than or equal to 8 years but greater than 7 years	12,672,004.63	2.16	96	1.97
Less than or equal to 9 years but greater than 8 year	4,766,998.77	0.81	40	0.82
Less than or equal to 10 years but greater than 9 years	854,771.26	0.15	8	0.16
Less than or equal to 11 years but greater than 10 years	406,752.16	0.07	6	0.12
Less than or equal to 12 years but greater than 11 years	0	0	0	0
Less than or equal to 13 years but greater than 12 years	52,065.30	0.01	2	0.04
Less than or equal to 14 years but greater than 13 years	0	0	0	0
Less than or equal to 15 years but greater than 14 years	0	0	0	0
Less than or equal to 16 years but greater than 15 years	5,819.79	0	1	0.02
Never In Arrears	502,226,631.86	85.48	4,243	87.04
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**16. Loan Purpose**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Purchase	291,798,786.42	49.67	2,489	51.06
Remortgage	284,273,480.97	48.38	2,030	41.64
Equity Release	11,460,261.12	1.95	356	7.3
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**17. Borrower Type**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Individual	489,915,348.35	83.39	4,079	83.67
Company	97,617,180.16	16.61	796	16.33
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**18. Occupancy Type**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Buy To Let	548,154,566.42	93.3	4,605	94.46
Owner-Occupied	39,377,962.09	6.7	270	5.54
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**19. Income Verification**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
Self-certified, no checks	548,154,566.42	93.3	4,605	94.46
Self-certified, with affordability confirmation	36,009,713.14	6.13	205	4.21
Verified	3,368,248.95	0.57	65	1.33
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**20. Property Type**

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
House	344,164,070.31	58.58	3,111	63.82
Flat	213,093,568.08	36.27	1,533	31.45
Other	30,274,890.12	5.15	231	4.74
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

**21. Warranty Breach\***

	<b>Current Balance (GBP)</b>	<b>Current Balance (%)</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>
N	580,331,015.43	98.77	4,822	98.91
Y	7,201,513.08	1.23	53	1.09
<b>Total:</b>	<b>587,532,528.51</b>	<b>100</b>	<b>4,875</b>	<b>100</b>

\* This includes the MCOB Mortgage Loan.

## ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

### Sale of Mortgage Loans and their Related Security

Under the mortgage sale agreement entered into between, inter alia, the Seller and the Beneficial Title Seller dated 21 February 2017 (the "**Initial Mortgage Sale Agreement**") the Seller sold to the Beneficial Title Seller the beneficial interest in each Mortgage Loan and its Related Security. Also on 21 February 2017, the Beneficial Title Seller sold the beneficial title to each Mortgage Loan and its Related Security to the Interim Seller. On or prior to the Closing Date, the Beneficial Title Seller will repurchase beneficial title to each Mortgage Loan and its Related Security from the Interim Seller, pursuant to an Optional Purchase Notice.

The Beneficial Title Seller will, on the Closing Date, sell and transfer to the Issuer by way of assignment its beneficial interest in each Mortgage Loan and its Related Security pursuant to the terms of the Mortgage Sale Agreement to be entered into between the Legal Title Holder, the Beneficial Title Seller, the Trustee and the Issuer. In addition, the Legal Title Holder will undertake to hold the legal title held by it to each Mortgage Loan and its Related Security on the Closing Date on bare trust for the Issuer.

### Transfer of legal title under the Mortgage Sale Agreement

The sale to the Issuer of the Mortgage Loans and the Related Security under the Mortgage Sale Agreement will take effect in equity and transfer beneficial title only. As a result, legal title to the Mortgage Loans and their Related Security will remain with the Legal Title Holder until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers.

Under the Mortgage Sale Agreement, neither the Beneficial Title Seller nor the Issuer will require the execution and completion of any transfers in favour of the Issuer or the registration of any transfers or service of notice on Borrowers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security, except in the limited circumstances described below.

### Perfection Events

Legal title will not be transferred by the Legal Title Holder to the Issuer until the occurrence of a Perfection Event (defined below) which is continuing. Under the Mortgage Sale Agreement, the Issuer or the Trustee (following delivery of an Enforcement Notice) may by notice in writing (the "**Perfection Notice**") to the Beneficial Title Seller and the Legal Title Holder require the Legal Title Holder to complete the transfer of the legal title held by it to each Mortgage Loan and its Related Security to the Issuer or a person designated by the Issuer (the "**Replacement Legal Title Holder**") as soon as reasonably practicable after delivery of the Perfection Notice following the earliest to occur of the following events:

- (a) perfection being required by an order of court or by a change in law in each case occurring after the Signing Date or by a Regulatory Authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply;
- (b) unless, at the sole discretion of the Issuer, otherwise agreed with the Legal Title Holder, the termination of the appointment of CHL as Servicer or resignation of CHL as Servicer in accordance with the Servicing Agreement;
- (c) the date on which an Insolvency Event occurs with respect to the Legal Title Holder;
- (d) delivery of an Enforcement Notice or a Security Protection Notice by the Trustee; or
- (e) the security under the Security Deed or any material part of that security is, in the opinion of the Trustee, in jeopardy,

such date, the "**Legal Title Transfer Date**", and each of the events referred to in paragraphs (a) to (e) above a "**Perfection Event**".

On and from the Legal Title Transfer Date, the Replacement Legal Title Holder shall be the Legal Title Holder and shall hold legal title to the Mortgage Loans and their Related Security on bare trust for the Issuer.

Following a Perfection Event, notice shall be given to each Borrower or any other relevant person of the sale and transfer of that Borrower's Mortgage Loan and its Related Security to the Issuer or other entity as directed by the Issuer.

Within thirty-five (35) Business Days following perfection of the assignments, or transfers following a Perfection Event, the Legal Title Holder will do all of the acts, matters or things as the Issuer requires the Legal Title Holder to do, including providing a bulk transfer of Direct Debit Mandates or, if any consent of the Borrower is required providing details of the relevant Borrower and addresses and, in the case of all Borrowers who do not make payment by using Direct Debiting Scheme, ensuring that all Borrowers will be instructed to make all payments under the Mortgage Loans directly to any such bank account as the Issuer requires in order to give effect to the terms of the assignments, including without limitation completing all registration formalities.

The Issuer shall, as soon as reasonably practicable following receipt of notification to it, or its agents, of completion of the registration of the transfer of all of the relevant Mortgages and other acts required to perfect the transfer of the relevant Mortgage Loans and their Related Security, give notice thereof to the Legal Title Holder.

### **Restrictions on Transfer of the Mortgage Loans**

Save as otherwise consented to by the Legal Title Holder or otherwise contemplated by the Mortgage Sale Agreement, the Issuer will ensure that any purchaser of the Mortgage Loans and their Related Security will agree and confirm, in favour of the Legal Title Holder and the Servicer, that:

- (a) following the making of a Further Advance by the Legal Title Holder and receipt by the Issuer from the Beneficial Title Seller of a notice setting out the details of the Further Advance and prior to the payment in full by the Issuer of the Further Advance Purchase Price, it will hold upon trust for the Legal Title Holder absolutely any amounts, property, interests, rights or benefits in relation to such Further Advance;
- (b) following the making of a Flexible Drawing by the Legal Title Holder and receipt by the Issuer from the Beneficial Title Seller of a notice setting out the details of the Flexible Drawing and prior to the payment in full by the Issuer of the Flexible Drawings Purchase Price, it will hold on trust for the Legal Title Holder absolutely any amounts, property, interests, rights or benefits in relation to such Flexible Drawing;
- (c) prior to a perfection pursuant to a Perfection Event, it will not:
  - (i) submit or require the submission of any notice, form, request or application to, or pay any fee for the registration of, or the noting of any interest at the Land Charges Department of the Land Registry in relation to the Issuer's or Trustee's interests in the Mortgage Portfolio;
  - (ii) give or require the giving of any notice to any Borrower or any other relevant person of the sale or transfer of that Borrower's Mortgage Loan and its Related Security to the Issuer;
  - (iii) send or require to be sent to any solicitor who has acted on behalf of the Legal Title Holder in respect of any Mortgage with respect to which the Legal Title Holder has not received a complete set of the Title Deeds, a letter or other communication requiring such solicitor to hold such documents to the order of the Issuer or the Trustee (as the case may be);
  - (iv) take any other step or action analogous to those in paragraphs (i) to (iii) above;
- (d) it will ensure that (i) prior to the occurrence of a Perfection Event it will not seek to set the SVR applicable to the Mortgage Loans or any other Discretionary Rate of the Legal Title Holder and (ii) following the occurrence of a Perfection Event it will ensure that the SVR and any Discretionary Rate are set in accordance with the Mortgage Conditions, applicable law and the standards of a Prudent Mortgage Lender;
- (e) it will enter into an agreement with Capital Home Loans Limited to appoint Capital Home Loans Limited as servicer in relation to the Mortgage Loans and their Related Security, on terms acceptable to

CHL in its sole discretion (acting reasonably) and provided that CHL's refusal of such terms will not preclude the sale of the Mortgage Loans and their Related Security from time to time.

### **Other Provisions of the Mortgage Sale Agreement**

In addition to providing for the sale, transfer and assignment of the Mortgage Portfolio, the Mortgage Sale Agreement also sets out or provides for the following:

- (a) Beneficial Title Seller's Warranties and the Asset Warranties;
- (b) the provisions governing the payments to be made to the Issuer in respect of, the relevant Mortgage Loan and Related Security in case of a breach of a warranty which has not been remedied within applicable grace periods;
- (c) the undertaking of the Beneficial Title Seller to retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 405 of the CRR, Article 51 of the AIFMR, and Article 254 of the Solvency II Regulation; and
- (d) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer as described above.

### **Consideration**

The consideration payable by the Issuer to the Beneficial Title Seller for the Mortgage Portfolio on the Closing Date will consist of an amount of £578,806,920 together with Deferred Consideration payable by the Issuer to the Beneficial Title Seller. All amounts received on or prior to the Cut-Off Date by the Beneficial Title Seller or, as applicable, Cornhill shall be for its account.

### **Asset Warranties and Breach of Asset Warranties**

The Mortgage Sale Agreement contains the Asset Warranties. The Asset Warranties are given subject to the disclosures (as at 21 February 2017) set out in the Mortgage Sale Agreement (see "*Risk Factors – Breach of or disclosures in relation to Asset Warranties*" for further information). No searches, enquiries or independent investigations have been or will be made by the Issuer or the Trustee, each of whom is relying upon the Asset Warranties.

If, upon the occurrence of a material breach of an Asset Warranty under the Mortgage Sale Agreement in relation to a Mortgage Loan (including any Mortgage Loan subject to a Further Advance, Product Switch or Flexible Drawing), such breach is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller has failed to remedy such breach within the applicable grace period starting from when the Issuer gives notice of such breach to the Beneficial Title Seller, the Beneficial Title Seller must make a cash payment to the Issuer in respect of all Liabilities relating to the material breach of Asset Warranty subject to the Beneficial Title Seller's liability in relation to the Mortgage Loan being a maximum of the Current Balance of such Mortgage Loan. The Beneficial Title Seller's total aggregate liability in respect to all Asset Warranty claims shall be limited to an amount equal to 100 per cent. of the aggregate Current Balance of the Mortgage Portfolio as at the Closing Date.

If the Beneficial Title Seller cannot reach agreement with the Issuer as to the quantum of any amount of Liability within fifteen (15) Business Days of being asked to pay any such amount by the Issuer and/or the Trustee, the Beneficial Title Seller shall appoint within ten (10) Business Days an independent auditor of internationally recognised standing to determine the amount of such quantum (and ask such auditor to provide his findings within fifteen (15) Business Days). The decision of such auditor will be binding on all parties.

The following are the Asset Warranties (or extracts or summaries of certain warranties) given in favour of the Issuer by the Beneficial Title Seller under the Mortgage Sale Agreement in relation to: (i) the Mortgage Loans and the Related Security, on the Closing Date; (ii) in relation to each Mortgage Loan which is subject to a Further Advance made by the Legal Title Holder, on the relevant Advance Date; (iii) in relation to each Mortgage Loan which is subject to a Product Switch made by the Legal Title Holder, on the relevant Switch Date; and (iv) in relation to each Mortgage Loan which is subject to a Flexible Drawing, on the relevant Drawings Date:

- (a) The particulars of each Mortgage Loan and its related Mortgage set out in Loan Data Tape Fields in the Loan Data Tape as at the Provisional Cut-Off Date were complete, true and accurate in all material respects.
- (b) On and immediately prior to completion (subject only to the transfer to the Issuer), the Beneficial Title Seller is the sole beneficial owner and the Legal Title Holder is the sole legal owner of each Mortgage Loan and its Related Security free from all Encumbrances.
- (c) Each relevant Mortgage constitutes a valid and subsisting first ranking legal mortgage (or, in relation to a Mortgage over a Property situated in Northern Ireland, mortgage or charge) over the relevant property, and secures the repayment of all advances, interest, costs and expenses payable by the borrower and any further advances under the related Mortgage Loan (save that in Northern Ireland, it is not possible to secure further advances by making a registration in respect of the same at the relevant Land Registry).
- (d) Each Mortgage Loan is secured via a Mortgage over a Property and each Property is a freehold or leasehold, residential or commercial property in England, Wales or Northern Ireland.
- (e) All formal approvals, consents and other steps necessary to permit an assignment or transfer of the beneficial interest in the Mortgage Loans and their Related Security have been obtained or taken.
- (f) Each Mortgage Loan and its related Mortgage and any guarantee given in support of the Borrower's obligations thereunder constitutes a legal, valid, binding and enforceable obligation of the Borrower and/or the guarantor and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower in priority to any other charges registered against the Property (provided that nothing in this paragraph (f) constitutes a representation or warranty as to the sufficiency of any such Property as security for any indebtedness secured on it) except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any early repayment charges, mortgage administration exit fees or charges payable in the event of a Borrower default.
- (g) So far as the Beneficial Title Seller is aware, no lien, right of set-off, counterclaim or other right of deduction exists between the Beneficial Title Seller or the Legal Title Holder and any Borrower or any other party that would entitle that Borrower to reduce any amount payable under the relevant Mortgage Loan.
- (h) Prior to the making of each Mortgage Loan, the Originator:
  - (i) instructed solicitors or a licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake all investigations, searches and other action and enquiries on behalf of the Originator in accordance with the instructions which the Originator issued to the relevant solicitor or licensed conveyancer as are set out in the CML's Lender's Handbook for England and Wales, or the CML's Lender's Handbook for Northern Ireland (or, for Mortgage Loans advanced before the CML's Lender's Handbook for England and Wales was adopted in 1999 or for Mortgage Loans advanced before the CML's Lender's Handbook for Northern Ireland was adopted in 2004, Originators' standard form instructions to solicitors) or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Prudent Mortgage Lender; and



- (ii) received a certificate of title and/or report on title from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such Property the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time.
- (i) In the case of a Mortgage Loan secured on a leasehold property, the related leasehold interest expires not less than 35 years after the maturity of the relevant Mortgage Loan.
- (j) Not more than 12 months (or a longer period as may be acceptable to a Prudent Mortgage Lender) prior to making an Initial Advance to the Borrower, the Property was valued by an independent qualified valuer approved by the Originator and such valuation would have been acceptable to a Prudent Mortgage Lender at the date such valuation was performed.
- (k) Prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower (to the extent applicable) and the origination of such Mortgage Loan satisfied the Lending Criteria in all material respects.
- (l) To the best of the Beneficial Title Seller's knowledge at the time of the relevant application for a Mortgage, no Borrower had filed for bankruptcy, entered into an individual voluntary arrangement or been sequestrated or had a county court judgment or court decree (save for satisfied county court judgments or court decrees up to the value of £500) entered or awarded against him in the period commencing on the date falling six years prior (or two years prior in relation to county court judgments) to the date they executed the relevant Mortgage and ending on the day they executed the relevant Mortgage.
- (m) Each Mortgage Loan and its related Mortgage has been made on the terms of the Standard Documentation (so far as applicable) which has not been varied in any material respect and nothing has been done subsequently to such Mortgage Loan having been made to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect other than: (i) any variation agreed with a Borrower to control or manage arrears on a Mortgage Loan; (ii) any variation in the maturity date of a Mortgage Loan; (iii) any variation imposed by statute or as a result of legally binding UK government policy changes or initiatives aimed at assisting home owners in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Mortgage Loan is charged; (iv) any variation to the interest rate as a result of the Borrower switching to a different rate; (v) any change to a Borrower under the Mortgage Loan or the addition of a new Borrower under a Mortgage Loan; (vi) any change in the repayment method of the Mortgage Loan (including from an interest only loan to a repayment loan); or (vii) any other variation that would be acceptable to a Prudent Mortgage Lender.
- (n) Each Mortgage Loan is denominated in GBP.
- (o) Subject to completion of any registration or recording which may have been pending at the relevant Land Registry, all Title Deeds (save for Title Deeds held at the relevant Land Registry and Title Deeds existing in dematerialised form) and Loan Files are held by CHL to the order of the Beneficial Title Seller or by CHL's solicitors or licensed conveyancers.
- (p) For each Mortgage Loan, proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, proceedings and notices relating to that Mortgage Loan in accordance with applicable law and applicable regulatory guidance or directions and are in all material respects up-to-date, accurate and in the possession of CHL.
- (q) No Mortgage Loan or its related Mortgage contains a mandatory obligation on the part of the Legal Title Holder or the Beneficial Title Seller to make any Further Advance.
- (r) At the time of completion of the relevant Mortgage, the Originator or its solicitors took reasonable steps to verify that the relevant Property was insured under a Buildings Policy and that the Originator's interest had been noted on such Buildings Policy in relation to the relevant Property, in all cases against risks usually covered when advancing money on the security of property of the same nature to an amount not less than the full reinstatement value thereof as determined by the Originator's valuer.

- (s) The Beneficial Title Seller is not aware of any fraud in relation to any Mortgage Loan which could reasonably be expected to result in the value of the Mortgage Loan or its Related Security being reduced.
- (t) So far as the Beneficial Title Seller is aware, no Borrower is an employee of the Legal Title Holder.
- (u) No agreement for any Mortgage Loan is in whole or in part a "regulated credit agreement" under article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or treated as such by the Consumer Credit Act 1974 (as amended, extended or re-enacted from time to time) (the "CCA") or, to the extent that any agreement for any Mortgage Loan is in whole or in part a regulated credit agreement or consumer credit agreement, CHL and the Beneficial Title Seller during their respective periods of ownership have complied with all the relevant legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto and the FCA Handbook, as applicable and no such agreement, whether taken alone or with a related agreement, gives rise to an "unfair relationship" between the creditor and the debtor for the purposes of sections 140A to 140D of the CCA.
- (v) To the extent that any Mortgage Loan and related Mortgage is subject to the Unfair Terms in Consumer Contracts Regulations 1994 or 1999 (the **UTCCR**), no action whether formal or informal has been taken by the Office of Fair Trading, the FCA or a "qualifying body", as defined in the UTCCR, against CHL or the Beneficial Title Seller pursuant to the UTCCR or otherwise which might restrict or prevent the enforcement of any term of any Mortgage Loan and related Mortgage.
- (w) In relation to any Mortgage Loan which is a regulated mortgage contract within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Beneficial Title Seller and the Legal Title Holder is aware, all then applicable requirements of MCOB have been complied with in all material respects in connection with such origination (including in respect of any further advance), documentation and administration of such Mortgage Loan.
- (x) So far as the Beneficial Title Seller is aware, there are no complaints in relation to the Mortgage Loans or Mortgages (whether relating to their origination, servicing or otherwise) made to the Ombudsman which have been notified by the Ombudsman to the Beneficial Title Seller or the Originator and which remain outstanding.
- (y) The Beneficial Title Seller is not aware of any pending action or proceeding by a Borrower against the Beneficial Title Seller or CHL in respect of the Mortgage Loans and their Mortgages.
- (z) Interest on each Mortgage Loan has been charged by the Beneficial Title Seller in accordance with the provisions of the Mortgage Loan and its related Mortgage, save in cases where payment concessions or arrangements to pay have been negotiated with the Borrower in the ordinary course of servicing of the Mortgage Loans.
- (aa) The Beneficial Title Seller has not knowingly waived or acquiesced in any breach of any of its rights in relation to a Mortgage Loan or a Mortgage other than those undertaken as part of being a Prudent Mortgage Lender.
- (bb) In relation to any buy-to-let Mortgage Loan:
  - (i) no Property, at the time of origination, was or was to be let or sub-let otherwise than by way of an assured shorthold tenancy (or in relation to Northern Ireland, a tenancy agreement of not more than six months tenure and which confers the same rights on the Borrower as an assured shorthold tenancy would in England and Wales and which is either not controlled by the Rent (Northern Ireland) Order 1978 or is not a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006) which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; and
  - (ii) to the extent there was a tenancy agreement in place at the time of origination, such tenancy agreement was on terms that would be acceptable to a reasonably Prudent Mortgage Lender and the Beneficial Title Seller is not aware of any material breach of such agreement.

- (cc) Prior to making a Mortgage Loan to a Borrower, the Originator instructed solicitors to undertake to ensure each relevant guarantor (where a Mortgage Loan is stated to be the subject of a guarantee as listed in the Loan Data Tape) executed a deed of guarantee in respect of the repayment by the relevant Borrower of the amounts due under the Mortgage Loan and its related Mortgage in favour of the mortgagee.
- (dd) Prior to making a Mortgage Loan in respect of which the Borrower is a corporate borrower, such Borrower is: (i) a private company incorporated with limited liability in England and Wales or Northern Ireland; (ii) neither the Originator nor the Beneficial Title Seller has received written notice of any steps having been taken for the liquidation or winding-up of, or the making of an administration order or analogous proceedings in relation to, such Borrower or of any steps having been taken to enforce any security over the assets of such Borrower (including, without limitation, the appointment of any receiver of rent in respect of the Borrower); and (iii) prior to making the initial advance to such Borrower, the Originator instructed solicitors to undertake to conduct a search at Companies House in relation to such Borrower which revealed that no notices of appointment of a liquidator, administrator, administrative receiver or receiver had been filed and that no resolution had been passed to wind up the Borrower; and (iv) in relation to such Borrower, the solicitor acting for the Originator satisfied themselves that the Borrower had, in accordance with its articles of association, authorised a designated person or persons to sign all relevant documentation; and (v) such meeting was duly convened and quorate in accordance with the Borrower's articles of association; and (vi) the Originator and/or the Beneficial Title Seller, as applicable, acting as a Prudent Mortgage Lender, carried out a company search at the underwriting stage to identify the directors and shareholders of the corporate borrower, and to establish whether any incidence of default was registered against either the individuals (where such individual was either a director of the company or held 20 per cent. or more of the company's shares) or the company itself; and (vii) the particulars of the relevant Mortgage were registered with Companies House within 21 days of the date of the grant of the Mortgage.
- (ee) Unless a Borrower is a corporate borrower and the requirements in paragraph (dd) above are satisfied, each Borrower is an individual and aged 17 years or older at the date of entering into the relevant Mortgage Loan, and the identity of each Borrower has been verified by the Originator in accordance with procedures which would be acceptable to a Prudent Mortgage Lender.
- (ff) Prior to the making of each Mortgage Loan or Flexible Drawing, the Lending Criteria and all preconditions to the making of any Mortgage Loan or Flexible Drawing were satisfied in all material respects subject only to such exceptions and waivers as made on a case-by-case basis as would be acceptable to a Prudent Mortgage Lender.
- (gg) In relation to each Mortgage Loan and its related Property, there are no other mortgage loans owned by the Beneficial Title Seller or the Legal Title Holder that are secured on such Property and are not being sold to the Issuer pursuant to the Mortgage Sale Agreement.
- (hh) None of the Mortgage Loans, Mortgages, Related Security or Ancillary Rights in respect of a Mortgage Loan consist of or include any "stock" or a "marketable security" (as such terms are defined for the purposes of section 122 of the Stamp Act 1891 within the meaning of section 125 of the Finance Act 2003 (except where it consists of or includes "stock" which is a "debenture" but is not a "marketable security" for the purposes of paragraph 25 to Schedule 13 of the Finance Act 1999)), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a chargeable interest (as such term is defined for the purposes of section 48 of the Finance Act 2003).
- (ii) Save for sons or daughters (who are aged 17 years or over) of the Borrower living with the Borrower, every person who, at the date upon which a Mortgage Loan was granted, had attained the age of 17 and who had been notified to the Originator as residing in or about to reside in the relevant Property, is either named as a Borrower or has signed a consent agreement in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage Loan was executed.
- (jj) Neither the Originator nor, as far as the Beneficial Title Seller is aware after having made reasonable enquiries, any of the Originator's agents has received written notice of any litigation, claim, dispute or

complaint (excluding any vexatious or frivolous complaint) (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Mortgage Loan, Related Security or Buildings Policy which (if adversely determined) might have a material adverse effect on the value of any Mortgage Loan.

- (kk) So far as the Beneficial Title Seller is aware, having made reasonable enquiries (including of the Originator), at the time of origination of each Mortgage Loan, so far in each case as then applicable, the Originator has in connection with each Mortgage Loan:
  - (i) carried out the identification and other procedures required under the Money Laundering Regulations 2003 or the Money Laundering Regulations 2007 (as applicable), the Guidance for the UK financial sector issued by the Joint Money Laundering Steering Group and the Senior Management Arrangements, Systems and Controls (SYSC) Manual of the FCA Handbook (in relation to any Mortgage Loan where an offer was made on or after 31 October 2004) and the Money Laundering sourcebook of the FCA Handbook; and
  - (ii) complied with the requirements of the Terrorism Act 2000 and Proceeds of Crime Act 2002 to the extent (if any) that the same are applicable.
- (ll) So far as the Beneficial Title Seller is aware, at origination, no Borrower was a person with whom transactions are prohibited under any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or Her Majesty's Treasury (collectively, "**Sanctions**") and no Borrower was located in a country or territory which was the subject of any Sanctions at that time.
- (mm) None of the Mortgage Loans advanced to bodies corporate carries or has carried a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the Mortgage Loan.
- (nn) There has been no successful claim for redress in relation to any payment protection insurance or similar insurance sold to a Borrower in respect of a Mortgage Loan.

#### **Further Advances, Product Switches and Flexible Drawings**

As used in this Prospectus, Initial Advance means all amounts advanced by the Legal Title Holder to a Borrower under a Mortgage Loan other than a Further Advance or a Flexible Drawing. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire the Further Advances and Flexible Drawings (as applicable).

