

## Farringdon Mortgages No. 2 Plc

(Incorporated in England and Wales under registered number 5514927)

Definitions of defined terms used in this Prospectus, which constitutes a Prospectus in compliance with the requirements of the Prospectus Directive, are contained in the Glossary.

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and trading on its regulated market.

### The Instruments Offered Under This Prospectus

<b>A1 Notes with Ordinary A1a Coupons, Detachable A1a Coupons, Ordinary A1b Coupons, Detachable A1b Coupons, Ordinary A1c Coupons, Detachable A1c Coupons and Ordinary A1x Coupons, Detachable A1x Coupons*</b>	<b>A1a Notes</b>	<b>A1b Notes</b>	<b>A1c Notes</b>	<b>A1x Notes</b>
initial principal amount	£80,000,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
discount margin	0.15%	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
expected rating – S&P	AAA	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	AAA	Not applicable	Not applicable	Not applicable

<b>A2 Notes with Ordinary A2a Coupons, Detachable A2a Coupons, Ordinary A2b Coupons, Detachable A2b Coupons, Ordinary A2c Coupons, Detachable A2c Coupons and Ordinary A2x Coupons, Detachable A2x Coupons*</b>	<b>A2a Notes</b>	<b>A2b Notes</b>	<b>A2c Notes</b>	<b>A2x Notes</b>
initial principal amount	£84,000,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
discount margin	0.27%	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
expected rating – S&P	AAA	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	AAA	Not applicable	Not applicable	Not applicable

<b>M1 Notes</b>	<b>M1a Notes</b>	<b>M1b Notes</b>	<b>M1c Notes</b>	<b>M1x Notes</b>
initial principal amount	Not applicable	Not applicable	Not applicable	Not applicable
issue price	Not applicable	Not applicable	Not applicable	Not applicable
discount margin	Not applicable	Not applicable	Not applicable	Not applicable
Final Maturity Date	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – S&P	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	Not applicable	Not applicable	Not applicable	Not applicable

<b>M2 Notes</b>	<b>M2a Notes</b>	<b>M2b Notes</b>	<b>M2c Notes</b>	<b>M2x Notes</b>
initial principal amount	£23,500,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
discount margin	0.90%	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
expected rating – S&P	A	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	A	Not applicable	Not applicable	Not applicable

<b>B1 Notes</b>	<b>B1a Notes</b>	<b>B1b Notes</b>	<b>B1c Notes</b>	<b>B1x Notes</b>
initial principal amount	£7,400,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
discount margin	1.50%	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
expected rating – S&P	BBB	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	BBB	Not applicable	Not applicable	Not applicable

<b>B2 Notes</b>	<b>B2a Notes</b>	<b>B2b Notes</b>	<b>B2c Notes</b>	<b>B2x Notes</b>
initial principal amount	£5,100,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
discount margin	3.50%	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
expected rating – S&P	BB	Not applicable	Not applicable	Not applicable
expected rating – Moody's	Not applicable	Not applicable	Not applicable	Not applicable
expected rating – Fitch	BB	Not applicable	Not applicable	Not applicable

<b>MERCs*</b>				
Final Maturity Date	15 July 2047	-	-	-
expected rating – S&P	AAA	-	-	-
expected rating – Moody's	Not applicable	-	-	-
expected rating – Fitch	AAA	-	-	-

<b>Residual Certificates*</b>				
Final Maturity Date	15 July 2047	-	-	-

This Prospectus is dated 23 September 2005

**Lead Arranger**  
**Bear, Stearns International Limited**

**Co-Managers**



\* The DACs, MERCs and Residual Certificates may only be held by a company which is within the charge to UK corporation tax.

None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures, Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument will be possible under any circumstance.

#### IMPORTANT NOTICE

THE INSTRUMENTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY U.S. STATE SECURITIES LAWS. THE INSTRUMENTS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, 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) UNLESS THE INSTRUMENTS ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE. THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”).

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

In accordance with the above disclaimer, the Notes will not be offered and sold in the United States in reliance on Rule 144A under the Securities Act (“**Rule 144A**”) to qualified institutional buyers as defined therein (“**Qualified Institutional Buyers**”) that are also qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act (“**Qualified Purchasers**”) and in accordance with any applicable laws of any U.S. state. The Notes will, however, be offered and sold outside the United States to non-U.S. Persons pursuant to the requirements of Regulation S under the Securities Act (“**Regulation S**”). Subject to the above disclaimer, prospective purchasers of the Notes are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The MERCs, DACs and Residual Certificates will only be offered and sold outside the United States to non-U.S. Persons pursuant to the requirements of Regulation S under the Securities Act. The Instruments cannot be offered, resold, pledged or otherwise transferred in the United States or to U.S. Persons except in accordance with the restrictions set forth in the section in this Prospectus entitled “*Additional Information for U.S. Investors - Transfer Restrictions and Investor Representations*” below.

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“**RSA**”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## AVAILABLE INFORMATION

Subject to the disclaimer above, to permit compliance with Rule 144A in connection with any resale of the Notes, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act the Issuer will be required to furnish upon request of a holder of such Note, or any beneficial owner of an interest therein, to such holder or beneficial owner or any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

## ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of England and Wales with limited liability, and all or a substantial portion of its assets are located outside the United States. None of its directors or officers is resident in the United States and all or a substantial portion of the assets of such persons are or may be located outside the United States. The Originator is incorporated under the laws of England and Wales with limited liability, and all or a substantial portion of its assets are located outside the United States. As a result, it may be difficult for investors to effect service of process upon such persons within the United States, or to enforce against them judgments obtained in courts or arbitral tribunals outside the United Kingdom or predicated upon the laws of jurisdictions other than those in the United Kingdom, including the civil liability provisions of the United States federal and state securities laws. The Issuer has been advised by its English counsel that there is uncertainty as to whether the courts of the United Kingdom would enforce judgments (i) of United States courts or arbitral tribunals obtained against it or any such persons predicated upon the civil liability provisions of the United States federal or state securities laws or (ii) in original actions brought in the United Kingdom against it or any such persons predicated upon the United States federal or state securities laws.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus and reflect significant assumptions and subjective judgements by the Issuer, and these assumptions and judgements may or may not prove to be correct. There can be no assurance that the future events as anticipated by the Issuer will occur, and prospective purchasers of the Instruments are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties many of which are beyond the control of the Issuer. Neither the Managers, the Trustee, nor any of their affiliates nor any person acting on their behalf has attempted to verify any such statements or makes any representation, express or implied, with respect thereto.

## RESTRICTIONS ON TRANSFERABILITY OF THE DACS, MERCS AND RESIDUAL CERTIFICATES

The beneficial interests in the DACs, MERCs and Residual Certificates will not be sold within the United States or to U.S. Persons and may only be held by a company which is within the charge to UK corporation tax at all times during its ownership of such Instrument. The onward sale or transfer of such an Instrument requires the beneficial holder to obtain certain representations as to the UK tax status of the transferee. Failure by a beneficial holder to comply with the foregoing requirements may result in such beneficial holder being required to indemnify the Issuer against any liabilities incurred by the Issuer in making any payments to such beneficial holders. Such indemnities may also arise where a beneficial holder of a DAC also holds a beneficial interest in a MERC or where a beneficial holder of a Residual Certificate also holds a beneficial interest in a D Note (not offered under this Prospectus) and such holder fails to comply with the restrictions applicable to one of the two aforementioned Instruments/D Notes held by it.

**Particular attention is drawn to the sections herein entitled “*Risk Factors*” and “*General Information*”.**

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## PART 1

### PRINCIPAL CHARACTERISTICS OF THE INSTRUMENTS

The following tables provide an overview of certain key features of the Instruments issued by the Issuer and is qualified in its entirety by the more detailed information provided elsewhere in this Prospectus.

<b>A1 Notes</b>	<b>A1a Notes</b>	<b>A1b Notes</b>	<b>A1c Notes</b>	<b>A1x Notes</b>
initial principal amount	£80,000,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
denomination	50,000	Not applicable	Not applicable	Not applicable
interest rate	Note Sterling LIBOR + 0.15%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
form of Notes	Bearer/Global	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	18.6%	Not applicable	Not applicable	Not applicable

<b>Detachable A1 Coupons</b>	<b>Detachable A1a Coupons</b>	<b>Detachable A1b Coupons</b>	<b>Detachable A1c Coupons</b>	<b>Detachable A1x Coupons</b>
interest rate	2.13%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			

<b>A2 Notes</b>	<b>A2a Notes</b>	<b>A2b Notes</b>	<b>A2c Notes</b>	<b>A2x Notes</b>
initial principal amount	£84,000,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
denomination	50,000	Not applicable	Not applicable	Not applicable
interest rate	Note Sterling LIBOR + 0.27%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
form of Notes	Bearer/Global	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	18.6%	Not applicable	Not applicable	Not applicable

<b>Detachable A2 Coupons</b>	<b>Detachable A2a Coupons</b>	<b>Detachable A2b Coupons</b>	<b>Detachable A2c Coupons</b>	<b>Detachable A2x Coupons</b>
interest rate	2.13%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			

<b>M1 Notes</b>	<b>M1a Notes</b>	<b>M1b Notes</b>	<b>M1c Notes</b>	<b>M1 Notes</b>
initial principal amount	Not applicable	Not applicable	Not applicable	Not applicable
issue price	Not applicable	Not applicable	Not applicable	Not applicable
denomination	Not applicable	Not applicable	Not applicable	Not applicable
interest rate	Not applicable	Not applicable	Not applicable	Not applicable
day count	Not applicable	Not applicable	Not applicable	Not applicable
frequency of payment of interest	Not applicable	Not applicable	Not applicable	Not applicable
Final Maturity Date	Not applicable	Not applicable	Not applicable	Not applicable
form of Notes	Not applicable	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	Not applicable	Not applicable	Not applicable	Not applicable

<b>M2 Notes</b>	<b>M2a Notes</b>	<b>M2b Notes</b>	<b>M2c Notes</b>	<b>M2x Notes</b>
initial principal amount	£23,500,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
denomination	50,000	Not applicable	Not applicable	Not applicable
interest rate	Note Sterling LIBOR + 0.90%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
form of Notes	Bearer/Global	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	6.85%	Not applicable	Not applicable	Not applicable

<b>B1 Notes</b>	<b>B1a Notes</b>	<b>B1b Notes</b>	<b>B1c Notes</b>	<b>B1x Notes</b>
initial principal amount	£7,400,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
denomination	50,000	Not applicable	Not applicable	Not applicable
interest rate	Note Sterling LIBOR + 1.50%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
form of Notes	Bearer/Global	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	3.15%	Not applicable	Not applicable	Not applicable



<b>B2 Notes</b>	<b>B2a Notes</b>	<b>B2b Notes</b>	<b>B2c Notes</b>	<b>B2x Notes</b>
initial principal amount	£5,100,000	Not applicable	Not applicable	Not applicable
issue price	100%	Not applicable	Not applicable	Not applicable
denomination	50,000	Not applicable	Not applicable	Not applicable
interest rate	Note Sterling LIBOR + 3.50%	Not applicable	Not applicable	Not applicable
day count	Actual/Actual	Not applicable	Not applicable	Not applicable
frequency of payment of interest	15th day of January, April, July and October	Not applicable	Not applicable	Not applicable
Final Maturity Date	15 July 2047	Not applicable	Not applicable	Not applicable
form of Notes	Bearer/Global	Not applicable	Not applicable	Not applicable
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			
credit enhancement (provided by among others, the other classes of Notes subordinated to the relevant class) and the Reserve Ledger	0.60%	Not applicable	Not applicable	Not applicable

<b>MERCs</b>		-	-	-
frequency of MER Distributions	15th day of January, April, July and October	-	-	-
denomination	50,000	-	-	-
form	Bearer/Global	-	-	-
Final Maturity Date	15 July 2047	-	-	-
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			

<b>Residual Certificates</b>		-	-	-
frequency of Residual Certificate Distributions	15th day of January, April, July and October	-	-	-
interest rate	the Relevant Margin	-	-	-
denomination	50,000	-	-	-
form	Bearer/Global	-	-	-
Final Maturity Date	15 July 2047	-	-	-
listing	Irish Stock Exchange			
clearing system	Euroclear, Clearstream, Luxembourg, DTC			

### Taxes on Instruments

If any withholding or deduction for or on account of tax is applicable to payments of interest or principal on the Instruments, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence.

## **Ratings**

It is a condition to the issuance of the Instruments that all of the Instruments except for the Residual Certificates receive on or before the Issue Date the expected ratings set out under “*The Instruments Offered Under This Prospectus*” above. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by any Rating Agency at any time.

For a discussion of certain factors that should be considered in connection with an investment in the Instruments, see the section entitled “*Risk Factors*”.

**PRINCIPAL CHARACTERISTICS OF THE HEDGE AGREEMENTS**

The following table (the “**Hedge Table**”) summarises the key characteristics of all Hedge Agreements to which the Issuer is a party. See “*Summary of Key Transaction Documents – (4) The Hedge Documents*” for further information. Explanatory notes in respect of the headings of the Hedge Table are set out below. A zero balance in the “Notional Amount” column signifies that the corresponding instrument will not be entered into by the Issuer.

<b>Instrument</b>	<b>Beneficiary or Obligor</b>	<b>Notional Amount</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Strike Rate</b>	<b>Issuer Pays</b>	<b>Frequency (Issuer)</b>	<b>Issuer Receives</b>	<b>Frequency (Hedge Counterparty)</b>	<b>Counterparty</b>
Interest Rate Cap	Beneficiary	£44,000,000	15 October 2005	15 October 2010	8%	Premium	Issue Date	Note Sterling LIBOR minus Strike Rate	Interest Payment Date	HSBC Bank plc
Interest Rate Cap	Obligor	Not applicable								
Interest Rate Floor	Beneficiary	Not applicable								
Interest Rate Floor	Obligor	Not applicable								
Interest Rate Swap	Both	Not applicable								
Currency Swap	Both	Not applicable								

## **Instrument**

A Hedge Agreement may be an Interest Rate Swap Agreement, an Interest Rate Cap Agreement, an Interest Rate Floor Agreement or a Currency Swap Agreement, each of which is described in “**Summary of Key Transaction Documents - (4) The Hedge Documents**”.

## **Beneficiary or Obligor**

Each Hedge Agreement provides for the Issuer to either receive a cashflow (and the Issuer is represented as the “**Beneficiary**”) or have the obligation to pay a cashflow (and the Issuer is represented as the “**Obligor**”) or provides for the Issuer to both pay a cashflow and receive a different cashflow under the same agreement (and the Issuer in such a case is represented as “**Both**”).

## **Notional Amount**

Each Hedge Agreement is linked to a notional amount upon which the Issuer has the obligation to either pay and/or receive a cashflow. The notional amount may be linked to either a class of Instruments, or be a fixed notional amount for the life of the relevant agreement or be an amortising amount (as per an amortising schedule referenced to a Hedge Agreement).

## **Start Date**

Each Hedge Agreement has a date from which payments due under the Hedge Agreement start accruing.

## **Maturity Date**

Each Hedge Agreement has a date on which payments cease to accrue under the Hedge Agreement and after which date no further payments shall accrue.

## **Strike Rate**

In the case of an Interest Rate Cap Agreement or an Interest Rate Floor Agreement, the strike rate is the rate under such relevant Hedge Agreement against which movement of interest rates is referenced to trigger a payment or a receipt by the Issuer according to the calculation under “**Issuer Pays**” or “**Issuer Receives**”.

## **Issuer Pays**

Each Hedge Agreement provides for the Issuer to make a payment to the Hedge Counterparty of an amount as set out under this heading.

## **Frequency (Issuer)**

Each Hedge Agreement provides for the frequency upon which the Issuer pays the amount described under “**Issuer Pays**” to the Hedge Counterparty.

## **Issuer Receives**

Each Hedge Agreement provides for the Issuer to receive a payment from the Hedge Counterparty of an amount as set out under this heading.

## **Frequency (Hedge Counterparty)**

Each Hedge Agreement provides for the frequency upon which the Issuer receives the amount described under “**Issuer Receives**” from the Hedge Counterparty.

## **Hedge Counterparty**

Each Hedge Agreement is an agreement between, among others, the Hedge Counterparty (which must be rated at least the Required Rating) and the Issuer.

## Transaction Parties

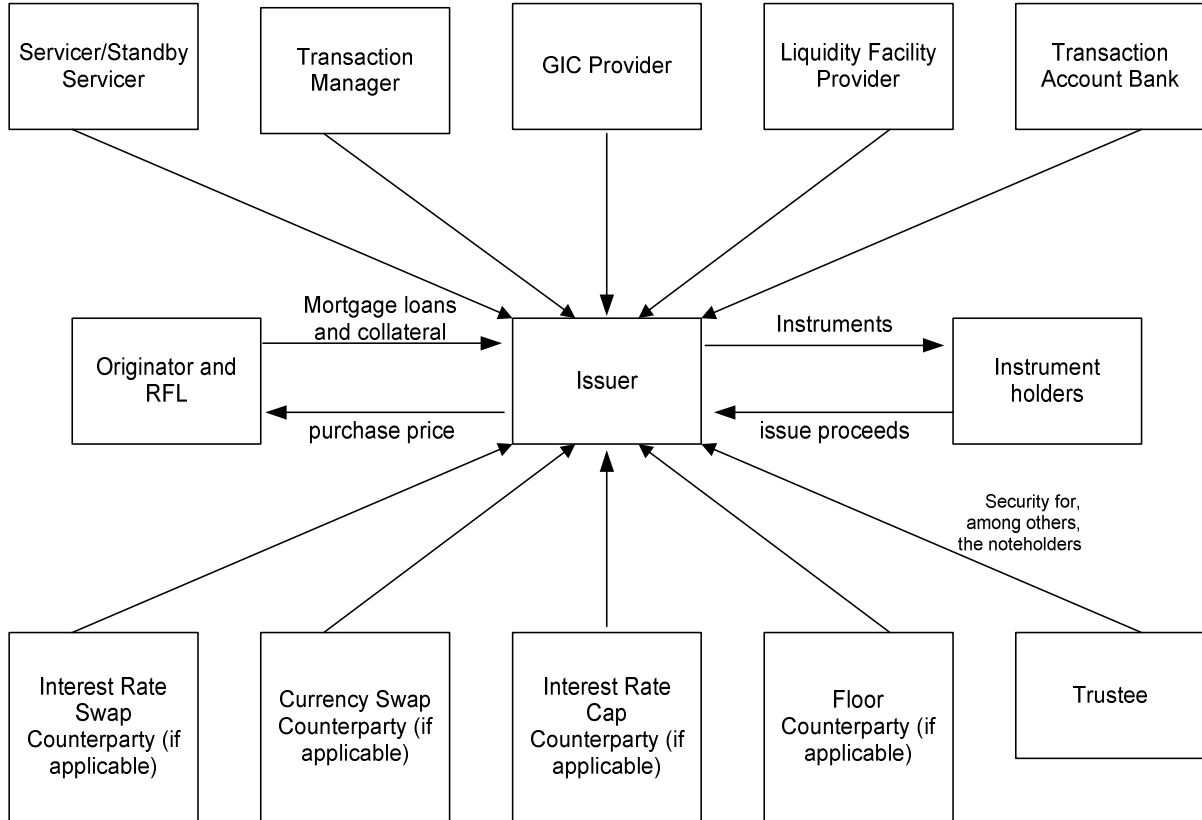
Issuer:	Farrington Mortgages No. 2 Plc, a public limited liability company incorporated under the laws of England and Wales acting through its Stated Office.
Originator:	Rooftop Mortgages Limited, a limited liability company incorporated under the laws of England and Wales acting through its Stated Office.
RFL:	Rooftop Funding Limited, a limited liability company incorporated under the laws of England and Wales acting through its Stated Office.
RIL:	Rooftop Investment Limited, a limited liability company incorporated under the laws of England and Wales acting through its Stated Office.
Servicer:	Crown Mortgage Management Limited, acting through its Stated Office.
Standby Servicer:	Homeloan Management Limited, acting through its Stated Office.
Transaction Manager:	Wells Fargo Securitisation Services Limited, acting through its Stated Office.
Corporate Services Provider:	Structured Finance Management Limited, acting through its Stated Office.
Transaction Account Bank:	HSBC Bank plc, acting through its Stated Office.
Collection Account Banks	Danske Bank A/S, acting through its Stated Office, and Barclays Bank PLC, acting through its Stated Office.
GIC Provider:	Danske Bank A/S, acting through its Stated Office.
Liquidity Facility Provider:	Danske Bank A/S, acting through its Stated Office.
Interest Rate Swap Counterparty:	Not applicable.
Interest Rate Hedge Guarantor:	Not applicable.
Currency Swap Counterparty:	Not applicable.
Currency Hedge Guarantor:	Not applicable.
Interest Rate Cap Counterparty:	HSBC Bank plc, acting through its Stated Office.
Interest Rate Floor Counterparty:	Not applicable.
Trustee:	HSBC Trustee (C.I.) Limited, acting through its Stated Office.
Principal Paying Agent:	HSBC Bank plc, acting through its Stated Office.
Irish Paying Agent:	HSBC Institutional Trust Services (Ireland) Limited,

	acting through its Stated Office.
Common Depositary:	HSBC Bank plc, acting through its Stated Office.
Depositary:	HSBC Bank USA, National Association, acting through its Stated Office.
Exchange Agent:	Not applicable.
Agent Bank:	HSBC Bank plc, acting through its Stated Office.
144A Paying Agent	Not applicable.
Registrar:	HSBC Bank USA, National Association acting through its Stated Office.
Listing Agent	NCB Stockbrokers Limited acting through its Stated Office.
Rooftop Guarantor	The Bear Stearns Companies Inc. acting through its Stated Office.

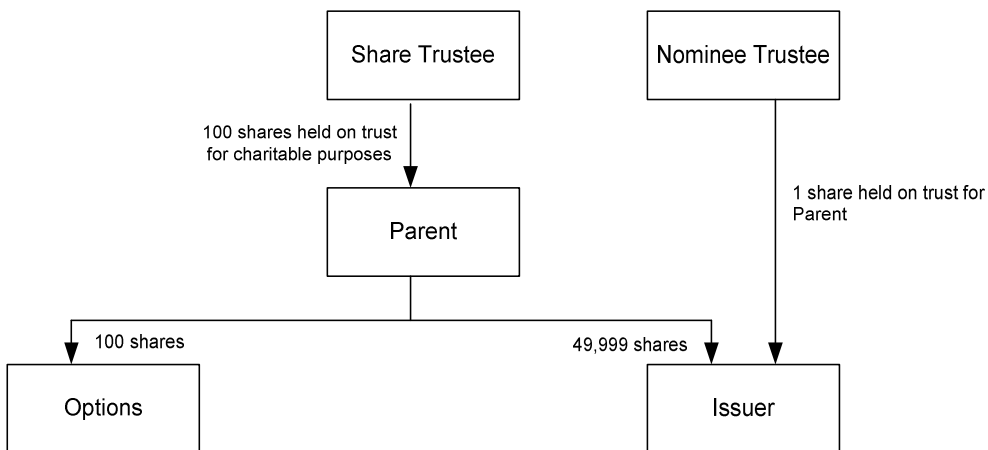
## STRUCTURE DIAGRAMS

These structure diagrams provide an indicative summary of the principal features of the transaction issued under the “**Farrington**” series and must be read in conjunction with, and are qualified in their entirety by the detailed information presented elsewhere in this Prospectus.

### Transaction Structure



### Corporate Structure



## DESCRIPTION OF THE MORTGAGE POOL

### Excess Spread

It is anticipated that, on the Issue Date, Excess Spread is expected to be approximately 0.9251 per cent.

Once the discount period in respect of those Loans with a discounted mortgage rate has ended, this figure is expected to equal approximately 0.9251 per cent., assuming the Weighted Average Note Rate and the Principal Amount Outstanding as at the Issue Date.

The actual amount of the Excess Spread will vary during the life of the Notes; three key factors determining such variations are the level of delinquencies experienced the weighted average interest rate applicable to the Loans contained in the Completion Mortgage Pool and the timing of the acquisition of Prefunded Loans. Available Revenue Funds may be applied (after making payments or provisions in each case ranking higher in the Pre-Enforcement Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency.

### The Mortgage Pool

The Mortgage Pool from time to time will comprise:

- (a) the Completion Mortgage Pool;
- (b) any Prefunded Loans;
- (c) any Further Advances Loans;
- (d) any Substituted Collateral Loans;
- (e) any Converted Loans; and
- (f) the Collateral Security related to such Loans,

other than, in any such case, Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to RFL and/or the Originator or a third party pursuant to the Mortgage Sale Agreement.

### The Completion Mortgage Pool

The Completion Mortgage Pool will comprise the Loans purchased by the Issuer from RFL and the Originator on the Issue Date. The Completion Mortgage Pool will be drawn from, and will substantially comprise:

- (a) the Provisional Completion Mortgage Pool comprising an aggregate principal amount of £133,696,909.31; and
- (b) any additional loans originated after the Cut-Off Date as selected by the Originator to (i) substitute as replacements for Loans which are removed from the Provisional Completion Mortgage Pool, and (ii) ensure that the aggregate balances of the Loans in the Completion Mortgage Pool are as close as possible to, but do not exceed, £152,433,571.72 as at the Issue Date.

#### *Characteristics of the Provisional Completion Mortgage Pool*

##### 1) Interest Rate Setting

All Loans originated by the Originator are LIBOR Linked Loans or Capped Rate Loans. In respect of a certain number of the LIBOR-Linked Loans contained in the Provisional Completion Mortgage Pool representing approximately 100 per cent. by loan count and 100 per cent. by current balance of the Loans, the mortgage rate has been discounted by between 2 per cent. and 2.5 per cent. for a period no longer than the Maximum Discount Loan Period.



Approximately a further zero per cent. by loan count and zero per cent. by current balance of the Loans in the Provisional Completion Mortgage Pool are currently Capped Rate Loans that will convert to LIBOR-Linked Loans at the expiry of the Maximum Loan Capped Period.

2) Repayment Terms

Repayment terms under each type of Loan differ according to the repayment type. Loans with the following repayment types are included in the Provisional Completion Mortgage Pool:

- (a) Repayment Loans;
  - (b) Interest Only Loans; and
  - (c) Part and Part Loans.
- 3) Statistical Characteristics

The Provisional Completion Mortgage Pool on the Cut-Off Date had the aggregate characteristics indicated in Tables 1-14 below. (Please note that due to rounding differences percentage columns do not necessarily add up to 100 per cent.) Valuations used are as at the date of the initial offer of a Loan to a Borrower.