**Further Advances:** The Issuer shall purchase Further Advances from the Legal Title Holder on the date that the relevant Further Advance is advanced to the relevant Borrower by the Legal Title Holder (the "**Advance Date**"). The Issuer will pay the Legal Title Holder the Further Advance Purchase Price promptly, and in any event within five Business Days of being requested to do so by the Servicer by using amounts standing to the credit of the Principal Ledger.

Where the Issuer (or the Cash Manager on its behalf) determines that the aggregate of the amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN in an amount equal to the difference between (i) the aggregate of amounts standing to the credit of the Principal Ledger and (ii) the outstanding Further Advance Purchase Price and use such proceeds of the Class Z VFN to fund the purchase of Further Advances under the Mortgage Loans.

If it is determined by the Cash Manager on the Monthly Test Date immediately following the Monthly Period in which the relevant Further Advance was made that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Further Advance was made in respect of the Mortgage Loan subject to such Further Advance, then the Issuer will notify the Beneficial Title Seller as soon as reasonably practicable after becoming aware thereof (and in any event within 30 days of discovery of such breach or breaches) (the "**Issuer's Initial Notice**"). In respect of any alleged breach of an Asset Warranty or Asset Condition the Beneficial Title Seller will at any time on or before the 45th Business Day after the date of the Issuer's Initial Notice give a counter-notice to the Issuer setting out, inter alia, actions which may be taken in

respect of such remedy. The Beneficial Title Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Issuer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day period on behalf of the Issuer, the Beneficial Title Seller has an obligation to make a cash payment equal to the Further Advance Payment Price.

The Legal Title Holder (or the Servicer on its behalf) will be solely responsible for offering and documenting any Further Advance. Neither the Legal Title Holder, nor the Servicer (on behalf of the Legal Title Holder) shall be obliged to offer or make, or be instructed by any party to offer or make a Further Advance to a Borrower.

**Product Switches:** The Legal Title Holder (or the Servicer on behalf of the Legal Title Holder) may accept applications from, or offer a Borrower (and the Borrower may accept), a Product Switch. Any Mortgage Loan which has been subject to a Product Switch will remain in the Mortgage Portfolio provided that it continues to satisfy the Asset Conditions. If the Cash Manager determines on the Monthly Test Date immediately following the Monthly Period in which the Product Switch was made that any of the relevant Asset Conditions have not been met as at the last day of the Monthly Period in which such Product Switch was made (or such breach was subsequently discovered in respect of such date) in respect of a Mortgage Loan which is the subject of a Product Switch and which remains in the Mortgage Portfolio, then the Issuer will deliver the Issuer's Initial Notice to the Beneficial Title Seller. In respect of any alleged breach of an Asset Warranty or Asset Condition the Beneficial Title Seller will at any time on or before the 45th Business Day after the date of the Issuer's Initial Notice give a counter-notice to the Issuer setting out, inter alia, actions which may be taken in respect of such remedy. The Beneficial Title Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Issuer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day period, the Beneficial Title Seller has an obligation to make a cash payment equal to the Product Switch Payment Price.

The Legal Title Holder (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Legal Title Holder, nor the Servicer (on behalf of the Legal Title Holder) shall be obliged to offer or make, or be instructed by any party to offer or make a Product Switch to a Borrower.

**Flexible Drawings:** The Legal Title Holder (or the Servicer on its behalf) is obliged to offer (subject to the satisfaction of certain conditions) a Flexible Drawing. The Issuer shall purchase Flexible Drawings from the Legal Title Holder on the Drawings Date. To the extent that the Servicer (on behalf of the Legal Title Holder) has not deducted the balance of the Flexible Drawings Purchase Price from amounts received in respect of the Mortgage Portfolio which would otherwise have been paid to the Issuer, the Issuer will pay the Legal Title Holder the Flexible Drawings Purchase Price promptly, and in any event within five Business Days of being requested to do so by the Servicer by using amounts standing to the credit of the Principal Ledger.

Where the Issuer (or the Cash Manager on its behalf) determines that the aggregate of the amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Flexible Drawings Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN in an amount equal to the difference between (i) the aggregate of amounts standing to the credit of the Principal Ledger and (ii) the outstanding Flexible Drawings Purchase Price and use such proceeds of the Class Z VFN to fund the purchase of Flexible Drawings under the Mortgage Loans.

If it is determined by the Cash Manager on the Monthly Test Date immediately following the Monthly Period in which the relevant Flexible Drawing was made that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Flexible Drawing was made in respect of the Mortgage Loan subject to such Flexible Drawing, then the Issuer will deliver the Issuer's Initial Notice to the Beneficial Title Seller. In respect of any alleged breach of an Asset Warranty or Asset Condition the Beneficial Title Seller will at any time on or before the 45th Business Day after the date of the Issuer's Initial Notice give a counter-notice to the Issuer setting out, inter alia, actions which may be taken in respect of such remedy. The Beneficial Title Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Issuer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day period on behalf of the Issuer, the Beneficial Title Seller has an obligation to make a cash payment equal to the Flexible Drawing Payment Price.

## **Asset Conditions**

In order for any Mortgage Loan which has been the subject of a Further Advance, Product Switch or Flexible Drawing to remain in the Mortgage Portfolio, the conditions below (the "**Asset Conditions**") must be complied with as of the last day of the Monthly Period in which the relevant Switch Date, Advance Date or Drawings Date occurred. The Asset Conditions will be tested by the Cash Manager on the Monthly Test Date immediately following the Monthly Period in which such sale of the Further Advance, Product Switch or Flexible Drawing took place.

If the Legal Title Holder (or the Servicer on its behalf) accepts an application from or makes an offer (which is accepted) to a Borrower for a Further Advance, Product Switch or a Flexible Drawing and if any of the Asset Conditions are not satisfied as at the last day of the Monthly Period in which the relevant Advance Date, Switch Date and/or Drawings Date occurred, then the Mortgage Loan in respect of which the Further Advance, Product Switch or Drawings Date occurred will have a cash payment made by the Beneficial Title Seller in accordance with the provisions of the Mortgage Sale Agreement.

The Asset Conditions are:

1. the Current Balance of the Mortgage Loans comprising the Mortgage Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 3 per cent. of the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio at the last day of the Monthly Period;
2. the General Reserve Fund is at the General Reserve Fund Target Amount, or failing such condition, a drawing is made under the Class Z VFN in order to replenish the General Reserve Fund to the General Reserve Fund Target Amount;
3. the Cash Manager is not aware that the then current ratings of the Class A Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Further Advance, Product Switch and/or Flexible Drawing remaining in the Mortgage Portfolio;
4. no Event of Default has occurred which is continuing;
5. the Class A Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Funds on that Interest Payment Date;
6. in relation to a Further Advance, the aggregate amount of all Further Advances (including the Further Advances made since the Closing Date) does not exceed £3,000,000 as at the last day of the Monthly Period;
7. in relation to a Flexible Drawing, the aggregate amount of all Flexible Drawings does not exceed £3,000,000 as at the last day of the Monthly Period;
8. the Advance Date or the Switch Date (as the case may be) falls before the Step-Up Date;
9. no Insolvency Event has occurred in relation to the Beneficial Title Seller;
10. each Mortgage Loan and its Related Security which is the subject of a Further Advance, Flexible Drawing and/or Product Switch complies at the date of such Further Advance, Flexible Drawing and/or Product Switch with the Asset Warranties;
11. the amount of Fixed Rate Loans as a result of Product Switches as at the last day of the Monthly Period does not exceed 5 per cent. of the Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date;
12. the latest maturity date of a Mortgage Loan for any Product Switch is limited to two years prior to Final Maturity Date.

## **Indemnity payment by the Beneficial Title Seller**

As set out above and below, the Beneficial Title Seller shall make a cash payment to the Issuer in respect of all Liabilities relating to the relevant Mortgage Loan determined to be in material breach of an Asset Warranty

subject to the Beneficial Title Seller's liability in relation to the Mortgage Loans being a maximum of the Current Balance of such Mortgage Loan. The Beneficial Title Seller's total aggregate liability in respect of all claims in respect of the Asset Warranties shall be limited to an amount equal to 100 per cent. of the Current Balance of the Mortgage Portfolio on the Closing Date. Following the Beneficial Title Seller making an indemnity payment in relation to a Mortgage Loan or Mortgage Loans, in an amount equal to 100 per cent. of the then Current Balance of such Mortgage Loan or Mortgage Loans, any amounts received by the Issuer in respect of such Mortgage Loan or Mortgage Loans will be for the benefit of the Beneficial Title Seller and will not form part of Available Revenue Funds or Available Principal Funds.

### **Third Party Interest**

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages and not registering or recording their respective interest at the Land Registry a *bona fide* purchaser from the Legal Title Holder (or until such registration or recording of the title of the Legal Title Holder is complete, a *bona fide* purchaser from any previous owner of the Mortgage Loans) for value of any of such Mortgage Loans without notice of any of the interests of the Legal Title Holder (where registration or recording of the title of the Legal Title Holder to any Mortgages is incomplete), the Issuer or the Trustee might obtain a good title free of any such interest. Further, the rights of the Legal Title Holder, the Issuer and the Trustee may be or become subject to equities (for example, rights of set off as between the relevant Borrowers or insurance companies and the Legal Title Holder (or any previous owner of the Mortgage Loans)). However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Legal Title Holder (or any previous owner of the Mortgage Loans) of its contractual obligations or fraud, negligence or mistake on the part of the Legal Title Holder (or any previous owner of the Mortgage Loans) or the Issuer or their respective personnel or agents.

### **Limited recourse**

The Issuer may not have any direct rights (under general law or in contract) against any solicitors or valuers who, when acting for the Legal Title Holder in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Legal Title Holder has, to the extent assignable, assigned its causes and rights of actions against third parties in respect of the Mortgage Loans to the Beneficial Title Seller, who in turn has assigned such causes and rights of actions to the Issuer pursuant to the Mortgage Sale Agreement.

### **Governing Law**

The Mortgage Sale Agreement and any non-contractual obligation arising out of or in connection to the Mortgage Sale Agreement will be governed by English law (other than those terms of the Mortgage Sale Agreement particular to the laws of Northern Ireland, which shall be construed in accordance with Northern Irish law).

## SERVICING OF THE MORTGAGE PORTFOLIO

### The Servicer

The Servicer will be appointed by the Issuer and after the service of an Enforcement Notice the Trustee under the terms of the Servicing Agreement as their agent to service the Mortgage Loans.

The Servicer represents that it holds and will maintain, all appropriate licences, consents and authorisations (if any) required under the FSMA and the Data Protection Act 1998 necessary for or incidental to the performance of its obligations under the Servicing Agreement. The Servicer (acting on behalf of the Issuer) shall not take or omit to take any action, if it is aware that such action or omission would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

The Servicer is required to administer the Mortgage Portfolio as the agent of the Issuer and after the service of an Enforcement Notice, the Trustee, under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer include, inter alia:

- (a) setting the Mortgage Rate from time to time;
- (b) collect payments on the Mortgage Loans and discharge Mortgage Loans and Related Security upon redemption;
- (c) monitor and, where appropriate, pursue arrears (in accordance with the CHL Specialist Servicing Policy) and enforce the Related Security;
- (d) take all reasonable steps to ensure safe custody of all Title Deeds and documents in respect of the Mortgage Loans and their Related Security which are in its possession;
- (e) manage the Issuer's interests in the Insurance Policies and other Related Security related to the Mortgage Loans;
- (f) process transfers of titles, notices of death, forfeitures of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- (g) deal with all types of payment transactions, post and refund fees, set up direct debits, payment date changes and payment holidays in relation to the Mortgage Loans;
- (h) deal with all customer correspondence on other aspects of the Mortgage Loans once the Mortgage Loan is drawn down, including changes in customer details and changes on the relevant customer Mortgage;
- (i) deal with Further Advances, Product Switches, Flexible Drawings and porting in accordance with the Mortgage Conditions and the Servicing Specification;
- (j) keep records for all taxation purposes and VAT;
- (k) assist the auditors of the Issuer and, if necessary, the Beneficial Title Seller and provide information reasonably related to the Mortgage Loans to them upon reasonable prior written request;
- (l) notify relevant Borrowers of any matter or thing which the applicable Mortgage Conditions require them to be notified of, in the manner and at the time required by the relevant Mortgage Conditions;
- (m) take all reasonable steps to recover all sums due to the Issuer including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage Loan comprised in the Mortgage Portfolio or any Related Security, actions against valuers/solicitors and claims under Insurance Policies and against/at the Land Registry;
- (n) on or prior to the 10th Business Day of each Calculation Period, determine the amount of Principal Losses on the Mortgage Portfolio as at each Calculation Date;
- (o) for so long as it is also the Legal Title Holder, act as collection agent for the Issuer under the Direct Debiting Scheme in accordance with the provisions of this Agreement; and



- (p) take all other action and do all other things which it would be reasonable to expect a Prudent Mortgage Lender to do in administering its loans and their related security.

The Servicer is entitled to delegate its functions under the Servicing Agreement subject to certain conditions. However, the Servicer remains liable for the performance of those functions provided that the Servicer shall be entitled to a period of 20 Business Days from the Servicer becoming aware of or receiving written notice of any breach by any sub-contractor or delegate to remedy or procure remedy of such breach.

The Servicer will receive a fee for its services under the Servicing Agreement payable on each Interest Payment Date. Such fee is payable in accordance with the relevant Payments Priorities. Any services which are additional to the Services will be charged at Daily Rates (as set out in the Servicing Agreement) or such other basis as the Parties agree.

### **Provision of Borrower Details**

The Servicer shall, after (a) the Issuer serving a notice of termination following a Servicer Termination Event, (b) the Servicer giving notice to the Issuer that it terminates its own appointment or (c) the notice terminating the appointment of the Servicer expires, deliver to (and in the meantime hold on trust for and to the order of) the Issuer, or as the Issuer shall direct, the Loan Files, the Title Deeds (other than Title Deeds held in dematerialised form) all books of account, papers records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Issuer and the Mortgage Loans and the Related Security and any other security therefor, any moneys then held by the Servicer on behalf of the Issuer and any other assets of the Issuer, in each case free and clear of any lien or right of set-off exercisable by the Servicer and shall take such further action as the Issuer may reasonably direct including, without limitation, delivering to the Issuer or as it shall direct any computer records relating to the Loan Files or Title Deeds (other than Title Deeds held in dematerialised form) and (to the extent permissible by any relevant licences or software agreements) licensing to the Issuer (at the cost of the Issuer) any computer programmes relative thereto.

### **Termination and Resignation of the Servicer**

The occurrence of any of the following (subject to applicable grace periods for remedy and materiality thresholds) will constitute a Servicer Termination Event:

- (a) default by the Servicer in the payment of any amount due and payable under the Servicing Agreement;
- (b) default by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default is materially prejudicial to the interests of the Issuer;
- (c) a misrepresentation by the Servicer with respect to its Sanctions and Anti-Bribery warranties, which misrepresentation is materially prejudicial to the interests of the Issuer; and
- (d) the occurrence of an Insolvency Event in respect of the Servicer.

Further, the appointment of the Servicer may, in each case, be terminated by the Issuer or, if the Trustee gives an Enforcement Notice in relation to the Notes, the Trustee upon expiry of the relevant notice periods.

Following a Servicer Termination Event, the Back-Up Servicer may assume the provision of the Services to the Issuer, subject to the terms of the Back-Up Servicing Agreement.

The Servicer must deliver to the Issuer as soon as reasonably practicable, but in any event within five Business Days of becoming aware thereof, notice of any Servicer Termination Event. Upon the occurrence of a Servicer Termination Event, the Issuer may by notice in writing to the Servicer, terminate the Servicer's appointment without prejudice to any then existing rights and liabilities of the parties hereto.

The Servicer can terminate its appointment if the Issuer (a) defaults in the performance or observance of any of its covenants and obligations under the Servicing Agreement which is materially prejudicial to the interests of the Servicer and continues un-remedied for twenty Business Days after written notice requiring it to be remedied, (b) the Issuer fails to pay any amount due to the Servicer or (c) an Insolvency Event occurs in respect of the Issuer.

In addition, the appointment of the Servicer can be terminated (a) during the Initial Term by the Issuer upon the expiry of not less than 12 months' notice in writing to the Servicer, (b) after the Initial Term, by either of the Servicer or the Issuer, upon the expiry of not less than 12 months' notice in writing to the applicable other party or (c) by the Issuer upon expiry of not less than six months' notice of termination given in writing by the Issuer to the Servicer if there is a Servicer Change of Control and the net assets of CHL are adversely affected immediately following such Servicer Change of Control.

Following notice of termination of its appointment as Servicer, the Servicer shall:

- (a) procure the delivery of records to the Back-Up Servicer or any replacement servicer (as applicable) no later than five Business Days before the appointment of the back-up servicer or replacement servicer (as applicable) as a replacement Servicer;
- (b) assist the Back-Up Servicer or replacement Servicer (as applicable) to establish and maintain computer systems for administering the Mortgage Loans; and
- (c) assist the back-up servicer to load the data held by the Servicer in respect of the Mortgage Loans and Related Security onto such computer system.

Following termination of the appointment of the Servicer, the Servicer is to co-operate with the Issuer or a Back-Up Servicer appointed by the Issuer (at the cost of the Issuer) to ensure that the transfer of the administration of the Mortgage Loans and Related Security is as smooth as reasonably practicable, and subject to agreement between the parties and further subject to the Servicer being indemnified or pre-funded by the Issuer for the Liabilities of doing so, the Servicer will continue to provide any necessary services on the same terms as provided in the Servicing Agreement until the transfer of such administration is complete.

Subject to such amount not exceeding the Servicer Migration Amount, the Issuer shall promptly pay all reasonable costs and expenses incurred by the Servicer and all third party costs and expenses incurred providing the assistance described above.

On termination of the appointment of the Servicer for a Servicer Termination Event, the Servicer shall be entitled to receive all fees and other moneys accrued up to the date of termination but shall not be entitled to any other moneys by way of compensation.

There are also certain circumstances in which a Servicing Termination Fee shall be payable to the Servicer, including when the appointment of the Servicer is terminated by the Issuer during the Initial Term, if the appointment of the Servicer is terminated by the Issuer after the Initial Term with less than 12 months' notice, if the Servicer terminates its appointment following default by the Issuer, failure to pay by the Issuer or insolvency of the Issuer, if part of the Mortgage Portfolio is removed by the Issuer from the scope of the Servicer's provision of Services or the appointment of the Servicer is terminated for a Servicer Change of Control and the net assets of CHL are adversely affected immediately following such Servicer Change of Control with less than six months' notice of termination. The Servicing Termination Fee is payable in accordance with the item (b) of the Pre-Enforcement Revenue Payments Priorities or item (b) of the Post-Enforcement Payments Priorities (as applicable). It will not be payable if the Servicer's appointment is terminated following a Servicer Termination Event.

The Servicer's appointment shall not be terminated with cause until a successor servicer (which may be the Back-Up Servicer) has been appointed, provided that such successor shall be appointed and the migration of the Services to the successor servicer shall be completed within 12 months following service of a notice of termination. For the avoidance of doubt, if no successor servicer has been appointed or migration of the Services to the successor has not been completed on such day then the Servicer must continue to service the Mortgage Portfolio on the terms of the Servicing Agreement including as to the previous Servicing Fee.

The aggregate liability of the Servicer arising out of or in connection with the Servicing Agreement, whether in contract, tort or otherwise, shall be limited to the aggregate amount of Servicing Fees received by the Servicer in the then immediately previous 12 month period. Such limitation of liability shall not apply to any liability which arises by reason of the wilful default or fraud by the Servicer.

The Trustee is not obliged to act as servicer in any circumstances.

### **Governing Law**

Each of the Servicing Agreement and any non-contractual obligation arising out of or in connection with the Servicing Agreement shall be governed by English law.

The registered office of the Servicer is located at Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA.

### **The Back-Up Servicing Agreement**

On or prior to the Closing Date, the Issuer will enter into the Back-Up Servicing Agreement.

The Back-Up Servicing Agreement provides for the Back-Up Servicer to undertake the servicing services within 60 days of receiving written notice appointing them to act as the replacement Servicer from the Issuer or (following delivery of an Enforcement Notice) the Trustee, such appointment being subject to the Back-Up Servicer having, inter alia, put in place data mapping processes to reconcile data provided by the Servicer.

The liability of the Back-Up Servicer under the Back-Up Servicing Agreement in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise howsoever, and whatever the cause thereof, arising by reason of or in connection with the Back-Up Servicing Agreement:

- (a) shall not exceed 100 per cent. of the fees which are due and payable to the Back-Up Servicer in the 12 month period following the date of the Back-Up Servicing Agreement; and
- (b) shall not include any claim for: (i) any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings; or (ii) any special indirect or consequential damage whatsoever which liability is hereby excluded.

The Back-Up Servicing Agreement and any non-contractual obligations arising out of or in respect of it will be governed by English law.

## CASH MANAGEMENT

On the Closing Date, the Issuer will appoint Citibank N.A., London Branch as the cash manager (the "**Cash Manager**") to provide cash management services to the Issuer pursuant to a cash management agreement (the "**Cash Management Agreement**").

### Cash Management Services

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

- (a) determining no later than the Cash Manager Determination Date the amount of the Available Revenue Funds and the amount of the Available Principal Funds and the amounts to be paid in respect of each item in the Pre-Enforcement Payments Priorities on the next following Interest Payment Date;
- (b) applying Available Revenue Funds and Available Principal Funds in accordance with the order of payments set forth in the relevant Payments Priorities on each Interest Payment Date;
- (c) (on the occurrence of an Optional Portfolio Purchase) applying any amounts standing to the credit of the Revenue Ledger and Principal Ledger as at the Interest Payment Date in which the Optional Portfolio Purchase Completion Date occurred in accordance with the order of payments set forth in the relevant Payments Priorities on that Interest Payment Date (provided that no amount shall be applied in respect of any Principal Reallocation Amount);
- (d) maintaining the Principal Ledger, the Revenue Ledger, the Credit Ledger, the Liquidity Ledger, the Issuer Profit Ledger and the Principal Deficiency Ledger;
- (e) make payments of any Further Advance Purchase Price and/or Flexible Drawings Purchase Price to the Legal Title Holder;
- (f) make a drawing under the Class Z VFN as required including, without limitation, any drawing required to fund any Further Advance Purchase Price and/or Flexible Drawings Purchase Price;
- (g) make any determinations and calculations in respect of the Reconciliation Amount, if necessary; and
- (h) preparing the Quarterly Investor Report and the Monthly Investor Report.

The Quarterly Investor Report will be published on [www.sf.citidirect.com](http://www.sf.citidirect.com) by no later than two Business Days following each relevant Interest Payment Date. The Monthly Investor Report will be published on [www.sf.citidirect.com](http://www.sf.citidirect.com) by no later than 5pm on the 13th Business Day of each month. The loan level data report to be submitted to the Cash Manager will be in a format that is compliant with the relevant Bank of England collateral eligibility criteria.

### Collection Account

The Collection Account is held by the Servicer at the Collection Account Bank, to which Principal Collections and Revenue Collections are directed.

The Collection Account is held with the Collection Account Bank which will, receive monies in respect of the Mortgage Loans. The Servicer will be obliged to transfer the aggregate daily amount credited to the Collection Account that relate to the Mortgage Loans (the "**Daily Loan Amount**") into the Transaction Account no later than the next Business Day after that Daily Loan Amount is identified.

In addition, Borrower Repayment Amounts and certain other amounts will be paid out of the Collection Account to the relevant recipient on any Business Day.

The Servicer has undertaken to transfer amounts standing to the credit of the Collection Account that derive or relate to the Mortgage Loans firstly, towards providing for any Redraws, secondly, to the Servicer Expenses Ledger (i) until there is a credit balance to the Servicer Expenses Ledger equal to the Servicer Expense Required Amount and (ii) any Servicer Migration Amounts, and thirdly, the balance to the Transaction Account.

### **Collection Account Declaration of Trust**

Pursuant to the collection account arrangements in place on the Closing Date, the Legal Title Holder has declared a trust over the funds in the Collection Account in favour of the Issuer and itself pursuant to the Collection Account Declaration of Trust.

### **Transaction Account**

Pursuant to the Transaction Account Agreement, the Issuer will maintain the Transaction Account. The Issuer may, with the prior written consent of the Trustee, open additional or replacement bank accounts on terms as agreed between the parties from time to time.

Interest shall accrue on the daily credit balance of the Transaction Account at the Transaction Account Rate and shall be credited to the Transaction Account.

### **Eligible Investments**

The Cash Manager may at the direction of the Issuer on any Business Day prior to the delivery of an Enforcement Notice on which the same are not otherwise required for making any payment due by the Issuer under the terms of the Transaction Documents, instruct the Transaction Account Bank to withdraw (or keep withdrawn) funds from the Transaction Account for the purpose only of investing those funds in Eligible Investments specified by the Issuer. The Cash Manager shall direct all income, principal, proceeds of sale, redemption, realisation or disposal or any other amounts received in respect of any Eligible Investments are returned prior to the next succeeding Calculation Date and credited to the Transaction Account.

### **Ledgers**

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

- (a) the **Principal Ledger**. Amounts credited to this ledger during a Calculation Period (such as Principal Receipts and Revenue Reallocation Amounts) will be available, inter alia, to pay Further Advance Purchase Price or Flexible Drawings Purchase Price on any Business Day and on the following Interest Payment Date for application in accordance with the Pre-Enforcement Principal Payments Priorities;
- (b) the **Revenue Ledger**. Amounts credited to this ledger during a Calculation Period (such as Revenue Receipts, Principal Reallocation Amounts and (following redemption of the Class A Notes) Residual Principal Allocation Amounts) will be available on the following Interest Payment Date for application in accordance with the Pre-Enforcement Revenue Payments Priorities;
- (c) the **Issuer Profit Ledger**. Amounts credited to this ledger on Interest Payment Dates will be applied in the satisfaction of the Issuer's income tax obligations and for payment to the shareholders of the Issuer by way of dividend;
- (d) the **Liquidity Ledger**. Amounts standing to the credit of this ledger may be credited to the Revenue Ledger for application on an Interest Payment Date towards the payment of the amounts referred to in items (a), (b), (c), (d) and (e) of the Pre-Enforcement Revenue Payments Priorities;
- (e) the **Credit Ledger**. Amounts standing to the credit of this ledger may be credited to the Revenue Ledger for application on an Interest Payment Date towards the payment of the amounts referred to in items (a), (b), (c), (d), (e), (f) and (g) of the Pre-Enforcement Revenue Payments Priorities.