**Provisional Completion Mortgage Pool Summary**

Aggregate Balance	£133,696,909.31
Number of Loans	1,035
Average Balance	£129,175.76
Weighted Average Loan to Value Ratio	77.55%
Weighted Average Term to Maturity	266.43 months
Weighted Average Margin	3.41%

**Table 1. Distribution of Loans by Loan to Value Ratio (original LTV)**

<i>Original LTV Ratio %</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
< = 40	29	2.8	1,786,657.60	1.34
40.01 - 50	44	4.25	4,405,343.03	3.3
50.01 - 60	76	7.34	6,706,667.46	5.02
60.01 - 70	166	16.04	19,150,352.12	14.32
70.01 - 80	234	22.61	28,750,281.80	21.5
80.01 - 90	484	46.76	72,613,272.02	54.31
> 90	2	0.19	284,335.28	0.21
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 2. Distribution of Loans by Current Principal Balance**

<i>Current Balance £</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
< = £15,000	0	0	0	0
£15,000.01 - £30,000	4	0.39	108,819.06	0.08
£30,000.01 - £45,000	25	2.42	997,521.01	0.75
£45,000.01 - £60,000	72	6.96	3,807,179.88	2.85
£60,000.01 - £75,000	108	10.43	7,342,413.54	5.49
£75,000.01 - £90,000	118	11.4	9,789,782.18	7.32
£90,000.01 - £105,000	131	12.66	12,804,633.84	9.58
£105,000.01 - £120,000	108	10.43	12,154,394.40	9.09
£120,000.01 - £135,000	114	11.01	14,405,518.38	10.77
£135,000.01 - £150,000	81	7.83	11,580,821.43	8.66
£150,000.01 - £165,000	52	5.02	8,176,257.86	6.12
£165,000.01 - £180,000	44	4.25	7,526,729.19	5.63
> £180,001	178	17.2	45,002,838.54	33.66
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 3. Distribution of Loans with CCJs by Loan to Value Ratio**

<i>Loan to Value</i>	<i>% of Total</i>		<i>% of Current Balance</i>		<i>% of Current Balance</i>	
	<i>0 CCJs</i>	<i>1 CCJs</i>	<i>&gt;1 CCJs</i>			
< = 10%	0.00	0.00	0.00	0.00	0.00	0.00
10.01% - 20%	0.00	0.00	0.19	0.04	0.00	0.00
20.01% - 30%	0.97	0.49	0.19	0.05	0.00	0.00
30.01% - 40%	1.26	0.67	0.1	0.06	0.1	0.03
40.01% - 50%	3.67	2.92	0.29	0.18	0.29	0.19
50.01% - 60%	5.7	3.97	1.26	0.82	0.39	0.23
60.01% - 70%	11.59	10.42	3.57	3.04	0.87	0.86
70.01% - 80%	17.2	15.74	4.44	4.49	0.97	1.27
80.01% - 90%	39.81	46.82	4.35	5.02	2.61	2.46
90.01% - 100%	0.19	0.21	0.00	0.00	0.00	0.00
<b>Total</b>	<b>80.39</b>	<b>81.25</b>	<b>14.4</b>	<b>13.71</b>	<b>5.22</b>	<b>5.04</b>

**Table 4. Distribution of Loans by Margin over LIBOR**

<i>Margin over LIBOR</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
2.01 - 2.5	81	7.83	7,374,314.04	5.52
2.51 - 3	590	57	76,383,217.89	57.13
3.01 - 3.5	93	8.99	11,505,286.59	8.61
3.51 - 4	73	7.05	10,895,033.92	8.15
4.01 - 4.5	59	5.7	8,720,693.42	6.52
4.51 - 5	79	7.63	10,555,881.47	7.9
5.01 - 5.5	2	0.19	201,956.15	0.15
5.51 - 6	56	5.41	7,768,025.83	5.81
>=6.01	2	0.19	292,500.00	0.22
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 5. Distribution of Loans by Loan Purpose**

<i>Loan Purpose</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Purchase	214	20.68	31,720,745.69	23.73
Remortgage	821	79.32	101,976,163.62	76.27
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 6. Distribution of Loans by Property Type**

<i>Property Type</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Bungalow	36	3.48	5,330,001.48	3.99
Converted Flat	27	2.61	3,512,086.69	2.63
Detached	111	10.72	22,350,777.39	16.72
End of terrace	17	1.64	1,767,786.47	1.32
Maisonette	9	0.87	978,100.06	0.73
Other	2	0.19	198,110.77	0.15
Over Commercial Premises	1	0.1	67,344.00	0.05
Purpose-built Flat	105	10.14	12,429,060.04	9.3
Semi-detached	396	38.26	48,395,342.41	36.2
Terraced	331	31.98	38,668,300.00	28.92
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 7. Distribution of Loans by Region**

<i>Region</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
East Anglia	34	3.29	4,081,799.73	3.05
East Midlands	92	8.89	10,066,584.42	7.53
London	203	19.61	35,641,807.69	26.66
North	41	3.96	3,439,398.23	2.57
Northwest	101	9.76	10,145,215.23	7.59
Other South East	135	13.04	19,451,164.81	14.55
Outer Metro	140	13.53	20,902,015.56	15.63
Scotland	7	0.68	599,375.68	0.45
South West	70	6.76	8,849,538.68	6.62
Wales	50	4.83	4,189,747.31	3.13
West Midlands	92	8.89	9,860,802.31	7.38
Yorkshire and Humberside	70	6.76	6,469,459.66	4.84
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 8. Distribution of Loans by Months to Maturity**

<i>Months Remaining</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
31 – 60	1	0.1	198,000.00	0.15
61 – 90	6	0.58	1,182,577.50	0.88
91 – 120	31	3	4,208,072.16	3.15
121 – 150	13	1.26	1,932,949.21	1.45
151 – 180	70	6.76	9,191,412.99	6.87
181 – 210	28	2.71	2,901,596.70	2.17
211 – 240	160	15.46	21,273,213.49	15.91
241 – 270	52	5.02	5,686,145.82	4.25
271 – 300	623	60.19	81,831,368.76	61.21
301 – 330	0	0.00	0.00	0.00
331 +	51	4.93	5,291,572.68	3.96
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 9. Distribution of Loans by Repayment Method**

<i>Repayment Method</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Capital Repayment	439	42.42	43,399,054.49	32.46
Interest Only (including part and part)	596	57.58	90,297,854.82	67.54
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 10. Distribution of Loans Currently in Arrears (in days)**

<i>Months in Arrears</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Current	992	95.85	127,842,930.20	95.62
> 1 <= 2	21	2.03	2,953,483.95	2.21
> 2 <= 3	13	1.26	1,889,530.78	1.41
> 3 <= 4	8	0.77	856,374.38	0.64
> 4 <= 5	1	0.10	154,590.00	0.12
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

Aggregate Balance of Loans in arrears	£5,853,979.11
Percentage of total Portfolio in arrears by balance	4.38%
Average Balance of Loans in arrears	£136,139.05
Weighted average margin over LIBOR of Loans in arrears	4.17%
Weighted average LTV of Loans in arrears	79.61%
Largest Loan balance in arrears	£493,336.25

**Table 11. Distribution of Loans by Months since Origination**

<i>Seasoning (Mths)</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
1	239	23.09	31,987,455.25	23.93
2	325	31.4	43,606,573.83	32.62
3	210	20.29	26,527,741.33	19.84
4	172	16.62	20,930,648.02	15.66
5	56	5.41	6,281,042.61	4.7
6	3	0.29	453,663.65	0.34
7	1	0.1	137,030.75	0.1
8	9	0.87	1,207,790.38	0.9
9	10	0.97	1,083,518.67	0.81
10	8	0.77	1,306,761.90	0.98
11	2	0.19	174,682.92	0.13
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 12. Distribution of Loans by Method of Income Verification**

<i>Income Verification</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Verified Income	390	37.68	41,233,557.77	30.84
Self Certified Income	645	62.32	92,463,351.54	69.16
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 13. Distribution of Loans by Tenure**

<i>Tenure</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Freehold (or the Scottish equivalent)	848	81.93	112,230,616.84	83.94
Leasehold	187	18.07	21,466,292.47	16.06
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

**Table 14. Distribution of Loans by Type**

<i>Type</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Aggregate Current Balance</i>	<i>% of Current Balance</i>
Standard Discount	794	76.71	95,283,028.39	71.27
Stepped Discount	36	3.48	5,804,064.32	4.34
Stepped Light Discount	205	19.81	32,609,816.60	24.39
Capped Rate	0	0	0	0
<b>Total</b>	<b>1,035</b>	<b>100</b>	<b>133,696,909.31</b>	<b>100</b>

## **Prefunded Loans**

Prefunded Loans may be purchased by the Issuer from the Originator and RFL and included in the Mortgage Pool on the Prefunding Acquisition Date subject to, among other matters, the relevant Prefunded Loans complying with the Mortgage Warranties and the Originator having received prior written confirmation from each of the Rating Agencies that the inclusion of the Prefunded Loans would not adversely affect the then current ratings of the Instruments. The Prefunded Loans purchased by the Issuer may include Non-Verified Loans. The Originator and RFL will be obliged to repurchase any Non-Verified Loans which do not Verify by the Payment Verification Date in accordance with the terms of the Mortgage Sale Agreement and, in this respect, the obligations of the Originator and RFL will be guaranteed by Rooftop Guarantor.

The Issuer may purchase Prefunded Loans utilising solely monies held in the GIC Account up to the amount credited to a ledger titled the "Prefunding Principal Ledger" in the GIC Account if the conditions set out below are met. The amount of the Prefunding on the Issue Date will be the amount by which the proceeds of the Notes exceed the aggregate balance of the Completion Mortgage Pool. After the Issue Date, no further amounts may be credited or re-credited to the Prefunding Principal Ledger. Amounts standing to the credit of the Prefunding Principal Ledger may not be used for any purpose other than the acquisition by the Issuer of Prefunded Loans. Such amounts will be invested under the Guaranteed Investment Contract between the Issue Date and the Prefunding Acquisition Date. All amounts standing to the credit of the Prefunding Principal Ledger (as are referable to the amount of the Prefunding) will be transferred to the Principal Ledger to be applied as Actual Redemption Funds on (i) the first Interest Payment Date if, on the Determination Date immediately prior to the first Interest Payment Date, an additional amount is not allocated to the Prefunding Interest Shortfall Amount in accordance with item (ii) of such definition, or (ii) the second Interest Payment Date if, on the Determination Date prior to the second Interest Payment Date, such amount is not allocated for the purchase of Prefunded Loans on such Interest Payment Date.

On the Issue Date, the Tranche C Amount will be credited to a ledger titled the "Prefunding Interest Ledger" in the GIC Account. On the Issue Date, the Prefunding Interest Ledger will be available to meet any interest shortfall in respect of the Instruments, up to (but excluding) the first Interest Payment Date. To the extent that, on the first Determination Date, there is a credit standing to the Prefunding Principal Ledger, the Originator will recredit the Prefunding Interest Ledger with an amount equal to the Prefunding interest shortfall on such Prefunding Principal Ledger balance, until the expiry of the Prefunding Loan Period. If at any time the balance of the Prefunding Principal Ledger is zero, then any amounts standing to the credit of the Principal Interest Ledger will be deemed to be a Permitted Withdrawal. On each Determination Date prior to any Interest Payment Date during the Prefunded Loan Period, the Prefunding Interest Ledger will be debited (in relation to the Prefunding Interest Shortfall Amount) in an amount as is required (and the Revenue Ledger credited) when such funds form part of Initial Available Revenue on each such Interest Payment Date.

### *Conditions for the Purchase of Prefunded Loans*

The Issuer may only purchase a Prefunded Loan on the Prefunding Acquisition Date if, among other things, the following conditions are satisfied in relation to each Prefunded Loan being purchased:

1. the Mortgage Warranties are satisfied;
2. following the purchase of a Prefunded Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances Loans, Substituted Collateral Loans, Converted Loans or Substitute Loans to be made on such date) calculated on the immediately preceding Determination Date in the same way as for the Completion Mortgage Pool (or as agreed by the Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Completion Mortgage Pool calculated on the Issue Date, plus 0.25 per cent;
3. no Enforcement Notice which remains in effect has been given by the Trustee under the General Conditions;
4. the Borrower is not in material breach of any of the terms and conditions of the Prefunded Loan;
5. any Mortgage Loan Discount in relation to the Prefunded Loan is cash collateralised by the Originator at the time the Prefunded Loan is purchased by the Issuer;



6. the purchase will not cause the amount standing to the credit of the Prefunding Ledger at the close of business on the day preceding the Prefunding Acquisition Date to be exceeded;
7. the Prefunded Loan is not a Loan of a type which is not included in the Completion Mortgage Pool, unless the Rating Agencies have confirmed that the inclusion of such Prefunded Loan which is not a Loan of the type included in the Completion Mortgage Pool will not adversely affect the then current ratings of the Instruments;
8. all conditions in the Mortgage Sale Agreement and the Servicing Agreement in relation to the sale and purchase of Prefunded Loans have been satisfied;
9. a file audit has been undertaken in respect of the Prefunded Loans and the Rating Agencies have confirmed that the results of this audit and any additional reserves (if any) needed will be sufficient to ensure that the then current ratings of the Instruments are not adversely affected on the relevant Prefunding Acquisition Date;
10. the Rating Agencies have agreed to any increase or decrease in the Tranche A Amount and the Tranche C Amount of the Residual Certificates and confirmed that the then current ratings of the Instruments are not adversely affected by the purchase of such Prefunded Loans (and always provided that, if as at the Interest Payment Date falling in January 2006, amounts remain standing to the credit of the Prefunding Principal Ledger, then (i) any amounts equal to the outstanding Prefunding Interest Shortfall Amount from such date up to and including the last day of the Prefunded Loan Period shall be credited to the applicable ledger in the GIC Account by, or on behalf of, the Originator on or prior to the Determination Date falling prior to the first Interest Payment Date) and (ii) if that is not the case, then such credit shall be transferred to the Principal Ledger and used as Actual Redemption Funds; and
11. the Lending Criteria as at the Issue Date have been applied to the Prefunded Loans and to the circumstances of each Borrower at the time the Prefunded Loan was made.

#### **Sale of Substitute Loans - Further Advances Loans, Converted Loans and Substituted Collateral Loans**

In relation to the Loans contained in the Mortgage Pool, a Borrower may request from the Originator a further advance, a conversion from the existing repayment method into another repayment method offered by the Originator or request that new security replace existing security for the Loan (for example where the Borrower moves into a new property). If the Originator decides to agree to the Borrower's request, then the Originator will request a repurchase from the Issuer pursuant to the terms of the Mortgage Sale Agreement, of the Loan(s) in respect of which a further advance, conversion or substitution of collateral (as the case may be) has been requested.

If the Originator repurchases a Loan from the Issuer in relation to which a further advance or a substitution of collateral has been requested, the Originator will redeem the existing Loan so repurchased (and discharge any related Collateral Security). No Mortgage Early Redemption Amounts will arise on any redemption of a Mortgage in these circumstances. A new Loan will be advanced to the Borrower to accommodate their request. New security will be taken over the Property and any other collateral, in accordance with the Lending Criteria, to secure the new Loan. If the Originator repurchases a Loan from the Issuer in relation to which a conversion from the existing repayment method into another repayment method offered by the Originator has been requested, such a Loan will not be redeemed by the Originator and following a conversion of the repayment method, such a Loan may be sold back to the Issuer if the relevant conditions are met.

#### *Further Advances Loans Originated by Originator*

In addition to compliance with the Lending Criteria, each Further Advances Loan will be subject to, among other matters, the following conditions (with such variations thereto as may from time to time be made in the manner of a Prudent Mortgage Lender (and, where material, notified to the Rating Agencies)):

- (a) each Further Advances Loan will be treated as a new Loan to the Borrower;
- (b) no Further Advance Loan will be made unless the Borrower has fully performed all of its obligations under the existing Loan for the previous 6 months;

- (c) the increase in the balance of the Further Advances Loan must not be for an amount less than £5,000;
- (e) no more than one Further Advances Loan will be permitted per Mortgage; and
- (f) if the Property to which the Collateral Security for the existing Loan relates is subject to a second ranking charge, then prior to the making of the Further Advances Loan, such charge will either be released or the holder of such charge will be required to enter into a Deed of Priority with the Originator.

*Converted Loans Originated by Originator*

In addition to compliance with the Lending Criteria, each Converted Loan will be subject to, among other matters, the following conditions (with such variations thereto as may from time to time be made in the manner of a Prudent Mortgage Lender):

- (a) a Loan may be converted to any repayment method offered by the Originator so long as the conversion does not change the Product Category of such Loan;
- (b) the Borrower will be charged a fee by the Servicer for such conversion; and
- (c) following such conversion, the Converted Loan will remain a LIBOR-Linked Loan.

*Substituted Collateral Loans Originated by Originator*

In addition to compliance with the Lending Criteria, each Substituted Collateral Loan will be subject to, among other matters, the following conditions (with such variations thereto as may from time to time be made in the manner of a Prudent Mortgage Lender):

- (a) each Substituted Collateral Loan will be treated as a new Loan to the Borrower; and
- (b) the Substituted Collateral Loan must not be for an amount less than the amount of the original Loan.

*Sale of Further Advances Loans, Converted Loans and Substituted Collateral Loans to Issuer*

The Originator may sell a Further Advances Loan, Converted Loan or Substituted Collateral Loan (as the case may be) and its related Collateral Security to the Issuer pursuant to the terms of the Mortgage Sale Agreement provided, among other matters, that such Further Advances Loan, Converted Loan or Substituted Collateral Loan (as the case may be) and its related Collateral Security complies with the Lending Criteria, the Mortgage Warranties and the applicable conditions set out below and that certain other warranties are given by the Originator and/or RFL (such as, in relation to the solvency of the Originator and/or RFL at the time of such sale).

*Conditions for the Purchase of Further Advances Loans*

The Issuer may only purchase a Further Advances Loan if, among other matters, the following conditions are satisfied in relation to each Further Advances Loan being purchased:

1. the Mortgage Warranties are satisfied;
2. the amount of the Further Advances Loan does not exceed the amounts standing to the credit of the Substitutions Ledger;
3. the sale and repurchase of a Further Advances Loan is not reasonably likely to adversely affect the then current ratings of the Instruments;
4. that upon the purchase of a Further Advances Loan, the weighted average principal balance of the Mortgage Pool does not increase by more than 1% from such balance immediately prior to such purchase;

5. that upon the purchase of a Further Advances Loan, the aggregate balance of all Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans contained in the Mortgage Pool does not exceed 10% of the aggregate principal balance of the Loans in the Mortgage Pool on the Issue Date;
6. no Liquidity Drawing is outstanding under the Liquidity Facility;
7. each Further Advances Loan is made on substantially the same terms as the original Loan in relation to the applicable interest rate and repayment terms;
8. the interest rate applicable to any Further Advances Loan, Converted Loan, Substituted Collateral Loan and Substitute Loan is not less than 0.1% below the interest rate in relation to the corresponding Loan repurchased by the Originator (to which such Further Advances Loan, Converted Loans, Substituted Collateral Loans and Substitute Loans relate);
9. the Borrower is: (i) not in material breach of any of the terms and conditions of the existing Loan to which the Further Advances Loan will relate, and (ii) has not been in the period of 3 months prior to the purchase of such Further Advances Loan in arrears on any payments due under the existing Loan;
10. that upon the purchase of a Further Advances Loan, the weighted average LTV of the Mortgage Pool does not increase by more than 1% from the weighted average LTV immediately prior to such purchase;
11. the original Loan in relation to which a Further Advances Loan will relate to has not been rescheduled, or had any interest capitalised or been the subject of a further advance or a conversion in the preceding 24 months prior to the purchase of the related Further Advance Loan;
12. the Originator is not in breach of any obligations on its part to repurchase or procure the repurchase of any Loan in accordance with the Mortgage Sale Agreement;
13. any Mortgage Loan Discount in relation to the Further Advances Loan is cash collateralised by the Originator at the time the Further Advances Loan is purchased by the Issuer;
14. following the purchase of a Further Advances Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances Loans, Substituted Collateral Loans, Converted Loans or Substitute Loans to be made on such date) calculated on the immediately preceding Determination Date in the same way as for the Completion Mortgage Pool (or as agreed by the Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Completion Mortgage Pool calculated on the Issue Date, plus 0.25 per cent;
15. the balance of each Principal Deficiency Ledger is zero;
16. the principal balance of Loans which are more than 90 days in arrears does not exceed 22.5% of the aggregate balance of the Mortgage Pool;
17. if a drawing has been made from the Reserve Ledger, the credit balance of the Reserve Ledger should at least equal to the balance of the Reserve Ledger as at the Determination Date on which such drawing was made;
18. that upon purchase of a Further Advances Loan, when aggregated with Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans in the Mortgage Pool, such Further Advances Loan does not extend the final maturity date of the Loans in the Mortgage Pool beyond two years prior to the Final Maturity Date;
19. no Enforcement Notice which remains in effect has been given by the Trustee under the General Conditions; and
20. the difference between the LTV of the Further Advances Loan and the LTV of the original Loan to which the Further Advances Loan relates, is no greater than 5%.

### *Conditions for the Purchase of Substituted Collateral Loans*

The Issuer may only purchase a Substituted Collateral Loan if, among other matters, the following conditions are satisfied in relation to each Substituted Collateral Loan being purchased:

1. the Mortgage Warranties are satisfied;
2. the amount of the Substituted Collateral Loan does not exceed the amounts standing to the credit of the Substitutions Ledger;
3. the sale and repurchase of a Substituted Collateral Loan is not reasonably likely to adversely affect the then current ratings of the Instruments;
4. that upon the purchase of a Substituted Collateral Loan, the weighted average principal balance of the Mortgage Pool does not increase by more than 1% from such balance immediately prior to such purchase;
5. that upon the purchase of a Substituted Collateral Loan, the aggregate balance of all Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans contained in the Mortgage Pool does not exceed 10% of the aggregate principal balance of the Loans in the Mortgage Pool on the Issue Date;
6. no Liquidity Drawing is outstanding under the Liquidity Facility;
7. each Substituted Collateral Loan is made on substantially the same terms as the original Loan in relation to the applicable interest rate and repayment terms;
8. the interest rate applicable to any Further Advances Loan, Converted Loan, Substituted Collateral Loan and Substitute Loan is not less than 0.1% below the interest rate in relation to the corresponding Loan repurchased by the Originator (to which such Further Advances Loan, Converted Loans, Substituted Collateral Loans and Substitute Loans relate);
9. the Borrower is: (i) not in material breach of any of the terms and conditions of the existing Loan to which the Substituted Collateral Loan will relate, and (ii) has not been in the period of 3 months prior to the purchase of such Substituted Collateral Loan in arrears on any payments due under the existing Loan;
10. that upon the purchase of a Substituted Collateral Loan, the weighted average LTV of the Mortgage Pool does not increase by more than 1% from the weighted average LTV immediately prior to such purchase;
11. the original Loan in relation to which a Substituted Collateral Loan will relate to has not been rescheduled, or had any interest capitalised or been the subject of a further advance or a conversion in the preceding 24 months prior to the purchase of the related Further Advance Loan;
12. the Originator is not in breach of any obligations on its part to repurchase or procure the repurchase of any Loan in accordance with the Mortgage Sale Agreement;
13. any Mortgage Loan Discount in relation to the Substituted Collateral Loan is cash collateralised by the Originator at the time the Substituted Collateral Loan is purchased by the Issuer;
14. following the purchase of a Substituted Collateral Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances Loans, Substituted Collateral Loans, Converted Loans or Substitute Loans to be made on such date) calculated on the immediately preceding Determination Date in the same way as for the Completion Mortgage Pool (or as agreed by the Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Completion Mortgage Pool calculated on the Issue Date, plus 0.25 per cent;
15. the balance of each Principal Deficiency Ledger is zero;

16. the principal balance of Loans which are more than 90 days in arrears does not exceed 22.5% of the aggregate balance of the Mortgage Pool;
17. if a drawing has been made from the Reserve Ledger, the credit balance of the Reserve Ledger should be greater than or equal to the balance of the Reserve Ledger as at the Determination Date on which such drawing was made;
18. that upon purchase of a Substituted Collateral Loan, when aggregated with Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans in the Mortgage Pool, such Substituted Collateral Loan does not extend the final maturity date of the Loans in the Mortgage Pool beyond two years prior to the Final Maturity Date; and
19. no Enforcement Notice which remains in effect has been given by the Trustee under the General Conditions.

*Conditions for the Purchase of Converted Loans*

The Issuer may only purchase a Converted Loan if, among other matters, the following conditions are satisfied in relation to each Converted Loan being purchased:

1. the Mortgage Warranties are satisfied;
2. the inclusion of the Converted Loan when aggregated with all other Converted Loans in the Mortgage Pool does not represent more than 2% of the aggregate principal balance of the Mortgage Pool as at 12 months prior to the purchase of such Converted Loan, except with the approval of the Rating Agencies;
3. the interest rate applicable to any Further Advances Loan, Converted Loan, Substituted Collateral Loan and Substitute Loan is not less than 0.1% below the interest rate in relation to the corresponding Loan repurchased by the Originator (to which such Further Advances Loan, Converted Loans, Substituted Collateral Loans and Substitute Loans relate);
4. no Enforcement Notice which remains in effect has been given by the Trustee under the General Conditions;
5. the total amount of interest payments in arrears as at the date of the purchase of the Converted Loan is less than 2% of the total interest payments due in respect of the Mortgage Pool during the immediately preceding 12 months;
6. that upon purchase of a Converted Loan, when aggregated with Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans in the Mortgage Pool, such Converted Loan does not extend the final maturity date of the Loans in the Mortgage Pool beyond two years prior to the Final Maturity Date;
7. following the purchase of a Converted Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances Loans, Substituted Collateral Loans, Converted Loans or Substitute Loans to be made on such date) calculated on the immediately preceding Determination Date in the same way as for the Completion Mortgage Pool (or as agreed by the Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Completion Mortgage Pool calculated on the Issue Date, plus 0.25 per cent;
8. the Converted Loan has not changed the Product Category within which the original Loan relating to the Converted Loan was originated;
9. the Borrower is: (i) not in material breach of any of the terms and conditions of the existing Loan to which the Converted Loan will relate, and (ii) has not been in the period of 3 months prior to the purchase of such Converted Loan in arrears on any payments due under the existing Loan;
10. the balance of each Principal Deficiency Ledger is zero;

11. the principal balance of Loans which are more than 90 days in arrears does not exceed 22.5% of the aggregate balance of the Mortgage Pool;
12. any Mortgage Loan Discount in relation to the Converted Loan is cash collateralised by the Originator at the time the Converted Loan is purchased by the Issuer;
13. such Converted Loan has been originated by the Originator following the request of a Borrower;
14. all conditions in the Mortgage Sale Agreement and the Servicing Agreement in relation to the sale and purchase of Converted Loans have been satisfied;
15. that upon the purchase of a Converted Loan, the aggregate balance of all Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans contained in the Mortgage Pool does not exceed 10% of the aggregate principal balance of the Loans in the Mortgage Pool on the Issue Date; and
16. if a drawing has been made from the Reserve Ledger, the credit balance of the Reserve Ledger should be greater than or equal to the balance of the Reserve Ledger as at the Determination Date on which such drawing was made.

#### *Substitute Loans*

A Substitute Loan may only be made in the limited circumstance where there is a breach of any of the Mortgage Warranties in respect of any of the Loans in the Mortgage Pool. Under the Mortgage Sale Agreement, the Originator may substitute another Loan for the Loan in respect of which there is a breach of a Mortgage Warranty in lieu of paying cash to the Issuer to repurchase such Loan.

The Issuer may only accept a Substitute Loan if, among other matters, the following conditions are satisfied in relation to each Substitute Loan being purchased:

1. the Mortgage Warranties are satisfied;
2. the principal amount of the Substitute Loan does not exceed the principal amount of the Loan in respect of which the substitution is being made;
3. the sale and repurchase of a Substitute Loan is not reasonably likely to adversely affect the then current ratings of the Instruments;
4. that upon the purchase of a Substitute Loan, the weighted average principal balance of the Mortgage Pool does not increase by more than 1% from such balance immediately prior to such purchase;
5. that upon the purchase of a Substitute Loan, the aggregate balance of all Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans contained in the Mortgage Pool does not exceed 10% of the aggregate principal balance of the Loans in the Mortgage Pool on the Issue Date;
6. each Substitute Loan is made on substantially the same terms as the original Loan in relation to the applicable interest rate and repayment terms;
7. the interest rate applicable to any Further Advances Loan, Converted Loan, Substituted Collateral Loan and Substitute Loan is not less than 0.1% below the interest rate in relation to the corresponding Loan repurchased by the Originator (to which such Further Advances Loan, Converted Loans, Substituted Collateral Loans and Substitute Loans relate);
8. that upon the purchase of a Substitute Loan, the weighted average LTV of the Mortgage Pool does not increase by more than 1% from the weighted average LTV immediately prior to such purchase;
9. the Originator is not in breach of any obligations on its part to repurchase or procure the repurchase of any Loan in accordance with the Mortgage Sale Agreement;

10. any Mortgage Loan Discount in relation to the Substitute Loan is cash collateralised by the Originator at the time the Substitute Loan is purchased by the Issuer;
11. following the purchase of a Substitute Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances Loans, Substituted Collateral Loans, Converted Loans or Substitute Loans to be made on such date) calculated on the immediately preceding Determination Date in the same way as for the Completion Mortgage Pool (or as agreed by the Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Completion Mortgage Pool calculated on the Issue Date, plus 0.25 per cent;
12. that upon purchase of the Substitute Loan, when aggregated with Further Advances Loans, Converted Loans, Substituted Collateral Loans and Substitute Loans in the Mortgage Pool, such Substitute Loan does not extend the final maturity date of the Loans in the Mortgage Pool beyond two years prior to the Final Maturity Date; and
13. no Enforcement Notice which remains in effect has been given by the Trustee under the General Conditions.

### **Lending Criteria**

The Lending Criteria (aspects of which are summarised below) will have applied at the time of origination of the Loans comprising the Completion Mortgage Pool and will apply in respect of all Prefunded Loans, Further Advances Loans, Substituted Collateral Loans, Substitute Loans and Converted Loans.

#### *Security*

- (a) Each Loan must be secured by a first legal charge over a freehold or long leasehold residential property in England and Wales governed by English law, or a first ranking standard security over a heritable or long leasehold residential property in Scotland governed by Scots law.
- (b) The following are examples of types of property that are not acceptable as security:
  - (i) Freehold flats or maisonettes in England and Wales;
  - (ii) studio flats (unless in each case expressly approved by the Originator's valuer);
  - (iii) Ex local authority flats or maisonettes in blocks of more than 6 storeys (unless in each case expressly approved by the Originator);
  - (iv) properties with commercial usage;
  - (v) properties designated as defective under the Housing Defects Act;
  - (vi) properties with agricultural restrictions;
  - (vii) properties under 10 years old without NHBC, Zurich New Build, or similar certificates;
  - (viii) properties containing mundic block material;
  - (ix) properties not wholly owned by the Borrower and where equity in such properties is retained by the developer or builder.
- (c) Each Property offered as security will have been valued by a qualified surveyor (MRICS or equivalent qualification) chosen from a panel of valuation firms approved by the Originator.
- (d) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy in the name of the Originator, or the Originator must be jointly insured with the Borrower under, or its interest noted on, a buildings policy in relation to the relevant Property.

### *Loan Amount*

Each Loan at the time of completion must be at least £25,001. A higher minimum amount applies for “Buy-to-Let” and “Right-to-Buy” Loans. The Principal Balance of each Loan will not exceed £500,000 (excluding capitalised fees) at origination.

### *Loan to Value Ratio*

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Loan (excluding capitalised fees) by (i) (in the case of a purchase) the lower of the open market valuation and the purchase price of the Property or (ii) (in the case of a re-mortgage or a purchase at under market value) the open market valuation of the Property.
- (b) The LTV of each Loan at the date of the initial advance must be no more than 90%.
- (c) Where a Loan originated by the Originator includes a retention element, the LTV is calculated on the full principal amount of the Loan (including the retention element).

### *Term*

Each Loan must have an initial term of between 5 and 40 years and, except for a Repayment Loan, have no scheduled principal repayment prior to its stated final maturity which, in the case of Loans in the Mortgage Pool, must be no later than two years prior to the Final Maturity Date.

### *Borrowers*

- (a) A maximum number of four Borrowers are allowed to be parties to a Loan.
- (b) The Borrower’s credit and employment history will have been assessed, where appropriate to the product, with the aid of one or more of the following:
  - (i) Search supplied by credit reference agencies;
  - (ii) Confirmation of voters roll entries;
  - (iii) Reference from current employers;
  - (iv) Accountant’s certificate; and
  - (v) Reference from current and previous lenders.
- (c) Where satisfaction of CCJ’s (or the Scottish equivalent) is a requirement of the Loan, a certificate of satisfaction issued by the court must have been provided, or instead confirmation on the applicable credit search that the CCJ has been satisfied must be obtained.
- (d) Bankrupts must be discharged from bankruptcy.
- (e) Borrowers must have been at least 18 years of age prior to completion of the Loan (a 25 year age threshold applying for the primary applicant on a Buy-to-Let Loan).
- (f) Borrowers who have been subject of an Individual Voluntary Arrangement (“**IVA**”) will have provided a written confirmation of satisfactory conduct from the insolvency practitioner supervising the arrangement.

### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers



(holding at least 25% of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of the Originator.

- (b) For all Loans other than Buy-to-Let Loans the maximum Loan will not exceed the higher of 5.00 times the assessed income of the primary borrower plus 1.00 times the assessed income of the secondary borrower, or 3.50 times the combined assessed income of the primary and secondary borrowers at the time the Loan is underwritten.
- (c) On a Buy-to-Let Loan the application, which must be made by a current property owner who has an alternative source of income other than rental, is assessed on the application form, supporting documentations and, where appropriate, the opinion of the valuer.
- (d) On a Let-to-Buy Loan, rental income must cover the existing mortgage payments by at least 100%.

#### *Solicitors*

A firm of solicitors acting on behalf of the Originator on the making of each Loan must have at least two practising partners and be a registered member of the applicable Law Society. Licensed conveyancers and limited companies are not accepted.

There are no Northern Irish Loans in the Mortgage Pool.

#### *Further Advances/Conversions/Substitutions*

Where a Borrower wishes to increase the principal amount to be advanced under a Loan, or wishes to convert the repayment method of their Loan into another repayment method offered by the Originator or wishes to substitute the existing security for new security, the Originator at its discretion may agree to the Borrower's request and implement the same in accordance with the conditions set out in "*Sale of Substitute Loans - Further Advances, Conversion and Substituted Collateral Loans*" above.

#### *Changes to and Deviations from Lending Criteria*

In certain cases where a prospective Borrower or Loan did not fulfil in all respects the Lending Criteria or the conditions set out in "*Sale of Substitute Loans - Further Advances, Conversions and Substituted Collateral Loans*" at the relevant time, the relevant Loan may nevertheless have been approved where an underwriter of the Originator with an approved lending mandate considered that, notwithstanding those deviations, the risks, taken as a whole, would be acceptable to the Originator acting as a Prudent Mortgage Lender.

The Originator may vary the Lending Criteria and the other conditions set out in "*Sale of Substitute Loans - Further Advances, Conversion and Substituted Collateral Loans*" from time to time in the manner of a Prudent Mortgage Lender. Any material variation of the Lending Criteria shall be notified to the Rating Agencies. Further Advances Loans, Converted Loans, Substituted Collateral Loans and Prefunded Loans may only be included in the Mortgage Pool from time to time if they were originated in accordance with the Lending Criteria and the relevant conditions (each as so varied) have been satisfied.

#### **Capped Rate Loans**

As at the date of this Prospectus, the Originator offers Capped Rate Loans to eligible borrowers. Although Capped Rate Loans are not included in the Completion Mortgage Pool, they may be acquired by the Issuer at a future date, in accordance with the Mortgage Sale Agreement, and comprise a proportion of the Mortgage Pool. The Originator currently has the benefit of an underlying hedge agreement with HSBC Bank plc, as swap counterparty, in respect of the Capped Rate Loans, pursuant to which the Originator will be in the money if a certain strike rate (specified in the underlying hedge agreement) is reached. Should the Issuer acquire Capped Rate Loans as part of the Mortgage Pool, the Originator will novate the benefit of the underlying hedge agreement that is proportional to the value of the Capped Rate Loans to be acquired by the Issuer, at or immediately prior to such acquisition by the Issuer.

## **Insurance Contracts — Buildings Insurance**

The Issuer and the Trustee will have the benefit of a Block Buildings Policy to the extent of their respective interests in the Loans.

The Lending Criteria require that either the relevant Property is insured under a Block Buildings Policy in the name of the Originator, which is currently with the Block Building Insurer, or that the interest of the Originator is noted on, or that the Originator is included as joint insured under, a buildings insurance policy over the relevant Property, subject to the approval of the Originator. The Originator will warrant, in the Mortgage Sale Agreement, that:

- (a) at the time the relevant Loan was completed, the related Property was either insured (i) under the Block Buildings Policy in the name of, among others, the Originator or (ii) under a buildings insurance policy under which the Originator was either an insured party thereunder or its interest had been noted by the insurers against fire and other commercial risks and for an amount not less than the full reinstatement value determined by a valuer approved by the Originator; and
- (b) the Block Buildings Policy is in full force and effect, all premiums have been paid as at the Issue Date and the Originator is not aware of any ground for the avoidance or termination of any of the Block Buildings Policies so far, in each case, as they relate to the Properties.

The Block Building Insurer acts through the Insurance Agent who offers a range of insurance policies including block buildings insurance.

## **Insurance Contracts - Title Insurance**

The Issuer and the Trustee will have the benefit of the Title Insurance Policies to the extent of their respective interests in the Loans. Under the Title Insurance Policies, the insurer named in the relevant Title Insurance Policy will insure the Issuer and Trustee any actual loss together with accrued and unpaid interest and certain costs and expenses incurred as a result of, among others, the title to the Property being vested otherwise than in the relevant Borrower or any defect in such title or claim in respect of any deed or document by virtue of which such title is purported to be vested.

The Originator will warrant, in the Mortgage Sale Agreement, that each of the Title Insurance Policies is in full force and effect, all premiums have been paid as at the Issue Date and the Originator is not aware of any ground for the avoidance or termination of the Title Insurance Policies.

## **Mortgage Early Redemption Amounts**

### *Origination Costs*

The Originator incurs certain costs when originating each Loan. These costs include funding costs (debt and equity), fees payable to brokers and solicitors, costs associated with setting up each Loan on the servicing software systems and other fixed and variable costs (together, the “**Origination Costs**”). These Origination Costs are amortised over a period of time against the net income derived from the Loan. If a Loan redeems within three years of the date of the advance, the Borrower is, under the terms of the Loan, obliged to pay an early redemption compensation payment.

### *Compensation for Origination Costs*

The compensation payment payable by a Borrower has been determined by the Originator on the basis of a reasonable amount required to compensate the Originator for the Origination Costs which have not been recovered from the net income derived from the Loan.

The offer letter to Borrowers clearly sets out the mortgage early redemption charges applicable to the Loan.

### *Early Redemption*

The early redemption of a Loan will generally take place in one of three possible circumstances. The Borrower may voluntarily redeem the Loan when (i) remortgaging or (ii) selling the underlying property, or (iii) the Loan

may be redeemed as a result of enforcement proceedings following default by the Borrower in making scheduled payments or following the partial repayment by the Borrower. In each circumstance the relevant compensation amount would be payable if such redemption took place within three years of the date of the commencement of the Loan. Thereafter, the Borrower is required to give one month's notice of their intention to redeem the Loan or pay one per cent. of the principal amount so redeemed in lieu of such notice. Compensation payments are not required where redemption of the Loan arises as a consequence of the death of a Borrower.

Under the terms of each Loan, the Borrower is also obliged to pay a compensation payment if the Loan is redeemed within the Relevant Period. The compensation payment which a Borrower pays is determined on the basis of flat rate of 6 per cent. applied to the principal amount outstanding on the Loan at the time of redemption where such Loan is redeemed within the Relevant Period.

If a Borrower redeems a Mortgage within the Relevant Period and takes out a new loan with the Originator the Originator may, in its absolute discretion, up to 30 days after receipt of the Mortgage Early Redemption Amount, refund that Mortgage Early Redemption Amount to the Borrower.

If a Borrower defaults and enforcement proceedings are initiated, the Enforcement Proceeds may be insufficient to repay the Enforcement Liabilities. In the event the Enforcement Liabilities are greater than the Enforcement Proceeds, such proceeds will be applied first in repaying all Enforcement Liabilities other than any Mortgage Early Redemption Amounts. Only when all other Enforcement Liabilities have been repaid will the Enforcement Proceeds be applied towards payment of Mortgage Early Redemption Amounts.

As all initial Loans in the Provisional Completion Mortgage Pool were originated by the Originator during the Loan Origination Period, no Mortgage Early Redemption Amounts in respect of the Provisional Completion Mortgage Pool are expected to arise after the Initial MERC Collection Period. No Mortgage Early Redemption Amounts in respect of the Prefunded Loans comprising any Prefunded Mortgage Pool are expected to arise after the MERC Prefunding Mortgage Period.

### **Scottish Loans**

A proportion of the Loans are Scottish Loans. Each Scottish Loan is secured over the relevant Property by way of a standard security, being the only means of creating a fixed charge or security over heritable property (i.e. land and buildings) in Scotland. In relation to the Scottish Loans, references in this Prospectus to a "**mortgage**" are to be read as references to such a standard security, and references to a "**mortgagor**" and "**mortgagee**" are to be read as references to the grantor thereof and the grantee thereunder (referred to under Scots law as a "**heritable creditor**") respectively.

A statutory set of "Standard Conditions" is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary and extend the Standard Conditions by way of a "Deed of Variations", the terms of which are in turn imported into each standard security granted in their favour. The Originator has executed such a Deed of Variations, with a view to conforming as far as possible the terms of its Scottish and English Loans from an operational viewpoint (subject to such limitations as are inherent to the differences between Scots and English law).

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement and redemption. Generally, where a breach by a borrower entitles the lender to require repayment an appropriate statutory notice must first be served. First, the lender may serve a "calling up notice" with which the borrower has two months to comply, failing which the lender may enforce its rights under the standard security by sale or the other remedies provided by statute. Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which event the borrower has only one month in which to comply, but also has the right to object to the notice by court application. In addition, the lender may in certain circumstances make direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case. In contrast to the position in England and Wales, a heritable creditor has no power to appoint a receiver under a standard security.

Formerly, once a default by the borrower had been established by one of the methods detailed in the preceding paragraph the Scottish courts were bound, except in very limited circumstances, to grant the enforcement remedies sought. However, this position has been altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of this Act has been to confer on the court a

discretion, on the application of the borrower (or the borrower's spouse or partner) within certain time limits, to suspend the exercise of the lender's enforcement remedies for such a period and to such extent as the court considers reasonable in the circumstances, having regard among other factors to the nature of the default, the applicant's ability to remedy it, any action taken by the lender to assist the borrower in fulfilling its obligations and the availability of alternative accommodation. These statutory changes have, broadly, brought the law in Scotland in this area into line with that which already applied in England and Wales.

## WEIGHTED AVERAGE LIVES OF NOTES

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

The model used in this Prospectus for the Mortgages represents an assumed constant per annum rate of repayment, or CPR, each month relative to the then outstanding principal balance of a pool of mortgage loans. CPR does not purport to be either an historical description of the repayment experience of any pool of mortgage loans or a prediction of the expected rate of repayment of any Loans to be included in the Completion Mortgage Pool or the Prefunded Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans to be included in the Completion Mortgage Pool and the following additional assumptions (the “**Modelling Assumptions**”):

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) no Loan is repurchased by the Originator;
- (e) no Further Advances Loans, Substituted Collateral Loans or Converted Loans are purchased;
- (f) the Loans are fully indexed on their first reset;
- (g) the amortisation of any Repayment Loan is calculated as an annuity loan;
- (h) all Loans which are not Repayment Loans are assumed to be Interest Only Loans;
- (i) there are 110 days between the Issue Date and the first Interest Payment Date;
- (j) Non-Verified Loans in the Completion Mortgage Pool Verify;
- (k) a constant LIBOR rate of 4.60 per cent. on the Sterling Notes and the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Dollar Notes and the Euro Notes;
- (l) all Prefunded Loans are treated as being purchased in full on the Issue Date;
- (m) there is reinvestment on the GIC Account;
- (n) Ramp A has been assumed to be 15% CPR for 12 months then 35% CPR thereafter (without taking into account loan seasoning);
- (o) Ramp B has been assumed to be the CPRs as show in the Glossary (without taking into account loan seasoning);
- (p) the day count is Actual/365;
- (q) accrued interest of 12 days’ is assumed;
- (r) the weighted average lives of the Notes are calculated on a 30/360 basis, and the number of days between the Issue Date and the first Interest Payment Date using this convention is 108; and
- (s) the weighted average lives of the Notes are calculated using a Plug Pool with the following approximate characteristics:

<i>Plug</i>	<i>Current Principal Balance</i>	<i>Mortgage Rate</i>	<i>Fully Indexed Margin</i>	<i>Remaining Term</i>	<i>Months to Reset</i>	<i>Interest Only Period</i>
1	£135,078,447.64	8.050%	3.460%	262	3	261
2	£64,921,552.36	7.896%	3.306%	276	3	0

The actual characteristics and performance of the Mortgages are likely to differ from the assumptions used in constructing the tables set forth below, which 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 Mortgages will prepay at a constant rate until maturity, that all of the Mortgages will prepay at the same rate, that all the Loans will Verify or that there will be no defaults or delinquencies on the Mortgages.

Any difference between such assumptions and the actual characteristics and performance of the Mortgages will 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 of CPR.

**Percentage of the Original Principal Amount Outstanding of the A1 Notes at the Specified CPRs (without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial Percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-06	98.59%	71.77%	58.46%	45.21%	32.02%	18.92%	5.88%	53.85%	38.20%
15-Oct-07	97.17%	48.46%	26.18%	5.28%	-	-	-	-	-
15-Oct-08	95.64%	27.51%	-	-	-	-	-	-	-
15-Oct-09	93.99%	8.68%	-	-	-	-	-	-	-
15-Oct-10	92.20%	-	-	-	-	-	-	-	-
15-Oct-11	90.26%	-	-	-	-	-	-	-	-
15-Oct-12	88.16%	-	-	-	-	-	-	-	-
15-Oct-13	85.90%	-	-	-	-	-	-	-	-
15-Oct-14	83.44%	-	-	-	-	-	-	-	-
15-Oct-15	80.79%	-	-	-	-	-	-	-	-
15-Oct-16	77.91%	-	-	-	-	-	-	-	-
15-Oct-17	74.80%	-	-	-	-	-	-	-	-
15-Oct-18	71.44%	-	-	-	-	-	-	-	-
15-Oct-19	67.80%	-	-	-	-	-	-	-	-
15-Oct-20	63.86%	-	-	-	-	-	-	-	-
15-Oct-21	59.60%	-	-	-	-	-	-	-	-
15-Oct-22	54.99%	-	-	-	-	-	-	-	-
15-Oct-23	50.00%	-	-	-	-	-	-	-	-
15-Oct-24	44.60%	-	-	-	-	-	-	-	-
15-Oct-25	38.76%	-	-	-	-	-	-	-	-
15-Oct-26	32.44%	-	-	-	-	-	-	-	-
15-Oct-27	-	-	-	-	-	-	-	-	-
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (year)	16.130	2.201	1.491	1.126	0.904	0.755	0.649	1.128	1.035
Payment Window (start)	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06
Payment Window (end)	15/7/27	15/4/10	15/10/08	15/1/08	15/7/07	15/4/07	15/1/07	15/7/07	15/4/07
<b>(with optional redemption)</b>									
Weighted Average Life (years)	16.130	2.201	1.491	1.126	0.904	0.755	0.649	1.128	1.035
Payment Window (start)	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06	15/1/06
Payment Window (end)	15/7/27	15/4/10	15/10/08	15/1/08	15/7/07	15/4/07	15/1/07	15/7/07	15/4/07

**Percentage of the Original Principal Amount Outstanding of the A2 Notes at the Specified CPRs (without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial Percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-06	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-07	100.00%	100.00%	100.00%	100.00%	86.42%	69.11%	53.09%	82.62%	64.07%
15-Oct-08	100.00%	100.00%	98.88%	74.72%	59.36%	45.25%	31.10%	50.17%	36.94%
15-Oct-09	100.00%	100.00%	76.81%	59.37%	44.22%	31.46%	20.08%	32.39%	18.59%
15-Oct-10	100.00%	92.16%	63.24%	47.15%	32.92%	21.86%	12.96%	20.90%	11.07%
15-Oct-11	100.00%	77.68%	53.33%	37.42%	24.49%	15.18%	8.35%	13.48%	6.59%
15-Oct-12	100.00%	68.20%	44.93%	29.67%	18.21%	10.53%	5.38%	8.68%	3.92%
15-Oct-13	100.00%	60.80%	37.83%	23.51%	13.53%	7.30%	3.47%	5.59%	2.33%
15-Oct-14	100.00%	54.15%	31.82%	18.61%	10.04%	5.06%	2.23%	3.60%	1.38%
15-Oct-15	100.00%	48.18%	26.74%	14.72%	7.44%	3.50%	1.43%	2.31%	0.82%
15-Oct-16	100.00%	42.82%	22.45%	11.63%	5.51%	2.42%	0.92%	1.48%	0.49%
15-Oct-17	100.00%	38.01%	18.82%	9.18%	4.08%	1.67%	0.59%	0.95%	0.29%
15-Oct-18	100.00%	33.70%	15.76%	7.23%	3.01%	1.15%	0.38%	0.61%	0.17%
15-Oct-19	100.00%	29.83%	13.17%	5.69%	2.22%	0.79%	0.24%	0.39%	0.10%
15-Oct-20	100.00%	26.36%	10.99%	4.47%	1.64%	0.55%	0.15%	0.25%	0.06%
15-Oct-21	100.00%	23.25%	9.16%	3.50%	1.20%	0.37%	0.10%	0.16%	0.03%
15-Oct-22	100.00%	20.47%	7.61%	2.74%	0.88%	0.26%	0.06%	0.10%	0.02%
15-Oct-23	100.00%	17.97%	6.31%	2.14%	0.65%	0.17%	0.04%	0.06%	0.01%
15-Oct-24	100.00%	15.74%	5.22%	1.67%	0.47%	0.12%	0.03%	0.04%	0.01%
15-Oct-25	100.00%	13.74%	4.31%	1.29%	0.34%	0.08%	0.02%	0.03%	0.00%
15-Oct-26	100.00%	11.95%	3.54%	1.00%	0.25%	0.05%	0.01%	0.02%	0.00%
15-Oct-27	-	0.40%	0.11%	0.03%	0.01%	0.00%	0.00%	0.00%	0.00%
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (years)	21.800	11.449	8.173	6.234	4.850	3.854	3.050	3.926	3.180
Payment Window (start)	15/7/27	15/4/10	15/10/08	15/1/08	15/7/07	15/4/07	15/1/07	15/7/07	15/4/07
Payment Window (end)	15/7/27	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28
<b>(with optional redemption)</b>									
Weighted Average Life (years)	21.800	11.193	7.582	5.674	4.391	3.527	2.801	3.638	2.953
Payment Window (start)	15/7/27	15/4/10	15/10/08	15/1/08	15/7/07	15/4/07	15/1/07	15/7/07	15/4/07
Payment Window (end)	15/7/27	15/7/25	15/7/19	15/1/16	15/10/13	15/7/12	15/4/11	15/1/12	15/10/10



**Percentage of the Original Principal Amount Outstanding of the M1 Notes at the Specified CPRs  
(without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial Percentage	-	-	-	-	-	-	-	-	-
15-Oct-06	-	-	-	-	-	-	-	-	-
15-Oct-07	-	-	-	-	-	-	-	-	-
15-Oct-08	-	-	-	-	-	-	-	-	-
15-Oct-09	-	-	-	-	-	-	-	-	-
15-Oct-10	-	-	-	-	-	-	-	-	-
15-Oct-11	-	-	-	-	-	-	-	-	-
15-Oct-12	-	-	-	-	-	-	-	-	-
15-Oct-13	-	-	-	-	-	-	-	-	-
15-Oct-14	-	-	-	-	-	-	-	-	-
15-Oct-15	-	-	-	-	-	-	-	-	-
15-Oct-16	-	-	-	-	-	-	-	-	-
15-Oct-17	-	-	-	-	-	-	-	-	-
15-Oct-18	-	-	-	-	-	-	-	-	-
15-Oct-19	-	-	-	-	-	-	-	-	-
15-Oct-20	-	-	-	-	-	-	-	-	-
15-Oct-21	-	-	-	-	-	-	-	-	-
15-Oct-22	-	-	-	-	-	-	-	-	-
15-Oct-23	-	-	-	-	-	-	-	-	-
15-Oct-24	-	-	-	-	-	-	-	-	-
15-Oct-25	-	-	-	-	-	-	-	-	-
15-Oct-26	-	-	-	-	-	-	-	-	-
15-Oct-27	-	-	-	-	-	-	-	-	-
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (years)	-	-	-	-	-	-	-	-	-
Payment Window (start)	-	-	-	-	-	-	-	-	-
Payment Window (end)	-	-	-	-	-	-	-	-	-
<b>(with optional redemption)</b>									
Weighted Average Life (years)	-	-	-	-	-	-	-	-	-
Payment Window (start)	-	-	-	-	-	-	-	-	-
Payment Window (end)	-	-	-	-	-	-	-	-	-

**Percentage of the Original Principal Amount Outstanding of the M2 Notes at the Specified CPRs  
(without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-06	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-07	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-08	100.00%	100.00%	100.00%	100.00%	86.33%	76.17%	72.05%	72.05%	57.65%
15-Oct-09	100.00%	100.00%	100.00%	79.46%	64.31%	52.96%	46.52%	46.52%	29.02%
15-Oct-10	100.00%	100.00%	88.03%	63.10%	47.88%	36.80%	30.01%	30.01%	17.28%
15-Oct-11	100.00%	100.00%	74.23%	50.08%	35.62%	25.55%	19.35%	19.35%	10.29%
15-Oct-12	100.00%	91.79%	62.54%	39.71%	26.48%	17.73%	12.47%	12.47%	6.12%
15-Oct-13	100.00%	81.82%	52.66%	31.47%	19.67%	12.29%	8.03%	8.03%	3.64%
15-Oct-14	100.00%	72.88%	44.29%	24.91%	14.60%	8.52%	5.16%	5.16%	2.16%
15-Oct-15	100.00%	64.84%	37.22%	19.70%	10.83%	5.89%	3.32%	3.32%	1.28%
15-Oct-16	100.00%	57.63%	31.24%	15.57%	8.02%	4.07%	2.13%	2.13%	0.76%
15-Oct-17	100.00%	51.16%	26.19%	12.28%	5.93%	2.81%	1.37%	1.37%	0.45%
15-Oct-18	100.00%	45.36%	21.93%	9.68%	4.38%	1.94%	0.87%	0.87%	0.27%
15-Oct-19	100.00%	40.15%	18.34%	7.62%	3.23%	1.34%	0.56%	0.56%	0.16%
15-Oct-20	100.00%	35.48%	15.30%	5.98%	2.38%	0.92%	0.36%	0.36%	0.09%
15-Oct-21	100.00%	31.30%	12.75%	4.69%	1.75%	0.63%	0.23%	0.23%	0.05%
15-Oct-22	100.00%	27.55%	10.60%	3.67%	1.28%	0.43%	0.14%	0.14%	0.03%
15-Oct-23	100.00%	24.19%	8.79%	2.86%	0.94%	0.29%	0.09%	0.09%	0.02%
15-Oct-24	100.00%	21.18%	7.27%	2.23%	0.69%	0.20%	0.06%	0.06%	0.01%
15-Oct-25	100.00%	18.49%	5.99%	1.73%	0.50%	0.14%	0.04%	0.04%	0.01%
15-Oct-26	100.00%	16.09%	4.92%	1.34%	0.36%	0.09%	0.02%	0.02%	0.00%
15-Oct-27	-	0.54%	0.16%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (years)	21.800	13.498	9.907	7.420	6.041	5.168	4.708	4.708	3.913
Payment Window (start)	15/7/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/7/27	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28
<b>(with optional redemption)</b>									
Weighted Average Life (years)	21.800	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559
Payment Window (start)	15/7/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/7/27	15/7/25	15/7/19	15/1/16	15/10/13	15/7/12	15/4/11	15/1/12	15/10/10

**Percentage of the Original Principal Amount Outstanding of the B1 Notes at the Specified CPRs (without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-06	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-07	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-08	100.00%	100.00%	100.00%	100.00%	86.33%	76.17%	72.05%	72.05%	57.65%
15-Oct-09	100.00%	100.00%	100.00%	79.46%	64.31%	52.96%	46.52%	46.52%	29.02%
15-Oct-10	100.00%	100.00%	88.03%	63.10%	47.88%	36.80%	30.01%	30.01%	17.28%
15-Oct-11	100.00%	100.00%	74.23%	50.08%	35.62%	25.55%	19.35%	19.35%	10.29%
15-Oct-12	100.00%	91.79%	62.54%	39.71%	26.48%	17.73%	12.47%	12.47%	6.12%
15-Oct-13	100.00%	81.82%	52.66%	31.47%	19.67%	12.29%	8.03%	8.03%	3.64%
15-Oct-14	100.00%	72.88%	44.29%	24.91%	14.60%	8.52%	5.16%	5.16%	2.16%
15-Oct-15	100.00%	64.84%	37.22%	19.70%	10.83%	5.89%	3.32%	3.32%	1.28%
15-Oct-16	100.00%	57.63%	31.24%	15.57%	8.02%	4.07%	2.13%	2.13%	0.76%
15-Oct-17	100.00%	51.16%	26.19%	12.28%	5.93%	2.81%	1.37%	1.37%	0.45%
15-Oct-18	100.00%	45.36%	21.93%	9.68%	4.38%	1.94%	0.87%	0.87%	0.27%
15-Oct-19	100.00%	40.15%	18.34%	7.62%	3.23%	1.34%	0.56%	0.56%	0.16%
15-Oct-20	100.00%	35.48%	15.30%	5.98%	2.38%	0.92%	0.36%	0.36%	0.09%
15-Oct-21	100.00%	31.30%	12.75%	4.69%	1.75%	0.63%	0.23%	0.23%	0.05%
15-Oct-22	100.00%	27.55%	10.60%	3.67%	1.28%	0.43%	0.14%	0.14%	0.03%
15-Oct-23	100.00%	24.19%	8.79%	2.86%	0.94%	0.29%	0.09%	0.09%	0.02%
15-Oct-24	100.00%	21.18%	7.27%	2.23%	0.69%	0.20%	0.06%	0.06%	0.01%
15-Oct-25	100.00%	18.49%	5.99%	1.73%	0.50%	0.14%	0.04%	0.04%	0.01%
15-Oct-26	100.00%	16.09%	4.92%	1.34%	0.36%	0.09%	0.02%	0.02%	0.00%
15-Oct-27	18.39%	0.54%	0.16%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (years)	21.968	13.498	9.907	7.420	6.041	5.168	4.708	4.708	3.913
Payment Window (start)	15/7/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28
<b>(with optional redemption)</b>									
Weighted Average Life (years)	21.858	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559
Payment Window (start)	15/7/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/10/27	15/7/25	15/7/19	15/1/16	15/10/13	15/7/12	15/4/11	15/1/12	15/10/10

**Percentage of the Original Principal Amount Outstanding of the B2 Notes at the Specified CPRs (without optional redemption)**

<i>Date</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
Initial percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-06	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-07	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15-Oct-08	100.00%	100.00%	100.00%	100.00%	86.33%	76.17%	72.05%	72.05%	57.65%
15-Oct-09	100.00%	100.00%	100.00%	79.46%	64.31%	52.96%	46.52%	46.52%	29.02%
15-Oct-10	100.00%	100.00%	88.03%	63.10%	47.88%	36.80%	30.01%	30.01%	17.28%
15-Oct-11	100.00%	100.00%	74.23%	50.08%	35.62%	25.55%	19.35%	19.35%	10.29%
15-Oct-12	100.00%	91.79%	62.54%	39.71%	26.48%	17.73%	12.47%	12.47%	6.12%
15-Oct-13	100.00%	81.82%	52.66%	31.47%	19.67%	12.29%	8.03%	8.03%	3.64%
15-Oct-14	100.00%	72.88%	44.29%	24.91%	14.60%	8.52%	5.16%	5.16%	2.16%
15-Oct-15	100.00%	64.84%	37.22%	19.70%	10.83%	5.89%	3.32%	3.32%	1.28%
15-Oct-16	100.00%	57.63%	31.24%	15.57%	8.02%	4.07%	2.13%	2.13%	0.76%
15-Oct-17	100.00%	51.16%	26.19%	12.28%	5.93%	2.81%	1.37%	1.37%	0.45%
15-Oct-18	100.00%	45.36%	21.93%	9.68%	4.38%	1.94%	0.87%	0.87%	0.27%
15-Oct-19	100.00%	40.15%	18.34%	7.62%	3.23%	1.34%	0.56%	0.56%	0.16%
15-Oct-20	100.00%	35.48%	15.30%	5.98%	2.38%	0.92%	0.36%	0.36%	0.09%
15-Oct-21	100.00%	31.30%	12.75%	4.69%	1.75%	0.63%	0.23%	0.23%	0.05%
15-Oct-22	100.00%	27.55%	10.60%	3.67%	1.28%	0.43%	0.14%	0.14%	0.03%
15-Oct-23	100.00%	24.19%	8.79%	2.86%	0.94%	0.29%	0.09%	0.09%	0.02%
15-Oct-24	100.00%	21.18%	7.27%	2.23%	0.69%	0.20%	0.06%	0.06%	0.01%
15-Oct-25	100.00%	18.49%	5.99%	1.73%	0.50%	0.14%	0.04%	0.04%	0.01%
15-Oct-26	100.00%	16.09%	4.92%	1.34%	0.36%	0.09%	0.02%	0.02%	0.00%
15-Oct-27	79.34%	0.54%	0.16%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%
15-Oct-28	-	-	-	-	-	-	-	-	-
Weighted Average Life (years)	22.523	13.498	9.907	7.420	6.041	5.168	4.708	4.708	3.913
Payment Window (start)	15/10/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28	15/10/28
	<b>(with optional redemption)</b>								
Weighted Average Life (years)	22.050	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559
Payment Window (start)	15/10/27	15/4/12	15/4/10	15/1/09	15/7/08	15/4/08	15/4/08	15/4/08	15/1/08
Payment Window (end)	15/10/27	15/7/25	15/7/19	15/1/16	15/10/13	15/7/12	15/4/11	15/1/12	15/10/10

The optional redemption figures shown in the above tables assume that the Notes are redeemed at their Principal Amount Outstanding on the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) is less than 10 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes).

**Weighted Average Life in Years (with optional redemption)**

<b>CPR</b>									
	<b>0%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>	<b>Ramp A</b>	<b>Ramp B</b>
A1 Notes	16.130	2.201	1.491	1.126	0.904	0.755	0.649	1.128	1.035
A2 Notes	21.800	11.193	7.582	5.674	4.391	3.527	2.801	3.638	2.953
M1 Notes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M2 Notes	21.800	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559
B1 Notes	21.858	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559
B2 Notes	22.050	13.153	9.084	6.671	5.373	4.617	4.131	4.294	3.559

The above table assumes that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) is less than 10 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) and (ii) the Interest Payment Date which is the Final Maturity Date.

## SENSITIVITY OF THE DACs TO PREPAYMENTS

### Sensitivity of the DACs to Prepayments

The yield to an investor in the DACs will be sensitive to both the timing of receipt of prepayments and the overall rate of principal prepayment on the Loans, which rate may fluctuate significantly from time to time. An investor in the DACs should fully consider the associated risks, including the risk that a rapid rate of principal prepayments could result in the failure to recover the initial investment.

The table below indicates the sensitivity of valuation of the DACs with respect to the A1 Notes and A2 Notes to various assumptions based upon, amongst other things, the Modelling Assumptions set forth under “**Weighted Average Lives of the Notes**”.

The tables assume that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) is less than 10 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) and (ii) the Interest Payment Date which is the Final Maturity Date and that the DACs will cease to pay interest on the date on which the relevant A Note is redeemed in full.

For these purposes it has not been necessary to specify or include any assumption relating to the fact that the Detachable A1 Coupons and Detachable A2 Coupons will accrue interest from the Issue Date and will cease to pay interest on the date on which relevant A Notes are redeemed in full.

### Yield Sensitivity of the Detachable A1 Coupons\*

CPR									
<i>Price</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
1.505100	162.794	122.073	96.139	67.928	39.163	11.193	-15.028	73.537	65.307
1.755100	136.730	96.296	70.053	41.840	13.505	-13.610	-38.646	45.466	35.892
2.005100	117.716	77.244	50.637	22.386	-5.596	-31.995	-56.053	24.430	13.898
2.255100	103.249	62.530	35.546	7.248	-20.430	-46.214	-69.441	8.000	-3.236
2.505100	91.881	50.776	23.424	-4.920	-32.328	-57.573	-80.082	-5.243	-17.009
2.755100	82.715	41.136	13.433	-14.952	-42.116	-66.881	-88.759	-16.183	-28.355
3.005100	75.171	33.058	5.026	-23.392	-50.333	-74.665	-95.982	-25.401	-37.889

\*Taking the Sterling Equivalent of the Dollar A Notes and the Euro A Notes, if applicable.

**Yield Sensitivity of the Detachable A2 Coupons\***

<b>CPR</b>									
<i>Price</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
5.789305	38.439	35.833	31.828	26.815	20.204	12.315	1.616	14.365	4.702
6.039305	36.777	34.023	29.916	24.815	18.108	10.146	-0.653	12.091	2.273
6.289305	35.251	32.353	28.150	22.963	16.165	8.133	-2.762	9.975	0.010
6.539305	33.845	30.807	26.512	21.242	14.355	6.257	-4.729	8.000	-2.105
6.789305	32.543	29.370	24.987	19.638	12.666	4.503	-6.569	6.151	-4.088
7.039305	31.336	28.031	23.564	18.138	11.083	2.860	-8.296	4.416	-5.952
7.289305	30.212	26.780	22.233	16.731	9.597	1.315	-9.920	2.782	-7.708

\*Taking the Sterling Equivalent of the Dollar A Notes and the Euro A Notes, if applicable.

**Combined Yield Sensitivity of the DACs\***

<b>CPR</b>									
<i>Price</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
3.699449	60.748	45.710	37.868	30.126	21.586	12.239	0.500	19.888	10.392
3.949449	56.617	41.696	33.946	26.281	17.749	8.406	-3.410	15.437	5.678
4.199449	53.002	38.187	30.519	22.911	14.373	5.025	-6.870	11.505	1.500
4.449449	49.811	35.094	27.497	19.930	11.375	2.014	-9.959	8.000	-2.232
4.699449	46.974	32.348	24.812	17.273	8.691	-0.688	-12.739	4.852	-5.593
4.949449	44.434	29.893	22.410	14.886	6.270	-3.132	-15.259	2.005	-8.639
5.199449	42.147	27.685	20.247	12.728	4.073	-5.355	-17.556	-0.586	-11.415

\*Taking the Sterling Equivalent of the Dollar A Notes and the Euro A Notes, if applicable.

Investors are urged to make their investment decisions based on their own determinations as to expected prepayment rates, defaults and interest rates. Investors should fully consider the risk that realised losses on the mortgages could result in the failure to fully recover their investments. (See “*Risk Factors – Risks Related to the Loans*”).

## SENSITIVITY OF THE MERCs TO PREPAYMENTS

The yield to an investor in the MERCs will be sensitive to the timing of receipt of prepayments and the overall rate of principal prepayment on the Loans which rate may fluctuate significantly from time to time. An investor in the MERCs should fully consider the associated risks, including the risk that a slowdown in prepayment rates could result in the failure to fully recover the initial investment.

The tables below indicate the sensitivity of the valuation of the MERCs, and of the MERCs and DACs combined, to various assumptions based upon, amongst other things, the Modelling Assumptions set forth under “**Weighted Average Lives of the Notes**”.

The tables assume that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) is less than 10 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the Dollar Notes and the Euro Notes) and (ii) the Interest Payment Date which is the Final Maturity Date and that the DACs will cease to pay interest on the date on which the relevant A Note is redeemed in full.

For these purposes it has not been necessary to specify or include any assumption relating to the fact that the Detachable A1 Coupons and Detachable A2 Coupons will accrue interest from the Issue Date and will cease to pay interest on the date on which the relevant A Notes are redeemed in full.

### Yield Sensitivity for the MERCs\*

<b>CPR</b>									
<i>Price</i>	<i>0%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>Ramp A</i>	<i>Ramp B</i>
3.115881	n/a	-32.313	-11.976	5.174	20.656	35.254	49.460	23.916	34.323
3.365881	n/a	-36.218	-16.873	-0.737	13.667	27.093	40.012	17.990	27.878
3.615881	n/a	-39.705	-21.212	-5.941	7.552	19.997	31.844	12.723	22.144
3.865881	n/a	-42.844	-25.095	-10.571	2.144	13.755	24.696	8.000	16.998
4.115881	n/a	-45.693	-28.599	-14.725	-2.685	8.210	18.376	3.730	12.343
4.365881	n/a	-48.296	-31.783	-18.481	-7.031	3.241	12.739	-0.156	8.106
4.615881	n/a	-50.686	-34.694	-21.901	-10.971	-1.244	7.670	-3.713	4.226

\*Taking the Sterling Equivalent of the Dollar A Notes and the Euro A Notes, if applicable.



**Yield Valuation Sensitivity for the MERCs and DACs\***

<b>CPR</b>									
<b>Price</b>	<b>0%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>	<b>Ramp A</b>	<b>Ramp B</b>
7.565329	28.125	20.899	18.058	15.985	14.143	12.869	11.479	14.223	13.866
7.815329	27.143	19.605	16.546	14.216	12.084	10.525	8.827	12.030	11.439
8.065329	26.222	18.399	15.136	12.563	10.155	8.327	6.336	9.959	9.142
8.315329	25.355	17.272	13.817	11.014	8.345	6.261	3.992	8.000	6.964
8.565329	24.537	16.216	12.581	9.560	6.642	4.316	1.781	6.143	4.895
8.815329	23.765	15.225	11.420	8.192	5.037	2.481	-0.308	4.381	2.927
9.065329	23.035	14.293	10.327	6.902	3.522	0.747	-2.286	2.705	1.051

\*Taking the Sterling Equivalent of the Dollar A Notes and the Euro A Notes, if applicable.

Investors are urged to make their investment decisions based on their own determinations as to expected prepayment rates, defaults and interest rates. Investors should fully consider the risk that realised losses on the mortgages could result in the failure to fully recover their investments. (See “*Risk Factors – Risks Related to the Loans*”).

## **USE OF PROCEEDS**

The net proceeds of the issue of the Instruments (taking the relevant Sterling Equivalent of each of the Instruments issued in a currency other than sterling on the Issue Date, and after payment to the Managers of their management and underwriting fees and selling commission) are expected to amount to £205,075,000. The estimate of the total expenses relating to the admission to trading of the Instruments on the Official List is £1,235,822.54.

Such proceeds will be applied to purchase the Loans in the Completion Mortgage Pool, to meet upfront expenses in connection with the issue of the Instruments and to credit the Reserve Ledger, Mortgage Discount Ledger and the Prefunding Ledger established in respect of the GIC Account.

## SUBSCRIPTION AND SALE

None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures, Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument will be possible under any circumstance.

### Subscription Agreement

Under the terms of the Subscription Agreement, the Managers will jointly and severally agree to subscribe and pay for the Notes at the issue prices shown on the tables on the front of this Prospectus.

The Issuer will pay to the Managers the following combined management and underwriting fee and selling commission for each class of Notes:

- (a) in respect of the A1a Notes, 0.3 per cent. of the aggregate principal amount of the A1a Notes;
- (b) in respect of the A2a Notes, 0.3 per cent. of the aggregate principal amount of the A2a Notes;
- (c) in respect of the M2a Notes, 0.3 per cent. of the aggregate principal amount of the M2a Notes;
- (d) in respect of the B1a Notes, 0.3 per cent. of the aggregate principal amount of the B1a Notes;
- (e) in respect of the B2a Notes, 0.3 per cent. of the aggregate principal amount of the B2a Notes.

The Subscription Agreement is subject to a number of conditions and may be terminated (and the Managers released and discharged from their obligations under the Subscription Agreement) in certain circumstances prior to payment for the Notes to the Issuer on the Issue Date. The Issuer, RFL and the Originator have agreed to indemnify the Managers against certain liabilities in connection with the issue of the Instruments. The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the management of the issue of the Instruments.

### Residual Certificate Note Purchase Agreement

Pursuant to the Residual Certificate Note Purchase Agreement, the Residual Certificate Holders will purchase the Residual Certificates at the issue price of 100 per cent. of their Principal Amount Outstanding.

The Residual Certificate Note Purchase Agreement is subject to a number of conditions and may be terminated (and the Residual Certificate Holders released and discharged from their obligations under the Residual Certificate Note Purchase Agreement) by the Residual Certificate Holders in certain circumstances prior to payment for the Residual Certificates to the Issuer on the Issue Date. The Issuer has agreed to indemnify the Residual Certificate Holders against certain liabilities in connection with the issue of the Residual Certificates.

### Selling Restrictions

#### United States of America

- 1 The Instruments have not been and will not be registered under the Securities Act and any state securities laws and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person (as defined in Regulation S) unless the Instruments are registered under the Securities Act or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws is available. The Issuer has not registered and will not register under the Investment Company Act.

In accordance with the above disclaimer, the Notes will not be offered and sold within the United States in reliance on Rule 144A to Qualified Institutional Buyers that are also Qualified Purchasers but will be offered and sold outside the United States to non-U.S. Persons in offshore transactions pursuant to the requirements of Regulation S. Subject to the above disclaimer, prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Residual Certificates, MERCs and DACs have not been and will not be registered under the Securities Act or under the laws of any state of the United States and will only be offered and sold outside the United States to non-U.S. Persons pursuant to the requirements of Regulation S under the Securities Act. Beneficial interests in the Residual Certificates, MERCs and DACs may only be held by a company which is within the charge to UK corporation tax. In the event that a beneficial holder of Residual Certificates, MERCs or DACs does not comply with these restrictions, no payments under the Residual Certificates, MERCs and/or the DACs will be made to such beneficial holders under the terms and conditions of the Residual Certificates, MERCs and DACs.

- 2 In connection with sales outside the United States, each Manager has agreed under the Subscription Agreement that it will not offer, sell or deliver the Instruments to, or for the account or benefit, of U.S. Persons (i) as part of such Manager's distribution at any time or (ii) otherwise prior to the date that is 40 days after the later of the commencement of the offering and the Issue Date (the "**Distribution Compliance Period**") and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Instruments and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.
- 3 Each Manager under the Subscription Agreement has also agreed that, at or prior to confirmation of sales of any Instruments it will have sent to each distributor, dealer or other person to which it sells any Instruments during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Instruments within the United States or to, or for the account or benefit of, U.S. Persons. Subject to the above disclaimer, in addition, until the end of the Distribution Compliance Period, the offer or sale of any Instruments within the United States by a distributor, dealer or other person that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.
- 4 Subject to the above disclaimer, the Subscription Agreement will provide that each Manager, through its U.S. registered broker-dealer affiliates, may arrange for the offer and resale of the Notes in the United States to persons that are both Qualified Institutional Buyers and Qualified Purchasers in transactions made in compliance with Rule 144A under the Securities Act. Each of the Managers under the Subscription Agreement has agreed that neither it, nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in connection with the offer and sale of the Instruments in the United States.
- 5 Subject to the above disclaimer, each of the Managers will represent in the Subscription Agreement that within the United States it has only sold and will only sell the Notes to persons (including other dealers) that are both Qualified Institutional Buyers and Qualified Purchasers in the form of an interest in the Rule 144A Global Note that is set out in the Trust Deed. In addition, and subject the above disclaimer, the Issuer will represent in the Subscription Agreement that, based on discussions with the Managers and other factors that the Issuer or their counsel may deem appropriate, the Issuer has a reasonable belief that initial sales and subsequent transfers of the Notes held through DTC to U.S. Persons will be limited to persons who are both Qualified Institutional Buyers and Qualified Purchasers.
- 6 Subject to the above disclaimer, each of the Managers has agreed that, in connection with each sale of the Notes to a Qualified Institutional Buyer that is also a Qualified Purchaser, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of the Notes are restricted as set forth in the Trust Deed. Any offer or sale of such Notes will be made by broker-dealers, including affiliates of the

Managers, who are registered as broker-dealers under the Exchange Act. The Managers may allow a concession, not in excess of the selling concession, to certain brokers or dealers.

- 7 The Issuer and the Managers will extend to each prospective investor the opportunity, prior to the consummation of the sale of the Instruments to ask questions of, and receive answers from, the Issuer concerning the Instruments and the terms and conditions of the offering and to obtain additional information it may consider necessary in making an informed investment decision and any information in order to verify the accuracy of the information set forth herein, to the extent the Issuer and/or Managers, as applicable, possesses the same. Requests for such additional information may be directed to the directors.

### **United Kingdom**

Each of the Managers has further represented to and agreed with the Issuer that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Instruments in, from or otherwise involving the United Kingdom.

### **The Republic of Italy**

Each of the Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus or any other document relating to the Notes in the Republic of Italy ("**Italy**") except (i) to professional investors ("*operatori qualificati*") as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended ("**Regulation No. 11522**"), pursuant to Articles 30.2 and 100.1(a), of Legislative Decree No. 58 of 24 February 1998 as amended ("**Decree No. 58**"), or (ii) in any other circumstances where an expressed exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999 as amended applies; or (iii) to Italian residents who submit unsolicited offers to the Managers to purchase Notes. Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1992, as amended ("**Decree No. 385**"), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, offering or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, among others, on the aggregate amount and the characteristics of the Notes issued or offered in Italy, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### **Ireland**

The Notes may not lawfully be offered for sale to persons in Ireland except in circumstances where (i) such offer is in accordance with the provisions of the Investment Intermediaries Act 1995 of Ireland, as amended, including, without limitation, Sections 9 and 23 thereof and the codes of conduct made under Section 37 thereof

or, in the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20 March 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended; (ii) in connection with offers or sales of Notes, each Manager has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of such Notes to persons who are persons to whom the documents may otherwise lawfully be issued or passed on; and (iii) in respect of a local offer (within the meaning of Section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (the “**2005 Act**”)) of Notes in Ireland, each Manager has complied and will comply with Section 49 of the 2005 Act.

## **Spain**

The Managers have represented and agreed that the Notes may not be directly or indirectly offered, reoffered, sold or re-sold in Spain in circumstances which would qualify as a public offering except in compliance with the registration requirements of the Spanish Securities Market Law of 28 July, 1988 as amended, among others, by Law 37/1998 dated 16 November, 1998 and the Royal Decree 291/1992 dated 27 March, 1992 as amended by the Royal Decree 2590/1998 dated 29 December, 1998 on issues and public offers for the sale of securities. No offering materials may be distributed in Spain and no sort of communication whatsoever with potential investors aimed at promoting the purchase of the Notes will be allowed unless the issue and/or offer of the Notes is duly registered with the Spanish National Securities Market Commission (*Comision Nacional del Mercado de Valores* or *CNMV*) as provided under the said laws.

## **General**

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and trading on its regulated market. Each of the Managers has acknowledged that, save for making such application, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in proof or final form) or any amendment or supplement thereto or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required. Each of the Managers has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes or have in its possession or distribute this Prospectus (in proof or in final form) or any amendment or supplement thereto or any other offering material.

## SPECIFIC TERMS AND CONDITIONS

### A Specific Terms And Conditions In Respect of the Notes and Residual Certificates

The following is the text of the Specific Terms and Conditions of the Notes and the Residual Certificates (the “**Bond Conditions**”) which together with the General Conditions (subject to amendment and completion) form the conditions of the Notes and Residual Certificates and will be endorsed or attached on each Global Note and Global Residual Certificates and each Definitive Note and Definitive Residual Certificate (if applicable) and (subject to the provisions thereof) will apply to each such Note or Residual Certificate. In the event of a conflict between any terms of the Bond Conditions and any terms of the General Conditions, the terms of the Bond Conditions will prevail.

#### 1. Interest

##### (a) *Period of Accrual*

Each Note of each class and each Residual Certificate bears interest on its Principal Amount Outstanding from (and including) the Issue Date. Each Note and each Residual Certificate (or, in the case of the redemption of part only of a Note or Residual Certificate, that part only of such Note or Residual Certificate) will cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note or Residual Certificate up to (but excluding) the date on which, on presentation of such Note or Residual Certificate, repayment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder (either in accordance with General Condition 12 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note or Residual Certificate for any period (including an Interest Period), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year (in the case of the Sterling Notes or Residual Certificates) or in a 360 day year (in the case of the Dollar Notes and Euro Notes).

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

Subject to paragraph (c)(i) below and General Condition 4, interest on the Notes and Residual Certificates is payable in arrear on each Interest Payment Date in respect of the Interest Period ending immediately prior thereto.

##### (c) *Rate of Interest*

The rates of interest payable from time to time in respect of the Notes and Residual Certificates will be determined by the Agent Bank on the basis of the provisions set out below:

- (i) on each Interest Payment Date or, in the case of the first Interest Period, on the Issue Date (in the case of the Sterling Notes, Residual Certificates and the Dollar Notes) or on the second TARGET Business Day prior to such Interest Payment Date or, in the case of the first Interest Period, on the second TARGET Business Day prior to the Issue Date (in the case of the Euro Notes) (each an “**Interest Determination Date**”), the Agent Bank will determine the arithmetic mean of (aa) the offered quotation to leading banks in the London inter-bank market for three month sterling deposits (in the case of the Sterling Notes and Residual Certificates), (bb) the offered quotation to leading banks in the London inter-bank market for three month dollar deposits (in the case of the Dollar Notes), and (cc) the rate for deposits in euro in the Eurozone inter-bank market for three month euro deposits (in the case of the Euro Notes) (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for month 1 and month 2 sterling, dollar or euro deposits respectively) by reference to the rate quoted on the Telerate Screen No. 3750 (in the case of the Sterling Notes, Residual Certificates and Dollar Notes) and Telerate Screen No. 248 (in the case of the

Euro Notes) or (dd) such other page as may replace Telerate Screen No. 3750 or 248, as the case may be, on that service for the purpose of displaying such information or (ee) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee as may replace Telerate) as at or about 11.00 a.m. London time (in the case of the Sterling Notes, Residual Certificates and the Dollar Notes) or Brussels time (in the case of the Euro Notes) on that date (the “**Screen Rates**” and each a “**Screen Rate**”)(rounded to five decimal places with the mid-point rounded up);

- (ii) if, on the relevant Interest Determination Date, a Screen Rate is unavailable, the Agent Bank will request the principal London office (in the case of the Sterling Notes, Residual Certificates and the Dollar Notes) or, as applicable, the principal office in the Eurozone inter-bank market (in the case of the Euro Notes) of each of the three Reference Banks to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. London time (in the case of the Sterling Notes, Residual Certificates and the Dollar Notes) or Brussels time (in the case of the Euro Notes) on that date offered by such Reference Bank to leading banks for three month sterling deposits (in the case of the Sterling Notes or Residual Certificates), three month dollar deposits (in the case of the Dollar Notes) or three month euro deposits (in the case of the Euro Notes) (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for month 1 and month 2 sterling, dollar or euro deposits respectively) and subject as provided in sub-paragraphs (iii) and (iv) below, the Agent bank will determine the arithmetic mean of such offered quotations (rounded to five decimal places with the mid-point rounded up) from the Reference Banks;
- (iii) if, on the relevant Interest Determination Date, a Screen Rate is unavailable and only two of the Reference Banks provide the Agent Bank with such offered quotations, the Agent Bank will determine the rate of interest in accordance with sub-paragraph (ii) above on the basis of the quotations of the offered quotations of those Reference Banks providing such quotations; and
- (iv) if, on the relevant Interest Determination Date, a Screen Rate is unavailable and only one or none of the Reference Banks provides the Agent Bank with such offered quotations, the Agent Bank will forthwith consult with the Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the rate for the Interest Period in question will be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period will be the Screen Rate in effect for the last preceding Interest Period to which sub-paragraph (i) of this paragraph (c) shall have applied,

and the floating rate of interest applicable to the Sterling Notes and the Residual Certificates (in each case, the “**Note Sterling LIBOR**”), the Dollar Notes (the “**Note Dollar LIBOR**”) and the Euro Notes (the “**Note EURIBOR**”) for each Interest Period will be the rate determined in accordance with this paragraph (c) as at the related Interest Determination Date. The sum of each such floating rate of interest and the Relevant Margin will constitute the “**Interest Rate**”.

(d) *Calculation of Interest Amounts*

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Servicer, the Transaction Manager, the Trustee, the Depository, the Irish Stock Exchange and the other Agents of (i) the Interest Rate applicable to the Interest Period beginning on and including the immediately succeeding Interest Payment Date in respect of each class of the Notes and the Residual Certificates and (ii) the amount equal to the product of the Interest Rate in respect of each Note or Residual Certificate multiplied by the Principal Amount Outstanding of such Note or Residual Certificate (as the case may be) and multiplying such resulting product by the actual number of days elapsed in the Interest Period divided by 365 (or 366, where the last day of such period falls in a leap year) (in the case of the Sterling Notes, Residual Certificates and the Dollar Notes), or 360 (in the case



of the Euro Notes) (the “**Interest Amount**”) payable in respect of such Interest Period in respect of each Note or Residual Certificate.

(e) *Publication of Rate of Interest, Interest Amount and other Notices*

As soon as practicable after receiving notification thereof, the Issuer will cause the Interest Rate and the Interest Amount applicable to each class of Notes and Residual Certificates for each Interest Period and the Interest Payment Date in respect thereof to be notified to the Irish Stock Exchange (for so long as the Notes and Residual Certificates are listed on the Irish Stock Exchange) and shall cause notice thereof to be given to the Noteholders and Residual Certificate Holders in accordance with General Condition 12. The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) *Determination or Calculation by Trustee*

If the Agent Bank does not at any time for any reason determine the Interest Rate and/or calculate the Interest Amount for each class of Notes and Residual Certificates in accordance with the foregoing paragraphs, the Trustee will (i) determine the Interest Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in paragraph (d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Bond Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Servicer, the Transaction Manager, any Hedge Counterparty, the Reference Banks, the Agent Bank, the Paying Agents, the Trustee and all Noteholders and Residual Certificate Holders and (in such absence as aforesaid) no liability to the Noteholders and Residual Certificate Holders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) *Reference Banks and Agent Bank*

The Issuer shall ensure that, for so long as any of the Sterling Notes, Residual Certificates and Dollar Notes remains outstanding, there shall at all times be three Reference Banks and an Agent Bank. The initial Reference Banks in respect of the Sterling Notes, Residual Certificates and the Dollar Notes shall be the principal London office of each of Barclays Bank PLC, The Royal Bank of Scotland plc and HSBC Bank plc. The initial Agent Bank shall be HSBC Bank plc. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank in respect of the Sterling Notes, Residual Certificates or the Dollar Notes or in the event of HSBC Bank plc being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The resignation of the Agent Bank may not take effect until a successor approved by the Trustee has been appointed.

The Issuer shall ensure that, so long as any of the Euro Notes remain outstanding, there shall at all times be three Reference Banks. The initial Reference Banks in respect of the Euro Notes shall be the principal Eurozone office of each of Barclays Bank PLC, The Royal Bank of Scotland plc and HSBC Bank plc. In the event of the principal Eurozone office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place.

(i) *Subordination - Deferral of Interest*

Subject to General Condition 7 (and for so long as any A Note remains outstanding), in the event that the aggregate funds, if any (computed in accordance with the provisions of the Transaction

Management Agreement), available to the Issuer on any Interest Payment Date for application in or towards the payment of interest in accordance with the Pre-Enforcement Interest Priority of Payments:

- (i) due on the Residual Certificates on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Bond Condition, otherwise due on the Residual Certificates on such Interest Payment Date or payment of interest on the Residual Certificates is not made as contemplated in Pre-Enforcement Interest Priority of Payments, then notwithstanding any other provision of these Bond Conditions, either there shall be payable on such Interest Payment Date by way of interest on each Residual Certificate a *pro rata* share of such aggregate funds (such *pro rata* share calculated by dividing the then Principal Amount Outstanding of such Residual Certificate to the then aggregate Principal Amount Outstanding of all Residual Certificates, prior to the application of any Actual Redemption Funds on such Interest Payment Date) or no payment of interest in accordance with Pre-Enforcement Interest Priority of Payments; or
- (ii) due on the B2 Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Bond Condition, otherwise due on the B2 Notes on such Interest Payment Date or payment of interest on the B2 Notes is not made as contemplated in Pre-Enforcement Interest Priority of Payments, then notwithstanding any other provision of these Bond Conditions, either there shall be payable on such Interest Payment Date by way of interest on each B2 Note a *pro rata* share of such aggregate funds (such *pro rata* share calculated by dividing the then Principal Amount Outstanding of such B2 Note to the then aggregate Principal Amount Outstanding of all B2 Notes, prior to the application of any Actual Redemption Funds on such Interest Payment Date) or no payment of interest in accordance with Pre-Enforcement Interest Priority of Payments; or
- (iii) due on the B1 Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Bond Condition, otherwise due on the B1 Notes on such Interest Payment Date or payment of interest on the B1 Notes is not made as contemplated in Pre-Enforcement Interest Priority of Payments, then notwithstanding any other provision of these Bond Conditions, either there shall be payable on such Interest Payment Date by way of interest on each B1 Note a *pro rata* share of such aggregate funds (such *pro rata* share calculated by dividing the then Principal Amount Outstanding of such B1 Note to the then aggregate Principal Amount Outstanding of all B1 Notes, prior to the application of any Actual Redemption Funds on such Interest Payment Date) or no payment of interest in accordance with Pre-Enforcement Interest Priority of Payments; or
- (iv) due on the M2 Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Bond Condition, otherwise due on the M2 Notes on such Interest Payment Date or payment of interest on the M2 Notes is not made as contemplated in the Pre-Enforcement Interest Priority of Payments, then notwithstanding any other provision of these Bond Conditions, either there shall be payable on such Interest Payment Date by way of interest on each M2 Note a *pro rata* share of such aggregate funds (such *pro rata* share calculated by dividing the then Principal Amount Outstanding of such M2 Note to the then aggregate Principal Amount Outstanding of all M2 Notes, prior to the application of any Actual Redemption Funds on such Interest Payment Date) or no payment of interest in accordance with the Pre-Enforcement Interest Priority of Payments; or
- (v) due on the M1 Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Bond Condition, otherwise due on the M1 Notes on such Interest Payment Date or payment of interest on the M1 Notes is not made as contemplated in the Pre-Enforcement Interest Priority of Payments, then notwithstanding any other provision of these Bond Conditions, either there shall be payable on such Interest Payment Date by way of interest on each M1 Note a *pro rata* share of such aggregate funds (such *pro rata* share calculated by dividing the then Principal Amount Outstanding of such M1 Note to the then aggregate Principal Amount Outstanding of all M1 Notes, prior to the application of any Actual Redemption Funds on such Interest Payment Date) or no payment of interest in accordance with the Pre-Enforcement Interest Priority of Payments.

- (j) The amount by which the aggregate amount of interest paid on the Residual Certificates, the B Notes and the M Notes on any Interest Payment Date in accordance with Bond Condition 1 (i) falls short of the aggregate amount of interest which would be otherwise payable on such Notes or Residual Certificates on that date (the “**Interest Shortfall**”) shall itself accrue interest during each Interest Period during which it remains outstanding at the Interest Rate for such Interest Period and will become payable together with accrued interest on the earlier of (i) any succeeding Interest Payment Date, if and to the extent that sufficient funds are available in accordance with the Pre-Enforcement Interest Priority of Payments for this purpose, or (ii) the date on which the relevant Notes or Residual Certificates are redeemed in full. In the event that no A Notes and the DACs are outstanding, the provisions in this Bond Condition 1(i) and 1(j) shall apply, *mutatis mutandis*, to the next Most Senior Class.

- (k) *Interest on X Notes*

The X Notes are not offered under this Prospectus.