A further ledger, the Principal Deficiency Ledger, will be maintained by the Cash Manager. That ledger does not relate to amounts standing to the credit of the Transaction Account but rather records (i) amounts of Principal Loss and Principal Reallocation Amounts (which are debited to the Principal Deficiency Ledger) and (ii) amounts transferred from the Revenue Ledger to the Principal Ledger comprising a Revenue Reallocation Amount (which are credited to the Principal Deficiency Ledger).

### **Ratings of the Transaction Account Bank**

If at any time the Transaction Account Bank ceases to be an Eligible Institution, the Transaction Account Bank shall, within 10 calendar days of becoming aware of such circumstance, give notice of such event to the Issuer (who will give notice to the Noteholders) and the Trustee. The Transaction Account Bank shall use commercially reasonable efforts to assist the Issuer in identifying a replacement transaction account bank which is an Eligible Institution but if it is unable to identify such a replacement within such time period specified below, the Transaction Account Bank shall have no liability or further obligation to any person.

The Issuer shall, within 30 calendar days from the date on which the Transaction Account Bank has ceased to be an Eligible Institution, use all reasonable endeavours to replace the Transaction Account Bank with an entity which is an Eligible Institution and, as a result, procure that the Transaction Account Bank transfers the amounts standing to the credit of the Transaction Account to that entity and procure that such entity establishes arrangements substantially similar to those contained in the Transaction Account Agreement. The Transaction Account Bank shall provide the Issuer with any assistance reasonably requested of it in order to effect such a transfer of banking arrangements. A failure on the part of the Issuer to procure such a transfer, having used all reasonable endeavours to do so, shall not constitute an Event of Default under Condition 12.1.2.

### **Back-Up Cash Manager Facilitator**

Under the Cash Management Agreement, in the event that the counterparty risk assessment of the Cash Manager falls below the lower of (i) Baa3(cr) by Moody's and A (long term) and F1 (short term) by Fitch or (ii) (a) such other lower risk assessment which is consistent with the then current methodology of Moody's or Fitch (as applicable) or (b) such other lower risk assessment that the Cash Manager certifies in writing to the Trustee would not have an adverse effect on the rating of the Notes, the Issuer with the assistance of the Back-Up Cash Manager Facilitator shall, within 60 days, use best efforts to enter into a back-up cash management agreement with a back-up cash manager with suitable experience and credentials in such form as the Issuer and the Trustee shall reasonably require, subject to, in accordance with and on substantially the same terms as the Cash Management Agreement and the Back-Up Cash Manager Facilitator shall use best efforts to identify, on behalf of the Issuer, a suitable back-up cash manager or successor cash manager, as applicable, in accordance with the terms of the Cash Management Agreement.

The Cash Manager shall not be required to take any action or provide any certification in relation to the above in so far that as it relates to a lower risk assessment unless the Beneficial Title Seller has confirmed to the Cash Manager that such lower risk assessment would not have an adverse effect on the ratings of the Class A Notes.

### **Remuneration of Cash Manager**

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

### **Resignation of Cash Manager**

The Cash Manager may resign only on giving not less than 90 days' notice in writing to the Trustee and the Issuer (with a copy to the Transaction Account Bank) provided that (i) a successor cash manager has been appointed and a new cash management agreement is entered into on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer and (ii) the Rating Agencies have been notified in writing of such resignation and appointment and have indicated that such appointment would not result in the downgrade of the Notes (provided that no such indication shall be required from any Rating Agency where such Rating Agency confirms it does not provide such indications).

### **Termination of Appointment of Cash Manager**

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

- (a) default is made by the Cash Manager in ensuring the payment on the due date of any payment required to be made under the Cash Management Agreement and such default continues unremedied for a period of three Business Days;

- (b) any representation or warranty made by the Cash Manager under the Cash Management Agreement or in any certificate, report or other notice delivered pursuant hereto shall prove to be false, misleading, incomplete or untrue, in any case in any material respect as of the date on which such representation or warranty is made or deemed to be made provided that, where such representation or warranty is remediable, it has not been remedied within 10 calendar days of the breach;
- (c) other than as set out in paragraph (a) above, any breach of any covenant, term, agreement or condition herein by the Cash Manager shall continue un-remedied for a period of (in the case of a monetary breach) three Business Days or (in the case of a non-monetary breach) 30 calendar days after written notice of such breach has been given to the Cash Manager;
- (d) any material provision in the Cash Management Agreement, shall cease, for any reason, to be in full force and effect, or the Cash Manager shall so assert in writing or shall otherwise seek to terminate or disaffirm its material obligations;
- (e) at any time after the service of an Enforcement Notice, the Trustee determines that termination of the Cash Manager's appointment under the Cash Management Agreement is prudent to protect the interests of the Secured Creditors;
- (f) it is or will become unlawful for the Cash Manager to perform any of its obligations under the Cash Management Agreement; or
- (g) any Insolvency Event occurs, and is continuing, in relation to the Cash Manager.

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

If the appointment of the Cash Manager is terminated or the Cash Manager resigns, the Cash Manager must deliver its records and books of account relating to the Notes to the substitute cash manager or at the direction of the Issuer. The Cash Management Agreement will terminate automatically on the Final Discharge Date.

### **Governing Law**

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

## CASHFLOWS

### Payments on Business Days other than Interest Payment Dates

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

- (a) any amount payable by the Issuer (i) to a Borrower under the terms of the Mortgage Conditions or by operation of law including (without limitation) amounts overpaid by a Borrower or proceeds of enforcement which exceed the amounts outstanding in respect of the Mortgage Loan (but subject to any right to refuse or withhold payment of such amount or any right of set off that has arisen by reason of such Borrower's breach of the terms of such Mortgage Conditions) or (ii) to any other person in respect of a payment relating to a Mortgage Loan which has not been accepted by the Legal Title Holder, the Servicer (a "**Borrower Repayment Amount**") of a revenue nature, to be paid into the Collection Account;
- (b) any amount necessary in respect of certain insurance premiums, as well as payments of the ground rent, service charges, agent fees, general fees, occupancy, receivership set up fees, security, solicitors costs, tradesmen and utilities payments made by the Servicer in relation to the Mortgage Loans and in accordance with the Legal Title Holder's Policies and the Servicing Agreement;
- (c) any amount received from a Borrower at any time (including upon redemption of the relevant Mortgage Loan) for the express purpose of payment being made to a third party or the Legal Title Holder for the provision of a service to that Borrower or the Legal Title Holder;
- (d) any tax payment and any amount due in respect of VAT at the rate applicable from time to time;
- (e) any Third Party Expenses; and
- (f) any amount necessary to be paid to the Collection Account to remedy an overdraft in relation to the Collection Account caused by a payment from the Collection Account by the Collection Account Bank to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Loans, or to pay any amounts due or owing to the Collection Account Bank.

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

- (a) any Borrower Repayment Amount of a principal nature to be paid to the Collection Account;
- (b) the purchase price for the Mortgage Loans payable to the Beneficial Title Seller on the Closing Date;
- (c) any Further Advance Purchase Price; and
- (d) any Flexible Drawings Purchase Price,



provided that if on any Business Day amounts are to be paid in respect of items (c) and (d), such amounts shall be paid (i) out of any remaining monies after items (a) and (b) have been paid and (ii) thereafter, any amounts advanced under Class Z VFN to fund such amounts.

#### **Pre-Enforcement Revenue Payments Priorities**

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

- (a) in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of the Trustee Liabilities and the Trustee Fees;
- (b) in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any Agents' Liabilities;
  - (ii) the Agents' Fees;
  - (iii) any Servicer Liabilities;
  - (iv) the Servicing Fees;
  - (v) any Back-Up Servicer Liabilities;
  - (vi) any Back-Up Servicing Fees;
  - (vii) any Cash Manager Liabilities;
  - (viii) the Cash Manager Fees;
  - (ix) the Collection Account Bank Fees;
  - (x) the Collection Account Bank Liabilities;
  - (xi) any Back-Up Cash Manager Facilitator Fees;
  - (xii) any Back-Up Cash Manager Facilitator Liabilities;
  - (xiii) the Transaction Account Bank Fees;
  - (xiv) any Corporate Services Provider Liabilities;
  - (xv) the Corporate Services Provider Fees; and
  - (xvi) to the Legal Title Holder, any amounts due and payable to the Legal Title Holder under the Transaction Documents;
- (c) to the extent such amounts have not already been paid in accordance with Paragraph 1 (*Payments from Revenue Ledger on any Business Day*) of Part 3 of Schedule 1 to the Cash Management Agreement, in or towards satisfaction of any Third Party Expenses and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (d) below);
- (d) to credit an amount to the Issuer Profit Ledger up to an amount for the relevant accounting year of the Issuer equal to the Issuer Profit Amount for that accounting year;
- (e) in or towards payments of amounts of interest due and payable in respect of the Class A Notes:
- (f) prior to the redemption of the Class A Notes in full or, if earlier, an Optional Portfolio Purchase, to credit the Liquidity Ledger in an amount necessary to bring the credit balance of the Liquidity Ledger up to the Liquidity Ledger Required Amount;
- (g) to record a credit entry in the Class A Principal Deficiency Sub-Ledger in an amount equal to the Class A Revenue Reallocation Amount (if any) determined as at the Cash Manager Determination Date with

respect to the immediately previous Calculation Period and to record a credit entry of such amount in the Principal Ledger;

- (h) prior to the redemption of the Class A Notes in full or, if earlier, an Optional Portfolio Purchase, to credit the Credit Ledger in an amount necessary to bring the credit balance of the Credit Ledger up to the Credit Ledger Required Amount such that the credit balance of the General Reserve Fund equals the General Reserve Fund Target Amount;
- (i) to record a credit entry in the Class Z Principal Deficiency Sub-Ledger in an amount equal to the Class Z Revenue Reallocation Amount (if any) determined as at the Cash Manager Determination Date with respect to the immediately previous Calculation Period and to record a credit entry of such amount in the Principal Ledger;
- (j) (so long as any Class A Notes will remain outstanding following such Interest Payment Date), if such Interest Payment Date falls directly after or during a Determination Period, then the excess (if any) to the Transaction Account to be applied as Available Revenue Funds on the next following Interest Payment Date;
- (k) in or towards payments of amounts of interest due and payable in respect of the Class Z VFN (including any Deferred Interest and Additional Interest thereon); and
- (l) to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Beneficial Title Seller.

For the avoidance of doubt, when applying Available Revenue Funds in the Pre-Enforcement Revenue Payments Priorities on any Interest Payment Date:

- (a) an amount equal to the General Reserve Drawing comprised in the Available Revenue Funds on such Interest Payment Date shall only be applied, prior to any Liquidity Reserve Drawing and Principal Reallocation Amounts on such Interest Payment Date, to pay items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities;
- (b) an amount equal to the Liquidity Reserve Drawing comprised in the Available Revenue Funds on such Interest Payment Date shall only be applied, after the application of any General Reserve Drawing but without taking into account any Principal Reallocation Amounts on such Interest Payment Date, to pay items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities; and
- (c) an amount equal to the Principal Reallocation Amount comprised in the Available Revenue Funds on such Interest Payment Date shall be applied after all other Available Revenue Funds have been applied and shall only be applied to pay items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities.

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

- (a) Revenue Receipts (including any Revenue Collections paid by the Beneficial Title Seller into the Transaction Account pursuant to the Mortgage Sale Agreement) received during the immediately preceding Calculation Period, or, if in a Determination Period, Calculated Revenue Funds, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Principal Funds on that Interest Payment Date;
- (b) (prior to the occurrence of an Optional Portfolio Purchase) the Principal Reallocation Amount (if any) to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (c) (prior to the occurrence of an Optional Portfolio Purchase) General Reserve Drawings to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;
- (d) (prior to the occurrence of an Optional Portfolio Purchase) Liquidity Reserve Drawings to be recorded as a credit entry on the Revenue Ledger on the Interest Payment Date following such Calculation Period;

- (e) any interest earned during such Calculation Period on amounts in the Transaction Account and credited to such account;
- (f) (upon the redemption in full of the Class A Notes) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts; and
- (g) in relation to a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Funds in accordance with Condition 7.11 (*Determinations and Reconciliation*),

*plus* any amounts which the Cash Manager may have credited to the Revenue Ledger during that Calculation Period pursuant to Paragraphs 5.2 (*Deductions from Liquidity Ledger*) and 6.2 (*Deductions from Credit Ledger*) of Part 2 of Schedule 1 to the Cash Management Agreement,

*less* any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period pursuant to Paragraph 13 (*Payments from Revenue Ledger on any Business Day*) of Part 3 of Schedule 1 to the Cash Management Agreement.

### **Pre-Enforcement Principal Payments Priorities**

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Principal Funds in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (provided that following an Optional Portfolio Purchase no amounts shall be applied in respect of item (a) below) (the "**Pre-Enforcement Principal Payments Priorities**"):

- (a) an amount equal to the Principal Reallocation Amount (if any) determined as at the related Cash Manager Determination Date with respect to the immediately previous Calculation Period, such amount to be recorded as a credit entry in the Revenue Ledger and a debit entry in the relevant Principal Deficiency Sub-Ledger;
- (b) any Principal Amount Outstanding due and payable in respect of the Class A Notes;
- (c) any Principal Amount Outstanding due and payable in respect of the Class Z VFN; and
- (d) (after redemption of the Class A Notes in full) any Residual Principal Allocation Amount, such amount to be recorded as a credit entry in the Revenue Ledger.

"**Available Principal Funds**" means in relation to an Interest Payment Date, the amount calculated as at the related Cash Manager Determination Date with respect to the immediately previous Calculation Period equal to the amount by which (a) exceeds (b) where:

- (a) is the aggregate of:
  - (i) all Principal Receipts (including any Principal Collections paid by the Beneficial Title Seller into the Transaction Account pursuant to the Mortgage Sale Agreement), or, in relation to a Determination Period, any Calculated Principal Funds, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Funds on that Interest Payment Date, received by the Issuer during the immediately preceding Calculation Period;
  - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on such Interest Payment Date;
  - (iii) (in respect of the first Interest Payment Date only) the proceeds of the issue of the Notes (to the extent any such amounts stand to the credit of the Principal Ledger as at the relevant Calculation Date) over the Purchase Price;
  - (iv) (upon the redemption in full of the Class A Notes prior to the occurrence of an Optional Portfolio Purchase) all amounts standing to the credit of the General Reserve Fund;

- (v) (upon the occurrence of an Optional Portfolio Purchase) all amounts standing to the credit of the General Reserve Fund to be recorded as a credit entry on the Principal Ledger on such Interest Payment Date; and
- (vi) in relation to a Determination Period, any Reconciliation Amounts deemed to be Available Principal Funds in accordance with Condition 7.11 (*Determinations and Reconciliation*), plus any amounts which the Cash Manager may have credited to the Principal Ledger during that Calculation Period pursuant to Paragraphs 5.2(b) (*Deductions from Liquidity Ledger*) and 6.2(b) (*Deductions from Credit Ledger*) of Part 2 of Schedule 1 to the Cash Management Agreement; and
- (b) is the aggregate of any amounts which the Cash Manager may have debited to the Principal Ledger during the related Calculation Period pursuant to Paragraph 2 (*Payments from Principal Ledger on any Business Day*) of Part 3 of Schedule 1 to the Cash Management Agreement;

### **Post-Enforcement Payments Priorities**

After an Enforcement Notice is delivered by the Trustee, all monies held in the Transaction Account and all other Trust Proceeds (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) other than:

- (a) monies received or recovered by the Trustee which do not constitute Trust Proceeds, which shall be paid to or retained by the persons entitled to such monies, save that any Borrower Repayment Amounts shall be paid to the Collection Account and not to Borrowers directly; and
- (b) any amounts standing to the credit of the Issuer Profit Ledger or any Issuer Profit Amount which shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer,

shall be held by the Trustee on trust to be applied in payment, in the amounts required, each in the following order of priority (the "**Post-Enforcement Payments Priorities**" as follows):

- (a) *pro rata and pari passu*:
  - (i) to the Trustee, the Trustee Liabilities;
  - (ii) to the Trustee, all amounts of Trustee Fees due on or prior to the date of payment;
  - (iii) to any Receiver, any out-of-pocket expenses, liabilities, losses, damages, proceedings, claims and demands then due and payable by the Issuer to any Receiver in accordance with the Security Deed or incurred by a Receiver together with interest payable provided in the Trust Deed; and
  - (iv) to any Receiver, all remuneration due to the Receiver in accordance with the terms of his appointment on or prior to the date of payment;
- (b) *pro rata and pari passu*:
  - (i) to the Transaction Account Bank, any Transaction Account Bank Fees;
  - (ii) to the Collection Account Bank, any Collection Account Bank Fees and any Collection Account Bank Liabilities;
  - (iii) to the Agents, the Agents' Fees due on or prior to the date of payment and the Agents' Liabilities;
  - (iv) to the Cash Manager, the Cash Manager Liabilities and the Cash Manager Fees;

- (v) to the Back-Up Cash Manager Facilitator, the Back-Up Cash Manager Facilitator Liabilities and the Back-Up Cash Manager Facilitator Fees;
  - (vi) to the Corporate Services Provider, the Corporate Services Provider Liabilities and the Corporate Services Provider Fees;
  - (vii) to the Servicer, the Servicing Fees due on or prior to the date of payment and the Servicer Liabilities;
  - (viii) to the Back-Up Servicer, any unpaid Back-Up Servicing Fees and/or Back-Up Servicer Liabilities; and
  - (ix) to the Legal Title Holder, any amounts due and payable to the Legal Title Holder under the Transaction Documents;
- (c) all amounts of interest due in respect of the Class A Notes;
  - (d) all amounts of principal due in respect of the Class A Notes;
  - (e) all amounts of interest due in respect of the Class Z VFN (including any Deferred Interest and Additional Interest thereon);
  - (f) all amounts of principal due in respect of the Class Z VFN;
  - (g) to credit an amount to the Issuer Profit Ledger up to an amount for the relevant accounting year of the Issuer equal to the Issuer Profit Amount for that accounting year; and
  - (h) to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Beneficial Title Seller.

## **CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT**

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

- (a) A Revenue Shortfall on any Interest Payment Date may be reduced or eliminated by applying amounts standing to the credit of the Liquidity Ledger or Credit Ledger as applicable and, if thereafter there remains a Senior Revenue Shortfall, by applying Principal Reallocation Amounts.
- (b) Principal Losses and Principal Reallocation Amounts will be debited to the sub-ledgers of the Principal Deficiency Ledger in reverse Sequential Order: first to the Class Z Principal Deficiency Sub-Ledger, and lastly to the Class A Principal Deficiency Sub-Ledger. Revenue Reallocation Amounts will be credited to the Principal Deficiency Ledger in accordance with the Pre-Enforcement Revenue Payments Priorities.
- (c) Available Revenue Funds will be applied to replenish the General Reserve Fund.
- (d) The subordination of the Class Z VFN.

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

### **Liquidity support provided by use of General Reserve Fund and Available Principal Funds**

On the Cash Manager Determination Date, the Cash Manager will, to the extent such information is available to it, determine whether Available Revenue Funds (excluding Liquidity Reserve Drawings, General Reserve Drawings and Principal Reallocation Amounts) are sufficient to pay or provide for payment of items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities.

To the extent that such Available Revenue Funds (excluding Liquidity Reserve Drawings, General Reserve Drawings and Principal Reallocation Amounts) are insufficient to pay or provide for payment of items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Credit Ledger by the lower of the amount of such shortfall and the credit balance of the Credit Ledger; and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

If following application of Available Revenue Funds (including General Reserve Drawings but excluding Liquidity Reserve Drawings and Principal Reallocation Amounts), the Cash Manager determines that such Available Revenue Funds (including General Reserve Drawings but excluding Liquidity Reserve Drawings and Principal Reallocation Amounts) are insufficient to satisfy items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Liquidity Ledger by the lower of the amount of such shortfall and the credit balance of the Liquidity Ledger; and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

If following application of Available Revenue Funds (including Liquidity Reserve Drawings and General Reserve Drawings but excluding Principal Reallocation Amounts), the Cash Manager determines that such Available Revenue Funds (including Liquidity Reserve Drawings and General Reserve Drawings but excluding Principal Reallocation Amounts) are insufficient to satisfy items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities, the Cash Manager shall, on behalf of the Issuer on the relevant Interest Payment Date, take the following actions: (i) debit the Principal Ledger by the lower of the amount of such shortfall and the credit balance of the Principal Ledger; and (ii) credit the Revenue Ledger in an amount to reduce or eliminate such shortfall.

### **Principal Losses and Principal Reallocation Amounts allocated to the Principal Deficiency Ledger**

On or prior to the 10th Business Day of each Calculation Period, the Servicer will determine the amount of Principal Losses on the Mortgage Portfolio as at each Calculation Date. On or prior to each Cash Manager

Determination Date, the Cash Manager will determine the amount of any Principal Reallocation Amount and the Cash Manager will be required to allocate such amounts to the sub-ledgers of the Principal Deficiency Ledger.

A Principal Deficiency Ledger, comprising two sub-ledgers relating to the Class A Notes (the "**Class A Principal Deficiency Sub-Ledger**"), and the Class Z VFN (the "**Class Z Principal Deficiency Sub-Ledger**") will be established on the Closing Date in order to record (i) any Principal Losses on the Mortgage Portfolio and (ii) the application of any Principal Reallocation Amounts to meet any Senior Revenue Shortfall.

Principal Losses and the amount of any Principal Reallocation Amounts will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the Class Z Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class Z VFN; and
- (b) *second*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

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

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

Available Revenue Funds allocated as described above will be applied in or towards redemption of the Notes as Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities. Such re-allocated amounts comprise the Revenue Reallocation Amounts.

#### **Source of funds to establish and replenish the General Reserve Fund**

Part of the proceeds from the issuance of Class Z VFN will be initially used by the Issuer to fund the General Reserve Fund on the Closing Date.

The General Reserve Fund will initially be funded in an amount equal to £6,917,950 which is approximately 1.45 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes as at the Closing Date. The funds will first be credited into the Liquidity Ledger for the amount of Liquidity Ledger Required Amount and the remaining amount will be credited into the Credit Ledger. Thereafter, the General Reserve Fund will be funded in accordance with the Pre-Enforcement Revenue Payments Priorities from Available Revenue Funds to the level of the General Reserve Fund Target Amount or, as applicable, by the holder of the Class Z VFN from time to time. Accordingly, the size of the General Reserve Fund may decrease (or increase) from time to time, as further described in this section below.

The Cash Manager will also maintain the Liquidity Ledger and the Credit Ledger to record the balance from time to time of the General Reserve Fund and the monies representing the General Reserve Fund will be held in the Transaction Account.

The amount of the General Reserve Fund, which is represented by the credit balance of the Liquidity Ledger and/or Credit Ledger, may increase and decrease over time.

The amount of the General Reserve Fund may decrease by virtue of debit entries to the Liquidity Ledger and the Credit Ledger to increase Available Revenue Funds to reduce or eliminate any Revenue Shortfall. For details of the required balance of the General Reserve Fund, see the definition of "General Reserve Fund Target Amount" in the section entitled "*Glossary*".

Following the earlier of the redemption of the Class A Notes in full or the occurrence of an Optional Portfolio Purchase, the Issuer shall not be required to maintain the General Reserve Fund Target Amount and the General Reserve Fund Target Amount shall be reduced to zero, in which case, all amounts standing to the credit of the Liquidity Ledger and Credit Ledger shall be: (i) (in the event that the Class A Notes are redeemed in full) credited to the Revenue Ledger and applied as Available Revenue Funds in accordance with the Pre-

Enforcement Revenue Payments Priorities; or (ii) (upon the occurrence of an Optional Portfolio Purchase) credited to the Principal Ledger and applied as Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities.

The amount of the General Reserve Fund may increase on each Interest Payment Date to the extent that Available Revenue Funds are available to replenish the General Reserve Fund at items (f) and (h) of the Pre-Enforcement Revenue Payments Priorities but only to the extent necessary to bring the credit balance of the Credit Ledger and Liquidity Ledger up to the General Reserve Fund Target Amount. If the amount standing to the credit of both the Credit Ledger and the Liquidity Ledger exceeds the General Reserve Fund Target Amount on an Interest Payment Date then excess amounts over the General Reserve Fund Target Amount will be credited to the Revenue Ledger and applied as Available Revenue Funds in accordance with the Pre-Enforcement Revenue Payments Priorities.

**Residual Principal Allocation Amount**

Following the redemption of the Class A Notes, any Residual Principal Allocation Amount shall be credited to the Revenue Ledger and applied, as Available Revenue Funds, to the Pre-Enforcement Revenue Payments Priorities. Accordingly any such funds remaining, after payment of any expenses due and payable and set out in the Pre-Enforcement Revenue Payments Priorities, will be applied in payment of the Deferred Consideration to the Beneficial Title Seller.



## MATURITY AND PREPAYMENT CONSIDERATIONS

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

The model used in this Prospectus for the Mortgage Loans represents an assumed CPR each month relative to the then current principal balance of a pool of mortgages, after taking into account the scheduled payments due in the period. CPR does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Mortgage Loans, including the Mortgages to be included in the Mortgage Portfolio.

The following tables were prepared based on the characteristics of the Mortgage Loans included in the Mortgage Portfolio and the following additional assumptions:

- (a) the portfolio of £587,532,528.5 mortgages to be purchased by the Issuer consists of Mortgage Loans acquired on the Closing Date, having the characteristics of the Provisional Mortgage Portfolio;
- (b) the Issuer exercises its rights to redeem all (but not some only) of the Notes then outstanding on the first Optional Redemption Date assuming the option is exercised as indicated in the heading of the relevant table below;
- (c) in addition to the scheduled payments derived from the Mortgage Loans detailed in paragraph (a) above, the Mortgage Loans are subject to prepayments at annualised rates expressed as a percentage of the Current Balance of the Mortgage Loans indicated in the relevant column headings in the table below;
- (d) no Enforcement Notice is delivered in relation to the Notes and no Event of Default occurs in relation to the Notes;
- (e) there are no suspensions of monthly payments or payment holidays in respect of the Mortgage Loans;
- (f) the Mortgage Loans continue to be fully performing;
- (g) no principal deficiency arises;
- (h) there have been no breaches of the Asset Warranties;
- (i) no Borrowers are offered or accept different mortgage products or Further Advances by the Legal Title Holder or Servicer;
- (j) there are no Flexible Drawings;
- (k) the portfolio composition of mortgage characteristics remains the same throughout the life of the Notes;
- (l) the Notes will be redeemed in accordance with the Conditions;
- (m) the benchmark interest rates remain flat at the following values: Bank of England base rate: 0.25 per cent and standard variable rate in respect of Mortgage Loans: 5.00 per cent;
- (n) the Closing Date is 9 June 2017;
- (o) the first Calculation Period commences on 1 May 2017;
- (p) the first Interest Payment Date is 29 August 2017; and
- (q) the initial Principal Amount Outstanding of the Class A Notes is £481,600,000.00, representing 83.0 per cent of the Mortgage Loans, excluding Disclosed Mortgage Loans.