## 2. **Redemption and Clean-Up Call Option**

- (a) *Final Redemption*

Without prejudice to General Condition 7, unless previously redeemed as provided in this Bond Condition or under General Condition 2(e), and cancelled, the Issuer shall redeem the Notes and Residual Certificates at their Principal Amount Outstanding on the respective Final Maturity Date.

- (b) *Mandatory Redemption in Part of the Notes*

Prior to the enforcement of the Security, on each Interest Payment Date (other than the Interest Payment Date on which the Notes or Residual Certificates are to be redeemed under paragraph (a) above or paragraph (d) below or under the General Condition 2(e)), the Issuer shall apply an amount equal to the Actual Redemption Funds (as determined on the Determination Date immediately preceding that Interest Payment Date) in redemption of Notes and Residual Certificates (in the case of the Dollar Notes or the Euro Notes, converted into dollars or euro, or any other currency as applicable, pursuant to the relevant Currency Swap Agreement) and applied to redeem the Principal Amount Outstanding of the Notes and Residual Certificates in accordance with the Pre-Enforcement Principal Priority of Payments.

The Transaction Manager shall determine the amount of the Actual Redemption Funds as at any Determination Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error or proven error) be final and binding on the Issuer, any Hedge Counterparty, the Servicer, the Trustee, the Noteholders and the Residual Certificate Holders and no liability to the Noteholders, Residual Certificate Holders or any other party shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Transaction Manager in connection therewith.

- (c) *Principal Amount Outstanding and Pool Factor*

With respect to each Note of each class (and no later than 3 Business Days prior to an Interest Payment Date), the Issuer shall determine (or cause the Transaction Manager to determine):

- (i) the principal amount outstanding of each Note of each class on the immediately succeeding Interest Payment Date to such determination (after deducting any principal payment due to be made on that Interest Payment Date) (the “**Principal Amount Outstanding**” of such Note); and
- (ii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding (as defined in (i) above) and the denominator is the Principal Amount Outstanding as at the Issue Date.

With respect to each Residual Certificate (and no later than 3 Business Days prior to an Interest Payment Date), the Issuer shall determine (or cause the Transaction Manager to determine) the principal amount outstanding of each Residual Certificate on the Interest Payment Date next following

such Determination Date (after deducting any principal payment due to be made on that Interest Payment Date) (the “**Principal Amount Outstanding**” of such Residual Certificate).

Each determination by or on behalf of the Issuer of the Principal Amount Outstanding of a Note and a Residual Certificate and the Pool Factor of a Note shall in each case (in the absence of wilful default, bad faith or manifest error or proven error) be final and binding on all persons.

The Issuer will cause each determination of the Principal Amount Outstanding with respect to each class of Notes and each Residual Certificate, and the Pool Factor of each class of Notes, to be notified forthwith to the Trustee, the Agents and (for so long as the Instruments are listed on the Irish Stock Exchange) the Irish Stock Exchange, and will immediately cause notice of each determination of the Principal Amount Outstanding and Pool Factor to be given in accordance with General Condition 12 by not later than two Business Days after the relevant Determination Date. If no principal payment is due to be made on the Notes of any class or any Residual Certificate on any Interest Payment Date, a notice to this effect will be given to the relevant Instrumentholders.

If the Issuer does not at any time for any reason determine (or cause the Transaction Manager to determine) the Principal Amount Outstanding with respect to each class of Notes and each Residual Certificate or the Pool Factor of each class of Notes in accordance with the preceding provisions of this paragraph, such Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

(d) *Clean-Up Call in Respect of the Notes*

On any date that follows the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is less than or equal to 10 per cent. of the initial aggregate Principal Amount Outstanding of the Notes on the Issue Date, the Trustee shall instruct the Servicer to conduct an auction process as follows (such date of the auction being the “**Optional Sale Date**”):

- (1) the Servicer will invite bids from at least three potential purchasers for the Mortgage Pool (which may include members of the Originator’s group);
- (2) the bidders will be required to submit unconditional and irrecoverable bids to purchase the Mortgage Pool;
- (3) in the event that none of the bids are sufficient to redeem the Principal Amount Outstanding of the Notes in full (together with accrued interest) or no bids other than bids from any member of the Originator’s group have been made, then Issuer will not exercise its call option and the auction process outlined above will be repeated prior to the Interest Payment Date which falls twelve months after the previous Optional Sale Date; and
- (4) in the event that at least one of the bids is sufficient to redeem the Principal Amount Outstanding of the Notes in full (together with accrued interest), then the highest bidder will be selected to purchase the Mortgage Pool from the Issuer.

Subject to the auction process set out above being successful, the Issuer will then give no more than 60 nor less than 30 days’ notice to the Trustee and the Noteholders in accordance with General Condition 12 of its intention to redeem all (but not some only) of the Notes on the Interest Payment Date that follows the expiry of the notice (provided that such Interest Payment Date is the second Interest Payment Date that follows the successful conclusion of an auction process on the Optional Sale Date) at their aggregate Principal Amount Outstanding together with accrued interest, provided that, 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, not subject to any interest of any other person, required to redeem the Notes as aforesaid. The Issuer will redeem all (but not some only) of the Notes at their aggregate Principal Amount Outstanding on the aforementioned Interest Payment Date together with accrued interest.

(e) *Purchase*

The Issuer shall not purchase any Notes.

(f) *Cancellation*

All Notes redeemed pursuant to paragraph (b) or (d) above or under the General Condition 2(e) will be cancelled upon redemption and may not be resold or re-issued.

### 3. **Transferability of Residual Certificates**

The beneficial interest in the Residual Certificates may only be held by a company which is and remains within the charge to UK corporation tax while it holds a Residual Certificate. The beneficial holder of a Residual Certificate may not transfer any Residual Certificate held by it to any person unless such person: (a) represents to the beneficial holder of such Residual Certificate and the Issuer that it is at the time of purchase, and will be during the period for which it holds a beneficial interest in the Residual Certificate, a company which is within the charge to UK corporation tax, and (b) undertakes to the beneficial holder and the Issuer that it will only transfer any Residual Certificate held by it to a person who gives a similar representation and undertaking in the terms set out in this paragraph.

A beneficial holder of a Residual Certificate who receives any payment or transfers any Residual Certificate held by them in breach of this Bond Condition 3 undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

Where a beneficial holder of a Residual Certificate is also the beneficial holder of a D Note and any payment is received in respect of a Residual Certificate or a transfer of the Residual Certificate occurs in breach of Bond Condition 3, such beneficial holder of a Residual Certificate undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

## **B Specific Terms And Conditions In Respect of the DACs**

*The following is the text of the Specific Terms and Conditions of the DACs (the “DAC Conditions”) which together with the General Conditions (subject to amendment and completion) form the conditions of the DACs and will be endorsed or attached on each Global DAC and each Definitive DAC (if applicable) and (subject to the provisions thereof) will apply to each such DAC. In the event of a conflict between any terms of the DAC Conditions and any terms of the General Conditions, the terms of the DAC Conditions will prevail.*

### **1. Coupon Stripping from the A Global Notes**

- (a) Global DACs (or part thereof) may be detached from an A Global Note at any time by crediting to the Euroclear or Clearstream, Luxembourg account (as the case may be) of the purchaser or purchasers of the Global DACs the purchase price of such Global DACs (“**Coupon Stripping**”). Any Coupon Stripping shall be recorded by Euroclear or Clearstream, Luxembourg, on the relevant A Global Notes. Once detached from the relevant A Global Notes, the Global DACs (comprising the Reg S Global DACs) will be subject to the same restrictions on transferability as the related A Global Notes (except as may otherwise be provided in DAC Condition 4).
- (b) In the event that the DACs, or any other coupon, is at any time detached from an A Global Note, the DACs, or such other coupon, shall have a notional value equal to the Principal Amount Outstanding, from time to time, of the A Note from which that coupon was detached (“**Coupon Value**”) and interest on any DACs may be payable in sterling, dollars, euros or any other specified currency.
- (c) Following a Coupon Stripping the DACs cannot be re-attached to the A Notes from which they were initially detached.

## 2. Interest

### (a) *Period of Accrual*

Each DAC will bear interest from and including the date of the Coupon Stripping until the date on which the relevant class of A Notes from which the DAC is detached has been redeemed in full.

If payment of the relevant amount of interest or any part thereof is improperly withheld or refused interest will continue to accrue thereon (before as well as after any judgment) in accordance with these DAC Conditions up to (but excluding) the date on which, on presentation of such DAC, repayment in full of the relevant amount of interest, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the beneficial holder (either in accordance with General Condition 12 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any DAC for any period (including an Interest Period), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year (in the case of the Sterling DACs) or in a 360 day year (in the case of the Dollar DACs and Euro DACs (if applicable)).

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

Subject to General Condition 4, interest on the DACs is payable in arrear on an Interest Payment Date in respect of the Interest Period ending immediately prior thereto.

### (c) *Rate of Interest*

The rate of interest applicable in respect of the DACs for an Interest Period will be the DAC Interest Rate.

### (d) *Calculation of Interest Amount*

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Servicer, the Transaction Manager, the Trustee, the Depository, the Exchange Agent, the Irish Stock Exchange and the other Agents of (i) the DAC Interest Rate applicable to the Interest Period beginning on and including the immediately succeeding Interest Payment Date in respect of each of the DACs and (ii) the amount equal to the product of the DAC Interest Rate in respect of each DAC multiplied by the Coupon Value of such DAC and multiplying such resulting product by the actual number of days elapsed in the Interest Period divided by 365 (or 366, where the last day of such period falls in a leap year) (in the case of the Sterling DACs and the Dollar DACs), or 360 (in the case of the Euro DACs) (the “**DAC Interest Amount**”) payable in respect of such Interest Period in respect of each DAC. Paragraphs (e), (f), (g) and (h) of Bond Condition 1 apply to these DAC Conditions *mutatis mutandis*.

## 3. Redemption of A Notes

In the event that the A Notes from which the DACs are detached are redeemed in accordance with Bond Condition 2(a) or 2(d), or under General Condition 2(e), then the Issuer will redeem the corresponding DACs at their then accrued interest. Subject to such payments, the DACs shall be cancelled and will no longer constitute a claim against the Issuer.

The Issuer shall not purchase any DACs and all DACs redeemed will be cancelled upon redemption and may not be resold or re-issued.

## 4. Transferability of DACs

The beneficial interest in the DACs may only be held by a company which is and remains within the charge to UK corporation tax while it holds a DAC. The beneficial holder of a DAC may not transfer any DAC held by it to any person unless such person: (a) represents to the beneficial holder of such DAC and the Issuer that it is at the time of purchase, and will be during the period for which it holds the beneficial interest in the DAC, a company which is within the charge to UK corporation tax, and

(b) undertakes to the beneficial holder and the Issuer that it will only transfer any DAC held by it to a person who gives a similar representation and undertaking in the terms set out in this paragraph.

A beneficial holder of a DAC who receives any payment or transfers any DAC held by them in breach of this DAC Condition 4 undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

Where a beneficial holder of a DAC is also the beneficial holder of a MERC and any payment is received in respect of a MERC or a transfer of the MERC occurs in breach of MERC Condition 3, then such beneficial holder of a DAC undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

## **C Specific Terms And Conditions In Respect of the MERCs**

*The following is the text of the Specific Terms and Conditions of the MERCs (the “MERC Conditions”) which together with the General Conditions (subject to amendment and completion) form the conditions of the MERCs and will be endorsed or attached on each Global MERC and each Definitive MERC (if applicable) and (subject to the provisions thereof) will apply to each such MERC. In the event of a conflict between any terms of the MERC Conditions and any terms of the General Conditions, the terms of the MERC Conditions will prevail.*

### **1. MER Distributions**

#### **(a) Entitlement**

Each MERC bears an entitlement to receive a distribution of the Mortgage Early Redemption Amounts in an amount equal to the aggregate of the Mortgage Early Redemption Amounts (if any) received by the Issuer in an Interest Period divided by the number of MERCs in existence on an Interest Payment Date (a “**MER Distribution**”). Each MERC shall cease to bear an entitlement to a MER Distribution from the date of the cancellation of the MERCs (in accordance with MERC Condition 2).

#### **(b) Payment**

Subject to General Condition 4, MER Distributions are payable in arrear on each Interest Payment Date in respect of the Interest Period ending immediately prior thereto.

#### **(c) Determination of MER Distributions**

The Transaction Manager shall, on each Interest Payment Date, determine and notify the Issuer, the Servicer, the Trustee, the Depository, the Irish Stock Exchange and the other Agents of the MER Distribution payable on such Interest Payment Date on the basis of the credit balance of the MERC Ledger.

#### **(d) Publication and other Notices**

As soon as practicable after receiving notification thereof, the Issuer will cause the MER Distribution amounts payable on each Interest Payment Date to be notified to the Irish Stock Exchange (for so long as the MERCs are listed on the Irish Stock Exchange) and shall cause notice thereof to be given to the MERC Holders in accordance with General Condition 12. The MER Distributions and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

#### **(e) Determination by Trustee**

If the Transaction Manager does not at any time for any reason determine the MER Distributions in accordance with paragraph (c), the Trustee shall determine the MER Distribution amount in the manner specified in paragraph (c) above, and any such determination and calculation shall be deemed to have been made by the Transaction Manager.

(f) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations and decisions given, expressed, made or obtained for the purposes of this MERC Condition 1, whether by the Transaction Manager or the Trustee shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Transaction Manager, the Trustee and all MERC Holders and (in such absence as aforesaid) no liability to the MERC Holders shall attach to the Issuer, the Transaction Manager or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

**2. Redemption of A Notes**

The entitlement of MERC Holders to receive MER Distributions is contingent on the A Notes remaining outstanding. In the event that the A Notes are redeemed in accordance with Bond Condition 2, or under General Condition 2(d) or 2(e), then the Issuer will redeem the MERCs by payment of MER Distribution amounts then payable. Subject to such payments, the MERCs shall be cancelled and will no longer constitute a claim against the Issuer.

The Issuer shall not purchase any MERCs and all MERCs redeemed will be cancelled upon redemption and may not be resold or re-issued.

**3. Transferability of MERCs**

The beneficial interest in the MERCs may only be held by a company which is and remains within the charge to UK corporation tax while it holds a MERC. The beneficial holder of a MERC may not transfer any MERC held by it to any person unless such person: (a) represents to the beneficial holder of such MERC and the Issuer that it is at the time of purchase, and will be during the period for which it holds the beneficial interest in the MERC, a company which is within the charge to UK corporation tax, and (b) undertakes to the beneficial holder and the Issuer that it will only transfer any MERC held by it to a person who gives a similar representation and undertaking in the terms set out in this paragraph.

A beneficial holder of a MERC who receives any payment or transfers any MERC held by them in breach of this MERC Condition 3 undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

Where a beneficial holder of a MERC is also the beneficial holder of a DAC and any payment is received in respect of a DAC or a transfer of the DAC occurs in breach of DAC Condition 4, then such beneficial holder of a MERC undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.



## PART 2

### RISK FACTORS

*The following is a summary of certain aspects of the issue of the Instruments about which prospective Instrumentholders should be aware. The summary is not intended to be exhaustive and prospective Instrumentholders should read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision regarding their investment in the Instruments.*

#### **Risks relating to the Instruments and the economic performance of the Issuer**

##### *No Guarantee of Issuer's Liabilities under the Instruments*

The Instruments will be obligations solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular the Instruments will not be obligations or responsibilities of, and will not be guaranteed by the Lead Arranger, the Co-Managers, any Hedge Counterparty, the Originator, RFL, the Servicer, the Standby Servicer, the Transaction Manager, the Corporate Services Provider, the Transaction Account Bank, the Collection Account Banks, the GIC Provider, the Liquidity Facility Provider, the Trustee, the Paying Agents, the Common Depository, the Depository, the Exchange Agent or any other Transaction Party (except for the Issuer). No party other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Instruments.

##### *Limited Resources*

The ability of the Issuer to meet its obligations under the Instruments will be dependent on funds being received in respect of, among other things, the Loans, the interest paid on the GIC Account, proceeds received under certain insurance contracts in respect of the Mortgages and the availability of the Liquidity Facility.

In the event that the Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Instruments of each class under the Deed of Charge, then the assets of the Issuer may be insufficient to meet claims in respect of any such amounts, including amounts due under the Instruments. Enforcement of the Security is the only practical remedy available for the purpose of recovering amounts owed in respect of the Instruments.

##### *Limited Secondary Market for the Instruments*

There is not, at present, an active and liquid secondary market for the Instruments, and there can be no assurance that a secondary market for the Instruments will develop. Even if a secondary market does develop, it may not continue for the life of the Instruments or it may leave Instrumentholders with illiquidity of investment. Illiquidity means that an Instrumentholder may not be able to find a buyer to buy their Instruments readily or at prices that will enable the Instrumentholder to realise a desired yield. Instruments sold in the U.S. will be subject to restrictions on transferability. Illiquidity can have an adverse effect on the market value of the Instruments. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/72/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and trading on its regulated market.

##### *Potential Interest Rate Mismatch between Loans and Notes*

A certain percentage of the Loans comprised in the Provisional Completion Mortgage Pool have been discounted for a period no longer than the Maximum Discount Loan Period. The Issuer has not entered into any hedging agreements to deal with any potential mismatch between amounts receivable by the Issuer in respect of the Loans and amounts payable by the Issuer in respect of the Instruments. The cashflow impact of such mismatch is mitigated through cash collateralisation. The proceeds of the Tranche D Amount from the issue of the Residual Certificates will be used to meet payments due under the Pre-Enforcement Interest Priority of Payments.

##### *Yield and Prepayment Considerations*

The yield to maturity of the Notes of each class and the DACs and the MERCs will depend on, among others, the amount and timing of payments of principal (including prepayments, sale proceeds arising on enforcement

of a Loan, and repurchases by RFL and the Originator due to breaches of the Mortgage Warranties) on the Loans and the price paid by the Noteholders and MERC Holders. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans. The yield to maturity on the DACs and the MERCs will be particularly sensitive to the rate of prepayment on the related Loans.

The Loans may be prepaid in full or in part at any time. However an early redemption charge may be imposed on a Borrower in connection with any prepayment if it is a contractual condition. Such early redemption charges, once received by the Issuer, constitute the Mortgage Early Redemption Amounts (except that Mortgage Early Redemption Amounts do not arise in respect of prepayments made upon the death of a Borrower) and will be distributed to MERC Holders. Mortgage Early Redemption Amounts will not be available to Noteholders. To the extent that Mortgage Early Redemption Amounts are collected after the maturity date of the MERCs, such receipts will be treated as Available Revenue Funds.

Prepayments may arise as a result of refinancings, sales of Properties by Borrowers voluntarily (or from sales as a result of enforcement proceedings under the relevant Loans), as well as the receipt of proceeds from building insurance and life insurance policies. In addition, repurchases or purchases of Loans or substitution adjustments required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans (save that no Mortgage Early Redemption Amounts will arise in respect of such repurchases, purchases or adjustments). See "*Sale of Substitute Loans - Further Advances, Conversion and Substituted Collateral Loans*".

The rate of repayment of 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. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Pool will experience and accordingly no assurance can be given as to the level of Mortgage Early Redemption Amounts. See "*Weighted Average Lives of the Notes*".

There can be no assurance that the Originator will have originated any Prefunded Loans during the Prefunded Loan Period. To the extent that there remains a credit balance in the Prefunding Ledger upon the expiry of the Prefunded Loan Period, the amount of such credit balance will be credited to the Actual Redemption Funds and will be applied on the next succeeding Interest Payment Date in the *pro rata* redemption of all classes of A Notes, M Notes and B Notes. In such circumstance, the yield on the DACs and the MERCs will be lower than would be the case had such credit balance been applied instead to purchase Prefunded Loans.

If there is a refinancing of a Loan within a low interest rate environment, the receipt and reinvestment by the holders of the Notes and MERCs of the proceeds in such an environment may produce a lower return than that previously received by them.

Within a high interest rate environment, Borrowers may have a higher tendency to default and therefore make refinancing more difficult. None of the Originator, RFL, the Servicer or the Trustee will be obligated to provide funds to refinance any Loan. See "*Sensitivity of the DACs and MERCs to Prepayments and Realised Losses*".

#### *Redemption of the Instruments at the option of the Issuer*

Each class of:

- (a) Notes and Residual Certificates will be subject to optional redemption (in whole but not in part) at their respective Principal Amount Outstanding together with accrued interest;
- (b) DACs will be subject to optional redemption (in whole but not in part) in respect of accrued interest; and
- (c) MERCs will be subject to optional redemption (in whole but not in part) in respect of accrued MER Distributions,

at the option of the Issuer on any Interest Payment Date following the occurrence of certain regulatory or tax changes concerning, among other things, the Issuer, the Loans, and/or the Instruments.

In addition, the Bond Conditions provide, through an auction process, for the optional redemption of the Notes when the aggregate Principal Amount Outstanding of the Notes reaches 10 per cent. of the aggregate Principal Amount Outstanding on the Issue Date.

The Instruments could therefore be redeemed in advance of their stated maturity dates.

#### *Conflict between Classes of Instrumentholders*

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Instrumentholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of (i) the A Noteholders (including DAC Holders, subject as provided below) if, in the Trustee's opinion, there is or may be a conflict between the interests of the A Noteholders (including DAC Holders), the interests of the M1 Noteholders, the interests of the M2 Noteholders, the interests of the B1 Noteholders, the interests of the B2 Noteholders, the interests of the Residual Certificate Holders, the interests of the MERC Holders, and/or other persons entitled to the benefit of the Security; or (ii) (where there are no A Notes outstanding) the M1 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the M1 Noteholders, the interests of the M2 Noteholders, the interests of the B1 Noteholders, the interests of the B2 Noteholders, the interests of the Residual Certificate Holders, the interests of the MERC Holders, and/or other persons entitled to the benefit of the Security; or (iii) (where there are no A Notes and M1 Notes outstanding), the M2 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the M2 Noteholders, the interests of the B1 Noteholders, the interests of the B2 Noteholders, the interests of the Residual Certificate Holders, the interests of the MERC Holders, and/or other persons entitled to the benefit of the Security; or (iv) (where there are no A Notes and M1 Notes and M2 Notes outstanding), the B1 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the B1 Noteholders, the interests of the B2 Noteholders, the interests of the Residual Certificate Holders, the interests of the MERC Holders, and/or other persons entitled to the benefit of the Security; or (v) (where there are no A Notes and M1 Notes and M2 Notes and B1 Notes outstanding), the B2 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the B2 Noteholders, the interests of the Residual Certificate Holders, the interests of the MERC Holders, and/or other persons entitled to the benefit of the Security; or (vi) (where there are no A Notes and M1 Notes and M2 Notes and B1 Notes and B2 Notes outstanding), the Residual Certificate Holders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Residual Certificate Holders and the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security. In the event of a conflict between the A Noteholders and the DAC Holders, the Trustee shall have regard to the interests of the A Noteholders only. In the event of a conflict between the interests of the MERC Holders and/or the interest of any persons entitled to the benefit of the MERC Security (other than the persons set out in General Condition 2(f)(i), the Trustee shall have regard to the interests of the MERC Holders only.

The provisions in the Trust Deed allows the convening of the meetings of Instrumentholders of any class to consider any matter relating to the interests of the Instrumentholders of such class and allows the Trustee to exercise its discretion, power or authority by reference to the interests of each class of Instruments separately.

#### **Risks relating to the composition of the Mortgage Pool**

##### *Underwriting Standards*

The initial Loans in the Provisional Completion Mortgage Pool have been, and the Prefunded Loans will be, underwritten generally in accordance with the underwriting standards in relation to the provision of residential mortgage loans to Borrowers who may not satisfy the requirements of building societies or mainstream banks ("**non-conforming borrowers**") as summarised in "**The Mortgage Pool – Lending Criteria**".

These underwriting standards consider, among other things, a mortgagor's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the Property. However, loans made to non-conforming borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have historically been experienced by loans made to typical "prime" borrowers. In addition, there can be no assurance that loans with higher loan-to-value ratios will not experience higher rates of delinquency, enforcement and bankruptcy than loans with lower loan-to-value ratios. There can be no assurance that the lending criteria will not be varied or that Loans originated under different criteria may not become part of the Mortgage Pool.

The Mortgage Pool may include loans made to Borrowers who may previously have been subject to a CCJ, IVA or bankruptcy order, Borrowers who are self-employed and Borrowers considered by bank and building society lenders to be non-prime borrowers.

However, certain other Lending Criteria are utilised with a view, in part, to mitigating the risks in lending to Borrowers in the foregoing categories. (See “*The Mortgage Pool – Lending Criteria / Security*”). For a detailed analysis of the Loans constituting the Completion Mortgage Pool as at the Issue Date, see “*Characteristics of the Provisional Completion Mortgage Pool*”.

#### *Mortgage Warranties*

Neither the Issuer nor the Trustee has undertaken nor will they undertake any investigations, searches or other actions in respect of the Loans and their related Collateral Security, and each will rely instead on, among others, the Mortgage Warranties given by the Originator and RFL. The sole remedy (save as described below) of each of the Issuer and the Trustee in respect of a breach of a Mortgage Warranty which could have a material adverse affect on the relevant Loan and its related Collateral Security shall be the requirement that RFL and/or the Originator repurchase, or substitute, or procure the repurchase or substitution of, a similar loan in replacement for any Loan which is the subject of any breach, provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if RFL and/or the Originator fail to so repurchase or substitute, or procure the repurchase or substitution of a Loan when obliged to do so. There can be no assurance that RFL and the Originator will have the financial resources to honour their obligation to repurchase or substitute any Loan in respect of which such a breach of a Mortgage Warranty arises.

#### *Collectability of Loans*

The collectability of amounts due under the Loans is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (which may not affect real estate values) may have an impact on the ability of Borrowers to repay the 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 the Loans.

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

#### *Prefunded Loans*

Although each Prefunded Loan will comply as at its Prefunding Acquisition Date with the Mortgage Warranties, there can be no certainty that all the Prefunded Loans comprised within the Mortgage Pool will exhibit the characteristics of the Loans comprising the Provisional Completion Mortgage Pool.

#### *Limited Secondary Market for Loans*

The ability of the Issuer to redeem all of the Instruments in full, including following the occurrence of an Event of Default in relation to the Instruments (while any of the Loans are still outstanding) may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Instruments. There is not, at present, an active and liquid secondary market for the Loans in the United Kingdom. The Issuer, and following the occurrence of an Event of Default, the Trustee, may not, therefore, be able to sell the Loans on appropriate terms should it be required to do so.

#### *Geographic Concentration of Mortgaged Properties*

An investment in securities such as the Instruments that generally represent a secured debt obligation (the security being, in respect of Loans, beneficially owned by the Issuer) may be affected by, among other things, a decline in real estate values and changes in the Borrowers’ financial condition. Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Therefore concentrations of Properties within certain regional areas may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations.

All of the Properties securing the Loans are, or will be, located in the Relevant Countries. Location One has the highest geographical concentration by number of Loans in the Provisional Completion Mortgage Pool and is equal to the Location One Number. Location Two has the highest concentration by aggregate Balance of the

Loans in the Provisional Completion Mortgage Pool which is equal to the Location Two Balance. See “*Characteristics of the Provisional Completion Mortgage Pool – Distribution of Loans by Region*”.

Certain areas of the United Kingdom may from time to time experience declines in real estate values. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in any particular region, should experience an overall decline in property values such that the outstanding balances of the Loans become equal to or greater than the value of the Properties, such a decline could, in certain circumstances, result in the value of the interest in the Properties created by the Mortgages being significantly reduced. To that extent, holders of interests in the Instruments will bear all risk of loss resulting from such decline in values if there is default by Borrowers (as the Instrumentholders will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest on the Instruments).

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

The number of Loans and aggregate Balance of Loans in the Provisional Completion Mortgage Pool that constitute Interest Only Loans are equal to the Interest Only Number and Interest Only Balance, respectively. Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a full payment that will represent the entirety of the principal amount outstanding. The ability of such a Borrower to repay an Interest Only Loan at maturity frequently depends on that Borrower’s ability to refinance the Loan or to obtain funds from another source such as pension policies, personal equity plans, individual savings accounts or endowment policies.

The Originator has not required such policies to be established with respect to any Interest Only Loans nor has it required the benefit of any such policies to be assigned to it. The only security will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Loan will be affected by a number of factors, including the value of the Property, the Borrower’s equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at that time. See “*Characteristics of the Provisional Completion Mortgage Pool*” below.

#### *Factors Associated with Non-Verified Loans*

The number of Loans and aggregate Balance of Loans in the Provisional Completion Mortgage Pool that constitute Initial Non-Verified Loans are equal to the Non-Verified Number and the Non-Verified Balance respectively. Such Loans will be subject to resale to RFL and the Originator pursuant to the terms of the Mortgage Sale Agreement in circumstances where such Initial Non-Verified Loans have not verified by the relevant Payment Verification Date unless retaining such Loans would not prejudice the then current ratings of the Instruments. The majority of the Prefunded Loans purchased on the Prefunding Acquisition Date by the Issuer may be Prefunded Non-Verified Loans on the date on which they are purchased and will be subject to similar resale arrangements. A sale of a Non-Verified Loan will have the same effect as a prepayment of a Loan (save that no Mortgage Early Redemption Amounts will arise in respect of such sale), which is more fully described in “**Yield and Prepayment Considerations**”. There can be no assurance that Borrowers in respect of Initial Non-Verified Loans or any Prefunded Non-Verified Loans will make their first scheduled payment within the relevant time period. See “*Yield and Prepayment Considerations*” and “*Characteristics of the Provisional Completion Mortgage Pool – Non-Verified Loans*”.

#### *Risk of Losses Associated with Non-Owner Occupied Properties*

The number of Loans and aggregate Balance of Loans in the Provisional Completion Mortgage Pool that are not owner occupied are equal to the Non-Owner Occupied Number and the Non-Owner Occupied Balance respectively. It is possible that the rate of delinquencies, enforcement and losses on Loans secured by non-owner occupied properties could be higher than for Loans secured by the primary residence of the Borrower and it could be difficult to gain possession of the Properties on enforcement of the relevant Loans.

Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of such Property, in which case the Servicer will only be able to sell such Property with one or more sitting tenants. This may affect the amount which the Servicer could realise upon enforcement of the Loan and a sale of the relevant Property. However, the Servicer will have the ability, (in England and Wales) by the appointment of a receiver of rent or (in Scotland) directly in the name of the

Originator, to collect any rents payable in respect of such Property and apply them in payment of any interest, principal and arrears accruing under that Loan. See “*Characteristics of the Mortgage Pool*”.

#### *Risk Associated with Self Certified Mortgages*

The number of Loans and aggregate Balance of Loans in the Provisional Completion Mortgage Pool that constitute loans in respect of which income and employment details of the Borrower are not substantiated by supporting documentation are equal to the Self-certified Number and Self-certified Balance respectively. The rate of delinquencies, enforcements and losses on such Loans may differ from those in respect of Loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

#### *Lack of Control by Instrumentholders*

The servicing of the Loans will be carried out by the Servicer. The holders of Instruments will have no right to consent to, or approve of, any actions set forth in the Servicing Agreement. See “*Administration, Servicing and Cash Management of the Mortgage Pool – Servicing Agreement*”.

#### **Risks relating to the performance of certain third parties**

The Issuer has engaged, among others, (1) the Servicer to administer the Mortgage Pool pursuant to the Servicing Agreement and (2) the Transaction Manager to provide certain cash management services under the Transaction Management Agreement. While the Servicer and the Transaction Manager are under contract to perform certain services under the Servicing Agreement and the Transaction Management Agreement, respectively, there can be no assurance that they will be willing or able to perform in the future. Although the Standby Servicer will be engaged to provide equivalent services under the Standby Servicing Agreement in the event that the appointment of the Servicer is terminated under the Servicing Agreement, there can be no assurance that the transition of servicing will occur without adverse effect on Instrumentholders or that an equivalent level of performance on collections and administration of the Loans can be maintained by the Standby Servicer. The ability of the Standby Servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the relevant appointment.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Instruments. In particular, but without limitation, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility under the Liquidity Facility Agreement, the GIC Provider has agreed to provide the Issuer with a specific rate of interest on funds on deposit in the GIC Account under the Guaranteed Investment Contract and the Paying Agent has agreed to provide paying agency services with respect to the Instruments. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Instrumentholders may be adversely affected.

Pursuant to any relevant Swap Agreements and any relevant Interest Rate Agreements, the relevant Hedge Counterparty has agreed to provide the Issuer with certain hedges against certain interest rate and currency fluctuations. If the Issuer fails to make timely payments of amounts due under any relevant Swap Agreements, then it will have defaulted under that swap. Each Swap Counterparty is only obliged to make payments to the Issuer under the Swap Agreement to which it is a party as long as the Issuer complies with its payment obligations under such Swap Agreement.

The Swap Agreements will provide that upon the occurrence of certain events a Swap Agreement may terminate and a termination payment by either the Issuer or the relevant Swap Counterparty will be payable. The amount of the termination payment will be based on the cost of entering into a replacement swap agreement. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the relevant Swap Agreement.

If a Swap Agreement terminates under circumstances where the relevant Swap Counterparty is the defaulting party, any payment due by the Issuer will rank below payments of interest on the Notes. If a Swap Agreement terminates under any other circumstances, any payment due by the Issuer will rank *pari passu* with amounts to be applied towards payment of interest on the Notes and related DACs. Therefore, if the Issuer is obliged to make a termination payment to a Swap Counterparty or pay any other additional amount as a result of the termination of a Swap Agreement (in circumstances where the Swap Counterparty is not the defaulting party), this could reduce the Issuer’s ability to service payments on the Notes and related DACs.

If a Swap Agreement terminates, no assurance can be given about the ability of the Issuer to enter into a replacement currency swap or, as the case may be, interest rate swap or that the credit rating of any replacement currency swap counterparty or, as the case may be, interest rate swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Notes by the Rating Agencies.

See the information set out in “**Principal Characteristics of the Hedge Agreements**”.

### **Risks relating to Taxation**

See the information set out in “**United Kingdom Taxation**” and “**United States Taxation**”.

#### *Withholding Tax under the Instruments*

In the event that withholding taxes are imposed in respect of payments to Instrumentholders of amounts due pursuant to the Instruments, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Instrumentholders for the lesser amounts the Instrumentholders will receive as a result of the imposition of withholding taxes. The imposition of such withholding taxes would entitle (but not oblige) the Issuer to redeem the Notes at their Principal Amount Outstanding (plus accrued interest).

#### *EU Savings Tax Directive*

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Austria, Belgium and Luxembourg will be required (unless during that period they direct otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have agreed to adopt similar measures with effect from the same date.

#### *Risks relating to the introduction of International Financial Reporting Standards*

The UK corporation tax treatment of the Issuer depends to a large extent on its applicable accounting treatment. From 1 January 2005, the Issuer is required to prepare accounts which comply with International Financial Reporting Standards (“**IFRS**”) or with new UK Generally Accepted Accounting Practice which incorporates IFRS (“**New UK GAAP**”). The adoption of IFRS or New UK GAAP could give rise to accounting profits or losses which do not reflect the company’s economic or commercial profits or losses.

However, the Finance Act 2005 contains legislation which allows “securitisation companies” to prepare tax computations for accounting periods beginning on or after 1 January 2005 and ending before 1 January 2007 on the basis of UK GAAP as applicable for periods of account ending on 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP, as applicable after that date. The Issuer is likely to be a “securitisation company” for these purposes.

The legislation contained in the Finance Act 2005 does not apply to accounting periods on or after 1 January 2007. The stated policy of HM Revenue and Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and that they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. However, if further measures are not introduced by HM Revenue and Customs to deal with accounting periods ending on or after 1 January 2007, then profits or losses could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and therefore Instrumentholders.

The Finance Act 2005 contains a provision which enables HM Treasury to make regulations to create a permanent corporation tax regime for securitisation special purpose companies. However, no details of any proposed regime have yet been published so it is not currently possible to assess the effect that such a regime, if introduced, would have on the cashflows for the transaction and the Issuer’s ability to make payments under the Instruments.

## *Corporation tax reform*

In December 2004, HM Revenue and Customs issued a technical note entitled “**Corporation tax reform**” following on from the technical note of December 2003 on the same subject matter. These documents contained a number of proposals for consultation as to how the current corporation tax system might be reformed and include draft legislation in respect of some of the suggested reforms. It is not currently known whether or in precisely what form each of the changes arising from the consultation on corporation tax reform will be enacted, although certain of the proposals in the 2003 document have already been enacted in the Finance Act 2004. It is possible that, as these changes are enacted, they may affect the taxation treatment of the Issuer, and could consequently affect the ability of the Issuer to repay amounts in respect of the Instruments.

### **Risks relating to the legal and regulatory framework (other than taxation)**

#### *England and Wales and Scotland - Title of the Issuer Effective only in Equity*

In relation to English Properties, the sale of such Loans and their related Collateral Security will take effect in equity only. In relation to Scottish Properties, the sale of such Loans and their Collateral Security will be given effect by means of a Scottish Trust Deed, pursuant to which the Issuer will acquire the beneficial interest therein. Save in limited circumstances (such as, among other matters, where an Enforcement Notice has been given or where the Trustee considers the Charged Assets to be in jeopardy), neither the Issuer nor the Trustee will obtain legal title to the Loans and their related Collateral Security by effecting any registration or recording of their interests in the Loans and their related Collateral Security by application to the Land Registry (in respect of English Properties) or the Registers of Scotland (in respect of Scottish Properties) to register or record the Issuer as legal owner or (in Scotland) the heritable creditor of such Loans and related Collateral Security and giving notice of such sale and assignment to the Borrowers.

As a consequence of neither the Issuer nor the Trustee obtaining legal title (by not registering their respective interests at the Land Registry or the Registers of Scotland, as applicable), the rights of the Issuer and the Trustee may be, or may become, subject to equities or other third party rights (for example, Rights of Set-Off between the Borrowers or insurance companies and the Originator). None of the Loans made to the Borrowers specifically excludes the Borrower’s Right of Set-Off. Further, a bona fide purchaser from the Originator for value of any of such Loans and Collateral Security without notice of any of the interests of the Issuer or the Trustee might obtain a good title to the Loans and Collateral Security free of any such interests. Such equities and third party rights may diminish or negate the value of the Issuer’s or Trustee’s interest in the Loans and their related Collateral Security and could acquire priority over the interests of the Issuer and the Trustee.

Further, for so long as neither the Issuer nor the Trustee has obtained legal title, it must join the Originator as a party to any legal proceedings which it may wish to take against any Borrower or to enforce its rights under the relevant Loan and its related Collateral Security. In this respect, the Originator will, pursuant to the Mortgage Sale Agreement, undertake for the benefit of the Issuer and the Trustee that it will lend its name to, and take such steps as may reasonably be required by the Issuer or the Trustee in relation to, any legal proceedings in respect of the Loans and their related Collateral Security. In the event that the Originator is in administration, discretionary leave of the court may be required to join the Originator as a party to such proceedings.

#### *Title of Properties in Northern Ireland*

There will be no Northern Irish Loans in the Mortgage Pool.

#### *Enforcement*

Even assuming that the Properties provide adequate security for the Loans, costs and delays could be encountered in connection with enforcement of the Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee (be it the Originator as the legal owner, or the Issuer as the beneficial owner, or the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. The Trustee is not required to take enforcement action unless it has been indemnified to its satisfaction under the Deed of Charge. There are two means of obtaining possession for this purpose; first, by taking physical possession (not common in practice), and secondly and more commonly, by obtaining a court order.



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

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

For further details regarding enforcement procedures in Scotland, see “*Description of the Mortgage Pool – Scottish Loans*”.

#### *Right of redemption in Scotland*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974, the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem the standard security once it has subsisted for a period of twenty years, subject only to the payment of the sums specified in Section 11 of that Act. The specified sums consist essentially of the principal monies advanced by the lender, interest due thereon and expenses incurred by the lender in relation to that standard security. While such sums would not extend to any redemption penalty payable in relation to the relevant loan, this will not be relevant to the Scottish Loans since Mortgage Early Redemption Amounts can only arise in relation to Loans redeemed within three years of the date of their advance.

#### *Enforcement in Ireland*

There will be no Northern Irish Loans in the Mortgage Pool.

#### *Loans Regulated by the Consumer Credit Act 1974*

Currently, a credit agreement is regulated by the CCA where (a) the borrower is or includes an individual; (b) the amount of “**credit**” as defined in that Act does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement as defined under that Act.

Any credit agreement which is intended to be regulated by the FSMA or unregulated might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on (a) determining whether any credit under the CCA arises, or whether the financial limit of that Act is exceeded; (b) determining whether the credit agreement is an exempt agreement under the Act; and (c) changes to credit agreements.

A credit agreement that is wholly or partly regulated by the CCA or to be treated as such has to comply with requirements as to licensing of lenders and brokers, documentation and procedures of credit agreements, and (in so far as will be applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that it is regulated by the CCA or to be treated as such, the credit agreement is unenforceable against the borrower:

- (a) without an order of the OFT, if requirements as to licensing of lenders and brokers are not met;
- (b) totally, if the form to be signed by the borrower is not signed by the borrower personally or omits or mis-states a “**prescribed term**”; or

- (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

A court order is necessary, however, to enforce a land mortgage (or, in Scotland, standard security) securing a credit agreement to the extent that it is regulated by the CCA or treated as such. In dealing with such applications, the court has the power, if it appears just to do so, to amend a credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under Section 75 of the CCA in certain circumstances: (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is to be treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier; and (b) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. Some of the Loans in the Mortgage Pool might be wholly or partly regulated by the CCA (and might give rise to liability under Section 75 of that Act) in that they also finance the supply of insurance under arrangements with the supplier. The Borrower may claim against the lender, or set off the amount of such claim against the amount owing by the Borrower under the relevant Loan or any other mortgage loan that the Borrower has taken. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Instrumentholders.

The Originator has interpreted certain technical rules under the CCA in a way which is common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or the Financial Ombudsman Service, then a credit agreement, to the extent that is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

In November 2002, the Department of Trade and Industry (the "DTI") announced its intention that a credit agreement will be regulated by the CCA where, for credit agreements made after this change is implemented (a) the borrower is or includes an individual, save for partnerships of four or more partners; (b) irrespective of the amount of credit (although in July 2003, the DTI announced its intention that the financial limit will remain for certain business-to-business lending); and (c) the credit agreement is not an exempt agreement. In December 2003, the DTI published a White Paper proposing amendments to the CCA and to secondary legislation made under it.

In June 2004, secondary legislation was made on: (a) amending requirements as to documentation of credit agreements, coming into force on 31 May 2005, or 31 August 2005 for agreements given to the borrower for signature but not made before 31 May 2005; (b) pre-contract disclosure, coming into force on 31 May 2005; and (c) replacing the formula for calculating the maximum amount payable on early settlement with a formula more favourable to the borrower, coming into force on 31 May 2005 for new agreements, or 31 May 2007 or 31 May 2010 (depending on the term of the agreement) for agreements existing before 31 May 2005.

In December 2004, the UK Parliament published a Consumer Credit Bill proposing to amend the CCA by, among others: (a) changing the definition of a credit agreement regulated by the CCA to that announced by the DTI as described above; and (b) repealing the rule that, to the extent that a credit agreement is regulated by that Act or treated as such, it may be unenforceable totally. If these changes are enacted, then any Loan made or changed such that a new contract is entered into after this time, other than a regulated mortgage contract under the FSMA or other exempt agreement under the CCA, will be regulated by the CCA. Such Loan will have to comply with requirements as described above and, if it does not comply, it will be unenforceable without an order of the OFT or without a court order, as described above.

This Consumer Credit Bill also proposed to amend the CCA by: (a) strengthening the licensing regime; (b) reforming the law on extortionate credit, with retrospective effect on existing agreements; and (c) extending the jurisdiction of Financial Ombudsman Service (as described below) to licence-holders under the CCA. The Consumer Credit Bill lapsed with the dissolution of the UK Parliament on 11 April 2005 but was re-introduced in the UK Parliament on 18 May 2005. Further proposals to amend the CCA and secondary legislation made under it are expected at unspecified time.

Under the Mortgage Sale Agreement, the Originator and/or RFL will be obliged to repurchase any Loan that is wholly or partly regulated or to be treated as such under the CCA if a court or other dispute resolution authority finds that the obligation of the Borrower to repay principal and pay interest under a Loan is not enforceable under that Act.

#### *Proposed European Directive on Consumer Credit*

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

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

There has been significant opposition from the European Parliament to the original form of the proposed directive, and in January 2004, the European Parliament published a re-drafted form of the proposed directive. In its re-drafted form, the proposed directive will not apply to any loan secured by a mortgage on land (or equivalent fixed security). In October 2004, the European Commission published an amended form of the proposed directive. In this amended form, the proposed directive will apply to any loan secured by a mortgage on land (or equivalent fixed security) that includes an equity release element and is not over Euro 100,000, but it is unclear whether it will apply to a further advance made after the implementation date under a contract existing before the implementation date.

There are some differences in opinion as to the extent to which mortgage lending should be included in the scope of the proposed directive, which may be substantially further amended before it is ultimately brought into effect. In February 2005, the DTI published a consultation paper on the form of the proposed directive published by the European Commission in October 2004. Until the final text of the directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Loans, the Originator, the Issuer or the Servicer and their respective businesses and operations. No assurance can be given that the finalised directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

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

The Unfair Terms in Consumer Contracts Regulations 1999, together with the Unfair Terms in Consumer Contracts Regulations 1994 (together, the “**UTCC Regulations**”) apply in relation to the Loans. A Borrower may challenge a term in an agreement on the basis that it is “**unfair**” within the meaning of the UTCC Regulations and therefore not binding on the Borrower. In addition the director General of Fair Trading or a qualifying body (as defined in the UTCC Regulations) may seek an injunction (or, in Scotland, interdict) preventing a business from relying on an unfair term.

If a term of a Loan permitting the lender to vary the interest rate is found to be unfair, the Borrower will not be liable to pay the increased rate or, to the extent that the Borrower has paid it, will be able, as against the 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 Borrower under the Loan. Any such non-recovery, claim or set-off may adversely affect the realisable value of the Loans in the Mortgage Pool and accordingly the ability of the Issuer to meet its obligations in respect of the Instruments.

In February 2000, the Office of Fair Trading (“OFT”) issued a guidance note on what the OFT considers to be fair terms and unfair terms in consumer contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender’s control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCC Regulations unless the lender (i) notifies the affected borrower in writing at least 30 days before the rate change and (ii) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Originator has reviewed the guidance note and has concluded that it is in compliance with it. The FSA has agreed with the OFT to take responsibility for the enforcement of the UTCC Regulations in respect of mortgage agreements and has issued a research paper examining what guidance consumers should be provided with when considering interest variation policies. However, it is still unclear as to the exact approach the FSA will adopt in providing such guidance and whether that approach will be different to that currently provided by the OFT.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals to consolidate the Unfair Contract Terms Act 1977 and the 1999 Regulations into a single piece of legislation, and a final report, together with a draft bill on unfair terms, was published in February 2005. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is unfair and unreasonable within the legislation and therefore not binding on the consumer and (b) in any challenge by a consumer (but not by the OFT, the FSA or any other qualifying body) of a standard term or a negotiated term, the burden of proof lies on the lender to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Mortgage Pool.

No assurance can be given that changes to the UTCC Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Loans, the Originator, the Servicer, the Transaction Manager or the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to dispose of the Mortgage Pool, or any part thereof, in a timely manner and/or the realisable value of the Mortgage Pool, or any part thereof, and accordingly affect the ability of the Issuer to meet its obligations under the Instruments when due.

Under the FSMA, the Financial Ombudsman Service is required to make decisions on, among others, complaints relating to the terms in agreements on the basis of what, in the Ombudsman’s opinion, would be fair and reasonable in all the circumstances of the case, taking into account, among others, law and guidance. Complaints brought before the Financial Ombudsman Service 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.

The Financial Ombudsman Service may order a money award to a Borrower, which may adversely affect the value at which the Loans in the Mortgage Pool could be realised and accordingly the ability of the Issuer to meet its obligations under the Instruments.

#### *Financial Services and Markets Act (FSMA)*

Following the decision by the UK government that UK residential mortgage lending should be regulated by the FSA, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI2001/544) was approved by Parliament in March 2001. In December 2001, the Government announced its intention to extend the scope of the proposed regulation to include the provision of advice and mortgage arranging and in this respect an amending Order was put before Parliament in July 2003. The new regulatory regime commenced with effect from 31 October 2004, and there are now three separate regulated activities: entering into a regulated mortgage contract, (in certain circumstances) administering a regulated mortgage contract and the provisions of advice and mortgage arranging. A “**regulated mortgage contract**” is a contract under which the lender provides credit to an individual or a trustee and the contract provides for the obligations of the borrower to be secured by a first legal mortgage (or, in Scotland, standard security) on property located in the United Kingdom where at least 40 per cent. of the property is for residential use by the borrower or his or her immediate family. Regulated activities have also been brought within the scope of the Financial Ombudsman Service. Loans which do not satisfy the requirements of a regulated mortgage contract, such as loans secured by a second or lower ranking legal mortgage (or, in Scotland, standard security), may now, depending on the circumstances, be subject to the regime established by the CCA and related regulations and other consumer protection legislation.

The principal effect of this change in the body regulating mortgage activity is that each entity carrying on a regulated activity will be required to obtain permission from the FSA to carry on that activity and must conduct its regulated activities in accordance with the relevant FSA rules and principles. Failure to comply with the FSMA's authorisation and financial promotion requirements are criminal offences and may render a Loan, which is concluded as a consequence of such activity, unenforceable against a borrower except with the approval of a court. The Originator is duly authorised to lend on regulated mortgage contracts under the FSMA.

#### *Proposed Changes to the Basel Capital Accord*

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The Committee announced on 11 May 2004 that it had achieved consensus on the remaining issues and published the text of the new framework on 26 June 2004 under the title Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework. This framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new framework. The Committee confirmed that it is currently intended that the various approaches under the framework will be implemented in stages, some from year-end 2006, the most advanced at year-end 2007. As and when implemented, the new framework could affect the risk weighting of the Instruments in respect of certain investors if those investors are regulated in a manner which will be affected by the new framework. Consequently, prospective investors should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord. The precise effects of statutory implementation of the new framework cannot be predicted.

#### *The Code of Mortgage Lending Practice*

The Originator is a member of the CML and subscribes to the CML Code issued by the CML. There is no legal requirement for a lender in the residential mortgage market to be a member of the CML. Membership of the CML, and compliance with the CML Code, is therefore voluntary.

The CML Code prescribes minimum standards required from CML Code subscribers in respect of all aspects of their mortgage lending business, from initial marketing of the mortgage products to lending procedures and the subsequent conduct of the mortgage accounts. Since 30 April 1998, subscribers to the CML Code may not use intermediaries unless such intermediaries were registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on or after 1 November 2000) the Mortgage Code Compliance Board. The Originator requires that intermediaries used by it subscribe to the CML Code. The CML Code ceased to apply on 31 October 2004, when mortgage lending became regulated by the FSA.

#### *Non-Status Lending Guidelines for Lenders and Brokers*

The OFT issued Non-Status Lending Guidelines for Lenders and Brokers (the "**Guidelines**") on 18 July 1997 (revised in November 1997). The Guidelines apply to all loans made to non-status borrowers (defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating) and are primarily directed at non-CCA lending. The Guidelines are therefore applicable to the Loans. The Guidelines are not primary or subordinate legislation. As such they set out certain "**principles**" to be applied in the context of the "**non-status**" residential mortgage market.

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

The Guidelines place certain constraints on lenders in the non-status residential mortgage market in respect of matters such as advertisement of mortgage products, selling methods employed by lenders and their brokers, underwriting, dual interest rates and early redemption payments. The Originator has sought advice so as to comfort itself that the practices and procedures it is using are in compliance with the Guidelines.

### *Small companies moratorium*

The Insolvency Act 2000 introduced significant changes to the UK insolvency regime including provisions which allow certain “small” companies to obtain protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for the creditors to extend the protection period for a further two months.

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

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

For the purposes of the Insolvency Act 2000, a “small company” is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £5.6 million; (ii) its balance sheet total is not more than £2.8 million; and (iii) the number of its employees is not more than 50.

For as long as the turnover of the Issuer is greater than £5.6 million and its balance sheet total is greater than £2.8 million, the Issuer will not be regarded as a “small company” under the law as it currently stands. The Secretary of State for Trade and Industry may by regulation in the future modify the eligibility requirements for the applicability of the Insolvency Act 2000 and the definition of a “small company”.

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

Pursuant to Regulations made by the Secretary of State which came into force on 1 January 2003, companies which are party to an agreement which is or forms part of a capital market arrangement, under which a party incurs or when the agreement was entered into was expected to incur a debt of at least £10 million and which involves the issue of a capital market investment, are excluded from being eligible for the moratorium. The definitions of “capital market arrangement” and “capital market investment” are broad, such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, may be ineligible to seek the benefit of the small companies moratorium.

In addition, there is an exclusion from the moratorium provisions for any company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer should fall within this exception, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance may be given that any modification of the eligibility requirements for “small companies” and/or the exceptions will not be detrimental to the interests of the Instrumentholders.

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

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

### *Share of floating charge assets for unsecured creditors*

The Enterprise Act also inserted a new Section 176A into the Insolvency Act, which provides that where a company has gone into liquidation or administration, or where there is a provisional liquidator or receiver, a

“**prescribed part**” of the company’s net property is to be applied in satisfaction of unsecured debts in priority over floating charge holders.

By virtue of the relevant prescribing order, the ring fencing of the “**prescribed part**” applies to floating charges which are created on or after 15 September 2003. The amount available for unsecured creditors will depend upon the value of the chargor’s “**net property**”, being the amount of the chargor’s property which would otherwise be available for satisfaction of the claims of floating charge holders or holders of a debenture secured by a floating charge. As at the date of this Prospectus, the “**prescribed part**” has been set as 50% of the first £10,000 of a company’s net property and 20% of the net property that exceeds £10,000; provided that such amount may not exceed £600,000. Where the company’s net property is less than a prescribed minimum of £10,000, the liquidator, administrator or receiver may disapply this rule without application to the Court in respect of a company if it thinks that the cost of making a distribution to unsecured creditors would outweigh the benefits. If the company’s net property is more than the prescribed minimum, the liquidator, administrator or receiver may apply to the Court for an order that the rule may be disappplied on the same ground.

Accordingly, any floating charge realisations upon the enforcement of the Security will be reduced by the operation of the ring fencing provisions. A receiver appointed by the Trustee would also be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Secured Creditors (including the Instrumentholders), respectively. Following the amendments to the Insolvency Act introduced by the Enterprise Act, the categories of preferential debts are certain amounts payable in respect of occupational pension schemes, employee remuneration and levies on coal and steel production. It should be noted, however, that pursuant to the covenants contained in the relevant Transaction Documents, the Issuer is not permitted to have any employees and its activities are otherwise restricted. Accordingly, if the Issuer complies with the covenants contained in the Transaction Documents it is unlikely that the Issuer will have any preferential creditors.

#### *Appointment of administrative receiver in respect of Issuer*

The provisions of the Enterprise Act amending the corporate insolvency provisions of the Insolvency Act came into force on 15 September 2003. As a result of the amendments made to the Insolvency Act by the Enterprise Act, the holder of a qualifying floating charge created on or after 15 September 2003 is prohibited from appointing an administrative receiver and, consequently, is unable to prevent the chargor entering into administration, unless the floating charge falls within one of the exceptions set out in sections 72A to 72GA of the Insolvency Act.

The Trustee will not be entitled to appoint an administrative receiver over the assets of the Issuer unless the floating charges in its favour fall within at least one of the exceptions.

The exceptions include a capital markets exception in respect of, in certain circumstances, the appointment of an administrative receiver pursuant to an agreement which is or forms part of a “**capital market arrangement**” (as defined in the Insolvency Act). This exception will apply if a party incurs or, when the agreement in question was entered into, was expected to incur a debt of at least £50 million and if the arrangement involves the issue of a capital market investment (also defined in the Insolvency Act but, generally, a rated, traded or listed bond).

Although there is yet no case law on how this exception will be interpreted, the exception should be applicable to the transactions described in this Prospectus so far as it concerns the floating charge created by the Issuer under the Deed of Charge. The Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be made that any such modification or provisions in respect of the capital market exception will not be detrimental to the interests of the Instrumentholders.

#### *Financial Collateral Arrangements (No. 2) Regulations*

The Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003 No. 3226) (the “**Regulations**”) (which implement the Financial Collateral Directive (Directive 2002/47/EC)) sets out certain rules governing the provision of financial instruments and cash as collateral. The Regulations apply to financial collateral provided by way of an outright transfer and to security interests. The effect of the Regulations on the security interests to be created in connection with the transactions contemplated in this Prospectus may be to disapply key pieces of insolvency law such as the restrictions on the enforcement of security, which are contained in the Insolvency Act 1986 and which would otherwise apply to security taken over financial collateral. However, the

Regulations are uncertain for a number of reasons, including whether the Regulations have interpreted Directive 2002/47/EC too widely and, in the absence of any case law on the Regulation or further guidance being given on its interpretation, the exact scope and effect of the Regulations is unclear.

### **Northern Irish Regulatory Considerations**

There will be no Northern Irish Loans in the Mortgage Pool.

### **Risks Related to the DACs and MERCs**

The DACs and MERCs are generally more speculative investments than the A Notes, M Notes and B Notes and investors should be aware of the special risks associated with these investments as set forth below.

#### *DACs*

Following the initial issuance of the Notes, the DACs may be separated from the A Notes. The DACs represent a right to receive interest on the relevant A Notes. This interest will accrue from the time when the DACs are separated from the A Notes and shall cease to be payable on the date on which relevant A Notes are redeemed in full.

The DACs will represent only the interest entitlement of the A Notes which is specified for the DACs and is payable in the underlying currency of the A Notes from which the DACs are detached at the relevant time and the holder thereof will have no claim in respect of principal amounts payable under the A Notes. Accordingly, the payment entitlement of the DAC Holders will be contingent upon the A Notes remaining outstanding. The A Notes will be redeemed as set out in the Conditions (which also contain optional redemption provisions which may be triggered in certain circumstances). A high rate of prepayments in respect of the Loans is likely to cause the A Notes to be redeemed quickly and will therefore reduce the value of the DACs. Likewise, if a portion of the A Notes are redeemed upon the expiry of the Prefunded Loan Period, the value of the DACs will be reduced by such redemption.

Once DACs are separated from the A Notes, they cannot be re-attached and the DAC Holders will have no voting rights under the Trust Deed or the Conditions.

#### *MERCs*

The MERCs represent an entitlement only to amounts received by the Issuer in respect of the obligation of Borrowers, in certain circumstances, to pay Mortgage Early Redemption Amounts. The entitlement of MERC Holders to receive MER Distributions from the Issuer from time to time will be contingent upon the A Notes remaining outstanding. High rates of prepayment or enforcement of Loans, while being factors that may lead to a reduction in the value of the DACs, are likely to result in increased Mortgage Early Redemption Amounts and thus an increase in the MER Distributions as will be the case if there are fewer repurchases of Loans from the Issuer by the Originator to accommodate Borrower requests for further advances, conversions of the repayment method of their loan or substitutions of collateral. Correspondingly, lower rates of prepayment or enforcement of Loans or a proportion of the Notes being redeemed upon the expiry of the Prefunded Loan Period (resulting from some, or all, of the Prefunding not being applied in purchasing Prefunded Loans) are likely to result in reduced MER Distributions. The actual lives of the MERCs cannot be predicted, however, as the actual rate of prepayment of the Loans is unknown.