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

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

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

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Notes. These average lives have been calculated on an 30/360 fixed basis:

	<b>Without any Early Redemption</b>						
Class\CPR.....	0%	2%	4%	6%	8%	10%	12%
A.....	11.71	9.86	8.30	7.01	5.95	5.09	4.42

	<b>With Early Redemption on the First Optional Redemption Date</b>						
Class\CPR.....	0%	2%	4%	6%	8%	10%	12%
A.....	2.90	2.80	2.71	2.61	2.52	2.43	2.34

## EARLY REDEMPTION OF NOTES

### Portfolio Option

The Issuer will, by the Deed Poll, grant to the Portfolio Option Holder the "Portfolio Option" to require the Issuer to (a) sell to the Portfolio Option Holder and/or a potential purchaser nominated by the Portfolio Option Holder the beneficial title to all Mortgage Loans and Related Security in the Mortgage Portfolio and (b) if a Perfection Event has occurred transfer to the Portfolio Option Holder and/or a potential purchaser nominated by the Portfolio Option Holder the right to have the legal title to all Mortgage Loans and Related Security in the Mortgage Portfolio transferred to it.

The Portfolio Option may be exercised by notice to the Issuer with a copy to the Trustee at any time in the period from the Business Day falling 20 Business Days prior to an Optional Redemption Date until such Optional Redemption Date. Completion of the purchase of the assets by the Portfolio Option Holder will occur on the Optional Portfolio Purchase Completion Date. The Issuer shall cause the exercise of the Portfolio Option to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition as soon as practicable after receipt of the notice to exercise the Portfolio Option by the Portfolio Option Holder.

The purchase price for the Mortgage Portfolio under the Portfolio Option shall be the higher of (i) the aggregate market value of the Mortgage Portfolio as at the Optional Portfolio Purchase Completion Date and (ii) an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes as at the Optional Portfolio Purchase Completion Date plus accrued but unpaid interest thereon up to and including the Optional Portfolio Purchase Completion Date, together with any payments due from the Issuer in respect of items ranking in priority to or *pari passu* with the Class A Notes (including interest and principal due and payable in respect of the Class A Notes) pursuant to the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date less any Available Principal Funds and Available Revenue Funds to be applied in accordance with the applicable Payments Priorities on the Interest Payment Date immediately following the Optional Portfolio Purchase Completion Date (including the credit balance of the General Reserve Fund).

### Redemption of Notes

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

Upon the occurrence of an Optional Portfolio Purchase, the General Reserve Fund Target Amount shall be reduced to zero and the entire credit balance of the General Reserve Fund shall constitute Available Principal Funds, to be applied to repay the Notes.

Following redemption of the Class A Notes in full, the Residual Principal Allocation Amount will be credited to the Revenue Ledger and may be applied, together with Revenue Receipts, in payment to the Beneficial Title Seller as Deferred Consideration in accordance with the Pre-Enforcement Revenue Payments Priorities.

On the immediately following Interest Payment Date on which the Notes are being redeemed in full pursuant to an Optional Portfolio Purchase, the Cash Manager shall apply any amounts standing to the credit of the Revenue Ledger and Principal Ledger as at that Interest Payment Date in accordance with the order of payments set forth in the relevant Payments Priorities.

## SECURITY FOR THE ISSUER'S OBLIGATIONS

### Security Deed

Under the terms of the Security Deed, the Issuer will grant the following security to be held by the Trustee for itself and on trust for the benefit of the other Secured Creditors (which definition includes the Noteholders):

- (a) a first fixed charge over the benefit of the Issuer in each Mortgage Loan, Mortgage and other Related Security relating to such Mortgage Loan, each Mortgage Condition and all Receivables;
- (b) an assignment, or to the extent not assignable, a first fixed charge of rights held by the Issuer against certain third parties;
- (c) a first fixed charge of the benefit of any bank or other accounts of the Issuer in which the Issuer may at any time have or acquire any benefit;
- (d) an assignment of rights over the Collection Account Trust;
- (e) assignment of the benefit of the Issuer under each relevant Transaction Document to which the Issuer is a party (other than the Trust Documents), including:
  - (i) the Agency Agreement;
  - (ii) the Cash Management Agreement;
  - (iii) the Collection Account Bank Agreement;
  - (iv) the Collection Account Declaration of Trust;
  - (v) the Corporate Services Agreement;
  - (vi) the Incorporated Terms Memorandum;
  - (vii) the Mortgage Sale Agreement;
  - (viii) the Back-Up Servicing Agreement;
  - (ix) the Servicing Agreement; and
  - (x) the Transaction Account Agreement; and
- (f) a first floating charge over all the assets and undertakings of the Issuer to the extent not effectively charged pursuant to paragraphs (a) to (e) above.

### Post-Enforcement Payments Priorities

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

### Enforcement

The Security shall only become enforceable on the service of an Enforcement Notice pursuant to Condition 12 (*Events of Default*). The Security Deed will set out the procedures by which the Trustee may take steps to enforce the Security.

### No withdrawals from Charged Accounts

From and including the date on which the Trustee delivers a Security Protection Notice to the Issuer pursuant to the Security Deed or the floating charge created by the Issuer under the Security Deed otherwise crystallises into a fixed charge pursuant to the Security Deed and unless and until such Security Protection Notice is withdrawn or the relevant fixed charge is otherwise reconverted into a floating charge, no amount may be withdrawn from the Charged Accounts without the prior written consent of the Trustee, provided that, unless an Enforcement Notice has been delivered, the Trustee shall not act in such a way as to require any payment other than in accordance with the Pre-Enforcement Payments Priorities or the Cash Management Agreement.

**Application of monies standing to Reserve Ledgers**

After an Enforcement Notice is delivered by the Trustee, all monies standing to the credit of the Liquidity Ledger and the Credit Ledger shall be applied in payment of the amount required in the order of priority specified in the Post-Enforcement Payments Priorities.

**Governing Law**

The Security Deed and any non-contractual obligation arising out of or in relation to the Security Deed will be governed by English law, save for any aspects particular to the laws of Northern Ireland which shall be construed in accordance with Northern Irish law.

## THE TRUST DEED

The Issuer and the Trustee will enter into a Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes. Under the Trust Deed, the Issuer will covenant to the Trustee to pay all amounts due under the Notes (the "**Issuer's Covenant to Pay**"). The Trustee will hold the benefit of the Issuer's Covenant to Pay on trust for the Noteholders.

### **Conflicts / Relationship with Noteholders**

The Trust Deed will provide that, except where expressly provided otherwise, where the Trustee is required to have regard to the interests of the Noteholders, the Trustee shall have regard to the interests of all the Noteholders equally, and in the event of a conflict of interests of holders of different classes, the Trustee shall have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding.

The Trustee shall not be bound to take any action in relation to the Notes or the Transaction Documents, including delivering an Enforcement Notice, unless it has been directed to do so either by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or in writing by the holders of more than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding.

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

### **Modification and waiver**

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

- (a) agree with the Issuer and any other relevant parties in making any modification to the Conditions, the Trust Documents, the Notes or the Transaction Documents in relation to which its consent is required:
  - (i) which in the opinion of the Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or
  - (ii) (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes;
- (b) in its sole discretion concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of the covenants or provisions contained in the Trust Documents, the Instruments or any other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter), if in the Trustee's sole opinion, the interests of the holders of the Most Senior Class of Notes will not be materially prejudiced thereby; and
- (c) in its sole discretion determine that any Event of Default or Potential Event of Default shall not be treated as such if, in the Trustee's sole opinion, the interests of the holders of the Most Senior Class of Notes will not be materially prejudiced thereby,

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

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

**Fees and expenses**

The Issuer will reimburse the Trustee for all costs and expenses incurred in acting as Trustee. In addition, the Issuer shall pay to the Trustee a fee of such amount and on such dates as will be agreed from time to time by the Trustee and the Issuer subject to and in accordance with the Trust Deed.

**Retirement and removal**

The Trustee may retire after giving not less than two calendar months' notice in writing to the Issuer. The Most Senior Class of Notes then outstanding may by an Extraordinary Resolution remove the Trustee.

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

**Governing Law**

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

## DESCRIPTION OF THE GLOBAL NOTES

### General

The Class A Notes shall be initially represented by a temporary global note in bearer form, without coupons or talons (each a "**Temporary Global Note**"), in the principal amount of £477,100,000. Each Temporary Global Note will be deposited on or around the Closing Date with a Common Safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and together with Euroclear, the "**Clearing Systems**").

Upon confirmation by the Common Safekeeper that it has custody of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record the Book-Entry Interests in the Temporary Global Notes representing beneficial interests in the Class A Notes attributable thereto.

Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than the Exchange Date for interests in a permanent global note (each a "**Permanent Global Note**" and together with the Temporary Global Notes, the "**Global Notes**"), in bearer form, without coupons or talons, in the principal amount of the Class A Notes. The Permanent Global Notes will also be deposited with the Common Safekeeper. The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg.

No payments of principal, interest or any other amounts payable in respect of the Notes will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Each of Euroclear and Clearstream, Luxembourg will record the Book-Entry Interests in the Global Notes. Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

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

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



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

Unless and until Book-Entry Interests are exchanged for Definitive Notes, the Notes held by the Common Safekeeper may not be transferred except as a whole by that Common Safekeeper to a successor of the Common Safekeeper.

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

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

### **Issuance of Definitive Notes**

Each of the Permanent Global Notes will become exchangeable in whole, but not in part, for Definitive Notes in denominations of £100,000, or above £100,000 in increments of £1,000 at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if the relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so (an "**Exchange Event**").

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons (as defined in the Conditions) attached, in an aggregate principal amount equal to the principal amount of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note at the Specified Office (as defined in the Conditions) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### **Payments on Global Notes**

All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or (as the case may be) the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding

for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form, and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

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

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

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

### **Redemption**

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be

equal to the amount received by the Principal Paying Agent in connection with the redemption of the Note (or portion thereof) relating thereto. For any redemptions of a Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

### **Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

### **Transfers and Transfer Restrictions**

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

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

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

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

### **Notices**

In respect of the Class A Notes, so long as the Class A Notes are represented by the Global Note and the Global Note is held on behalf of Euroclear or Clearstream, Luxembourg, notices to the relevant Noteholders may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled account holders or by publishing the notice on a Relevant Screen and, so long as the Class A Notes are listed on the Stock Exchange, notices in respect of such Class A Notes shall also be published in any other way as the rules of the Stock Exchange require (see also Condition 21 (*Notices*)).

In respect of the Class Z VFN, notices to the Class Z VFN Holder will be sent by the Issuer to the fax number or email address of the Class Z VFN Holder notified to the Issuer from time to time in writing (see also Condition 21 (*Notices*)).

### **Meetings of Noteholders**

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

### **Written Resolution and Electronic Consent**

For so long as all the outstanding Class A Notes are represented by the Temporary Global Notes and/or the Permanent Global Notes and held within the Clearing Systems, then, in respect of any resolution proposed by

the Issuer or the Trustee (i) where the terms of the proposed resolution have been notified to the Noteholders through the relevant Clearing Systems, each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing Systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the aggregate Principal Amount Outstanding of the relevant class or classes of Notes then outstanding ("**Electronic Consent**") by the close of business on the relevant day and (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, each of the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the Clearing System with entitlements to such Global Note and/or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps (which may include requiring accountholders to block their holding in the relevant Clearing System) to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting or implementation of such consent or instruction. Any resolution passed in such manner shall be binding on all Noteholders of such class or classes and upon all Couponholders of such class or classes, even if the relevant consent or instruction proves to be defective.

As used in the foregoing paragraph, "**commercially reasonable evidence**" includes any certificate or other document and/or issued by the relevant Clearing System, and/or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent shall take effect and will be binding on Noteholders and Couponholders (whether or not they participated in such Written Resolution and/or Electronic Consent) as if they were an Extraordinary Resolution.

An Electronic Consent or Written Resolution shall take effect as an Extraordinary Resolution.

#### **Class Z VFN**

The Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of the Class Z VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 3.2 (*Title*).

## TERMS AND CONDITIONS OF THE NOTES

### 1. General

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

### 2. Definitions

#### 2.1 *Definitions*

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Incorporated Terms Memorandum available as described above.

#### 2.2 *Interpretation*

Any reference in the Conditions to:

a "**class**" shall be a reference to a class of the Notes being the Class A Notes, or the Class Z VFN and "**classes**" shall be construed accordingly;

a reference to any person defined as a "**Transaction Party**" in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests and, in relation to the Trustee, shall include any person for the time being acting as trustee or trustees pursuant to the Trust Documents.

#### 2.3 *Transaction Documents and other agreements*

Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

#### 2.4 *Statutes and Treaties*

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

#### 2.5 *Schedules*

Any Schedule of, or Appendix to, a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.

#### 2.6 *Headings*

Condition headings are for ease of reference only.

## 2.7 *Sections*

Except as otherwise specified in the Condition, reference in the Conditions to:

- 2.7.1 a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
- 2.7.2 a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
- 2.7.3 a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
- 2.7.4 a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
- 2.7.5 a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

## 2.8 *Number*

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

## 3. **Form, Denomination and Title**

### 3.1 *Form and Denomination*

The Class A Notes are in bearer form in the Minimum Denomination with Coupons attached at the time of issue.

The Class Z VFN is in dematerialised registered form.

### 3.2 *Title*

Title to the Global Notes, the Definitive Notes and the Coupons will pass by delivery. In respect of the Class A Notes, the holder of any Global Note, Definitive Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

Title to a Class Z VFN shall only pass by and upon registration of the transfer in the Class Z VFN Register provided that no transferee shall be registered as a new Class Z VFN Holder unless (i) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Trustee has been obtained (and the Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (ii) such transferee has certified to, inter alios, the Class Z VFN Registrar and the Issuer that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder.

## 4. **Status and Ranking**

### 4.1 *Status*

The Notes and the Coupons relating thereto constitute secured obligations of the Issuer.

### 4.2 *Ranking*

Each class of Notes will at all times rank without preference or priority *pari passu* and rateably amongst themselves.

### 4.3 *Sole Obligations*

The Notes and the Coupons are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

**4.4 *Priority of Interest Payments***

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class Z VFN, in accordance with the Pre-Enforcement Revenue Payments Priorities.

**4.5 *Priority of Principal Payments***

Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class Z VFN, in accordance with the Pre-Enforcement Principal Payments Priorities.

**4.6 *Payments Priorities***

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Funds and Available Principal Funds in accordance with the Pre-Enforcement Payments Priorities and thereafter monies will be applied by the Trustee (or the Cash Manager on its behalf) in accordance with the Post-Enforcement Payments Priorities.

**5. Security**

**5.1 *Security***

The Notes are secured by the Security.

**5.2 *Enforceability***

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) and subject to the matters referred to in Condition 13 (*Enforcement*).

**6. Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee, which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

**7. Interest**

**7.1 *Accrual of Interest***

Each Note bears interest on its Principal Amount Outstanding from the Closing Date.

**7.2 *Cessation of Interest***

The Notes shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

7.2.1 the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

7.2.2 the day which is seven days after the Principal Paying Agent or the Trustee has notified the relevant Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

**7.3 *Calculation Period of less than 1 year***

Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

**7.4 *Interest Payments***

Interest on the Notes is payable in Sterling in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on, but excluding, such Interest Payment Date.

**7.5 *Calculation of Interest Amount***

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on the Notes for the related Interest Period. In the event that the Interest Amount is determined to be less than zero the Interest Amount for such Interest Period shall be deemed to be zero.

**7.6 *Notification of Note Rate, Interest Amount and Interest Payment Date***

As soon as practicable after each Interest Determination Date, the Agent Bank will cause:

- 7.6.1 the Note Rate for each class of Notes for the related Interest Period;
- 7.6.2 the Interest Amount for each class of Notes for the related Interest Period; and
- 7.6.3 the Interest Payment Date next following the related Interest Period;

to be notified to the Issuer, the Cash Manager, the Trustee, the Principal Paying Agent, the Class Z VFN Registrar and, for so long as the Class A Notes are listed on the Stock Exchange, the Stock Exchange.

**7.7 *Publication of Note Rate, Interest Amount and Interest Payment Date***

As soon as practicable after receiving each notification of the Note Rates in respect of each class of Notes, the Interest Amount and the Interest Payment Date in accordance with Condition 7.6 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rates for the Notes and the Interest Amounts for the Notes and the next following Interest Payment Date to be published by the Agent Bank in accordance with the Notices Condition.

**7.8 *Amendments to Publications***

The Note Rate and the Interest Amounts for each class of Notes and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

**7.9 *Determination or Calculation by Trustee***

If neither the Issuer nor the Agent Bank (as applicable) at any time for any reason determines the Note Rates or the Interest Amounts for the Notes in accordance with this Condition, the Trustee (or an agent appointed by it) may (but without any liability accruing to the Trustee as a result):

- 7.9.1 determine the Note Rates at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or



- 7.9.2 calculate the Interest Amounts in the manner specified in this Condition, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

#### **7.10 Interest Accrual**

- 7.10.1 To the extent that funds available to the Issuer to pay interest on the Class Z VFN on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall in respect of the Class Z VFN ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.
- 7.10.2 Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to the Class Z VFN and such portion of interest (as determined by this Condition 7) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.
- 7.10.3 Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which the Class Z VFN falls to be redeemed in full in accordance with Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and any such amount which has not then been paid in respect of the Class Z VFN shall thereupon become due and payable in full.

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 10 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

#### **7.11 Determinations and Reconciliation**

- 7.11.1 During a Determination Period the Cash Manager may use the Servicer Reports in respect of the three most recent Calculation Periods for which all relevant Servicer Reports are available (or, where there are not at least three such Calculation Periods, any previous Calculation Periods for which all relevant Servicer Reports are available) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 7.11. If and when the Cash Manager ultimately receives all the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 7.11.3. Any: (i) calculations properly done on the basis of such estimates in accordance with Conditions 7.11.2 and/or 7.11.3; (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 7.11.2 and/or 7.11.3, shall (in any case) be deemed to be done, in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- 7.11.2 In respect of any Determination Period the Cash Manager shall:

- (a) determine the Interest Determination Ratio by reference to the three most recent Calculation Periods for which all Servicer Reports are available (or, where there are not at least three such Calculation Periods, any previous Calculation Periods for which all relevant Servicer Reports are available);
- (b) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Funds**"); and
- (c) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Funds**").

7.11.3 Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 7.11.2 to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:

- (a) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Available Principal Funds (with a corresponding debit of the Revenue Ledger); or
- (b) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Available Revenue Funds (with a corresponding debit of the Principal Ledger),

*provided that* the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Funds and Available Principal Funds for such Calculation Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

## **8. Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation**

### **8.1 Final Redemption**

Unless previously redeemed and cancelled as provided in this Condition 8, the Issuer shall redeem the Notes of each class at their Principal Amount Outstanding on the Final Maturity Date together with any accrued (and unpaid) interest up to (and including) the Final Maturity Date.

### **8.2 Redemption by Optional Portfolio Purchase**

On the occurrence of the Optional Portfolio Purchase Completion Date, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Payments Priorities on the immediately succeeding Interest Payment Date with the result that the Notes will be redeemed together with all accrued but unpaid interest thereon in full in accordance with this Condition 8.2.

The Issuer shall cause the exercise of the Portfolio Option to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition as soon as practicable after receipt of the notice to exercise the Portfolio Option by the Portfolio Option Holder.

### **8.3 *Mandatory Redemption in part***

On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities, which shall include the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Payments Priorities.

### **8.4 *Optional Redemption in whole of the Class A Notes***

The Issuer may redeem all (but not some only) of the Class A Notes in each class at their Principal Amount Outstanding on any Interest Payment Date when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Class A Notes is less than 10 per cent. of the Principal Amount Outstanding of all of the Class A Notes as at the Closing Date, subject to the following:

- 8.4.1 no Enforcement Notice has been delivered by the Trustee;
- 8.4.2 the Issuer has given not more than 60 nor less than 14 days' notice to (i) the Trustee; and (ii) the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Class A Notes; and
- 8.4.3 prior to giving any such notice, 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 on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Class A Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Payments Priorities.

### **8.5 *Optional Redemption of the Class A Notes on or after the Optional Redemption Date***

The Issuer may redeem all (but not some only) of the Class A Notes at their Principal Amount Outstanding on any Interest Payment Date on or after the Optional Redemption Date, subject to the following:

- 8.5.1 no Enforcement Notice has been delivered by the Trustee;
- 8.5.2 the Issuer has given not more than 60 nor less than 14 days' notice to: (i) the Trustee; and (ii) the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Class A Notes; and
- 8.5.3 prior to giving any such notice, 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 on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Payments Priorities.

### **8.6 *Optional Redemption of the Class A Notes in whole for taxation or other reasons***

The Issuer may redeem all (but not some only) of the Class A Notes at their Principal Amount Outstanding, on any Interest Payment Date:

- 8.6.1 after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law), the Issuer (or the Paying Agents on the Issuer's behalf) is to make any payment in respect of the Notes and the Issuer (or the Paying Agents on the Issuer's behalf) would be required to make a Tax Deduction in respect of such relevant payment;
- 8.6.2 after the date on which, by virtue of a change in the Tax law (or the application or official interpretation of Tax law), the Issuer would be subject to United Kingdom

corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period; or

8.6.3 after the date on which, by virtue of a change in law, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

subject to the following:

- (a) no Enforcement Notice has been delivered by the Trustee;
- (b) that the Issuer has given not more than 60 nor less than 14 days' notice to: (i) the Trustee; and (ii) the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Class A Notes; and
- (c) that prior to giving any such notice, the Issuer has provided to the Trustee:
  - (i) in the case of Conditions 8.6.1, 8.6.2 and 8.6.3, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law or other change in law (as applicable);
  - (ii) in the case of Condition 8.6.2, a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided;
  - (iii) in the case of Condition 8.6.2, a certificate signed by two directors of the Issuer to the effect that their liability to corporation tax in an accounting period would be in respect of an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period; and
  - (iv) in the case of Conditions 8.6.1, 8.6.2 and 8.6.3, a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Payments Priorities.

#### **8.7 *Calculation of Note Principal Payment and Principal Amount Outstanding***

Not later than the Cash Manager Determination Date, the Issuer shall cause the Cash Manager to calculate (and the Cash Manager will calculate on behalf of the Issuer):

8.7.1 the aggregate of the Note Principal Payments due in relation to each Note on the Interest Payment Date immediately succeeding such Cash Manager Determination Date; and

8.7.2 the Principal Amount Outstanding of each Note on the Interest Payment Date immediately succeeding such Cash Manager Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date).

#### **8.8 *Calculations final and binding***

Each calculation by or on behalf of the Issuer of any Note Principal Payment or of the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

#### **8.9 *Trustee to determine amounts in case of Issuer default***

If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) any Note Principal Payment due in relation to each Note or the Principal Amount Outstanding in relation to each Note in accordance with this Condition 8, such amounts may

be calculated by the Trustee or an agent appointed by it (without any liability accruing to the Trustee as a result) in accordance with this Condition 8 (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer.

**8.10 *Conclusiveness of certificates and legal opinions***

Any certificate and legal opinion given by or on behalf of the Issuer pursuant to Condition 8.4 (*Optional Redemption in whole of the Class A Notes*), Condition 8.5 (*Optional Redemption of the Class A Notes on or after the Optional Redemption Date*) and Condition 8.6 (*Optional Redemption of the Class A Notes in whole for taxation or other reasons*) may be relied on by the Trustee without further investigation, without liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.

**8.11 *Notice of Calculation***

The Issuer will cause each calculation of the aggregate of the Note Principal Payment due in relation to each Note or the Principal Amount Outstanding in relation to each Note to be notified immediately after calculation by the Cash Manager to the Trustee, the Agents and, for so long as the Class A Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each such calculation of the Principal Amount Outstanding in relation to the Notes to be published in accordance with the Notices Condition by not later than two Business Days prior to each Interest Payment Date.

**8.12 *Notice of no Note Principal Payment***

If no Note Principal Payment is due to be made on the Notes on any Interest Payment Date, a notice to this effect will be given to the Noteholders in accordance with the Notices Condition by not later than two Business Days prior to such Interest Payment Date.

**8.13 *Notice irrevocable***

Any such notice as is referred to in Condition 8.4 (*Optional Redemption in whole of the Class A Notes*), Condition 8.5 (*Optional Redemption of the Class A Notes on or after the Optional Redemption Date*) or Condition 8.6 (*Optional Redemption of the Class A Notes in whole for taxation or other reasons*) or Condition 8.11 (*Notice of Calculation*) shall be irrevocable and the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 8.4 (*Optional Redemption in whole of the Class A Notes*), Condition 8.5 (*Optional Redemption of the Class A Notes on or after the Optional Redemption Date*) or Condition 8.6 (*Optional Redemption of the Class A Notes in whole for taxation or other reasons*) and in an amount equal to the Note Principal Payment in respect of each Note calculated in respect of the relevant Interest Payment Date if effected pursuant to Condition 8.3 (*Mandatory Redemption in part*).

**8.14 *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 Global Notes, Definitive Notes or Coupons may be reissued or resold.

On each Interest Payment Date on which the Class Z VFN is redeemed pursuant to Condition 8.3 (*Mandatory Redemption in part*), the Class Z VFN Registrar shall cancel the Class Z VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Class Z VFN by an amount equal to such mandatory redemption. The Class Z VFN will be cancelled when redeemed in full and may not be reissued or resold.

**8.15 *Reference Banks and Agents***

The Issuer shall ensure that, so long as any of the Notes remain outstanding there shall at all times be an Agent Bank and a Principal Paying Agent. In the event of an Agent being unable

or unwilling to continue to act as an Agent, the Issuer shall appoint such other person as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank and/or Principal Paying Agent may not resign until a successor agent bank is appointed in accordance with the Agency Agreement. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders in accordance with the Notices Condition.

## **9. Limited Recourse**

**9.1** If at any time following:

9.1.1 the occurrence of either:

- (a) the Final Maturity Date or any earlier date upon which all of the Notes are due and payable; or
- (b) the service of an Enforcement Notice; and

9.1.2 realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payments Priorities, to pay in full all amounts then due and payable under the Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in Condition 9.1.2) under the Notes shall, on the day following such application in full of the amounts referred to in Condition 9.1.2, cease to be due and payable by the Issuer.

## **10. Payments**

### **10.1 *Principal***

Payments of principal shall be made only against:

10.1.1 (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and

10.1.2 in respect of any Note Principal Payment which becomes due on an Interest Payment Date, presentation and endorsement of the relevant Notes,

at the Specified Office of any Paying Agent (in respect of the Class A Notes) or at the Specified Office of the Class Z VFN Registrar (in respect of the Class Z VFN) outside the United States by cheque drawn in Sterling, or by transfer to an account in Sterling maintained by the payee with a bank in London.

### **10.2 *Interest***

Payments of interest shall, subject to Condition 10.5 (*Payments on business days*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10.1 (*Principal*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

In respect of the Class Z VFN, payments of interest shall be made to the person(s) shown on the Class Z VFN Register at the close of business on the business day before the due date for payment thereof in the manner described in Condition 10.1 (*Principal*).

### **10.3 *Payments subject to fiscal laws***

A payment will be subject in all cases to: (i) any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer agrees to be subject, and the Issuer will not be liable for any taxes or duties of whatever nature imposed

or levied by such laws, regulations or agreements and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto.

**10.4** *Unmatured Coupons Void*

On the due date for final redemption of any Note pursuant to Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) or Condition 12 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

**10.5** *Payments on business days*

If any Note or Coupon is presented for payment on a day which is not a business day in the place of presentation, payment shall not be made on such day but on the next succeeding business day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Note or Coupon.

**10.6** *Business Days*

In this Condition 10, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to an account in Sterling.

**10.7** *Other Interest*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

**10.8** *Partial Payments*

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse on such Note or Coupon a statement indicating the amount and date of such payment.

If a Paying Agent makes a partial payment in respect of the Class Z VFN, the Class Z VFN Registrar will, in respect of the Class Z VFN, annotate the Class Z VFN Register, indicating the amount and date of such payment.

**10.9** *Notifications to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions, whether by the Reference Banks (or any of them), the Cash Manager, the Paying Agents, the Agent Bank, the Class Z VFN Registrar or the Trustee shall (in the absence of any manifest error) be binding on the Issuer and all Noteholders and Couponholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee, the Noteholders or the Couponholders shall attach to the Reference Banks, the Cash Manager, the Agents or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under these Conditions.

**11. Taxation**

**11.1** *Payments free of Tax*

All payments of principal and interest in respect of the Notes or Coupons shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected,

withheld or assessed, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction or FATCA Withholding. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction or FATCA Withholding and shall account to the relevant authorities for the amount so withheld or deducted.

**11.2 *No payment of additional amounts***

None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction or FATCA Withholding.

**11.3 *Taxing Jurisdiction***

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer Jurisdiction, references in these Conditions to the Issuer Jurisdiction shall be construed as references to the Issuer Jurisdiction and/or such other jurisdiction.

**11.4 *Tax Deduction not Event of Default***

Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction, making such deduction shall not constitute an Event of Default.

**12. Events of Default**

**12.1 *Events of Default***

Subject to the other provisions of this Condition 12, each of the following events shall be treated as an "**Event of Default**":

12.1.1 *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within five days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within ten days of the due date for payment of such interest; or

12.1.2 *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or under the Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or

12.1.3 *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer.

**12.2 *Delivery of Enforcement Notice***

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

12.2.1 if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or

12.2.2 if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding,

deliver an Enforcement Notice to the Issuer.

**12.3 *Conditions to delivery of Enforcement Notice***

Notwithstanding Condition 12.2 (*Delivery of Enforcement Notice*) the Trustee shall not:

12.3.1 deliver an Enforcement Notice following the occurrence of any of the events mentioned in Condition 12.1.2 (*Breach of other obligations*), unless and until the Trustee shall have certified in writing that such event is in its opinion materially prejudicial to the interests of the holders of the Most Senior Class of Notes outstanding; and



12.3.2 be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

**12.4 *Consequences of delivery of Enforcement Notice***

Upon the delivery of an Enforcement Notice, the Notes shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest due but not paid.

**13. Enforcement**

**13.1 *Proceedings***

At any time after the delivery of an Enforcement Notice the Trustee may at its discretion and without further notice, institute such proceedings or take any other action or step as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes and under the other Transaction Documents and/or enforce the Security, but it shall not be bound to do so unless:

13.1.1 so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or

13.1.2 so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

**13.2 *Directions to the Trustee***

If the Trustee shall take any action, step or proceedings described in Condition 13.1 (*Proceedings*) it may take such action, step or proceedings without having regard to the effect of such action on individual Noteholders, Couponholders or any other Secured Creditor.

**13.3 *Restrictions on disposal of Issuer's assets***

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

13.3.1 a sufficient amount (in the opinion of an investment bank or other financial adviser) would be realised to allow payment in full of all amounts owing to the holders of the Notes and the Coupons relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or

13.3.2 the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 13.3.2 shall not apply), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes and the Coupons relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities,

provided that the Trustee shall not be bound to make the determinations contained in Condition 13.3.1 or 13.3.2 unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

**13.4** *Third Party Rights*

No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

**14. No action by Noteholders, Couponholders or any other Secured Creditor**

**14.1** Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security or any other Transaction Document to which the Trustee is a party and no Noteholder, Couponholders or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security or pursue remedies available under or enforce any Transaction Document to which the Trustee is a party. In particular, none of the Noteholders, Couponholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- 14.1.1 otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security or any other Transaction Document to which the Trustee is a party;
- 14.1.2 to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders, Couponholders or any other Secured Creditors;
- 14.1.3 until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
- 14.1.4 to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

**15. Meetings of Noteholders**

**15.1** *Convening*

The Trust Deed contains "Provisions for Meetings of Noteholders" for convening separate or combined meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.

**15.2** *Separate and combined meetings*

The Trust Deed and the Security Deed provide that:

- 15.2.1 an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;
- 15.2.2 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted at a single meeting of the Noteholders of all such classes of Notes; and
- 15.2.3 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

**15.3** *Request from Noteholders*

A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured

and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that class.

#### **15.4** *Quorum*

The quorum at any meeting convened to vote on:

- 15.4.1 an Extraordinary Resolution, other than regarding a Reserved Matter, will be one or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that class or classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that class or those classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such class or classes; and
- 15.4.2 an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholder) will be one or more persons holding or representing in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing not less than in the aggregate 25 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes, provided that, while all the outstanding Notes of a class are represented by a Temporary Global Note and/or Permanent Global Note, a single Voter appointed in relation thereto or being the holder of the Notes of such class thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

#### **15.5** *Relationship between classes*

In relation to each class of Notes:

- 15.5.1 no Extraordinary Resolution to approve a Reserved Matter of any one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);
- 15.5.2 no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class); and
- 15.5.3 any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

#### **15.6** *Resolutions in writing and Electronic Consents*

A Written Resolution or Electronic Consent shall take effect as if it were an Extraordinary Resolution.

### **16. Modification and Waiver**

#### **16.1** *Modification*

The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- 16.1.1 (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of Reserved Matter) any modification to these Conditions, the Trust Documents, the Notes, any Instrument or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of Notes; or
- 16.1.2 any modification to Trust Documents, the Notes, the Conditions, any Instrument or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

**16.2 Waiver**

In addition, the Trustee may, at any time and from time to time at its sole discretion without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach (other than any breach or proposed breach which relates to a Reserved Matter or any provisions of the Trust Documents referred to in the definition of Reserved Matter) of any of the covenants or provisions contained in the Trust Documents, the Instruments or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of Notes will not be materially prejudiced by such authorisation or waiver.

**16.3 Restriction on power to waive**

- 16.3.1 The Trustee shall not exercise any powers conferred upon it by Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request shall affect any authorisation, waiver, modification or determination previously given or made.
- 16.3.2 The Trustee shall not authorise or waive any such proposed breach or breach relating to a Reserved Matter or any provisions of the Trust Documents referred to in the definition of Reserved Matter unless the holders of the outstanding Notes have, by Extraordinary Resolution, so authorised its exercise.

**16.4 Additional Right of Modification**

Notwithstanding the provisions of Condition 16.1 (*Modification*), the Trustee shall be obliged, without the consent or sanction of the Noteholders or any of the other Secured Creditors (subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or who would need to be a party to a new, supplemental or additional agreement, or which, as a result of the relevant amendment, would be further contractually subordinated to any Secured Creditor other than would otherwise have been the case prior to such amendment), to concur with the Issuer and any other relevant parties in making any modification (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of Reserved Matter) to these Conditions or any other Transaction Documents to which it is a party or in relation to which it holds security or the Issuer entering into new, supplemental or additional documents that the Issuer considers necessary:

- 16.4.1 for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that in relation to any amendment under this Condition 16.4:

- (i) the Issuer certifies in writing to the Trustee that such modification is necessary to comply with such criteria, or as the case may be, is solely to implement and reflect such criteria; and
- (ii) in the case of any modification of a Transaction Document proposed by any of the Servicer and/or the Transaction Account Bank in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role:
  - (A) the Servicer and/or the Transaction Account Bank, as the case may be, certifies in writing to the Issuer and the Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (ii)(y) (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Trustee that it has received the same from the Servicer and/or the Transaction Account Bank, as the case may be); and
  - (B) either:
    - (1) the Servicer and/or the Transaction Account Bank, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Trustee that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency and would not result in any Rating Agency placing the Class A Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer and the Trustee; or
    - (2) the Issuer certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent);

16.4.2 for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended), Article 51 of the AIFMR or Article 254 of the Solvency II Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

16.4.3 for the purpose of enabling the Class A Notes to be (or to remain) listed on the Stock Exchange, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

- 16.4.4 for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA, provided that the Issuer or the relevant Transaction Party, as applicable, certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- 16.4.5 for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer, the Servicer (on behalf of the Issuer), the relevant Transaction Party, and/or the Transaction Account Bank, as the case may be, pursuant to Conditions 16.4.1 to 16.4.5 being a "**Modification Certificate**", provided that:

1. at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
2. the Modification Certificate in relation to such modification shall be provided to the Trustee (and in respect of Condition 16.4.1(ii)(A) and/or 16.4.1(ii)(B)(1), to the Issuer) both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect;
3. the consent of each Secured Creditor which is party to the relevant Transaction Document or whose contractual subordination in any Payments Priorities is affected has been obtained;
4. either: (i) the Issuer obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or (ii) the Issuer certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent);
5. the Issuer certifies in writing to the Trustee (which certification may be in the Modification Certificate) that the Issuer has provided at least 30 calendar days' notice to the Noteholders of each class of Notes of the proposed modification in accordance with Condition 21 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, and Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Trustee in writing (or, in the case of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class A Notes may be held) within such notification period notifying the Trustee that such Noteholders do not consent to the modification; and
6. if Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Trustee in writing (or, in the case of the Class A Notes, otherwise in accordance with the then current practice of any applicable clearing system through which such Class

A Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 15 (*Meetings of Noteholders*). Notifications made other than through the applicable clearing systems must be accompanied by evidence to the Trustee's satisfaction (having regard to the prevailing market practices) of the relevant Noteholder's holding of the Notes.

16.4.6 Other than where specifically provided in this Condition 16.4 or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 16.4 (save to the extent the Trustee considers that the proposed modification would constitute a Reserved Matter), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely, and without further enquiry or Liability, on any certificate (including any Modification Certificates) or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 16.4 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Transaction Documents and/or these Conditions.

16.4.7 For the avoidance of doubt, nothing in this Condition 16.4 shall have the effect of waiving an Event of Default.

## **16.5 Notification**

Unless the Trustee otherwise agrees, the Issuer shall cause any waiver or modification to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

## **16.6 Binding Nature**

Any waiver or modification referred to in Condition 16.1 (*Modification*), Condition 16.2 (*Waiver*) or Condition 16.4 (*Additional Right of Modification*) shall be binding on the Instrumentholders and the other Secured Creditors.

## **17. Prescription**

### **17.1 Principal**

Claims for principal in respect of Notes shall become void unless the relevant Notes are presented for payment and surrendered or (in the case of any Note Principal Payment which became due on an Interest Payment Date) endorsement within 10 years of the appropriate Relevant Date.

### **17.2 Interest**

Claims for interest in respect of Notes shall become void unless the relevant Coupons are presented for payment and surrendered within five years of the appropriate Relevant Date.

## **18. Replacement of Global Notes, Definitive Notes and Coupons**

If any Global Note, Definitive Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Global Notes, Definitive Notes and Coupons must be surrendered before replacements will be issued.

## **19. Trustee and Agents**

### **19.1 *Trustee's right to Indemnity***

Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

### **19.2 *Trustee not responsible for loss or for monitoring***

The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

### **19.3 *Regard to classes of Noteholders***

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:

19.3.1 have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders or Couponholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and

19.3.2 have regard only to the holders of the Most Senior Class of Notes and will not have regard to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

### **19.4 *Paying Agents solely agents of Issuer***

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

### **19.5 *Initial Paying Agents***

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.

### **19.6 *Maintenance of Agents***

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

## **20. Substitution of Issuer**



**20.1**    *Substitution of Issuer*

The Trustee may, without the consent of the Instrumentholders or any other Secured Creditor, subject to:

20.1.1    the consent of the Issuer; and

20.1.2    such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Transaction Documents, the Notes and the Secured Amounts.

**20.2**    *Notice of Substitution of Issuer*

Not later than 14 days after any substitution of the Issuer in accordance with this Condition 20, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

**20.3**    *Change of Law*

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes or Coupons and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes, provided that the Issuer has notified the Rating Agencies.

**20.4**    *No indemnity*

No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

**21.**    **Notices**

**21.1**    *Valid Notices*

In respect of the Notes, any notice to Noteholders shall be validly given if such notice is:

21.1.1

- (a)    in respect of Class A Notes represented by Global Notes, sent to the Clearing Systems for delivery to their accountholders; or
- (b)    published on the Relevant Screen; and

21.1.2    sent in such other manner as may be required by the Stock Exchange.

In respect of the Class Z VFN, notices to the Class Z VFN Holder will be sent by the Issuer to the fax number or email address of the Class Z VFN Holder notified to the Issuer from time to time in writing.

**21.2**    *Date of publication*

Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen.

**21.3**    *Other Methods*

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Class A

Notes are then listed and provided that notice of such other method is given to the relevant Noteholders in such manner as the Trustee shall require.

**21.4 *Couponholders deemed to have notice***

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 21.4.

**22. Increasing the Principal Amount Outstanding of the Class Z VFN and adjusting the Maximum Class Z VFN Amount**

**22.1 *Class Z VFN***

- (a) If the Issuer receives a notice from the Legal Title Holder or the Servicer prior to the Class Z VFN Commitment Termination Date notifying the Issuer (i) that a Further Advance has been made, there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of the Further Advance and of the amount of the Further Advance Purchase Price and/or such shortfall which is insufficiently funded by amounts standing to the credit of the Principal Ledger and/or (ii) that a Flexible Drawing has been made, there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of the Flexible Drawing and of the amount of the Flexible Drawings Purchase Price and/or such shortfall which is insufficiently funded by amounts standing to the credit of the Principal Ledger and/or (iii) that amounts standing to the credit of the General Reserve Fund are less than the General Reserve Fund Target Amount, the Issuer shall notify (by serving a Notice of Increase) the Class Z VFN Holder requesting that such Class Z VFN Holder further fund the Class Z VFN on the relevant Monthly Payment Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
  - (x) in respect of (i) above, the Further Advance Purchase Price less amounts standing to the credit of the Principal Ledger available to pay such Further Advance Purchase Price;
    - (A) in respect of (ii) above, the Flexible Drawings Purchase Price less amounts standing to the credit of the Principal Ledger available to pay such Flexible Drawings Purchase Price; or
    - (B) in respect of (iii) above, the General Reserve Fund Target Amount less all amounts standing to the credit of the General Reserve Fund; and
  - (y) the Maximum Class Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date).
- (b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer prior to the Class Z VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further fund the Class Z VFN, shall notify the Issuer that the relevant Class Z VFN Holder is prepared to make such further funding (the "**Further Class Z VFN Funding**"), provided the relevant Class Z VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 22.1(d) below.
- (c) The proceeds of the Further Class Z VFN Funding shall be applied by the Issuer to fund (i) the Further Advance Purchase Price, (ii) the Flexible Drawings Purchase Price and (iii) the General Reserve Fund up to and including an amount equal to the General Reserve Fund Target Amount.

- (d) The Class Z VFN Holder shall advance the amount of such Further Class Z VFN Funding to the Issuer for value on the relevant Monthly Payment Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Class Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Class Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
  - (ii) as a result of the making of such Further Class Z VFN Funding, the aggregate amount of the Principal Amount Outstanding of the Class Z VFN immediately before the making of such Further Class Z VFN Funding (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date) plus such Further Class Z VFN Funding would not exceed the Maximum Class Z VFN Amount;
  - (iii) either:
    - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class Z VFN Funding; or
    - (B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at (iii)(A)) to make such Further Class Z VFN Funding available; and
  - (iv) the proposed date of such Further Class Z VFN Funding falls on a Business Day prior to the Class Z VFN Commitment Termination Date.

**23. Non-Responsive Rating Agency**

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account (and may rely without further enquiry and without liability on) any Rating Agency Confirmation.
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:
  - (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
  - (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency

Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Trustee a certificate signed (upon which the Trustee can rely) by two directors certifying and confirming that the events in one of paragraph (i)(A) or (i)(B) and in the event of paragraph (ii) above has occurred, the Issuer having sent a written request to each Rating Agency.

**24. Governing Law and Jurisdiction**

**24.1 *Governing law***

The Trust Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by and shall be construed in accordance with English law.

**24.2 *Jurisdiction***

The Courts are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Coupons and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, Coupons or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes, Coupons and/or the Transaction Documents may be brought in such Courts.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes after deducting fees, expenses and commissions, if any, will equal £585,724,870 and will be used by the Issuer to pay the purchase price for the Mortgage Portfolio to the Beneficial Title Seller in accordance with the Mortgage Sale Agreement and to fund the General Reserve Fund.

## TAXATION

### ***United Kingdom Taxation***

*The following applies only to persons who are the beneficial owners of the Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek professional advice.*

*In this summary references to "Notes" and "Noteholder" excludes the Class Z VFN and the Class Z VFN Holder. The Class Z VFN Holder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Class Z VFN under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Class Z VFN Holder may be subject to tax.*

### **Interest on the Notes**

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions or reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can (following an application) issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### ***Foreign Account Tax Compliance Act***

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This foreign passthru payment withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the U.S. Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into or announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to

FATCA and the Model 1 IGA and Model 2 IGA (each a "**Model IGA**") released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or any law implementing an IGA (any such withholding being a "**FATCA Withholding**") from payments it makes. An FFI in a Model 2 IGA jurisdiction and a Participating FFI in a non-IGA jurisdiction may, depending on the circumstances, be required to make a FATCA Withholding in respect of certain payments from sources within the United States. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**U.S.-UK IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Class A Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Class A Notes by the Issuer, any paying agent and the common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Class A Notes. The documentation expressly contemplates the possibility that the Class A Notes may convert into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. However, conversion into Definitive Notes is only anticipated to occur in remote circumstances.

Notwithstanding this, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA Withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

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

## SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a subscription agreement dated on or about the Closing Date amongst, *inter alios*, the Joint Lead Managers, the Beneficial Title Seller and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay or procure the payment for the Class A Notes at the issue price of 99.496 per cent. of the aggregate principal amount of the Class A Notes. UK Mortgages Corporate Funding Designated Activity Company has, pursuant to the Subscription Agreement, agreed with the Issuer (subject to certain conditions) to subscribe and pay £ 112,100,000 of the Class Z VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class Z VFN.

The Issuer and the Beneficial Title Seller have agreed in the Subscription Agreement to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Class A Notes.

Other than admission of the Class A Notes to the Main Securities Market of the Stock Exchange, no action will be taken by the Issuer, the Arranger or the Beneficial Title Seller which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Except with the express written consent of the Beneficial Title Seller in the form of a U.S. Risk Retention Waiver Consent and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by any person except for persons that are not Risk Retention U.S. Persons.

Pursuant to the Subscription Agreement, the Beneficial Title Seller has covenanted that it will, *inter alia*, retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation (which in each case does not take into account any implementing rules of the CRR in a relevant jurisdiction). As at the Closing Date, such retention requirement will be satisfied by the Beneficial Title Seller holding the Class Z VFN. Any change to the manner in which such interest is held will be notified to the Noteholders.

### United States

The Notes have not been nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in keeping with the limitations described under "*Transfer Restrictions and Investor Representations*". Accordingly, the Notes are being offered and sold by the Joint Lead Managers solely to non-U.S. persons in offshore transactions in reliance on Regulation S. The Notes 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 of 1986 and regulations promulgated thereunder.

The Joint Lead Managers have agreed that, except as permitted by the Subscription Agreement, they will not offer or sell the Notes as part of its distribution or at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and, it will have sent to each affiliate or other person (if any) to which it sells Notes during such 40 day 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. 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 that is not participating in the offering may violate the registration requirements of the Securities Act. Offers and sales of the Notes within the United States or to U.S. persons is further restricted as specified in "*Transfer Restrictions and Investor Representations*".



## United Kingdom

Each Joint Lead Manager has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## Ireland

Each Joint Lead Manager has represented and agreed with the Issuer that:

- (a) it has not and will not underwrite the issue of, or place the Notes otherwise than in conformity with the provisions of S.I. No. 60 of 2007 European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), and any codes of conduct or rules issued in connection therewith and any conditions or requirements, other enactments, imposed or approved by the Central Bank of Ireland, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it has not and will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2014 (as amended) and any codes of practice made under Section 117(1) of the Irish Central Bank Act 1989 (as amended) or any regulations made pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 (as amended);
- (c) it has not and will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended), the Irish Companies Act 2014 (as amended) and any rules issued under Section 1363 of the Irish Companies Act 2014 (as amended), by the Central Bank of Ireland; and
- (d) it has not and will not underwrite the issue of, or place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the European Union (Market Abuse) Regulations 2016 of Ireland (as amended), Regulation (EU) No 596/2014 of the European Parliament of the Council of 16 April 2014 on market abuse and any rules issued under Section 1370 of the Irish Companies Act 2014 (as amended) by the Central Bank of Ireland.

## European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC

(as amended, including by Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

#### **Prohibition of Sales to EEA Retail Investors**

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (b) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### **General**

Each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of the Notes by it will be made on the same terms.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales by the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a book-entry interest) have not been registered under the Securities Act or any state securities laws and are subject to U.S. tax law requirements, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements and other requirements described herein. Accordingly, the Joint Lead Managers are offering and selling the Notes solely to non-U.S. persons in offshore transactions pursuant to Regulation S.

### Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) by accepting delivery of this prospectus and the Notes will be deemed to have represented and agreed as follows:

- (a) if the purchaser purchased the Notes during the initial syndication of the Notes, the investor (1) either (i) is not a Risk Retention U.S. Person or (ii) has obtained a U.S. Risk Retention Waiver Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Notes and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules);
- (b) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to or for the account or benefit of a U.S. person (as defined in Regulation S), if such person is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided that in no event under (ii) or (iii) above may Notes be transferred or resold to or for the account of a U.S. person until (A) at least 40 days after the Closing Date and (B) such Notes are represented by a permanent global note; provided further that the agreement of such purchaser is subject to any Requirement of Law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (c) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (d) the Issuer, the initial purchaser of the relevant Notes, and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). NEITHER THIS GLOBAL NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

*Purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

### The Issuer

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 11 April 2017 with registered number 10720357. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP (telephonenumber +44(0)20 7398 6300).

### Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 20 June 2017.

### Listing of the Class A Notes

It is expected that admission of the Class A Notes to the Official List and trading on its regulated market will be granted on or about 26 June 2017 subject only to the issue of the Global Notes. The listing of the Class A Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.

Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Class A Notes and is not itself seeking admission of the Class A Notes to trading on the regulated market of the Irish Stock Exchange.

The total expenses in relation to admission to trading will be approximately €7,075.70.

The Class Z VFN will not be listed.

### Clearing and settlement

The Class A Notes have been accepted for clearing through Clearstream, Luxembourg and Euroclear under the following ISINs and common codes:

<u>Securities</u>	<u>ISIN</u>	<u>Common Code</u>
Class A Notes .....	XS1609323925	160932392

### Litigation

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 11 April 2017 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer (as the case may be).

### Accounts

No statutory or non-statutory accounts within the meaning of section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the regulated market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.

The Issuer did not trade during the period from its date of incorporation on 11 April 2017 to the date of this Prospectus nor has it received any income nor did it incur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has not commenced operations.

### Significant or Material Change

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Transaction Documents and those related to its registration as a public company under the Companies Act 2006.

Since 11 April 2017 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer.

## **Reports**

The Issuer will, from the Closing Date until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, provide ongoing post issuance transaction information in the form of a Quarterly Investor Report (which shall contain a glossary of the terms used in such report, whether by reference to this Prospectus or otherwise), which will include information on the loans and payments in arrears and which will be prepared by the Cash Manager and will be published by the Cash Manager on [www.sf.citifdirect.com](http://www.sf.citifdirect.com) in electronic form for investors, potential investors and firms that generally provide services to investors. The Issuer will also make available information in relation to each Mortgage Loan (including anonymised loan level data) and other statistical information regarding the securities to be admitted to trading, which will be accessible via the same website [www.sf.citifdirect.com](http://www.sf.citifdirect.com) in electronic form for investors, potential investors and firms that generally provide services to investors, subject to the terms and conditions set out therein. The content of these websites do not form part of this Prospectus and such reports are not incorporated by reference into this Prospectus.

In the first Quarterly Investor Report, the Issuer will disclose the amount of the Notes which are either:

- (a) privately-placed with investors which are not the Beneficial Title Seller or entities affiliated with the Beneficial Title Seller (the "**Beneficial Title Seller's Group**");
- (b) retained by a member of the Beneficial Title Seller's Group; and
- (c) publicly-placed with investors which are not in the Beneficial Title Seller's Group,

and in relation to any amount initially retained by a member of the Beneficial Title Seller's Group, but subsequently placed with investors which are not in the Beneficial Title Seller's Group, it will (to the extent permissible) disclose such placement in the next Quarterly Investor Report.