There is no certainty as to the amount of Mortgage Early Redemption Amounts that will actually be received by the Issuer. If no Mortgage Early Redemption Amounts are received by the Issuer, regardless of the reason, there is no payment obligation on the Issuer to MERC Holders. No Mortgage Early Redemption Amounts will arise in circumstances where a Borrower requests a further advance, conversion of the repayment method of their Loan into another repayment method or wishes to substitute the security for their loan. See "*Sale of Substitute Loans - Further Advances, Conversion and Substituted Collateral Loans*".

The ratings by Fitch and S&P of the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Redemption Amounts actually received by the Issuer if enforceable. The MERCs are extremely sensitive to the rate of prepayments, which Fitch and S&P's ratings do not address. In the event that prepayments of Loans by Borrowers are slower than anticipated, investors in the MERCs may fail to recover their initial investment.



A wide range of factors will affect the Mortgage Early Redemption Amounts received by the Issuer including the date of origination of each Loan comprised in the Mortgage Pool, the Prefunded Mortgage Pool and any Substitute Loans, the rate at which Borrowers voluntarily redeem Loans, the number of Loans which are subject to enforcement proceedings, the number of redemptions that arise as a consequence of the death of Borrowers and regulatory changes that prescribe the amount of redemption compensation a lender may charge.

While MERC Holders will have voting rights amongst themselves as regards the MERCs, the MERCs will carry no voting rights in respect of the Notes or the DACs.

(See “*The Mortgage Pool – Mortgage Early Redemption Amounts*”.)

Following an enforcement of a Mortgage, the Borrower’s contractual obligations to pay any Mortgage Early Redemption Amount will rank in point of priority after all other amounts secured by the Mortgage.

#### *Payments Under the DACs, MERCs and Residual Certificates*

Beneficial holders of DACs, MERCs, Residual Certificates and D Notes (which are not offered under this Prospectus) are required to provide certain representations as to their UK tax status to the Issuer and are required to obtain similar representations from any transferee. If the Issuer has made payments to the holders of such Instruments in the circumstances where the abovementioned requirements are not fulfilled then such beneficial holder will be liable to indemnify the Issuer against all liabilities incurred by the Issuer in connection with such payments. No liability to the Issuer will attach to any Paying Agent or the Trustee as a consequence of any payments made in the foregoing circumstances described in this paragraph.

In addition, the specific terms and conditions of the DACs, MERCs and Residual Certificates (in the section headed “**Specific Terms And Conditions**”) specify that where a DAC Holder holding the beneficial interest in a DAC is also a MERC Holder holding the beneficial interest in a MERC, or a Residual Certificate Holder holding the beneficial interest in a residual Certificate is also a beneficial holder of a D Note, and the abovementioned requirements are not fulfilled by such a beneficial holder in relation to one of the two such Instruments held by them, then such beneficial holder will be liable to indemnify the Issuer against all liabilities incurred by the Issuer in connection with such payments. RFL will purchase the DACs, MERCs and Residual Certificates issued by the Issuer on the Issue Date and will make the required representations.

#### *Investment Company Act*

The Issuer has not registered with the SEC as an investment company pursuant to the Investment Company Act, in reliance on an exception from such registration for investment companies (a) whose outstanding securities, to the extent beneficially owned in the United States or by U.S. Persons, are beneficially owned only by persons who at the time of their acquisition of such securities are Qualified Purchasers and (b) which do not make a public offering of their securities in the United States.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required but, in violation of the Investment Company Act, has failed to register as an investment company, possible consequences include, but are not limited to, the following: (a) the SEC could apply to a court to enjoin the violation, (b) investors in the Issuer could sue the Issuer and recover any damages caused by the violation and (c) any contract to which the Issuer is a party which is made in, or whose performance involves a violation of, the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer and the Instruments would be materially and adversely affected.

#### *ERISA Considerations*

Although no assurances can be made, the conditions and restrictions on transfers of the Instruments and of interests therein set forth under “**Transfer Restrictions and Investor Representations**” and “**Certain ERISA and Other Considerations**” are intended to prevent the assets of the Issuer from being treated as the assets of a “**benefit plan**” for purposes of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). If the assets of the Issuer were deemed to be “**plan assets**”, certain transactions that the Issuer may have entered into, including in the ordinary course of business, might constitute non-exempt

prohibited transactions under ERISA and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended, (the “Code”) and might have to be rescinded.

Each purchaser or transferee of Instruments or of interests therein will be deemed to have represented and agreed that (a) it is not and for so long as it holds any such Instrument or interests therein will not be (i) a benefit plan as defined in Section 3(3) of ERISA (a “Benefit Plan”) that is subject thereto or any plan as defined in Section 4975 of the Code (a “Plan”), (ii) another employee benefit plan subject to any federal, state, local or non-U.S. law substantially similar to Section 406 of ERISA or Section 4975 of the Code (“Similar Law”), (iii) an entity using the assets of or acting on behalf of such a Benefit Plan or Plan, or (iv) an entity whose underlying assets are deemed for purposes of ERISA, Section 4975 of the Code or any Similar Law to include plan assets of any such Benefit Plan, Plan or other employee benefit plan, or (b) its purchase and holding of any Instrument will not result in a non-exempt prohibited transaction under ERISA, the Code or, as applicable, any Similar Law.

See “Certain ERISA and Other Considerations” herein for a more detailed discussion of certain ERISA-related and other considerations with respect to an investment in the Instruments.

#### *Book-Entry Interests*

***None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures, Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument, will be possible under any circumstance.***

Unless and until Definitive Instruments are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Instruments under the Trust Deed. After payment to the Depository, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to DTC, the Common Depository or to holders or beneficial owners of Book-Entry Interests. The Depository or its nominee will be the sole legal Instrumentholder under the Trust Deed while the Instruments are represented by the Global Instruments. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Depository, DTC, Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any rights of an Instrumentholder under the Trust Deed.

Holders of beneficial interests in Instruments held directly with DTC or through its participants and denominated, or on which payments are otherwise due, in a currency other than U.S. dollars must give advance notice to the Depository 15 days prior to each Interest Payment Date that they wish payments on such Instruments to be made to them in such other currency in respect of such Instruments outside DTC. If such instructions are not given, payments in respect of such Instruments in a currency other than dollars will be exchanged for dollars prior to their receipt by DTC and the affected holders will receive dollars on the relevant Interest Payment Date. (See “The Exchange Rate Agency Agreement”.)

Payments of principal and interest on, and other amounts due in respect of, the Global Instruments will be made to the Depository (as holder of the Global Instruments). It is anticipated that the Depository will in turn distribute payments to the nominee of DTC (in the case of the Rule 144A Global Notes) and to the nominee of the Common Depository (in the case of the Reg S Global Instruments). Upon receipt of any payment from the Depository, DTC, Euroclear and Clearstream, Luxembourg will promptly credit participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests, as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, the Depository 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 Instrumentholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Instrumentholders (where applicable). Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default in respect of the Instruments, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Instruments are issued in accordance with the relevant Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear, Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed. For a description of the terms of the Depository Agreement, see “*The Depository Agreement*”.

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

As transactions in the Rule 144A Global Notes will be effected only through DTC, direct or indirect participants in DTC’s book-entry system (“**Direct or Indirect Participants**”) and certain banks, the ability of a Noteholder to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interests. Certain transfers of Notes, or interests therein, may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. See “*Additional Information for U.S. Investors - Transfer Restrictions and Investor Representations*”.

## **General considerations**

### *Exchange Rate Risks*

Repayments of principal and payments of interest on certain of the Notes and payment of interest on any related DACs will be made in currencies other than sterling by the Issuer. However, payments will be received by the Issuer from the Borrowers under the Loans in sterling. The Issuer will enter into the Currency Swap Agreements to hedge the currency mismatch.

A failure by the Issuer to make timely payment of amounts due to any Currency Swap Counterparty (taking into account any grace periods) would constitute a default under the relevant Currency Swap Agreements. If the Currency Swap Counterparty is not obliged to make payments, or it defaults in its obligation to make payments of amounts to the Issuer in the currency required by the Issuer to meet its non-sterling denominated obligations, the Issuer will be exposed to changes in currency exchange rates and to the associated interest rates on these currencies. As a result the Issuer may have insufficient funds to make payments due on the Notes and related DACs.

No such risks will arise in respect of the transaction contemplated in this Prospectus as all Instruments issued by the Issuer will be denominated in sterling.

### *Risks Associated with Rising Mortgage Rates*

The interest rate payable under the Loans is calculated by reference to LIBOR which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by Borrowers under the Loans as a result of an increase in LIBOR.

To the extent that the Borrowers are not able to make payments under their Loans, the Issuer may have insufficient funds to make payments due on the Instruments.

#### *Change of Law*

The structure of the issue of the Instruments and the ratings which are to be assigned to them are based on English and (in relation to the Scottish Loans) Scots law, tax, regulatory and administrative practice in effect as at the date of this Prospectus and having due regard to the expected tax treatment of all relevant entities and cashflows under such law and practice. No assurance can be given as to the impact of any possible change to English or Scots law, tax, regulatory or administrative practice in the UK after the date of this Prospectus.

#### *Change to Regulatory Framework*

In the UK, the OFT is responsible for the issue of licences under, and the enforcement of, the CCA, related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take remedial or enforcement action when necessary with regard to many aspects of the mortgage market in the United Kingdom.

No assurance can be given that future adverse regulatory developments will not arise with regard to the mortgage market in the UK generally, the Originator's particular sector in that market or specifically in relation to the Originator. Any such developments may have a material adverse effect on the Issuer and/or the Servicer and/or the Transaction Manager and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payment in full on the Instruments when due.

#### *European Monetary Union*

Prior to the maturity of the Notes the United Kingdom may become a participating member state in Economic and Monetary Union and the Euro may become the lawful currency of the United Kingdom. Adoption of the Euro by the United Kingdom may have the following consequences: (i) all amounts in respect of the Instruments which are payable in sterling may become payable in Euro; (ii) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or DACs, or changes in the way those rates are calculated, quoted and published or displayed; and (iii) applicable provisions of law may require or permit the Issuer to redenominate its sterling obligations under the Instruments into Euro. The Conditions permit the Issuer to take the necessary measures in respect of redenomination of its debt obligations under the Instruments.

The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Instruments, amounts due under which are payable in sterling.

#### **United States Federal Income Tax Treatment**

There are no regulations, published rulings or judicial discussions addressing the characterisation for United States federal income tax purposes of securities with terms substantially the same as the Notes. The Issuer intends to take the position that the Notes are debt of the Issuer for United States federal income tax purposes.

There can be no assurance that such debt treatment will be respected. In particular, with respect to the B Notes (and to a lesser extent with respect to the M Notes because of the subordination level), it is possible that these Notes may be viewed as equity interests in the Issuer for United States federal income tax purposes. The Issuer will be considered a passive foreign investment company for United States federal income tax purposes. As a result, a United States holder of a Note that is treated as equity for United States federal income tax purposes would be subject to unfavourable United States federal income tax treatment that may significantly impact these United States holder's after-tax returns. The special tax regime applicable to U.S. holders of an equity interest in a passive foreign investment company treats gain on a disposition of such equity interest as ordinary income and applies an interest charge with respect to certain tax amounts on gain and "**excess distributions**" with respect to the equity interest in the passive foreign investment company. See "*United States Taxation – Investment in a Passive Foreign Investment Company.*" Prospective investors should consult their tax advisors regarding the U.S. tax consequences of investing in the Notes.

The beneficial interest in the MERCs, Residual Certificates and DACs may not be held by anyone other than a company which is within the charge to UK corporation tax.

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

## SUMMARY OF KEY TRANSACTION DOCUMENTS

The description of certain of the Transaction Documents set out below is a summary of certain features of such documents and is qualified by reference to the detailed provisions thereof.

### **1 The Sale, Servicing and Transaction Management Agreements**

#### **Mortgage Sale Agreement**

##### *Purchase of Completion Mortgage Pool*

Under the terms of the Mortgage Sale Agreement, the Originator and RFL will sell to the Issuer and the Issuer will, subject to the satisfaction of certain conditions precedent, purchase from the Originator and RFL, their respective interests in the Completion Mortgage Pool.

Following the sale of the Completion Mortgage Pool to the Issuer on the Issue Date, further Loans may from time to time be included in the Mortgage Pool. These further Loans may be Prefunded Loans (which may only be purchased on the Prefunding Acquisition Date), Further Advances Loans, Converted Loans or Substituted Collateral Loans originated by the Originator. In relation to Prefunded Loans acquired by the Issuer, the Originator and RFL will be obliged to repurchase any Non-Verified Loans which do not Verify by the Payment Verification Date.

All interest amounts in relation to Loans in the Mortgage Pool accruing or due prior to the date of the purchase of such loans (whether purchased on the Issue Date or subsequently) will be for the account of the Originator and RFL. All interest accruing or due on or after the relevant date of purchase of the Loans will be for the account of the Issuer.

The Servicer is required under the terms of the Servicing Agreement to ensure the safe custody of, among others, the title deeds and to provide access to them to the Issuer and the Trustee at all reasonable times during business hours and upon written request of the Trustee or the Issuer deliver such deeds to the Issuer and/or Trustee. The Servicer will have custody of title deeds and documents in respect of the Loans and their related Collateral Security as agent of the Issuer and will not be permitted to create any form of encumbrance over the same.

##### *Consideration for Purchase of the Completion Mortgage Pool*

In consideration for the assignment of the Completion Mortgage Pool as at the Issue Date, the Issuer will pay the purchase price to RFL and the Originator which is an amount equal to the sum of (i) the aggregate Balances of the Loans comprised in the Completion Mortgage Pool at the Issue Date, (ii) the issue of the MERCs and the D Notes to RFL and (iii) the premium on the issue of the A Notes (including the DACs). The purchase price payable for any Loans purchased by the Issuer after the Issue Date will be an amount equal to the sum of (i) the aggregate Balances of such Loans and (ii) the issue of further D Notes.

##### *Effectiveness of the Assignment*

The sale of the English Loans and their related Collateral Security will take effect in equity only. The sale of the Scottish Loans and their related Collateral Security will be given effect by means of a Scottish Trust Deed, pursuant to which the Issuer will acquire the beneficial interest in such Loans and their related Collateral Security.

Save as mentioned below, neither the Issuer nor the Trustee will obtain legal title to the Loans and their related Collateral Security by effecting any registration or recording of their interests in the Loans and their related Collateral Security (by application to the Land Registry or the Registers of Scotland, as applicable, to register or record the Issuer as legal owner or (in relation to Scottish Loans) the heritable creditor of such Loans and related Collateral Security) and giving notice of such sale and assignment to the Borrowers and nor will such action be taken in relation to the charge of such Loans and their related Collateral Security and no notice of the equitable and other charges in favour of the Trustee will be given to the Borrowers.

Under the Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or the Trustee will each be entitled to effect such registrations, recordings and give such notices as it considers

necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, among others, where (i) it is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority, (ii) an Enforcement Notice has been given, (iii) the Trustee considers that the Charged Assets or any part thereof is in jeopardy (including the possible insolvency of the Originator or RFL) or (iv) any action is taken for the winding-up, dissolution, administration or reorganisation of the Originator or RFL (other than on solvent grounds). These rights are supported by irrevocable powers of attorney given by the Originator and RFL in favour of the Issuer and the Trustee.

The effect of not giving notice to the relevant Borrowers of the sale of the Loans and their related Collateral Security to the Issuer and the charging of the Issuer's interest in the Loans and their related Collateral Security to the Trustee is that the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge will take effect in equity (or extend over the Issuer's beneficial interest) only, and the rights of the Issuer and the Trustee may be, or may become, subject to equities and other third party rights (for example, Rights of Set-Off as between the relevant Borrowers or insurance companies and the Originator) as well as to the interests of third parties who perfect a legal interest prior to the Issuer or the Trustee acquiring and perfecting a legal interest (such as, in the case of Mortgages, over unregistered land in England or Wales, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land in England or Wales or any land in Scotland, a third party acquiring a legal interest by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to a third party claim obtaining priority to the interests of the Issuer or the Trustee in the Loans and the Collateral Security is likely to be limited to circumstances arising from a breach by the Originator, RFL, the Servicer or the Issuer of its or their contractual or other obligations or fraud, negligence or mistake on the part of the Originator, RFL, the Servicer or the Issuer or their respective officers, employees or agents (if any).

#### *Representations and Warranties as to the Mortgages*

The Originator and RFL will give the Mortgage Warranties in respect of the Loans and their related Collateral Security that are included in the Completion Mortgage Pool, as at the Issue Date. See Schedule 1 to this Prospectus for further details. The Mortgage Warranties will also be given in respect of each Loan sold or transferred to the Issuer after the Issue Date in accordance with the terms of the Mortgage Sale Agreement and the Servicing Agreement.

#### *Breach of Mortgage Warranties*

If there is a breach of any Mortgage Warranty which is reasonably likely (having regard to, but without limitation, whether a loss is likely to be incurred in respect of the Loan to which the breach relates after taking account of the likelihood of recoverability or otherwise of any sums under any applicable insurance policies), to have a material adverse effect on the Loan, its related Collateral Security or any Right of Set-Off or generally to the interests of the Instrumentholders, or (ii) any Right of Set-Off arising as between a Borrower and the Originator in respect of any Loan or a Borrower giving written notice of its intention to exercise such Right of Set-Off, the Originator and/or RFL shall, within 21 days remedy the matter giving rise to such breach of such Mortgage Warranty or such Right of Set-Off (as the case may be) if such matter is capable of remedy or, if such matter is not capable of remedy, or, if capable of remedy, is not so remedied within the said period of 21 days, the Originator/or and RFL shall repurchase, or procure the purchase of the Issuer's Assigned Rights in relation to such Loan by a third party or arrange for the transfer or assignment of a Substitute Loan, each at a consideration equal to the current Balance of such Loan at that relevant time.

If a Loan has never existed, or has ceased to exist, such that it is not outstanding on the date on which it is due to be repurchased, the Originator and/or RFL shall not be obliged to repurchase the Loan or the other Assigned Rights but shall instead indemnify the Issuer against any loss suffered by reason of any Mortgage Warranty relating to or otherwise affecting that Loan being untrue or incorrect by reference to the facts subsisting at the date on which the relevant Mortgage Warranty was given, provided that the amount of such indemnity shall not exceed the sum of (i) the principal amount of the Loan that would have been payable by the Borrowers in respect of such Loan on and after the Issue Date (or other date of purchase by the Issuer, if such Loan was not purchased on the Issue Date) had the Loan existed and complied with each of the Mortgage Warranties as at the Issue Date (or other date of purchase by the Issuer, if such Loan was not purchased on the Issue Date) and (ii) interest thereon calculated from the Issue Date (or other date of purchase by the Issuer, if such Loan was not

purchased on the Issue Date) to the next interest payment date had the Loan existed at the rate of interest specified to the Issuer for such non-existent Loan at the time of the payment by the Issuer for such non-existent Loan.

#### *Applicable law and jurisdiction*

The Mortgage Sale Agreement will be governed by and construed in accordance with English law (other than certain aspects thereof relating to the Scottish Loans and their related Collateral Security, which shall be governed by and construed in accordance with Scots law). The English courts will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

### **Servicing Agreement**

#### *Servicing and Collection*

Pursuant to the terms of the Servicing Agreement, the Issuer and the Trustee will appoint the Servicer to service, manage and administer the Loans, the related Collateral Security and other Assigned Rights, including the collection of the receivables in respect of the Loans.

#### *Sub-Contracting and Delegation*

The Servicer may sub-contract or delegate the performance of all or any of its powers and obligations under the Servicing Agreement, subject to certain conditions specified in the Servicing Agreement including, but not limited to, the Servicer retaining liability to the Issuer for those services performed by any sub-contractor and confirmation from the Rating Agencies that any sub-contracting or delegation will not affect the then current ratings of the Instruments.

#### *Servicer's Duties*

The duties of the Servicer will be set out in the Servicing Agreement, and will include, but not be limited to:

- (a) administering the Loans, their related Collateral Security and the other Assigned Rights and all related matters in accordance with the Service Specification and according to the Service Levels as specified in the Service Specification;
- (b) notifying Borrowers of revised monthly payments under the terms and conditions of the Loans;
- (c) procuring that all direct debit payments from Borrowers in respect of the Mortgage Pool are directed into the FM2 Collection Account and that payments received by any other method are directed into the Rooftop Collection Account and that all sums in the Rooftop Collection Account (relating to the Mortgage Pool) are transferred to the GIC Account at the end of each Business Day (subject to a minimum transfer of £10,000);
- (d) acting in the manner of a Prudent Mortgage Lender in collecting payments due and undertaking Enforcement Procedures against defaulting Borrowers and executing relevant documents on behalf of the Issuer to discharge Collateral Security upon redemption in full of a Loan;
- (e) confirming on behalf of the Issuer the satisfaction of certain relevant conditions to the purchase of Further Advances Loans, Converted Loans, Substituted Collateral Loans or Prefunded Loans (on the Prefunding Acquisition Date) (including those set out in “*Sale of Substitute Loans - Further Advances, Conversion and Substituted Collateral Loans*”) by the Issuer;
- (f) keeping secure the property deeds, correspondence and other documents relating to the Loans and their related Collateral Security; and
- (g) providing certain information (including the Quarterly Report) to various parties including the Rating Agencies.



The Issuer and Trustee will grant the Servicer a power of attorney to facilitate the Servicer's performance of its obligations.

#### *Servicing Fee/Costs/Indemnity*

The Servicer (and/or, if applicable, a replacement servicer) will receive the Servicing Fee paid in accordance with the Priority of Payments. The Servicer will also be entitled to be reimbursed for reasonable costs, expenses and charges in accordance with the terms of the Servicing Agreement.

The Servicer shall indemnify the Issuer and the Trustee against all direct and foreseeable losses, damages, costs, expenses, actions, proceedings, liabilities, claims and demands incurred by the Issuer and/or Trustee by reason of any misrepresentation by it or by reason of its respective breach or non-performance of its obligations under the Servicing Agreement or its wilful default, bad faith or gross negligence.

#### *Representations and Warranties*

The Servicer will, among others, represent and warrant to the Issuer and Trustee that:

- (a) the obligations expressed to be assumed by it in the Transaction Documents to which it is a party are legal and valid obligations binding on it and enforceable in accordance with their terms;
- (b) it is registered under the Data Protection Act 1998 and is licensed under the CCA and is in compliance with all its material obligations thereunder and it has duly obtained or made each authorisation, approval, consent, licence, exemption, notice, filing or registration required on its part for or in connection with the execution and performance of each of the Transaction Documents to which it is a party and any matters contemplated thereby have been unconditionally obtained and are in full force and effect;
- (c) it has not taken any corporate action nor have any other steps been taken or legal proceedings been commenced or threatened against it for its winding up, dissolution, administration or re organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or of any or all of its assets or revenues (other than proceedings disputed in good faith and are withdrawn, struck out or dismissed within 15 days);
- (d) no litigation, action or administrative proceeding of or before any court or agency which is likely to have a material adverse effect on its ability to comply with its obligations under the Servicing Agreement has been started or threatened;
- (e) it is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which is reasonably likely to have a material adverse effect on its ability to comply with its obligations under the Servicing Agreement or any of the other Transaction Documents to which it is a party; and
- (f) no Servicer Termination Event has occurred.

#### *Covenants of the Servicer*

The Servicer will covenant to the Issuer and the Trustee on, among others, the following terms:

- (a) devoting such time and attention and exercising all such skill, care and diligence as necessary to ensure proper performance and discharge of the Servicer's obligations and undertakings contained in the Servicing Agreement and, where relevant, ensuring that the relevant Service Specification is achieved;
- (b) complying in all material respects with the Standard Documentation;
- (c) to the extent practicable, complying with any proper and reasonable directions, orders and instructions which the Issuer and the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement and the other Transaction Documents;

- (d) at all times, employing and ensuring that there are adequate resources and suitably qualified personnel to execute, perform and undertake the tasks and perform the obligations which the Servicer agrees to undertake and perform under the Servicing Agreement;
- (e) keeping good, orderly and tidy all credit, deed and other files including all material communications with all Borrowers under the relevant Loans including, without limitation, communication conducted by email, letter, phone or otherwise;
- (f) undertaking disaster recovery planning and testing at least once a year;
- (g) using its best endeavours to obtain and keep in force all licences, approvals, registrations, authorisations and consents which may be necessary in connection with the performance of the Services and the other obligations contained in the Servicing Agreement and in particular any applicable licences or registrations under FSMA (excluding loan arrangement activities), the CCA and the Data Protection Act 1998;
- (h) maintaining the Insurances with a reputable insurer, which it considers in its reasonable discretion (acting as a reasonable mortgage loan servicer) to be appropriate to the Insured Risks and agreeing to provide to the Trustee and the Issuer, upon request, documentary evidence of the existence and extent of the cover that is provided to the Servicer for the Insured Risks;
- (i) servicing the Loans and the Collateral Security with due and proper regard to the principles and procedures set out in all applicable laws and regulations from time to time and in the Servicing Agreement and the Administration Procedures Manual and notifying the Issuer, the Trustee and Rating Agencies of all material changes to the Administration Procedures Manual;
- (j) making all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in the currency in which such payment is due for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim;
- (k) (as soon as practicable after such event has come to its attention) give notice in writing to the Issuer, the Trustee and each of the Rating Agencies of any Servicer Termination Event, or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute a Servicer Termination Event;
- (l) delivering copies of its financial statements to the Trustee, the Issuer and each of the Rating Agencies; and
- (m) promptly notifying the Trustee and the Rating Agencies in writing upon it becoming aware of certain insolvency or litigation or any other circumstances which could reasonably be expected materially and adversely to affect its ability to perform its obligations under the Servicing Agreement.

#### *Servicer Termination Event*

The occurrence of the following events (each a “**Servicer Termination Event**”) under the Servicing Agreement will entitle the Issuer (with the consent of the Trustee) or the Trustee to terminate the appointment of the Servicer under the Servicing Agreement:

- (a) default is made by the Servicer in the payment on the due date of any payment to be made under the Servicing Agreement to the relevant Collection Accounts and such default is not remedied for a period of two Business Days following the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice by the Trustee requiring the same to be remedied;
- (b) default (other than a failure to pay) is made by the Servicer in the performance or observance of any of its covenants and obligations under the Servicing Agreement which, in the opinion of the Trustee, is materially prejudicial to the interests of the Instrumentholders and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after written notice by the Trustee requiring the same to be remedied;
- (c) an order is made or an effective resolution passed for winding up the Servicer;

- (d) the Servicer ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent;
- (e) the Servicer fails, after the expiry of the applicable cure period, to obtain or keep in force any licences, approvals, registrations, authorisations and consents as it is required under the terms of the Servicing Agreement;
- (f) (other than in the case of a reorganisation the terms of which have been approved by the Trustee and where the Servicer demonstrates to the satisfaction of the Trustee that it is solvent) an order is made against the Servicer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or a receiver or other similar official is appointed in relation to the Servicer or in relation to the whole or any substantial part of the undertaking or assets of the Servicer or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Servicer, and in any of the foregoing cases it shall not be discharged within 15 days; or if the Servicer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or
- (g) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Servicer is materially prejudicial to the interests of the Instrumentholders.

The occurrence of a Servicer Termination Event leading to the replacement of the Servicer will not, of itself, constitute an Event of Default in respect of the Instruments.

The Servicer may resign upon giving 6 months notice to the Issuer and Trustee. The termination or resignation of the Servicer will not become effective until the Standby Servicer (or another substitute servicer subject to the conditions set out in the Servicing Agreement) has been appointed under the terms of the Servicing Agreement. The Servicer will be required to provide assistance and the necessary cooperation to its successor to ensure that that transfer of the servicing obligations under the Servicing Agreement is as trouble free as practicable.

#### *Applicable law and jurisdiction*

The Servicing Agreement will be governed by and construed in accordance with English law. The courts of England will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

#### **Standby Servicing Agreement**

Pursuant to the terms of the Standby Servicing Agreement the Trustee will appoint the Standby Servicer on the terms of the Servicing Agreement in the event that the appointment of the Servicer pursuant to the Servicing Agreement is terminated. The Standby Servicer has agreed to provide equivalent services as the Servicer provides to the Issuer and the Trustee on the terms as set out in the Servicing Agreement.

Until the Standby Servicer is required (upon termination of the appointment of the Servicer) to perform the servicing obligations of the Servicer under the Servicing Agreement, the Standby Servicer will be entitled to receive an ongoing fee payable by the Issuer. Upon the Standby Servicer being required to perform the servicing obligations of the Servicer under the Servicing Agreement, such fee will no longer be payable and the Standby Servicer will be entitled to receive the Servicing Fee instead.

The Standby Servicer may resign as Standby Servicer upon giving 90 days notice if amendments are made to the Servicing Agreement or the Deed of Charge without the Standby Servicer's consent or the fees due to the Standby Servicer are not paid within 60 days of the due date. The termination of the Standby Servicer's appointment will not become effective until a successor has been appointed and the Rating Agencies have confirmed that the then current ratings of the Instruments will not be adversely affected as a consequence.

#### **Transaction Management Agreement**

Pursuant to the terms of the Transaction Management Agreement, the Issuer and the Trustee will appoint the Transaction Manager to provide cash and bond administration services, including the management and administration of cash in the accounts of the Issuer.

### *Sub-Contracting*

The Transaction Manager may sub-contract or delegate the performance of any or all or any of its powers and obligations under the Transaction Management Agreement provided that, in the case of a sub-contract or delegation to an entity other than any other member of the Wells Fargo Group, such sub-contracting or delegation will be subject to certain conditions specified in the Transaction Management Agreement including, but not limited to, the consent of the Issuer and the Trustee and confirmation from the Rating Agencies that any sub-contracting or delegation will not affect the then current ratings of the Instruments. Notwithstanding any sub-contract or delegation, the Transaction Manager will remain liable to the Issuer for those services performed by any sub-contractor.