The Cash Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access the website will be required to certify that they are entitled to access the information posted thereon.

## **Cash flow models and loan level data**

The Issuer will, from the Closing Date until the earlier of redemption in full of the last Note or the Final Maturity Date, make available a cash flow model to Noteholders, either directly or indirectly through one or more entities that provide cash flow models to investors generally.

The Issuer will, on or about the Closing Date until the earlier of redemption in full of the last Note of the Final Maturity Date, make available loan level data to investors and update such information on a regular basis.

## **Underlying Assets**

On the Closing Date the assets backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had to the characteristics of the Mortgage Portfolio and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under the sections entitled "*Risk Factors*" and "*Credit Enhancement and Liquidity Support*".

## Documents Available

From the Closing Date until the earlier of redemption in full of the last outstanding Note of the Final Maturity Date, physical copies of the following documents (excluding any schedule containing personal information) may be inspected at the offices of the Issuer at 35 Great St. Helen's, London EC3A 6AP during usual business hours on any week day (excluding Saturdays, Sundays and public holidays) and will be available in such manner for so long as the Class A Notes are admitted to trading on the Main Securities Market of the Stock Exchange and the guidelines of the Stock Exchange so require:

- (a) Memorandum and Articles of Association of the Issuer;
- (b) this Prospectus; and
- (c) prior to the Closing Date, drafts (subject to amendment) and after the Closing Date copies of the following documents:
  - (i) the Agency Agreement;
  - (ii) the Cash Management Agreement;
  - (iii) the Collection Account Bank Agreement;
  - (iv) the Collection Account Declaration of Trust;
  - (v) the Corporate Services Agreement;
  - (vi) the Deed Poll;
  - (vii) the Incorporated Terms Memorandum;
  - (viii) the Mortgage Sale Agreement;
  - (ix) the Security Deed;
  - (x) the Beneficial Title Seller Power of Attorney;
  - (xi) the Legal Title Holder Power of Attorney;
  - (xii) the Servicer Power of Attorney;
  - (xiii) the Servicing Agreement;
  - (xiv) the Back-Up Servicing Agreement;
  - (xv) the Risk Retention Letter;
  - (xvi) the Transaction Account Agreement; and
  - (xvii) the Trust Deed.

## GLOSSARY

### GLOSSARY OF DEFINED TERMS

<b>£/Sterling</b>	has the meaning given to it on page 4 of the Prospectus.
<b>1999 Regulations</b>	means the Unfair Terms in Consumer Contracts Regulations 1999 as amended.
<b>ABS</b>	means Asset Backed Security.
<b>Account</b>	means the Collection Account, the Transaction Account and any Additional Account.
<b>Account Bank Required Rating</b>	means (a) in respect of Moody's, at least Baa3; and (b) in respect of Fitch, a long-term issuer default rating of at least A and a short-term issuer default rating of at least F1, or, in each case, such other rating or ratings as would maintain the then current rating of the Class A Notes.
<b>Account Details</b>	means the details of each of the Accounts which are set out in Schedule 8 (Account Details) of the Incorporated Terms Memorandum.
<b>Accounts</b>	means together or in combination, the Collection Account, the Transaction Account and any Additional Account.
<b>Additional Account</b>	means any further bank accounts opened by the Issuer with the Transaction Account Bank.
<b>Additional Interest</b>	has the meaning given to it on page 148 of the Prospectus.
<b>Advance Date</b>	has the meaning given to it on page 111 of the Prospectus.
<b>Affiliate</b>	means, in relation to any person: (a) a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company; or (b) any other person that controls, is controlled by, or is under common control with such person;
<b>Agency Agreement</b>	means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee.
<b>Agent</b>	means the Agent Bank, the Paying Agents and the Class Z VFN Registrar.
<b>Agent Bank</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Agents</b>	means any one of the Agents.
<b>Agents' Fees</b>	means the fees payable to the Principal Paying Agent for the account of the Paying Agents, the Agent Bank and the Class Z VFN Registrar in accordance with the terms of the Agency Agreement.
<b>Agents' Liabilities</b>	means any Liabilities due and payable by the Issuer to the Agents in accordance with the terms of the Agency Agreement, in each case together with interest as provided in the Agency Agreement.



<b>AIFMR</b>	has the meaning given to it on page iv of the Prospectus.
<b>Ancillary Rights</b>	means in relation to any asset, agreement, property or right (each a " <b>Right</b> " for the purpose of this definition), all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right.
<b>Arranger</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Article 254</b>	has the meaning given to it on page iv of the Prospectus.
<b>Article 51</b>	has the meaning given to it on page iv of the Prospectus.
<b>Article 8b Requirements</b>	has the meaning given to it on page 38 of the Prospectus.
<b>Asset Conditions</b>	has the meaning given to it on page 113 of the Prospectus.
<b>Asset Warranties</b>	means the asset warranties given by the Beneficial Title Seller to the Issuer in Schedule 1 (Asset Warranties) of the Mortgage Sale Agreement.
<b>Asset Warranty</b>	means any of the Asset Warranties.
<b>Asset Warranty Claim</b>	means any claim for a material breach of Asset Warranty made by the Issuer against the Beneficial Title Seller under the terms of the Mortgage Sale Agreement.
<b>Available Principal Funds</b>	has the meaning given to it on page 126 of the Prospectus.
<b>Available Redemption Funds</b>	means in relation to an Interest Payment Date, the amount calculated as at the related Cash Manager Determination Date equal to the amount by which (a) exceeds (b) where: <ul style="list-style-type: none"> <li>(a) is the aggregate of the Available Principal Funds for the immediately preceding Calculation Period; and</li> <li>(b) is the sum of Principal Reallocation Amounts to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date.</li> </ul>
<b>Available Revenue Funds</b>	has the meaning given to it on page 125 of the Prospectus.
<b>Back-Up Cash Manager Facilitator</b>	Intertrust Management Limited in its capacity as back-up cash manager facilitator in accordance with the terms of the Cash Management Agreement.
<b>Back-Up Cash Manager Facilitator Fees</b>	means the fees, costs and expenses payable by the Issuer to the Back-Up Cash Manager Facilitator in accordance with the terms of the Cash Management Agreement.
<b>Back-Up Cash Manager Facilitator Liabilities</b>	means any Liabilities due and payable by the Issuer to the Back-Up Cash Manager Facilitator in accordance with the terms of the Cash Management Agreement.
<b>Back-Up Servicer</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Back-Up Servicing Fees</b>	has the meaning given to it on page 66 of the Prospectus.
<b>Back-Up Servicer Liabilities</b>	means any Liabilities due and payable by the Issuer to the Back-Up Servicer in accordance with the terms of the Back-Up Servicing Agreement.
<b>Back-Up Servicing Agreement</b>	means the agreement so named dated on or about the Closing Date

	between, amongst others, the Issuer, the Back-Up Servicer, the Servicer and the Trustee.
<b>Basel Committee</b>	means The Basel Committee on Banking Supervision.
<b>Basel II</b>	means the Basel Committee's capital adequacy framework approved in June 2004.
<b>Basel III</b>	means the changes to the Basel II regulatory capital and liquidity framework approved by the Basel Committee in 2011.
<b>Beneficial Title Seller</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Beneficial Title Seller Covenants</b>	means the covenants of the Beneficial Title Seller set out in Schedule 5 (Beneficial Title Seller Covenants) to the Incorporated Terms Memorandum.
<b>Beneficial Title Seller's Group</b>	has the meaning given to it on page 177 of the Prospectus.
<b>Beneficial Title Seller Power of Attorney</b>	means the power of attorney granted by the Beneficial Title Seller on or about the Closing Date in favour of the Issuer and the Trustee, substantially in the form set out in Part 2 (Form of Beneficial Title Seller Power of Attorney) of Schedule 3 of the Mortgage Sale Agreement.
<b>Beneficial Title Seller's Warranties</b>	means the representations and warranties set forth in Schedule 3 (Beneficial Title Seller's Representations and Warranties) to the Incorporated Terms Memorandum.
<b>Book-Entry Interests</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Borrower</b>	means, in relation to a Mortgage Loan, the person or persons named as such in the relevant Mortgage Loan, Mortgage or Mortgage Conditions and to whom such Mortgage Loan is advanced together with any person or persons from time to time (including where applicable as guarantor or otherwise as surety) assuming the obligations of any borrower to repay such Mortgage Loan or any part of it.
<b>Borrower Repayment Amount</b>	has the meaning given to it on page 123 of the Prospectus.
<b>Breach of Duty</b>	means, in relation to any person, gross negligence, wilful default or fraud by such person.
<b>Buildings Policy</b>	means any buildings insurance over the Properties taken out (a) in the name of the relevant Borrower in the case of freehold Properties and (b) in the name of the landlord in the case of leasehold Properties where the landlord is responsible for insuring the Property.
<b>business day</b>	means, in Condition 10 ( <i>Payments</i> ) of the Conditions of the Notes any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to an account in Sterling.
<b>Business Day</b>	means a day (other than a Saturday or Sunday) on which banks are open for general business in London.
<b>Buy to Let Mortgage Loans</b>	means the Mortgage Loans in the Mortgage Portfolio which are not a Regulated Mortgage Contract secured by non-owner occupied freehold or leasehold properties charged as security for the repayment of the respective Mortgage Loans.

<b>Calculated Principal Funds</b>	has the meaning given to it on page 149 of the Prospectus.
<b>Calculated Revenue Funds</b>	has the meaning given to it on page 149 of the Prospectus.
<b>Calculation Date</b>	means, in relation to an Interest Payment Date, the first calendar day of each of February, May, August and November in each year (or, if such day is not a Business Day, the next Business Day), or, in the case of the first Calculation Date, August 2017.
<b>Calculation Period</b>	means each three month period ending on the last calendar day of January, April, July and October in each year (or in respect of the first Calculation Period, the period from (but excluding) the Cut-Off Date to and including the last calendar day of July).
<b>Cash Management Agreement</b>	means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee.
<b>Cash Manager</b>	has the meaning given to it on page 119 of the Prospectus.
<b>Cash Manager Determination Date</b>	means, in relation to an Interest Payment Date, the date falling 3 Business Days prior to such Interest Payment Date.
<b>Cash Manager Fees</b>	means the fees, costs and expenses payable by the Issuer to the Cash Manager in accordance with the terms of the Cash Management Agreement.
<b>Cash Manager Liabilities</b>	means any Liabilities due and payable by the Issuer to the Cash Manager in accordance with the terms of the Cash Management Agreement.
<b>Cash Manager Termination Notice</b>	means a notice delivered following a Cash Manager Termination Event in accordance with the terms of the Cash Management Agreement.
<b>Cash Manager Termination Event</b>	has the meaning given to it on page 65 of the Prospectus.
<b>CCA</b>	has the meaning given to it on page 109 of the Prospectus.
<b>CHL Standard Variable Rate</b>	means a variable rate of interest set by CHL from time to time.
<b>CHL Specialist Servicing Policy</b>	means the CHL Specialist Servicing (Arrears, Recoveries, Borrower Recovery Agreement & Strategy Review).
<b>Central Bank</b>	has the meaning given to it on page iii of the Prospectus.
<b>Cerberus</b>	means in relation to a Servicer Change of Control, Cerberus Capital Management, L.P.
<b>Cerberus Affiliate</b>	means any Affiliate of Cerberus, any trust of which Cerberus or any of its Affiliates is a trustee, any partnership of which Cerberus or any of its Affiliates is a partner, and any trust, fund or other entity managed by or controlled by Cerberus or any of its Affiliates.
<b>Certificate of Title</b>	means a solicitor's or licensed conveyancer's report or certificate of title obtained by or on behalf of the CHL in respect of each Property substantially in the form of the pro forma set out in the Standard Documentation.
<b>Charged Accounts</b>	means the Transaction Account and any bank or other account in which the Issuer may at any time hold any amount and over which the Issuer has created an Encumbrance in favour of the Trustee pursuant to the Security Deed.
<b>Charged Property</b>	means all the property, rights and assets of the Issuer which is subject to the Security.

<b>chargee</b>	means the holder of security.
<b>CHL</b>	means Capital Home Loans Limited.
<b>class</b>	has the meaning given to it on page 50 of the Prospectus.
<b>Class A Noteholders</b>	means persons who for the time being are holders of the Class A Notes.
<b>Class A Notes</b>	means the £477,100,000 Class A Mortgage Backed Floating Rate Notes due May 2046 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Definitive Notes or Global Notes.
<b>Class A Principal Deficiency Sub-Ledger</b>	has the meaning given to it on page 130 of the Prospectus.
<b>Class A Revenue Reallocation Amount</b>	means, in relation to any Interest Payment Date, the amount determined as at the related Cash Manager Determination Date with respect to the immediately preceding Calculation Period in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class A Principal Deficiency Sub-Ledger as at the immediately preceding Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount and Liquidity Reserve Drawings) available to the Issuer as at the immediately preceding Calculation Date after payment of the amounts determined in accordance with items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities.
<b>Class Z Principal Deficiency Sub-Ledger</b>	has the meaning given to it on page 130 of the Prospectus.
<b>Class Z Revenue Reallocation Amount</b>	means, in relation to any Interest Payment Date, the amount determined as at the related Cash Manager Determination Date with respect to the immediately preceding Calculation Period in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class Z Principal Deficiency Sub-Ledger as at the immediately preceding Calculation Date and (b) the amount of Available Revenue Funds (excluding any Principal Reallocation Amount, Liquidity Reserve Drawings and the General Reserve Drawings) available to the Issuer as at the immediately preceding Calculation Date after payment of the amounts determined in accordance with items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities.
<b>Class Z VFN</b>	has the meaning given to it on page 50 of the Prospectus.
<b>Class Z VFN Commitment Termination Date</b>	has the meaning given to it on page 51 of the Prospectus.
<b>Class Z VFN Holder</b>	has the meaning given to it on page 50 of the Prospectus.
<b>Class Z VFN Register</b>	means the register for the Class Z VFN.
<b>Class Z VFN Registrar</b>	means Citibank, N.A., London Branch in its capacity as Class Z variable funded note registrar in accordance with the terms of the Agency Agreement.
<b>classes</b>	shall be construed according to the meaning of "class".
<b>Clause</b>	shall be construed as a reference to a Clause of a Part or Section (as

	applicable) of such Transaction Document.
<b>Clearing Systems</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Clearstream, Luxembourg</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Closing Date</b>	26 June 2017 or such other date as the Issuer and the Joint Lead Managers may agree pursuant to the Subscription Agreement.
<b>CMA</b>	has the meaning given to it on page 30 of the Prospectus.
<b>CMA Guidance</b>	has the meaning given to it on page 32 of the Prospectus.
<b>Code</b>	has the meaning given to it on page 154 of the Prospectus.
<b>Collection Account</b>	means the account to which the Borrowers pay amounts on the Mortgage Loans in the Mortgage Portfolio held by the Servicer at the Collection Account Bank
<b>Collection Account Bank Agreement</b>	means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Legal Title Holder, the Collection Account Bank and the Trustee.
<b>Collection Account Bank</b>	means the bank at which the Servicer holds the Collection Account.
<b>Collection Account Bank Fees</b>	means the fees, costs and expenses of the Collection Account Bank for the operation of the Collection Account as determined in accordance with the terms of the Collection Account Bank Agreement.
<b>Collection Account Declaration of Trust</b>	means the agreement so named dated on or about the Closing Date between, amongst others, the Legal Title Holder and the Collection Account Bank, as amended and restated from time to time.
<b>Collection Account Trust</b>	means the trust declared by the Servicer, as Legal Title Holder, in favour of the Issuer absolutely over all amounts standing to the credit of the Collection Account.
<b>Collection Period</b>	means each period from (but excluding) the last day in a calendar month (or, in the case of the first Collection Period, from (and including) the Closing Date) to (and including) the last day of the next succeeding calendar month (or, in the case of the first Collection Period, the last day of July 2017).
<b>commercially reasonable evidence</b>	has the meaning given to it on page 143 of the Prospectus.
<b>Common Safekeeper</b>	has the meaning given to it on page 139 of the Prospectus.
<b>the Commission's proposal</b>	has the meaning given to it on page 39 of the Prospectus.
<b>Conditions</b>	means the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 5 (Terms and Conditions of the Notes) to the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed, and any reference to a particular numbered Condition shall be construed accordingly.
<b>CBTL</b>	means Consumer buy-to-let.
<b>CPR</b>	means constant per annum rate of prepayment.
<b>Collection Account Bank Liabilities</b>	means any Liabilities due and payable by the Issuer to the Collection Account Bank in accordance with the terms of the Collection Account Bank Agreement.

<b>Consumer Buy-to-Let Loan</b>	has the meaning given to it on page 28 of the Prospectus.
<b>Consumer Credit Directive</b>	means the second directive on consumer credit adopted in April 2008 by the European Parliament and the Council.
<b>continuing</b>	means, in respect of an Event of Default, a reference to an Event of Default which has not been waived in writing in accordance with the terms of the Conditions or, as the case may be, the relevant Transaction Document or which has not been remedied.
<b>Cornhill</b>	means Cornhill Mortgages No. 3 Limited.
<b>Corporate Services Agreement</b>	means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee and the Issuer.
<b>Corporate Services Provider</b>	means Intertrust Management Limited in its capacity as corporate services provider in accordance with the terms of the Corporate Services Agreement or such other person or persons for the time being acting as corporate services provider to the Issuer under the Corporate Services Agreement.
<b>Corporate Services Provider Fees</b>	means the fees due and payable to the Corporate Services Provider in accordance with the terms of the Corporate Services Agreement.
<b>Corporate Services Provider Liabilities</b>	means any liabilities due and payable to the Corporate Services Provider in accordance with the terms of the Corporate Services Agreement.
<b>Couponholders</b>	means persons who for the time being are holders of the Coupons.
<b>Coupons</b>	means the interest coupons related to the Definitive Notes in, or substantially in, the form set out in Part 2 of Schedule 3 to the Trust Deed and for the time being outstanding or, as the context may require, a specific number of such coupons.
<b>Courts</b>	means the Courts of England
<b>Covenant to Pay</b>	means the covenants of the Issuer in respect of the Notes contained in the Trust Deed and, in respect of the Secured Amounts, contained in the Security Deed.
<b>CPUTR</b>	has the meaning given to it on page 33 of the Prospectus.
<b>CRA</b>	means Consumer Rights Act 2015.
<b>CRA Regulation</b>	means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.
<b>Credit Ledger</b>	means the ledger in the books of the Issuer so named.
<b>Credit Ledger Required Amount</b>	means an amount by which General Reserve Fund Target Amount exceeds the Liquidity Ledger Required Amount.
<b>CRR</b>	has the meaning given to it on page iv of the Prospectus.
<b>CTCL</b>	means Citicorp Trustee Company Limited.
<b>Current Balance</b>	means: <ul style="list-style-type: none"> <li>(a) in relation to a Mortgage Loan, on any date, the aggregate balance of that Mortgage Loan at such date (but avoiding</li> </ul>

double counting) including:

- (i) the original amount advanced to the relevant Borrower and any further amount (including any Flexible Drawings or Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage;
- (ii) 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 the related Mortgage; and
- (iii) any other amount (including, for the avoidance of doubt, accrued interest and arrears of 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 the related Mortgage,

in each case, 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 retentions made but not released and any Flexible Drawings or Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date; and

- (b) in relation to the Mortgage Portfolio and on any day, the aggregate of the Current Balances in respect of the Mortgage Loans contained in that Mortgage Portfolio.

<b>Cut-Off Date</b>	30 April 2017.
<b>Daily Loan Amount</b>	has the meaning given on page 119 of the Prospectus.
<b>Daily Rates</b>	has the meaning given to it in the Servicing Agreement.
<b>Day Count Fraction</b>	means, in respect of an Interest Period the actual number of days in such period divided by 365.
<b>DBRS</b>	means DBRS Limited or DBRS Ratings Limited.
<b>Deed Poll</b>	means the portfolio option deed poll dated on or about the Closing Date, executed by the Issuer, in favour of the Portfolio Option Holder, from time to time.
<b>Deferred Consideration</b>	means the deferred consideration due and payable to the Beneficial Title Seller pursuant to the Mortgage Sale Agreement in respect of the sale of the Mortgage Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable): <ul style="list-style-type: none"><li>(a) the items described in (a) to ((k)) inclusive of the Pre-</li></ul>

	Enforcement Revenue Payments Priorities on each Interest Payment Date; or
	(b) the items described in (a) to ((g)) inclusive of the Post-Enforcement Payments Priorities.
<b>Deferred Interest</b>	has the meaning given to it on page 148 of the Prospectus.
<b>Definitive Notes</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Determination Period</b>	means a Calculation Period in respect of which the Cash Manager does not receive a Servicer Report.
<b>Direct Debit Mandate</b>	means a mandate from a Borrower to the Legal Title Holder authorising payments to be made by the relevant Borrower to the Legal Title Holder by way of the Direct Debiting Scheme.
<b>Direct Debiting Scheme</b>	means the system for the manual or automated debiting of bank accounts by direct debit operated in accordance with the principal rules of certain members of the Association for Payment Clearing Services.
<b>Disclosed Mortgage Loans</b>	has the meaning given to it on page 22 of the Prospectus.
<b>Discretionary Rate</b>	means the SVR and/or any other discretionary rates or margins applicable to any Mortgage Loans.
<b>Dodd-Frank Act</b>	means The Dodd–Frank Wall Street Reform and Consumer Protection Act.
<b>Drawings Date</b>	means the date that the Flexible Drawing is made by the Legal Title Holder or the Servicer to the relevant Borrower.
<b>EBA</b>	means European Banking Authority.
<b>EEA</b>	means European Economic Area.
<b>Electronic Consent</b>	has the meaning given to it on page 143 of the Prospectus.
<b>Eligible Institution</b>	means, in respect of the Transaction Account Bank, any depository institution with the Account Bank Required Rating.
<b>Eligible Investments</b>	means: <ul style="list-style-type: none"> <li>(a) demand or time deposits, certificates of deposit and other short term unsecured debt obligations provided that, in each case, at the time the deposit is made or the certificate or obligation is acquired the then current rating of the unsecured and unguaranteed debt obligations of that institution (or, where the investment in question is guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&amp;P and P-1 (short-term) or at least A2 (long-term) (if applicable) from Moody's; and at least one of (a) a short-term issuer default rating of F1+ or long-term issuer default rating of AA- from Fitch; and (b) at least R-1 (middle) (short-term) or AA (low) (long-term) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time;</li> <li>(b) short term unsecured debt obligations issued by a body corporate provided that the then current rating of the</li> </ul>



unsecured and unguaranteed debt obligations of that body corporate (or where the debt obligations in question are guaranteed, of the guaranteeing institution) is AA- or A-1+ or AAAm by S&P and P-1 (short-term) or at least A2 (long-term) (if applicable) from Moody's; and at least one of: (a) a short-term issuer default rating of F1+ or long-term issuer default rating of AA- from Fitch; and (b) at least R-1 (middle) (short-term) or AA (low) (long-term) (if applicable) from DBRS, or in each case such other ratings as may be required by the Rating Agencies from time to time; or

- (c) money market funds that meet the European Securities and Markets Authority (ESMA) Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators, or money market funds that hold an AAAm money market fund rating from S&P and an Aaa-mf rating from Moody's and (i) where a Fitch rating is available, an AAmmf rating from Fitch or (ii) where a Fitch rating is not available, one equivalent money market fund ratings from a recognised credit rating agency such as DBRS,

provided that, no withholding or deduction for or account of tax will be made on any payments of interest or principal in respect of any such deposit, bond, debenture, note or other investment or security evidencing debt, and provided further that no such instrument will be a volatile instrument (as specified in the Rating Agencies' published criteria) and/or an instrument issued by a mutual fund or similar investment vehicle, and provided further that each such instrument shall mature (or otherwise be capable of being redeemed, terminated or broken (at no additional cost)) on or before the next succeeding Calculation Date so that such funds will be available for withdrawal on such date.

<b>Encumbrance</b>	means any mortgage, pledge, lien, charge, assignment, hypothecation or other security interest or any other agreement or arrangement having a similar effect.
<b>Enforcement Notice</b>	means: a notice delivered by the Trustee to the Issuer in accordance with Condition 12 ( <i>Events of Default</i> ) of the Conditions.
<b>Enforcement Procedures</b>	means the procedures for the enforcement of Mortgages undertaken by the Servicer from time to time in accordance with the Legal Title Holder's Policy.
<b>English Loan</b>	has the meaning given to it on page 43 of the Prospectus.
<b>ESMA</b>	means European Securities and Markets Authority.
<b>EUR</b>	means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.
<b>Exchange Act</b>	means the Securities Exchange Act.
<b>Exchange Date</b>	has the meaning given to it on page 3 of the Prospectus.

<b>Exchange Event</b>	has the meaning given to it on page 140 of the Prospectus.
<b>euro</b>	means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.
<b>Euroclear</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Event of Default</b>	means any one of the events specified in Condition 12 ( <i>Events of Default</i> ) of the Conditions.
<b>Exchange Event</b>	means an event which occurs if the relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.
<b>Extraordinary Resolution</b>	means (i) a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast, (ii) a Written Resolution or (iii) an Electronic Consent.
<b>FATCA</b>	means: (i) sections 1471 through 1474 of the Code; (ii) any similar or successor legislation to sections 1471 to 1474 of the Code; (iii) any regulations or guidance pursuant to any of the foregoing; (iv) any official interpretations of any of the foregoing; (v) any intergovernmental agreement to facilitate the implementation of any of the foregoing (an "IGA"); (vi) any law implementing an IGA; or (vii) any agreement with the United States or any other jurisdiction or authority pursuant to the foregoing.
<b>FATCA Withholding</b>	means an agreement to deduct or withhold described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.
<b>FCA</b>	means the Financial Conduct Authority.
<b>Federal Register</b>	means the official journal of the United States federal government.
<b>FFI</b>	means a foreign financial institution.
<b>Final Discharge Date</b>	means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer have been paid or discharged in full.
<b>Final Maturity Date</b>	means the Interest Payment Date falling in May 2046.
<b>First Interest Payment Date</b>	means the Interest Payment Date falling in August 2017.
<b>Fitch</b>	means Fitch Ratings Ltd or any successor to its rating business.
<b>Fixed Rate Loan</b>	means a Mortgage Loan or any sub-account(s) of such Mortgage Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding balance does not vary and is fixed for a certain period of time by the Legal Title Holder.

<b>Flexible Drawing</b>	means any part of a further advance of moneys required to be made to a Borrower in respect of a Flexible Mortgage Loan in accordance with the relevant Mortgage Conditions.
<b>Flexible Drawing Payment Price</b>	means an amount equal to the then Current Balance of the relevant Mortgage Loan.
<b>Flexible Drawings Purchase Price</b>	means an amount equal to the sum of (i) the Current Balance of the relevant Flexible Drawing and (ii) if such fees are not capitalised, any fees in connection with the Flexible Drawing as of the relevant Drawings Date to be paid by the Issuer to the Legal Title Holder provided that (a) to the extent that any fees payable by the Borrower to the Legal Title Holder in connection with the Flexible Drawing are not capitalised, such fee shall be for the account of the Issuer or (b) to the extent capitalised the fee shall be included within the definition of Current Balance.
<b>Flexible Mortgage Loan</b>	means any Mortgage Loan designated by the Originator as a flexible mortgage product in respect of which the Borrower is permitted to apply for certain Flexible Drawing.
<b>foreign pass thru payments</b>	has the meaning given to it on page 38 of the Prospectus.
<b>FOS</b>	has the meaning given to it on page 22 of the Prospectus.
<b>FPO</b>	means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
<b>FSA</b>	means the Financial Services Authority.
<b>FSMA</b>	has the meaning given to it on page 28 of the Prospectus.
<b>FTT</b>	has the meaning given to it on page 39 of the Prospectus.
<b>Full Status Borrowers</b>	has the meaning given to it on page 83 of the Prospectus.
<b>Further Advance</b>	means, in relation to a Mortgage Loan, any advance of further money to the relevant Borrower (including any commitment to fund any further amount which has not yet been advanced or any further amount advanced but not yet drawn) following the making of the Initial Advance, which is made on the same product type as the original Mortgage Loan and secured by the same Mortgage as the Initial Advance together with any fees capitalised in respect of such future advances, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage or any Redraw.
<b>Further Advance Payment Price</b>	means an amount equal to the then Current Balance of the relevant Mortgage Loan.
<b>Further Advance Purchase Price</b>	means an amount equal to the sum of (i) the Current Balance of the relevant Further Advance and (ii) if such fees are not capitalised, any fees in connection with such Further Advances as of the relevant Advance Date to be paid by the Issuer to the Legal Title Holder provided that (a) to the extent that any fees payable by the Borrower to the Legal Title Holder in connection with the Further Advance are not capitalised, such fee shall be for the account of the Issuer or (b) to the extent capitalised the fee shall be included within the definition of Current Balance.

<b>Further Class Z VFN Funding</b>	has the meaning given to it on page 165 of the Prospectus.
<b>General Reserve Drawing</b>	means a drawing from the General Reserve Fund, which, for an Interest Payment Date, shall be (where the same is to be applied to meet a Revenue Shortfall in respect of such Interest Payment Date) the lower of (i) the amount standing to the credit of the Credit Ledger for that Interest Payment Date and (ii) the amount required to eliminate such Revenue Shortfall for that Interest Payment Date.
<b>General Reserve Fund</b>	means the credit balance from time to time of the Liquidity Ledger and the Credit Ledger which, on the Closing Date, will be an amount equal to the General Reserve Fund Target Amount initially funded from the proceeds of issue of the Class Z VFN and thereafter from Available Revenue Funds or, as applicable, by the holder of the Class Z VFN from time to time; the funds will firstly be credited into the Liquidity Ledger for the amount of Liquidity Ledger Required Amount and the remaining amount will be credited into the Credit Ledger.
<b>General Reserve Fund Target Amount</b>	means 1.45 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes as of the Closing Date, provided that after the redemption in full of the Class A Notes or the occurrence of an Optional Portfolio Purchase, the General Reserve Fund Target Amount is zero.
<b>Global Notes</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Governmental Authority</b>	means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.
<b>grandfathering date</b>	has the meaning given to it on page 169 of the Prospectus.
<b>Guarantor</b>	means, in relation to Mortgage Loans, a party providing a guarantee on behalf of a Borrower.
<b>HMRC</b>	means Her Majesty's Revenue and Customs.
<b>holder</b>	means, in relation to a Class A Note, the bearer of that Note and in relation to the Class Z VFN, the registered holder of the Class Z VFN.
<b>holders</b>	shall be construed according to the definition of "holder".
<b>Holding Company</b>	means, in relation to any person, any other person in respect of which it is a Subsidiary.
<b>Holdings</b>	has the meaning given to it on page 10 of the Prospectus.
<b>ICSDs</b>	means each of Euroclear and Clearstream, Luxembourg.
<b>IGA</b>	has the meaning given to it on page 169 of the Prospectus.
<b>IMD</b>	means Directive 2002/92/EC (as amended).
<b>including</b>	shall be construed as a reference to "including without limitation", so that any list of items or matters appearing after the word "including" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "including".
<b>including without limitation</b>	shall be construed so that any list of items or matters appearing after

the word "including without limitation" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "including".

<b>Incorporated Terms Memorandum</b>	means the document so named which is dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties.
<b>indebtedness</b>	shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.
<b>Indexed LTV</b>	means the ratio of the Current Balance of the relevant Mortgage Loan divided by the indexed valuation of the relevant Property based on the Nationwide House Price Index, from the date falling at the end of the quarter immediately following the date of the latest recorded valuation of the Property to the date falling at the end of the quarter immediately prior to the Cut-Off Date.
<b>Indirect Participants</b>	has the meaning given to it on page 139 of the Prospectus.
<b>Initial Advance</b>	means all amounts advanced by the Legal Title Holder to a Borrower under a Mortgage Loan other than a Further Advance.
<b>Initial Mortgage Sale Agreement</b>	has the meaning given to it on page 104 of the Prospectus.
<b>Initial Term</b>	means a period of three years commencing on 21 February 2017.
<b>Insolvency Event</b>	means in relation to a Party (or any other relevant person) means that the Party or such person: <ul style="list-style-type: none"><li>(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);</li><li>(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;</li><li>(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;</li><li>(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up, examinership or liquidation by it or such regulator, supervisor or similar official;</li><li>(e) has instituted against it a proceeding seeking a judgment of insolvency, examinership or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up, examinership or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or</li></ul>

presented by a person or entity not described in paragraph (d) above and:

- (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation; or
  - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding up, official management, examinership or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, examiner, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

<b>Instrument</b>	means any one of the Class Z VFN, the Global Notes, the Definitive Notes and the Coupons.
<b>Instrumentholders</b>	means the persons who for the time being are holders of the Instruments.
<b>Instruments</b>	means the Class Z VFN, the Global Notes, the Definitive Notes and the Coupons.
<b>Insurance Policies</b>	means any buildings insurance over the Properties taken out (a) in the name of the relevant Borrower in the case of freehold Properties or (b) in the name of the landlord in the case of leasehold Properties where the landlord is responsible for insuring the Property .
<b>interest</b>	means "interest" as understood in United Kingdom tax law.
<b>Interest Amount</b>	means, in respect of a Note, the Note Interest calculated on the relevant Interest Determination Date.
<b>Interest Determination Date</b>	means each Interest Payment Date or, in the case of the first Interest Period, the Closing Date, and, in relation to an Interest Period, the "related Interest Determination Date" means the Interest Determination Date which falls on the first day of such Interest Period.

<b>Interest Determination Ratio</b>	means (i) the aggregate Revenue Receipts calculated by reference to the three most recent Calculation Periods for which all Servicer Reports are available (or, where there are not at least three such Calculation Periods, any previous Calculation Periods for which all relevant Servicer Reports are available) divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated by reference to the three most recent Calculation Periods for which all Servicer Reports are available (or, where there are not at least three such Calculation Periods, any previous Calculation Periods for which all relevant Servicer Reports are available).
<b>Interest Only Mortgage Loans</b>	means Mortgage Loans in relation to which the principal amount is not repayable before maturity.
<b>Interest Payment Date</b>	means the 27th day of February, May, August and November in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day.
<b>Interest Period</b>	means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next Interest Payment Date (or in respect of the first Interest Period, the First Interest Payment Date).
<b>Interim Seller</b>	means Cornhill.
<b>Investment Company Act</b>	has the meaning given to it on page iv of the Prospectus.
<b>Irish Permanent Mortgage Loans</b>	means Mortgage Loans originated by Irish Permanent plc.
<b>IRS</b>	means the U.S. Internal Revenue Service.
<b>ISIN</b>	means International Securities Identification Number.
<b>Issuer</b>	means Oat Hill No. 1 plc, a public limited company incorporated in England and Wales with registered number 10720357 as issuer of the Notes.
<b>Issuer Covenants</b>	means the covenants of the Issuer set out in Schedule 6 (Issuer Covenants) to the Incorporated Terms Memorandum.
<b>Issuer Jurisdiction</b>	means England and Wales or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 20 ( <i>Substitution of Issuer</i> )) is incorporated and/or subject to taxation.
<b>Issuer Profit Amount</b>	has the meaning given to it on page 76 of the Prospectus.
<b>Issuer Profit Ledger</b>	means the ledger to which the amounts that will be applied on Interest Payment Dates in order to satisfy the Issuer's United Kingdom corporation tax obligations and to which payment to the shareholders of the Issuer by way of dividend are credited.
<b>Issuer Warranties</b>	means the representations and warranties of the Issuer set out in the Incorporated Terms Memorandum.
<b>Joint Lead Managers</b>	means each of Merrill Lynch International (registered number 02312079) and The Royal Bank of Scotland PLC (trading as NatWest Markets) (registered number SC090312).

<b>Land Registry</b>	means (a) the Land Registry of England and Wales; and (b) in relation to Properties situated in Northern Ireland, the Land Registry of Northern Ireland or the Registry of Deeds of Northern Ireland (as applicable).
<b>Law Commission</b>	means the Law Commission of England and Wales created by the Law Commissions Act 1965.
<b>law</b>	shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court.
<b>Legal Title Holder</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Legal Title Holder Power of Attorney</b>	means the power of attorney granted by the Legal Title Holder in favour of the Issuer and the Trustee substantially in the form in Part 1 (Form of Legal Title Holder Power of Attorney) of Schedule 3 of the Mortgage Sale Agreement.
<b>Legal Title Holder's Policy</b>	means the originating, underwriting, administration, arrears and enforcement policy for repayment of the mortgage loans and their related security which are beneficially owned by the Legal Title Holder and applied by the Legal Title Holder from time to time to such loans and their related security and, as at the Closing Date, shall mean the Legal Title Holder's Policies set out in the Mortgage Sale Agreement.
<b>Legal Title Transfer Date</b>	has the meaning given to it on page 104 of the Prospectus.
<b>Lending Criteria</b>	means the lending criteria applicable at the time the Mortgage Loan was offered.
<b>Liabilities</b>	means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, decrees, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and any Taxes and penalties incurred by that person.
<b>LIBOR</b>	means London Interbank Offered Rate.
<b>Liquidity Coverage Ratio</b>	means the leverage ratio backstop for financial institutions implemented under Basel III.
<b>Liquidity Ledger</b>	means the ledger in the books of the Issuer so named.
<b>Liquidity Ledger Required Amount</b>	means 1.45 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the relevant Calculation Date, or in respect of the period prior to the first Calculation Date, the Closing Date.
<b>Liquidity Reserve Drawing</b>	means a drawing from the General Reserve Fund, which, for an Interest Payment Date, shall be (where the same is to be applied to meet a Revenue Shortfall in respect of such Interest Payment Date) the lower of (i) the amount standing to the credit of the Liquidity Ledger for that Interest Payment Date and (ii) the amount required to eliminate such Revenue Shortfall for that Interest Payment Date.



<b>Loan Files</b>	means the file or files relating to each Mortgage Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing inter alia correspondence between the Borrower and the Legal Title Holder including mortgage documentation applicable to the Mortgage Loan, each letter of offer for that Mortgage Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's or licensed conveyancer's certificate of title.
<b>Loan Data Tape</b>	means the loan data file containing details of the Mortgage Loans and their Related Security to be purchased or purchased by the Issuer pursuant to the Mortgage Sale Agreement, delivered by the Beneficial Title Seller to the Issuer and the Trustee on or prior to the Closing Date.
<b>Loan Data Tape Fields</b>	means the fields in the Loan Data Tape and set out in the Mortgage Sale Agreement.
<b>LTL</b>	means loan to total lend ratio.
<b>LTV</b>	means loan to value ratio.
<b>Main Securities Market</b>	means the regulated market of the Stock Exchange.
<b>Margin</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Class A Notes, 0.65 per cent. per annum; and</li> <li>(b) in respect of the Class Z VFN, 0.00 per cent. per annum.</li> </ul>
<b>Maximum Class Z VFN Amount</b>	has the meaning given to it on page 51 of the Prospectus.
<b>MCD</b>	The Mortgage Credit Directive.
<b>MCOB</b>	Mortgages and Home Finance: Conduct of Business sourcebook.
<b>MCOB Mortgage Loan</b>	has the meaning given to it on page 22 of the Prospectus.
<b>Member State</b>	means a member state of the European Economic Area.
<b>Meeting</b>	means a meeting of Noteholders (whether originally convened or resumed following an adjournment).
<b>MiFID II</b>	has the meaning given to it on page 3 of the Prospectus.
<b>Minimum Amount</b>	means one penny.
<b>Minimum Denomination</b>	means, in relation to the Class A Notes, £100,000 and, for so long as the Clearing Systems so permit, any amount in excess thereof in integral multiples of £1,000.
<b>Minimum Required Interest</b>	means a material net economic interest of not less than 5 per cent. of the nominal value of the securitised exposures for the purposes of Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation.
<b>Model IGA</b>	has the meaning given to it on page 170 of the Prospectus.
<b>Modification Certificate</b>	means the certificate to be provided by the Issuer, the Servicer (on behalf of the Issuer), the relevant Transaction Party, and/or the Transaction Account Bank, as the case may be, pursuant to

	Conditions 16.4.1 to 16.4.5 of the Conditions.
<b>Monthly Payment</b>	means in relation to any Mortgage Loan, the amount in the ordinary course of administration of that Mortgage Loan due to be paid by the relevant Borrower on each scheduled payment date, comprising interest and, where applicable, contractual repayments of principal and other sums, as determined in accordance with the terms and conditions of that Mortgage Loan, without regard for any discounted or additional payment arrangements agreed with the relevant Borrower.
<b>Monthly Payment Date</b>	means the 15th Business Day of each calendar month.
<b>Monthly Period</b>	means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month.
<b>Monthly Investor Report</b>	means the monthly report prepared by the Cash Manager with the assistance of the Servicer for the purposes of the Bank of England's Discount Window Facility.
<b>Monthly Test Date</b>	means the 11th Business Day of each calendar month.
<b>Most Senior Class</b>	has the meaning given to it on page 50 of the Prospectus.
<b>Moody's</b>	means Moody's Investors Service Limited.
<b>Mortgage</b>	means a charge by way of legal mortgage over a residential property and, in relation to a Mortgage Loan, means the mortgage or legal charge securing that Mortgage Loan including, in each case, all principal sums, interest, costs, charges, expenses and other moneys secured or intended to be secured by that mortgage or legal charge.
<b>Mortgage Conditions</b>	means all the terms and conditions applicable to a Mortgage Loan, including without limitation those set out in the Legal Title Holder's relevant printed mortgage conditions, as varied from time to time by any mortgage or product special conditions contained in the Mortgage Offer.
<b>Mortgage Loan</b>	means any residential mortgage loan or loan part secured by a Mortgage and Related Security and sold to the Issuer pursuant to the Mortgage Sale Agreement together with, where the context so requires, each Further Advance and Flexible Drawing sold to the Issuer pursuant to the Mortgage Sale Agreement.
<b>Mortgage Offer</b>	means the offer letter sent to the relevant Borrower setting out details of the specific terms of the mortgage loan including, but not limited to, the interest rate term, repayment terms and product type.
<b>Mortgage Portfolio</b>	means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Beneficial Title Seller on the Closing Date, as listed in Annexure 2 (The Mortgage Portfolio) to the Mortgage Sale Agreement, including any Further Advances.
<b>Mortgage Rate</b>	means the applicable rate of interest accruing under each Mortgage Loan.
<b>Mortgage Sale Agreement</b>	has the meaning given to it on page 104 of the Prospectus.
<b>Mortgages</b>	means more than one Mortgage.

<b>Most Senior Class of Notes</b>	means the Class A Notes whilst they remain outstanding and thereafter the Class Z VFN.
<b>MoU</b>	has the meaning given to it on page 30 of the Prospectus.
<b>Net Stable Funding Ratio</b>	means certain minimum liquidity standards implemented under Basel III.
<b>Non-Responsive Rating Agency</b>	has the meaning given in Condition 23(b) of the Conditions.
<b>Northern Irish Loan</b>	has the meaning given to it on page 43 of the Prospectus.
<b>Note Interest</b>	means, in respect of a Note for any Interest Period the amount of interest determined in respect of such Note for such Interest Period by, (i) multiplying (a) the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with the related Interest Determination Date by (b) the Note Rate and (ii) multiplying (x) the amount so calculated by (y) the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount.
<b>Note Principal Payment</b>	means in respect of any Note on any Interest Payment Date, the principal amount redeemable in respect of such a Note, which shall be a proportion of the amount of Available Principal Funds required as at that Interest Payment Date pursuant to the Pre-Enforcement Principal Payments Priorities to be applied in redemption of the relevant class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount.
<b>Note Rate</b>	means, for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus for the period from (and including) the Closing Date to (and including) the Step-Up Date, the Margin and from (but excluding) the Step-Up Date, the Step-Up Margin, in each case for each respective class of Notes.
<b>Noteholders</b>	means the Class A Noteholders and the Class Z VFN Holder or, where the context otherwise requires, the holders of Notes of a particular class or classes, as the case may be.
<b>Notes</b>	means the Class A Notes and the Class Z VFN.
<b>Notice of Increase</b>	means a notice, substantially in the form set out in the Trust Deed.
<b>Notices Condition</b>	means Condition 21 ( <i>Notices</i> ).
<b>Notices Details</b>	means, in relation to any party, the provisions set out in Schedule 7 (Notices Details) to the Incorporated Terms Memorandum.
<b>Offer of Notes to the public</b>	has the meaning given to it on page 172 of the Prospectus.
<b>Official List</b>	means the Official List.
<b>OFT</b>	means the Office of Fair Trading.
<b>Ombudsman</b>	means the Financial Ombudsman Service.
<b>Optional Portfolio Purchase</b>	has the meaning given to it on page 45 of the Prospectus.
<b>Optional Portfolio Purchase Completion Date</b>	has the meaning given to it on page 45 of the Prospectus.
<b>Optional Purchase Notice</b>	has the meaning given to it on page 21 of the Prospectus..

<b>Optional Redemption Date</b>	means the Interest Payment Date falling in May 2020 and each subsequent Interest Payment Date thereafter.
<b>Original Asset Warranties</b>	has the meaning given to it on page 21 of the Prospectus.
<b>Original Valuation</b>	means the property valuation at the time of the latest advance.
<b>Originator</b>	means in relation to the Mortgage Loans other than Irish Permanent Mortgage Loans, CHL, and in relation to the Irish Permanent Mortgage Loans, Irish Permanent plc.
<b>OTC</b>	means over the counter.
<b>Outstanding</b>	means all the Notes other than: <ul style="list-style-type: none"> <li>(a) those which have been redeemed in full and cancelled in accordance with the Conditions;</li> <li>(b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;</li> <li>(c) those which have become void under the Conditions;</li> <li>(d) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and</li> <li>(e) any Temporary Global Notes to the extent that it shall have been exchanged for a Permanent Global Note of the same class or any Permanent Global Note to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and the Conditions,</li> </ul> <p>provided that for each of the following purposes, namely:</p> <ul style="list-style-type: none"> <li>(i) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;</li> <li>(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 19 (Waiver), Clause 20 (Modifications), Clause 23 (Proceedings and Actions by the Trustee), Clause 33 (Appointment of Trustees) and Clause 34 (Notice of a New Trustee) of the Trust Deed and Condition 12 (<i>Events of Default</i>), Condition 13 (<i>Enforcement</i>) and Condition 15 (<i>Meetings of Noteholders</i>) and the Provisions for Meetings of Noteholders; and</li> </ul>

- (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Beneficial Title Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Beneficial Title Seller, any holding company of the Beneficial Title Seller or any other subsidiary of such holding company (the "Relevant Persons") where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "Relevant Class of Notes") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking pari passu with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

<b>paid</b>	shall be construed according to "pay".
<b>Paragraph</b>	shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.
<b>Part</b>	shall be construed as a reference to a Part of such Transaction Document.
<b>Participants</b>	has the meaning given to it on page 139 of the Prospectus.
<b>Participating FFI</b>	has the meaning given to it on page 169 of the Prospectus.
<b>pay</b>	"redeem" and "pay" shall each include both of the others.
<b>payable</b>	shall be construed according to "pay".
<b>Paying Agents</b>	means the principal paying agent named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement.
<b>payment</b>	shall be construed according to "pay".
<b>Payments Priorities</b>	means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities.
<b>Perfection Event</b>	has the meaning given to it on page 104] of the Prospectus.
<b>Permanent Global Note</b>	has the meaning given to it on page 139 of the Prospectus.
<b>person</b>	shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing.
<b>Portfolio Option</b>	means the option granted to the Portfolio Option Holder documented in the Deed Poll.
<b>Portfolio Option Holder</b>	means the Class Z VFN Holder from time to time.
<b>Post-Enforcement Payments</b>	has the meaning given to it on page 127 of the Prospectus.

<b>Priorities</b>	
<b>Potential Event of Default</b>	means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default.
<b>PRA</b>	means the Prudential Regulation Authority.
<b>Pre-Enforcement Payments Priorities</b>	means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities.
<b>Pre-Enforcement Principal Payments Priorities</b>	has the meaning given to it on page 126 of the Prospectus.
<b>Pre-Enforcement Revenue Payments Priorities</b>	has the meaning given to it on page 124 of the Prospectus.
<b>PRIPs Regulation</b>	has the meaning given to it on page 3 of the Prospectus.
<b>principal</b>	shall, where applicable, include premium.
<b>Principal Amount Outstanding</b>	means, on any day: <ul style="list-style-type: none"> <li>(a) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day; and</li> <li>(b) in relation to the Notes outstanding at any time, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding.</li> </ul>
<b>Principal Collections</b>	Principal Receipts received from Borrowers
<b>Principal Deficiency Ledger</b>	means a principal deficiency ledger comprising two sub-ledgers relating to the Class A Notes and the Class Z VFN.
<b>Principal Deficiency Sub-Ledger</b>	means either the Class A Principal Deficiency Sub-Ledger or the Class Z Principal Deficiency Sub-Ledger.
<b>Principal Ledger</b>	means the ledger in the books of the Issuer so named.
<b>Principal Loss</b>	means, in relation to any Mortgage Loan, the amount (if any) determined in good faith by the Servicer as at the related Calculation Date in respect of the related Calculation Period as being (a) the amount of a principal nature due in respect of such Mortgage Loan (to the extent not already fully compensated for in the Mortgage Sale Agreement) after the earlier of (i) completion of enforcement procedures over the related Property or (ii) the sale (whether by way of voluntary sale by the mortgagor or following enforcement by or on behalf of the Borrower) of the related Property or (b) as a result of an insolvency event in relation to the Collection Account Bank which results in a shortfall in the amount of principal received on such Mortgage Loan.
<b>Principal Paying Agent</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Principal Reallocation Amount</b>	means, in relation to any Interest Payment Date, the aggregate amount determined as at the related Calculation Date, in accordance with the provisions of Paragraph 16 (Payments from Principal Ledger

on an Interest Payment Date) of Part 3 of Schedule 1 to the Cash Management Agreement, as being the amount (if any) of Available Principal Funds (excluding any Revenue Reallocation Amount to be credited to the Principal Ledger on such Interest Payment Date) which are to be utilised by the Issuer to reduce or eliminate any Senior Revenue Shortfall on such Interest Payment Date after the making of any General Reserve Drawing or Liquidity Reserve Drawing on such Interest Payment Date.

**Principal Receipts or Principal Receivables**

means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of (without double counting):

- (a) all amounts representing repayments under the Mortgage Loans and their Related Security (including overpayments, capitalised interest, costs, expenses and arrears), received or recovered in respect of the Mortgage Loans and their Related Security during such Calculation Period other than in respect of any Mortgage Loans and their Related Security following an indemnity payment being made in an amount equal to 100 per cent. of the then Current Balance of such Mortgage Loan by the Beneficial Title Seller;
- (b) all Recoveries representing capital repayments under the Mortgage Loans (including capitalised interest, expenses and arrears) recovered upon enforcement of the Related Security during such Calculation Period;
- (c) any sums received or recovered in connection with an Asset Warranty Claim or breach of Asset Condition during such Calculation Period to the extent such sums are attributable to principal (such sums being attributable to principal where they are recovered or received prior to recording a Principal Loss in respect of such Asset Warranty Claim on the Principal Deficiency Ledger in respect of a Mortgage Loan);
- (d) the proceeds of an indemnity payment by the Beneficial Title Seller from the Issuer pursuant to the Mortgage Sale Agreement;
- (e) the net proceeds of the disposal by the Issuer of one or more Mortgage Loans during such Calculation Period to the extent such proceeds constitute principal; and
- (f) all insurance related proceeds received or recovered during such Calculation Period in respect of the Mortgage Loans in the Mortgage Portfolio and their Related Security to which the Issuer is beneficially entitled to the extent applied towards sums of the type referred to in paragraph (a) or (b) above.

**Product Switch**

means any variation in the financial terms and conditions applicable to a Mortgage Loan other than any variation:

- (a) agreed with a Borrower to control or manage arrears on the Mortgage Loan;
- (b) in the maturity date of the Mortgage Loan;

- (c) imposed by statute;
- (d) in the rate of interest payable (i) as a result of any variation in SVR or other applicable Discretionary Rate or (ii) where the terms of the Mortgage Loan change the rate of interest payable by a Borrower on termination of an interest discount for a fixed period of time;
- (e) in the frequency with which the interest payable in respect of the Mortgage Loan is charged; or
- (f) agreed with the Borrower to change the Mortgage Loan from an Interest Only Mortgage Loan to a Repayment Mortgage Loan.

<b>Product Switch Payment Price</b>	means an amount equal to the then Current Balance of the relevant Mortgage Loan.
<b>Property</b>	means, in relation to a Mortgage Loan and its related Mortgage, the freehold, heritable or leasehold property charged as security for the repayment of such Mortgage Loan.
<b>Proposed Amendment</b>	has the meaning given to it on page 20 of the Prospectus.
<b>Prospectus</b>	has the meaning given to it on page iii of the Prospectus.
<b>Prospectus Directive</b>	means Directive 2003/71/EC (as amended from time to time).
<b>Provisional Cut-Off Date</b>	28 February 2017.
<b>Provisional Mortgage Portfolio</b>	means the portfolio of mortgage loans which has been identified and agreed by Cornhill and the Beneficial Title Seller.
<b>Provisions for Meetings of Noteholders</b>	means the provisions contained in Schedule 6 (Provisions for Meetings of Noteholders) to the Trust Deed.
<b>Prudent Mortgage Lender</b>	means a reasonably prudent residential mortgage lender lending to borrowers in England and Wales and Northern Ireland where the Mortgage Loan is secured over residential property.
<b>Purchase Price</b>	has the meaning given to it on page 43 of the Prospectus.
<b>PTSB</b>	means Permanent TSB P.L.C.



**Qualifying Noteholder**

means, in respect of the Class Z VFN:

- (a) a person which is beneficially entitled to interest in respect of the Class Z VFN and is:
  - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
  - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Note in computing the chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009 ("CTA 2009")) of that company; or
  - (iii) a partnership each member of which is:
    - (A) a company resident in the United Kingdom; or
    - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of section 19 of the CTA 2009) the whole of any share of a payment of interest in respect of the Note that falls to it by reason of Part 17 of the CTA 2009;
- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 ("ITA 2007") and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007; or
- (c) a Treaty Noteholder.

**Quarterly Investor Report**

means the quarterly investor report prepared in accordance with the Cash Management Agreement.

**Rating Agencies**

means Fitch and Moody's.

**Rating Agency**

means either one of the Rating Agencies.

**Rating Agency Confirmation**

means any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby.

**Realisation**

means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents.

<b>reasonable</b>	means, together with reasonably and similar expressions when used in any of the Transaction Documents relating to the Trustee and any exercise of power, opinion, determination or other similar matter shall be construed as meaning reasonable or reasonably (as the case may be) having regard to, and taking into account the interests of the Noteholders only.
<b>reasonably</b>	shall be construed according to "reasonable".
<b>Recalcitrant Holder</b>	means any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer.
<b>Receivables</b>	means the Principal Receivables and the Revenue Receivables.
<b>Receiver</b>	means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 17.2 (Appointment of a Receiver) of the Security Deed.
<b>Reconciliation Amount</b>	means in respect of any Calculation Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Funds in respect of such Calculation Period, plus (iii) any Reconciliation Amount not applied in previous Calculation Periods.
<b>Recoveries</b>	means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan.
<b>redeem</b>	together with "pay", shall each include both of the others and "redeemed", "redeemable", "redemption", "paid", "payable" and "payment" shall be construed accordingly.
<b>redeemable</b>	shall be construed according to "redeem".
<b>redeemed</b>	shall be construed according to "redeem".
<b>redemption</b>	shall be construed according to "redeem".
<b>Redraw</b>	means, in relation to a Flexible Mortgage Loan, a drawing by a Borrower pursuant to a Flexible Drawing.
<b>Reference Banks</b>	means the principal London office of four major banks in the London interbank market selected by the Agent Bank (in consultation with the Issuer) at the relevant time.
<b>Reference Rate</b>	means, on any Interest Determination Date the Sterling Reference Rate.
<b>RAO</b>	has the meaning given to it on page 27 of the Prospectus.
<b>Regulated Credit Agreements</b>	has the meaning given to it on page 27 of the Prospectus.
<b>Regulated Market</b>	means a market which complies with the requirements set out in Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.
<b>Regulated Mortgage Contract</b>	has the meaning given to it on page 28 of the Prospectus.
<b>Regulation S</b>	means Regulation S under the Securities Act.
<b>Regulatory Authority</b>	means the FCA or the PRA, as applicable, or any replacement

	thereto.
<b>Regulatory Direction</b>	means, in relation to any person, a direction or requirement of any Governmental Authority with whose directions or requirements such person is accustomed to comply.
<b>related Calculation Date</b>	means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date.
<b>related Calculation Period</b>	means, unless the context otherwise requires, the Calculation Period ending immediately prior to the related Calculation Date.
<b>related Interest Determination Date</b>	means the Interest Determination Date which falls on the first day of such Interest Period.
<b>related Interest Period</b>	means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date.
<b>Related Security</b>	<p>means, in relation to a Mortgage Loan, the security granted for the repayment of that Mortgage Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of the Mortgage Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):</p> <ul style="list-style-type: none"> <li>(a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent) from occupiers and other persons having an interest in or rights in connection with the relevant Property;</li> <li>(b) each right of action of the Beneficial Title Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of that Mortgage Loan and its Related Security or affecting the decision of the Legal Title Holder (or the Servicer on its behalf) to make or offer to make all or part of the relevant Mortgage Loan; and</li> <li>(c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant third party Buildings Policies) deposited, charged, obtained, or held in connection with the relevant Mortgage Loan, Mortgage and/or Property and relevant Loan Files.</li> </ul>
<b>Relevant Class of Notes</b>	has the meaning given to it on page 56 of the Prospectus.
<b>Relevant Date</b>	<p>means, in respect of any payment in relation to the Notes, whichever is the later of:</p> <ul style="list-style-type: none"> <li>(a) the date on which the payment in question first becomes due; and</li> </ul>

- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition.

<b>Relevant Member State</b>	means each Member State of the European Economic Area which has implemented the Prospectus Directive.
<b>Relevant Period</b>	means in relation to an Interest Determination Date, the length in months of the related Interest Period.
<b>Relevant Persons</b>	has the meaning given to it on page 56 of the Prospectus.
<b>Relevant Screen</b>	means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition.
<b>Rent Act</b>	means the Rent Act 1977.
<b>Renting Homes Act</b>	has the meaning given to it on page 30 of the Prospectus.
<b>Repayment Mortgage Loan</b>	means a Mortgage Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan.
<b>Replacement Legal Title Holder</b>	has the meaning given to it on page 104 of the Prospectus.
<b>Reporting FI reporting obligation</b>	has the meaning given to it on page 170 of the Prospectus. means the obligation to report the details of all derivative contracts to a trade repository.
<b>Repossession Act 2010</b>	has the meaning given to it on page 29 of the Prospectus.
<b>Representative Amount</b>	means an amount that is representative for a single transaction in the relevant market at the relevant time.
<b>Requirement of Law</b>	in respect of any person shall mean: <ul style="list-style-type: none"><li>(a) any law, treaty, rule, requirement or regulation;</li><li>(b) a notice or an order of any court having jurisdiction;</li><li>(c) a mandatory requirement of any regulatory authority having jurisdiction; or</li><li>(d) a determination of an arbitrator or governmental authority</li></ul> in each case applicable to or binding upon that person or to which that person is subject or with which it is customary for it to comply.
<b>Reserved Matter</b>	means any proposal: <ul style="list-style-type: none"><li>(a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes, to change the amount of principal or interest or any other amount due on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;</li><li>(b) (except in accordance with Condition 20 (<i>Substitution of</i></li></ul>

*Issuer*) and Clause 21 (Substitution) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes 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;

- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to release any Security, other than as expressly contemplated in the Transaction Documents;
- (e) to alter the Payments Priorities or any other amounts in respect of the Notes;
- (f) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution;
- (g) to restrict the transferability of any Note; or
- (h) to amend this definition.

**Residual Principal Allocation Amount**

means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which the Available Redemption Funds exceed the aggregate Note Principal Payment in respect of the Notes.

**Retention Notes**

means the Class Z VFN.

**Retention Holder**

means the Beneficial Title Seller.

**Revenue Collections**

Revenue Receipts received from Borrowers.

**Revenue Ledger**

means the ledger in the books of the Issuer so named.

**Revenue Reallocation Amount**

means any of a Class A Revenue Reallocation Amount or a Class Z Revenue Reallocation Amount.

**Revenue Receipts or Revenue Receivables**

means, in relation to a Calculation Period, the aggregate (without double counting) of:

- (a) all amounts representing interest, fees and charges received or recovered in respect of the Mortgage Loans and their Related Security during such Calculation Period other than in respect of any Mortgage Loans and their Related Security following an indemnity payment being made in an amount equal to 100 per cent. of the then Current Balance of such Mortgage Loan by the Beneficial Title Seller;
- (b) any Recoveries received during such Calculation Period other than such as are referred to under paragraph (b) of the definition of "Principal Receipts";
- (c) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;
- (d) all insurance related proceeds received or recovered during such Calculation Period in respect of the Mortgage Loans and their Related Security to which the Issuer is beneficially

entitled to the extent applied towards sums of the type referred to in paragraph (a) or (b) above;

- (e) any sums received or recovered in connection with an Asset Warranty Claim or breach of Asset Condition during such Calculation Period to the extent such sums are not related to principal (such sums being attributable to revenue where they are recovered or received following the recording of a Principal Loss in respect of such Asset Warranty Claim on the Principal Deficiency Ledger in respect of a Mortgage Loan);
- (f) any amounts representing income from Eligible Investments credited to the Transaction Account during the immediately preceding Calculation Period to the extent such sums are not attributable to principal; and
- (g) any interest on the credit balance of the Collection Account from time to time and credited to the Collection Account and transferred to the Transaction Account during such Calculation Period.

### **Revenue Shortfall**

means, as at any Interest Payment Date, an amount equal to (a) minus (b) where:

- (a) is the amount of the Available Revenue Funds calculated in respect of the related Calculation Period, but:
  - (i) (for the purposes of calculating a General Reserve Drawing) without taking into account the amount of any Liquidity Reserve Drawing, General Reserve Drawing or Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date;
  - (ii) (for the purposes of calculating a Liquidity Reserve Drawing) taking into account any General Reserve Drawing but without taking into account the amount of any Liquidity Reserve Drawing or Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date; and
  - (iii) (for the purposes of calculating a Principal Reallocation Amount) taking into account the amount of any Liquidity Reserve Drawing and General Reserve Drawing but without taking into account the amount of any Principal Reallocation Amount, to be recorded as a credit entry on the Revenue Ledger on such Interest Payment Date; and
- (b) is the aggregate of the amounts required by the Issuer to pay or to provide in full on such Interest Payment Date for such items:
  - (i) (for the purposes of calculating a General Reserve Drawing) items (a) to (f) of the Pre-Enforcement Revenue Payments Priorities;

(ii) (for the purposes of calculating a Liquidity Reserve Drawing) items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities; and

(iii) (for the purposes of calculating a Principal Reallocation Amount) items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities,

provided that no Revenue Shortfall will arise if the amount of (a) minus (b) is equal to or greater than zero.

**Risk Retention Letter**

has the meaning given to it on page 67 of the Prospectus.

**Risk Retention U.S. Person**

has the meaning given to it on page 2 of the Prospectus.

**risk mitigation techniques**

means certain risk-mitigation techniques in respect of OTC derivative contracts which are not cleared by a central counterparty, including to comply with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and segregated margin posting.

**Rounded Arithmetic Mean**

means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards).

**Sanctions**

means sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or Her Majesty's Treasury.

**Sanctions and Anti-Bribery warranties**

means the sanctions and anti-bribery warranties given by the Servicer in the Servicing Agreement.

**S&P**

means Standard & Poor's Credit Market Services Europe Limited.

**Schedule**

shall be construed as a reference to a Schedule of such Transaction Document.

**Screen**

means the display displaying the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over administration of that rate) as quoted on the Reuters page LIBOR01; or

(a) such other page as may replace Reuters page LIBOR01 on that service for the purpose of displaying such information; or

(b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen.

**SDLT**

has the meaning given to it on page 23 of the Prospectus.

**Section**

shall be construed as a reference to a Section of such Transaction Document.

**Secured Amounts**

means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes or the Transaction Documents.

**Secured Creditors**

means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 15 (Post-

	Enforcement Payments Priorities) of the Security Deed, and those other parties listed in the Post-Enforcement Payments Priorities.
<b>Securities Act</b>	means the United States Securities Act of 1933 (as amended).
<b>Securitisation Tax Regulations</b>	means the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended).
<b>Security</b>	means the security created in favour of the Trustee pursuant to the Security Deed.
<b>Security Deed</b>	means the deed so named dated on or about the Closing Date between the Issuer and the Trustee (including any security documents supplemental thereto).
<b>Security Protection Notice</b>	means a notice substantially in the form set out in Schedule 1 to the Security Deed.
<b>Self-Certified Borrowers</b>	has the meaning given to it on page 83 of the Prospectus.
<b>Seller</b>	means Cerberus European Residential Holdings B.V.
<b>Senior Revenue Shortfall</b>	means, as at any Interest Payment Date, an amount equal to (a) plus (b) where: (a) is the Revenue Shortfall; and (b) is the aggregate of the General Reserve Drawing and Liquidity Reserve Drawing that has been applied to reduce the Revenue Shortfall, provided that no Senior Revenue Shortfall will arise if the amount of (a) plus (b) is equal to or greater than zero, and the absolute value of any negative amount shall be used for the purposes of calculating a Principal Reallocation Amount for the relevant Interest Payment Date.
<b>Sequential Order</b>	means, in respect of payments of interest and principal to be made in respect of the Notes, first, to the Class A Notes, and second, to the Class Z VFN.
<b>Servicer</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Servicer Change of Control</b>	means: (a) Cerberus (or a Cerberus Affiliate): (i) ceases to be the beneficial owner (directly or indirectly) of more than 50% of the issued share capital of CHL; or (ii) ceases to have the power (directly or indirectly) to direct the management of and policies of CHL, whether through the ownership of voting capital, by contract or otherwise; or (iii) ceases to have the largest economic interest (directly or indirectly) in CHL (by reference to the value of the issued and outstanding shares in the capital of and shareholder loans granted to CHL



from time to time); or

- (b) CHL ceases to be a direct or indirect subsidiary (as that term is defined in section 1159 of the Companies Act 2006) of Cerberus (or a Cerberus Affiliate).

<b>Servicer Expense Required Amount</b>	means an amount equal to £50,000 per month and not exceeding £180,000 per year.
<b>Servicer Expenses Ledger</b>	means the ledger on the books of the Servicer of even name.
<b>Servicer Liabilities</b>	means any and all of: (a) amounts due to the Servicer in connection with the enforcement of any Mortgage Loan and/or the protection or enforcement of the Trustee's rights and remedies in relation to such enforcement in the immediately preceding Calculation Period; and (b) any other Liabilities due and payable by the Issuer to the Servicer in connection with the performance of the Servicer's functions under the Servicing Agreement (including without limitation, any costs, expenses and charges payable by the Issuer to the Servicer in accordance with the Servicing Agreement).
<b>Servicer Migration Amount</b>	means amounts payable in respect of Transfer Costs and/or costs of the Servicer (including any internal costs) following termination of the appointment of the Servicer, subject to a maximum amount of £100,000.
<b>Servicer Power of Attorney</b>	means the power of attorney granted by the Issuer on or about the Closing Date in favour of the Servicer.
<b>Servicer Reports</b>	means reports to be provided by the Servicer on or prior to the 10th Business Day of each calendar month and detailing the information relating to the Mortgage Portfolio necessary to produce the Monthly Investor Report and the Quarterly Investor Report.
<b>Servicer Termination Event</b>	has the meaning given to it on page 64 of the Prospectus.
<b>Services</b>	has the meaning given to it on page 45 of the Prospectus.
<b>Servicing Agreement</b>	means the agreement so named dated on or about the Closing Date between, amongst others, the Issuer, the Servicer, the Cash Manager and the Trustee.
<b>Servicing Fees</b>	means the fees, costs and expenses payable by the Issuer to the Servicer in accordance with the terms of the Servicing Agreement.
<b>Servicing Specification</b>	means the administration and service specification criteria which defines the scope of certain Services to be provided by the Servicer from time to time under the Servicing Agreement.
<b>Servicing Termination Fee</b>	means <p>(a) where the appointment of the Servicer is terminated, an amount equal to the product of:</p> <p>(i) the higher of: (x) the sum of the number of full months and any part of a month remaining in the Initial Term and (y) 12 minus the number of months of notice of termination given; and</p> <p>(ii) the average Servicing Fee paid or payable to the Servicer during the six months' immediately preceding the date of the notice of termination; or</p>

- (b) where part of the Mortgage Portfolio is removed from the scope of the Servicer's provision of the Services, an amount equal to the product of:
  - (i) the number of months and any part month remaining in the Initial Term divided by 12;
  - (ii) the outstanding current balance of the Mortgage Loans which are removed from the Servicer's provision of the Services, as at the date of such removal; and
  - (iii) 0.20%; or
- (c) where the appointment of the Servicer is terminated following a Servicer Change of Control an amount equal to the product of:
  - (i) lower of: (x) six and (y) 6 minus the number of months' of notice of termination given; and
  - (ii) the average Servicing Fee paid or payable to the Servicer during the six months' immediately preceding the date of the notice of termination.

<b>Share Trustee</b>	has the meaning given to it on page 77 of the Prospectus.
<b>Signing Date</b>	means 21 June 2017 or such other date as the Issuer and the Joint Lead Managers may agree.
<b>Solvency II Regulation</b>	has the meaning given to it on page 35 of the Prospectus.
<b>Specified Office</b>	means, in relation to any Agent: <ul style="list-style-type: none"> <li>(a) the office specified against its name in the Notices Details; or</li> <li>(b) such other office as such Agent may specify in accordance with Clause 13.8 (Changes in Specified Offices) of the Agency Agreement.</li> </ul>
<b>SPV Criteria</b>	means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction.
<b>Standard Documentation</b>	means the documentation listed in Annexure 1 (Standard Documentation) to the Mortgage Sale Agreement which have been used by the relevant Originator from time to time in connection with its activities as lender and on which each Mortgage Loan and its Related Security comprised in the Mortgage Portfolio has been granted or is outstanding.
<b>Standard Mortgage Loans</b>	means Mortgage Loans originated by CHL (subject to minor changes made prior to such date) which are intended for individual Borrowers who wish to use the Mortgage Loan as a means to purchase or remortgage a residential property to be used solely as the Borrower's own residence which the Borrower either intends to buy or currently resides in.
<b>Standard Variable Rate Mortgage Loans</b>	means the Mortgage Loans which are subject to the CHL Standard Variable Rate.
<b>Statistical Information</b>	has the meaning given to it on page 4 of the Prospectus.

<b>Step-Up Date</b>	means the first Optional Redemption Date.
<b>Step-Up Margin</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Class A Notes, 1.30 per cent. per annum; and</li> <li>(b) in respect of the Class Z VFN, 0.00 per cent. per annum.</li> </ul>
<b>Sterling Reference Rate</b>	means, on any Interest Determination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable: <ul style="list-style-type: none"> <li>(a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of the principal London office of each of the Reference Banks;</li> <li>(b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or</li> <li>(c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate.</li> </ul>
<b>Sterling Reserve Reference Rate</b>	means on any Interest Determination Date: <ul style="list-style-type: none"> <li>(a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank (in consultation with the Issuer) for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or</li> <li>(b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Sterling Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the related Interest Determination Date.</li> </ul>
<b>Sterling Screen Rate</b>	means: <ul style="list-style-type: none"> <li>(a) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of two months and for a period of three months as at or about 11:00 a.m. (London time) on that date; or</li> <li>(b) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period, in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date.</li> </ul>

<b>Stock Exchange</b>	has the meaning given to it on page iii of the Prospectus.
<b>Subscription Agreement</b>	means the agreement so named dated on or about the Signing Date between, the Issuer, the Beneficial Title Seller and the Joint Lead Managers.
<b>Subsidiary</b>	means a subsidiary undertaking within the meaning of section 1159 of the Companies Act 2006.
<b>Substituted Obligor</b>	means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria.
<b>successor</b>	shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.
<b>SVR</b>	means standard variable rate.
<b>Switch Date</b>	means the day on which a Product Switch is made.
<b>Tax</b>	shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of (or pursuant to any agreement with) any Tax Authority.
<b>Tax Authority</b>	means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs).
<b>Tax Deduction</b>	means any deduction or withholding on account of Tax.
<b>taxation</b>	shall be construed according to the meaning of "tax".
<b>Taxes</b>	shall be construed according to the meaning of "tax".
<b>Temporary Global Note</b>	has the meaning given to it on page 139 of the Prospectus.
<b>Third Party Expenses</b>	means any amounts due and payable by the Issuer to third parties (not being Secured Creditors) including any Liabilities payable in connection with: <ul style="list-style-type: none"> <li>(a) the purchase by the Issuer of the Mortgage Loans;</li> <li>(b) any filing or registration of any Transaction Documents;</li> <li>(c) any provision for and payment of the Issuer's liability to any Tax Authority for any Tax (to the extent that such Liability or potential Liability cannot be paid out of the amounts credited to the Issuer Profit Ledger);</li> <li>(d) any Requirement of Law or any Regulatory Direction;</li> <li>(e) any legal or audit or other professional advisory fees (including Rating Agency fees);</li> </ul>

- (f) any directors' fees or emoluments;
- (g) any advertising, publication, communication and printing expenses including postage, telephone and telex charges;
- (h) the admission of the Notes to the Official List or to trading on the Regulated Market of the Stock Exchange; and
- (i) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the provisions of the Transaction Documents.

<b>Title Deeds</b>	means, in relation to each Mortgage Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which relate to the title to the Property and the security for the Mortgage Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage.
<b>Tracker Mortgage Loans</b>	means the Mortgage Loans which are Bank of England-linked mortgages where the applicable rate of interest is calculated by reference to the Bank of England base rate or, where the applicable rate of interest is calculated by reference to a combination of the Bank of England base rate and the appropriate loan to value ratio.
<b>Transaction Account</b>	means the sterling account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account.
<b>Transaction Account Agreement</b>	means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Transaction Account Bank and the Trustee.
<b>Transaction Account Bank</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Transaction Account Bank Fees</b>	means the fees, costs and expenses of the Transaction Account Bank for the operation of the Transaction Account as determined in accordance with the terms of the Transaction Account Agreement.
<b>Transaction Account Rate</b>	means the rate of interest accruing on the balance standing to the credit of the Transaction Account from time to time.
<b>Transaction Documents</b>	means the Agency Agreement, the Cash Management Agreement, the Collection Account Bank Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Security Deed, the Servicing Agreement, the Back-Up Servicing Agreement, the Beneficial Title Seller Power of Attorney, the Legal Title Holder Power of Attorney, the Servicer Power of Attorney, the Risk Retention Letter, the Transaction Account Agreement, the Trust Deed and any document designated as such by the Issuer and the Trustee.
<b>Transaction Parties</b>	means some or all of the people who are parties to a Transaction Document.
<b>Transaction Party</b>	means any person who is a party to a Transaction Document.
<b>Transfer Costs</b>	means the Servicer's third party (including professional adviser) costs and expenses (together with VAT or other applicable taxes thereon (other than VAT or amounts in respect of VAT which (in each case)

is recoverable (by way of credit or repayment from any relevant Tax Authority) and any taxes incurred on actual net income, profit or gains)) associated with the transfer of servicing to a successor servicer.

<b>Treaty</b>	means the Treaty on the Functioning of the European Union.
<b>Treaty Noteholder</b>	means a person which: <ul style="list-style-type: none"><li>(a) is treated as a resident of a Treaty State for the purposes of the Treaty;</li><li>(b) does not carry on a business in the United Kingdom through a permanent establishment with which that person's participation in the Note is effectively connected; and</li><li>(c) fulfils any other conditions relating solely to it which must be fulfilled under the Treaty for residents of that Treaty State to obtain exemption from United Kingdom taxation on interest, subject to the completion of any necessary procedural formalities.</li></ul>
<b>Treaty State</b>	means a state party to the Treaty on the Functioning of the European Union.
<b>Trustee</b>	means Citicorp Trustee Company Limited.
<b>Trust Deed</b>	means the deed so named dated on or about the Closing Date between the Issuer and the Trustee.
<b>Trust Documents</b>	means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable).
<b>Trust Proceeds</b>	means all recoveries, receipts and benefits received by the Trustee by virtue of the Trust Property save for monies or other assets which it is entitled to retain for its own account or which are earmarked for receipt by a third party other than as part of the Trust Property.
<b>Trust Property</b>	means the Covenant to Pay, the Issuer Covenants, the Beneficial Title Seller Covenants, the Issuer Warranties, the Beneficial Title Seller's Warranties, the Security and all proceeds of the Security and any other rights conferred on the Trustee on behalf of the Secured Creditors under the Transaction Documents.
<b>Trustee</b>	has the meaning given to it on page 1 of the Prospectus.
<b>Trustee Fees</b>	means the fees payable by the Issuer to the Trustee, together with any interest payable thereon pursuant to the Trust Documents.
<b>Trustee Liabilities</b>	means any Liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Documents together with interest payable in accordance with the terms of the Trust Deed.
<b>UCITS</b>	means Undertakings for the Collective Investment of Transferable Securities.
<b>Unfair Practices Directive</b>	has the meaning given to it on page 32]of the Prospectus.
<b>U.S. person</b>	means a U.S. person under the U.S. Risk Retention Rules.

<b>U.S. Risk Retention Rules</b>	has the meaning given to it on page 2 of the Prospectus.
<b>U.S. Risk Retention Waiver Consent</b>	has the meaning given to it on page 2 of the Prospectus.
<b>UTCCR</b>	has the meaning given to it on page 30 of the Prospectus.
<b>Valuation Report</b>	means the valuation report or reports for mortgage purposes obtained by the Legal Title Holder (or the Servicer on its behalf) from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Prudent Mortgage Lender and which has been approved by the relevant officers of the Legal Title Holder (or the Servicer on its behalf).
<b>VAT</b>	means: <ul style="list-style-type: none"> <li>(a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and</li> <li>(b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or elsewhere.</li> </ul>
<b>VATA</b>	means the Value Added Tax Act 1994.
<b>Volcker Rule</b>	means Section 13 of the Bank Holding Company Act of 1956, as amended.
<b>Voter</b>	means, in relation to any Meeting, the bearer of a voting certificate, a proxy, or the bearer of a Definitive Note who produces such Definitive Note at such Meeting.
<b>weighted average life</b>	has the meaning given to it on page 132 of the Prospectus.
<b>Written Resolution</b>	means a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes for the time being outstanding, who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of such Notes.

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