### *Transaction Manager Services*

The duties of the Transaction Manager will include, among others:

- (a) managing the operation of the Liquidity Facility and the GIC Account;
- (b) administering and managing the cash receipts of the Issuer in the course of its business, including the making of any Permitted Withdrawals when required;
- (c) establishing and maintaining ledgers to identify and track the movements of cash and liabilities (see further the section entitled “*Transaction Cashflows*”);
- (d) providing information to various parties, including the Rating Agencies, making certain calculations and preparing and distributing certain reports to, among others, the Issuer and the Trustee; and
- (e) operating the Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Instruments, subject to the terms thereof and to the availability of funds.

The Issuer will grant the Transaction Manager a power of attorney to facilitate the Transaction Manager’s performance of its obligations.

### *Fees and Costs*

The Transaction Manager (and/or, if applicable, a replacement transaction manager) will receive the Transaction Manager Fee paid in accordance with the Priority of Payments. The Transaction Manager will also be entitled to be reimbursed for reasonable costs, expenses and charges in accordance with the terms of the Transaction Management Agreement.

### *Transaction Manager Covenants*

The Transaction Manager will covenant to the Issuer and the Trustee on, among others, the following terms:

- (a) it shall devote such time and attention and shall exercise all such skill care and diligence in the performance of the services and the other obligations contained in the Transaction Management Agreement as would a prudent cash/bond administrator being the beneficial owner of the monies to which its services thereunder relate and, in any event, will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions thereunder;
- (b) it will use all reasonable endeavours to keep in force all licences, approvals, authorisations and consents and exemptions from and registrations with all governmental and other regulatory authorities which may be required under any applicable law or regulation to enable it to comply with its obligations under the Transaction Management Agreement and shall, so far as it reasonably can do so, perform its obligations under the Transaction Management Agreement in such a way as not to prejudice the continuation of any such licence, approval, authorisation, consent, exemption or registration;
- (c) it shall comply with all legal and/or regulatory requirements in the performance of the services performed hereunder and the other obligations contained in the Transaction Management Agreement;

- (d) it will comply with any directions, orders and instructions which the Issuer or the Trustee may from time to time give to it in accordance with the provisions of the Transaction Management Agreement and, in the event of any conflict, those of the Trustee shall prevail; and
- (e) promptly notify the Issuer and the Trustee in writing upon becoming aware of legal proceedings initiated against it which might adversely affect the Issuer's and/or, as the case may be, the Trustee's title to or interest in the monies to which the services under the Transaction Management Agreement relate.

*Transaction Manager Termination Event*

The occurrence of the following events (each a “**Transaction Manager Termination Event**”) under the Transaction Management Agreement will entitle the Issuer (with the consent of the Trustee) or the Trustee to terminate the appointment of the Transaction Manager under the Transaction Management Agreement:

- (a) default is made by the Transaction Manager in the payment on the due date of any payment to be made under the Transaction Management Agreement to the Bank Accounts and such default is not remedied for a period of two Business Days following the earlier of the Transaction Manager becoming aware of such default and receipt by the Transaction Manager of written notice by the Trustee requiring the same to be remedied;
- (b) default (other than a failure to pay) is made by the Transaction Manager in the performance or observance of any of its covenants and obligations under the Transaction Management Agreement which, in the opinion of the Trustee, is materially prejudicial to the interests of the Instrumentholders and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after written notice by the Trustee requiring the same to be remedied;
- (c) an order is made or an effective resolution passed for winding up the Transaction Manager;
- (d) the Transaction Manager ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent;
- (e) (other than in the case of a reorganisation the terms of which have been approved by the Trustee and where the Transaction Manager demonstrates to the satisfaction of the Trustee that it is solvent) an order is made against the Transaction Manager under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an administrator, receiver or other similar official is appointed in relation to the Transaction Manager or in relation to the whole or any substantial part of the undertaking or assets of the Transaction Manager, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Transaction Manager, and in any of the foregoing cases it shall not be discharged within 15 days; or if the Transaction Manager shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally;
- (f) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Transaction Manager is materially prejudicial to the interests of the Instrumentholders;
- (g) the Transaction Manager ceases to be a wholly owned subsidiary of Transaction Manager Parent; or
- (h) the ratings of Transaction Manager Parent fall below the Required Rating.

The occurrence of a Transaction Manager Termination Event leading to the replacement of the Transaction Manager will not, of itself, constitute an Event of Default in respect of the Instruments.

The Transaction Manager may resign upon giving 6 months notice to the Issuer and Trustee. The termination or resignation of the Transaction Manager will not become effective until a substitute transaction manager has been appointed under the terms of the Transaction Management Agreement. The Transaction Manager will be required to provide assistance and the necessary cooperation to its successor to ensure that transfer of the

cash/bond administration obligations under the Transaction Management Agreement is as trouble free as practicable.

#### *Applicable law and jurisdiction*

The Transaction Management Agreement will be governed by and construed in accordance with English law. The courts of England will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

## **2 The Credit Support and Account Documents**

### **Liquidity Facility Agreement**

Under the terms of the Liquidity Facility Agreement, renewable by agreement with the parties thereto, entered into between, among others, the Liquidity Facility Provider and the Issuer, the Liquidity Facility Provider will make available to the Issuer a 364-day renewable revolving liquidity facility in an amount equal to the Commitment.

The Available Commitment may be drawn down by the Issuer (subject to, among others, there being no event of default under the Liquidity Facility Agreement and the maximum drawdown constraints as specified below) on any Interest Payment Date prior to enforcement of the security created under the Deed of Charge to cover shortfalls to the extent that, the Initial Available Revenue together with amounts standing to the credit of the Reserve Ledger are insufficient to meet all of items (i) to (xii) (other than items (v), (vii), (ix) and (xi)) as set out in the Pre-Enforcement Interest Priority of Payments in full on that Interest Payment Date.

Prior to a Standby Drawing any Advances of the Available Commitment (a “**Liquidity Drawing**”) as described above will be deposited in the Sterling Account of the Issuer and the Transaction Manager will credit the relevant sub-ledgers of the Liquidity Drawings Ledger in the manner as set out below. Any Liquidity Drawing credited to the relevant sub-ledgers of the Liquidity Drawings Ledger will be applied in accordance with the Pre-Enforcement Interest Priority of Payments. Likewise, all amounts due and payable to the Liquidity Facility Provider will be debited to the relevant sub-ledgers of the Liquidity Drawings Ledger on the relevant Interest Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments (but only prior to a Standby Drawing).

If, at any time, the Liquidity Facility Provider ceases to be rated the Required Rating (and the Liquidity Facility Provider does not manage to arrange for a substitute entity to provide a liquidity facility on terms acceptable to the Trustee and the Rating Agencies within 30 days) or if the Liquidity Facility Provider does not agree to renew the liquidity facility, then (unless directed otherwise by the Trustee) the Issuer will make a Standby Drawing and deposit such amounts in the GIC Account to the credit of the Standby Drawings Ledger. All Standby Liquidity Drawings as may be required after a Standby Drawing has been made will be debited to the Standby Drawings Ledger and credited to the relevant sub-ledgers of the Liquidity Drawings Ledger (as set out below) and applied to meet shortfalls as described above. All Standby Liquidity Drawings repaid in accordance with the Pre-Enforcement Interest Priority of Payments after a Standby Drawing has been made will be credited to the Standby Drawings Ledger.

#### *Allocation of Drawings under the Liquidity Facility Agreement*

Six Liquidity Sub-Ledgers (as set out below) will be established as sub-ledgers in the Liquidity Drawings Ledger to record any Liquidity Drawings under the Liquidity Facility Agreement (prior to a Standby Drawing) or any Standby Liquidity Drawings made from a Standby Drawing. Each Liquidity Sub-Ledger will have a maximum amount of Drawings which may be credited to such ledger as set out below (the “**Maximum Amount**”) (provided that the Maximum Amount may not exceed: (i) the Available Commitment or, (ii) after a Standby Drawing has been made, the amount of the Standby Drawing available to be drawn ((i) or (ii) as the case may be, being the Liquidity Facility Maximum Amount (“**LFMA**”)). The Liquidity Sub-Ledgers (in order of seniority) and the Maximum Amount for each Liquidity Sub-Ledger are as follows:

<b>Liquidity Sub-Ledger</b>	<b>Maximum Amount</b>
Senior Liquidity Sub-Ledger	100% of LFMA

A Liquidity Sub-Ledger	100% of LFMA
M1 Liquidity Sub-Ledger	100% of LFMA
M2 Liquidity Sub-Ledger	100% of LFMA
B1 Liquidity Sub-Ledger	100% of LFMA
B2 Liquidity Sub-Ledger	100% of LFMA

Drawings will be credited to the relevant Liquidity Sub-Ledger corresponding either to the Expense Shortfall (in the case of the Senior Liquidity Sub-Ledger) or the class of Notes in respect of which an interest shortfall arises on such Interest Payment Date, provided that the relevant Liquidity Sub-Ledger may not be credited in an amount that exceeds its Maximum Amount. Repayments of drawings will be recorded as debits in the relevant Liquidity Sub-Ledger. The credit balance of each of the six Liquidity Sub-Ledgers on any Interest Payment Date is the “**Liquidity Facility Drawn Amount**” or “**LFDA**” and the total credit balance of six sub-ledgers represents the total amount of Drawings (the “**Total LFDA**”).

Drawings may be credited to the relevant Liquidity Sub-Ledgers if in relation to each such Liquidity Sub-Ledger for which a Drawing is required:

- (a) the Drawing does not exceed the Maximum Amount; and
- (b) the Drawdown Test (if applicable) is satisfied.

The “**Drawdown Test**” on an Interest Payment Date for each of the Liquidity Sub-Ledgers is satisfied if in relation to the:

- (a) M1 Liquidity Sub-Ledger, the debit balance of the M1 Principal Deficiency Ledger is less than 20% of the Principal Amount Outstanding of the M1 Notes on such Interest Payment Date;
- (b) M2 Liquidity Sub-Ledger, the debit balance of the M2 Principal Deficiency Ledger is less than 20% of the Principal Amount Outstanding of the M2 Notes on such Interest Payment Date;
- (c) B1 Liquidity Sub-Ledger, the debit balance of the B1 Principal Deficiency Ledger is less than 50% of the Principal Amount Outstanding of the B1 Notes on such Interest Payment Date;
- (d) B2 Liquidity Sub-Ledger, the debit balance of the B2 Principal Deficiency Ledger is less than 50% of the Principal Amount Outstanding of the B2 Notes on such Interest Payment Date.

No Drawing may be credited to a Liquidity Sub-Ledger if the conditions set out above are not met. In the event that:

- (a) a Drawing is required under more than one Liquidity Sub-Ledger; and
- (b) the conditions set out above are met for each such Liquidity Sub-Ledger; and
- (c) the total of the Drawings to be credited to the relevant Liquidity Sub-Ledgers exceeds the LFMA,

then any Drawings will be applied sequentially to the Liquidity Sub-Ledgers starting with the most senior Liquidity Sub-Ledger.

#### *Drawdown Constraints*

The Issuer may draw the lesser of (a) LFMA minus the Total LFDA or (b) X minus Y where:

X = LFMA minus (4.5% x Principal Amount Outstanding of the A Notes on such Interest Payment Date); and

Y = Total LFDA.

The Commitment under the Liquidity Facility Agreement may be reduced on the following terms:

- (a) the reduced Commitment must represent at least 20 per cent. of the Principal Amount Outstanding of the Notes at all times, provided that no reduction of the Commitment may be made if the amount of the reduced Commitment would be less than £3,200,000; and
- (b) as at the date of the proposed reduction in the Commitment:
  - (i) in respect of the Mortgage Pool, the cumulative loss does not exceed 1.5 per cent. of the current balance;
  - (ii) the percentage of the Mortgage Pool in arrears of more than 90 days is not more than 22.5 per cent. of the current balance;
  - (iii) there are no amounts credited to the Principal Deficiency Ledgers;
  - (iv) LFDA (in respect of any Liquidity Sub-Ledger) is equal to zero; and
  - (v) the Reserve Fund Required Amount is met.

The Liquidity Facility Agreement may be terminated on the occurrence of certain events including, among others, breach by the Issuer of its obligations under the Liquidity Facility Agreement and the service of an Enforcement Notice by the Trustee.

### **The Residual Certificates**

Under the terms of the Residual Certificates issued by the Issuer, the principal amount of the issue will consist of four tranches. The Tranche A Amount will be used to meet costs and expenses arising in respect of the issuance of the Instruments. The Tranche B Amount will be used to fund the Reserve Fund Required Amount in an amount as required on the Issue Date. The Tranche C Amount will be used to fund the Prefunding Interest Shortfall Amount and the Tranche D Amount will be used to fund the Mortgage Discount and Substitution Reserve in respect of the Completion Mortgage Pool. (See “*GIC Account*” below). Interest will accrue on the Residual Certificates at LIBOR plus the Relevant Margin.

### **GIC Account**

Under the terms of the guaranteed investment contract, entered into on the Issue Date between, among others, the Issuer and the GIC Provider (the “**Guaranteed Investment Contract**”), the GIC Provider will open and maintain the GIC Account in the name of the Issuer.

Interest shall accrue on the credit balance of the GIC Account on a daily basis at a constant and guaranteed interest rate equal to the Note Sterling LIBOR rate less the GIC Margin.

On any Business Day, the Issuer (or the Transaction Manager on its behalf) may make Permitted Withdrawals (as set out in “*Transaction Cashflows - 3 Application of Cash Prior to Interest Payment Date*”). All funds standing to the credit of the GIC Account will be withdrawn and credited to the Issuer’s Sterling Account on the Business Day prior to the Interest Payment Date in order for the Issuer to make the payments due under the Priority of Payments. All funds standing to the credit of the Sterling Account after such payments will be re-credited to the GIC Account.

The Issuer may terminate the Guaranteed Investment Contract (with the Trustee’s consent) if, among others, the GIC Provider fails to perform its obligations under the GIC (and such failure is continuing), or becomes subject to certain insolvency related events or is required to withhold tax on interest payable on the GIC Account. The Issuer may also terminate the Guaranteed Investment Contract (with the Trustee’s consent) and enter into a replacement contract if, among others, the value of such replacement contract (taking into account the guaranteed rate of return, any termination fees under the original contract and any fees in respect of the replacement contract) to the Issuer is equal to or greater than the rate under the original contract and the Rating Agencies have confirmed that the then current ratings of the Instruments will not be adversely affected as a consequence.



In the event that the short term, unsecured and unsubordinated debt obligations of the GIC Provider ceases to be rated at least the Required Rating, then either (i) the GIC Provider will be required to procure a guarantee of its obligations under the GIC from an appropriately rated entity, or (ii) the GIC Account (and the balances standing to the credit thereto including interest accrued thereon up to the date of transfer) will, as soon as practicable but in any event within 30 Business Days of such event, be transferred by the Transaction Manager or the Issuer to such other guaranteed investment contract provider whose short term, unsecured and unsubordinated debt obligations are rated at least the Required Rating.

#### *Reserve Ledger*

The Tranche B Amount shall be deposited in the GIC Account and credited to the Reserve Ledger. Amounts credited to the Reserve Ledger will be available to meet Income Deficiencies.

On each Interest Payment Date, Available Revenue Funds will be credited to the Reserve Ledger in accordance with the Pre-Enforcement Priority of Payments until the balance equals the Reserve Fund Required Amount.

Subject to the Rating Agencies confirming that such reduction will not adversely affect the rating of the Instruments, the Reserve Fund Required Amount may be reduced.

#### **Account Agreement**

The Account Agreement will be entered into on the Issue Date between, among others, the Collection Account Banks, the Transaction Account Bank, the Issuer and the Trustee pursuant to which the Transaction Account Bank will agree to open and maintain in the name of the Issuer, the Sterling Account, and (if applicable), the Dollar Account and the Euro Account. Danske Bank A/S as a Collection Account Bank will agree pursuant to the Account Agreement to open and maintain the FM2 Collection Account in the name of the Originator. Barclays Bank PLC as a Collection Account Bank will agree to operate the Rooftop Collection Account in accordance with the terms of the Account Agreement and the relevant account mandate.

The Collection Account Banks and the Transaction Account Bank will provide the holder of the Collection Accounts and the Transaction Accounts (respectively) with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of such accounts.

The FM2 Collection Account and the Rooftop Collection Account will be operated in accordance with the Servicer's instructions and on the terms set out in the Servicing Agreement and the relevant account mandate. The Transaction Account Bank will agree to comply with any instructions given by the Issuer, the Transaction Manager on behalf of the Issuer or the Trustee in relation to the operation of the accounts opened in the name of the Issuer.

In the event that the short term, unsecured and unsubordinated debt obligations of the Transaction Account Bank or either of the Collection Account Banks ceases to be rated at least the Required Rating, then either (i) the Transaction Account Bank or the applicable Collection Account Bank will be required to procure a guarantee of its obligations under the Account Agreement from an entity with the Required Rating, or (ii) the relevant accounts (and the balances standing to the credit thereto including interest accrued thereon up to the date of transfer) will, as soon as practicable but in any event within 30 Business Days of such event, be transferred by the Transaction Manager or the applicable Collection Account Bank(s) or the Issuer to such other account bank whose short term, unsecured and unsubordinated debt obligations are rated at least the Required Rating.

The Account Agreement will be governed by and construed in accordance with English law. The courts of England will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

### **3 The Security and Trust Documents**

#### **Deed of Charge**

Under the terms of the Deed of Charge, the Issuer covenants to pay to each of the Secured Creditors the Secured Amounts and:

- (a) grants a first fixed charge over, among others, its right, title and benefit, present and future, to, in and under:
  - (i) the Loans and the Collateral Security and all monies assured by or payable under the same;
  - (ii) the Insurance Contracts;
  - (iii) the Transaction Documents (other than the Trust Deed);
  - (iv) the Bank Accounts and all sums which at the date of the Deed of Charge and thereafter stand to the credit thereof and all interest accruing from time to time thereon; and
  - (v) the Authorised Investments and all income or proceeds payable thereunder; and
- (b) grants a first floating charge over the whole of its undertaking, property, assets and rights, present and future (except to the extent otherwise charged by way of first fixed charge as described above, but extending over all of its Scottish Assets).

Each of the Secured Creditors (other than the Trustee and Instrumentholders) will agree to be bound by the provisions of the Deed of Charge and, in particular, will agree to be bound by the Priority of Payments, the limited recourse and non-petition provisions set out therein.

## **Trust Deed**

### *General*

The Instruments are constituted by the Trust Deed. The Conditions of the Instruments and the forms of the Instruments are set out in the Trust Deed.

The Trustee shall act as trustee for the Instrumentholders and other Secured Creditors, holding the property of the Issuer which is the subject of the security created under the Deed of Charge upon trust for such persons on the terms of the Trust Deed. The Issuer will covenant to the Trustee on trust for itself and the Secured Creditors on the terms of the Issuer Covenants and make the representations and warranties on the terms of the Issuer Warranties.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Trustee together with payment of costs and expenses. The Issuer will be required to indemnify the Trustee against any liabilities incurred by the Trustee in relation to the Trustee's performance of its obligations under the Trust Deed.

The Trustee may retire at any time upon giving not less than three months' notice in writing to the Issuer without assigning any reason therefore and without being responsible for any liabilities occasioned by such retirement. The Most Senior Class will have the power, exercisable by Extraordinary Resolution to remove the Trustee. The retirement or removal of the Trustee shall not become effective unless there remains a trustee in office after such retirement. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed.

The Trust Deed will be governed by and construed in accordance with the laws of England. The courts of England will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

## **4 The Hedge Documents**

The Issuer has entered into the Hedge Agreements as outlined in the Hedge Table (other than those which are listed in the Hedge Table as having a zero balance) set out in the section headed "**Principal Characteristics of the Hedge Agreements**". Each Hedge Agreement shall be documented as a separate agreement.

## **Interest Rate Caps**

To hedge against an increase in interest rates above the relevant “Strike Rates”, the Issuer may enter into an interest rate cap agreement with an interest rate cap counterparty. In order to benefit from this protection the Issuer will pay a premium to the interest rate cap counterparty in return for receiving an amount equal to the product of: (i) the “Notional Amount” and (ii) the positive difference between “Note Sterling LIBOR”, “Note Dollar LIBOR” or “Note EURIBOR”, as applicable, and the “Strike Rate” (all as described in the Hedge Table under the heading “Issuer Receives”), between the “Start Date” and “Maturity Date” (each such date as set out in the Hedge Table). Any proceeds other than collateral posted under the terms of the interest rate cap agreement from the interest rate cap counterparty (where the Issuer is a “Beneficiary”) will form part of Available Revenue Funds on the date described under “Frequency Receives”. The Issuer will enter into such an interest rate cap agreement with the Interest Rate Cap Counterparty on the Issue Date.

The Issuer may sell any applicable interest rate caps in the event that it is overhedged relative to its obligations under the Instruments. The Issuer will typically receive a premium from the interest rate cap counterparty in return for paying an amount equal to the product of (i) the “Notional Amount” and (ii) the positive difference between “Note Sterling LIBOR”, “Note Dollar LIBOR” or “Note EURIBOR”, as applicable, and the “Strike Rate” (all as described in the Hedge Table under the heading “Issuer Pays”), between the “Start Date” and “Maturity Date” (each such date as set out in the Hedge Table). Any obligation to pay under an interest rate cap agreements where the Issuer is an “Obligor” will be paid from the relevant account of the Issuer on the date described under “Frequency Pays” and will result in a reduction in Available Revenue Funds. The Issuer will not be selling any interest rate caps in respect of the transaction contemplated in this Prospectus.

The Issuer may not enter into any Interest Rate Cap Agreements other than those listed in the Hedge Table.

## **Interest Rate Swaps**

To hedge against any interest rate mismatch between the rate of interest payable on the Instruments and the interest rate receivable in respect of the Mortgage Pool, the Issuer may enter into an interest rate swap agreement. This provides for a two way exchange of cashflow between the “Start Date” and “Maturity Date” under which the Issuer pays the product of an amount defined under “Issuer Pays” and the “Notional Amount” on the “Frequency Pays” date. In return the Issuer receives an amount equal to the product of an amount defined under “Issuer Receives” and the “Notional Amount” on the “Frequency Receives” date. The obligation to pay and the right to receive any proceeds from interest rate swap agreements are netted off and the net amount will be paid from and received into the relevant account of the Issuer and any payment reduced from, or receipt credited to, respectively, the Available Revenue Funds on the dates described under “Frequency Pays” and “Frequency Receives” as applicable.

The Issuer may not enter into any interest rate swap agreement other than those listed in the Hedge Table. The Issuer will not be entering into any interest rate swaps in respect of the transaction contemplated in this Prospectus.

## **Currency Swaps**

To hedge against any currency mismatch between collections in respect of the Mortgage Pool which are received by the Issuer in Sterling and the Issuer’s obligations under the Instruments which may be denominated in a currency other than Sterling, the Issuer may enter into a currency swap agreement(s). This provides for a two way exchange of principal and interest cashflow between the “Start Date” and “Maturity Date” under which the Issuer pays the amounts of interest and principal due in respect of the Instruments denominated in Sterling as set out under “Issuer Pays” on the “Frequency Pays” date. In return the Issuer receives the amounts of interest and principal due in respect of the Instruments in the currency for which the Sterling is being swapped (as set out under “Issuer Receives”) on the “Frequency Receives” date. The obligation to pay and the right to receive any proceeds from currency swap agreements will be paid from, or received into, the relevant account of the Issuer.

The Issuer may not enter into any currency swap agreement other than those listed in the Hedge Table. The Issuer will not be entering into any currency swaps in respect of the transaction contemplated in this Prospectus.

## **Interest Rate Floors**

The Issuer may sell interest rate floors in the event that it is overhedged relative to its obligations under the Instruments. The Issuer will typically receive a premium from the interest rate floor counterparty in return for paying an amount equal to the product of (i) the “Notional Amount” and (ii) the positive difference between “Note Sterling LIBOR”, “Note Dollar LIBOR” or “Note EURIBOR”, as applicable, and the “Strike Rate” (all as described in the Hedge Table under the heading “Issuer Pays”), between the “Start Date” and “Maturity Date” (each such date as set out in the Hedge Table). Any obligation to pay under any interest rate floor agreement where the Issuer is an “Obligor” will be paid from the relevant account of the Issuer on the date described under “Frequency Pays” and will result in a reduction in Available Revenue Funds.

To hedge against any reduction in interest rates below the relevant “Strike Rate”, the Issuer may purchase an interest rate floor agreement. In order to benefit from this protection the Issuer will typically pay a premium to the interest rate floor counterparty in return for receiving an amount equal to the product of the “Notional Amount” and the “Strike Rate” (as set out in the Hedge Table under the heading “Issuer Receives”), between the “Start Date” and “Maturity Date”. Any proceeds other than collateral posted under the terms of the interest rate floor agreement from an interest rate floor agreement (where the Issuer is a “Beneficiary”) will form part of Available Revenue Funds on the date described under “Frequency Receives”.

The Issuer may not enter into any interest rate floor agreements other than those listed in the Hedge Table, if applicable. The Issuer will not be entering into any interest rate floor agreements in respect of the transaction contemplated in this Prospectus.

## **Common Terms of Hedge Agreements**

If the ratings of a Hedge Counterparty falls below the Required Rating, the relevant Hedge Counterparty will be obliged to take one or more of the following actions: (i) provide collateral in support of its obligations under the relevant Hedge Agreement in accordance with the swap criteria of the relevant Rating Agency; (ii) procure a guarantee of its obligations under the relevant Hedge Agreement from an entity with the Required Rating; (iii) procure a replacement counterparty, being an entity with the Required Rating which takes a transfer or enters into a replacement swap; or (iv) take such other actions as it may agree with the Rating Agencies as will result in the rating of the Instruments following such action being rated no lower than the rating of the relevant Instruments immediately prior to the downgrade. Any costs in relation to such remedial action will be borne by the relevant Hedge Counterparty. The timing and extent of such action required to be taken may vary based on the individual requirements of the Rating Agencies and the level to which the rating of the relevant Hedge Counterparty has been downgraded.

The Issuer and the relevant Hedge Counterparty will each represent and warrant in the relevant Hedge Agreements that, under current applicable law, each of them is entitled to make all payments required to be made by them under the relevant Hedge Agreement free and clear of, and without deduction for, or on account of, any taxes, assessments, or other governmental charges. However, neither the Issuer nor the relevant Hedge Counterparty will be required to indemnify the other party for any withholding taxes imposed on payments under the relevant Hedge Agreement as a result of a change in applicable law.

If any withholding taxes would be imposed on any payments made or required to be made under any of the Hedge Agreements as a result of a change in applicable law and the obligation to deduct or withhold cannot be avoided by the relevant Hedge Counterparty, the affected party may terminate the relevant Hedge Agreement(s), but only in the case of the Issuer if the Issuer has been directed to do so by the Trustee. If such a tax event occurs with respect to payments due from the Issuer to the relevant Hedge Counterparty, the relevant Hedge Counterparty must use all reasonable efforts to find an alternative counterparty with the Required Rating to replace itself so that such event ceases.

Apart from for reason of the imposition of withholding tax, each of the Hedge Agreements may be terminated by:

- (a) the relevant Hedge Counterparty in circumstances including, broadly, among others, illegality, where the Issuer is in default by reason of failure by the Issuer to make payments, upon certain insolvency related events affecting the Issuer or acceleration or redemption of the Instruments prior to their stated maturity or enforcement of the Security; and

- (b) by the Issuer in circumstances, broadly, among others, illegality, where the Hedge Counterparty is in default by reason of failure by the relevant Hedge Counterparty to make payments, certain insolvency related or corporate reorganisation events which affect the Hedge Counterparty, acceleration or redemption of the Instruments prior to their stated maturity or enforcement of the Security.

Upon any such termination, an amount may be due between the Issuer and the relevant Hedge Counterparty under the relevant Hedge Agreements calculated in accordance with typical ISDA provisions.

If any Hedge Counterparty defaults in its obligations under any Hedge Agreement resulting in termination of such agreement, the Issuer will be obliged to enter into a replacement agreement with an entity with the Required Rating within 30 days of such default unless and so long as that no rating downgrade of the Instruments would then occur as a result of such termination.

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

A Hedge Counterparty may, provided that it has obtained the prior written approval of the Issuer, at its own expense, transfer its obligations in respect of a Hedge Agreement to another entity provided that such entity is acceptable to the Trustee and that the Rating Agencies confirm that such transfer of obligations would not result in a downgrade of the then current ratings of the Instruments.

## **5 The Instrument Related Agreements**

### **Paying Agency Agreement**

Under the terms of the Paying Agency Agreement, the Issuer will appoint the Principal Paying Agent, as principal paying agent in respect of the Instruments, and the Agent Bank, as agent bank for the purpose of determining the interest payable in respect of the Instruments. The Registrar will be appointed to undertake specific functions in the event that Definitive Instruments are issued. So long as the Instruments are listed on the Irish Stock Exchange, the Issuer will be required to maintain a paying agent in Ireland (which will be the Irish Paying Agent). Following the occurrence of an Event of Default the Trustee may require the paying agents to act as agents of the Trustee.

The termination or resignation of the appointment of the paying agents under the Paying Agency Agreement will not be effective until a successor is in place.

The Paying Agency agreement will be governed by English law.

### **Depository Agreement**

*None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures, Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument, will be possible under any circumstance.*

#### *General*

Each class of Notes will be represented by a Reg S Global Note and a Rule 144A Global Note in bearer form (all such Global Notes being herein referred to as the “**Global Notes**”). Each class of DACs will be represented by a Reg S Global DAC in bearer form (the “**Global DAC**”). Each class of MERCs will be represented by a Reg S Global MERC in bearer form (the “**Global MERC**”). Each class of Residual Certificates will be

represented by a Reg S Global Residual Certificate in bearer form (the “**Global Residual Certificate**”). The Global Notes together with the Global DAC, Global MERC and Global Residual Certificate are the “**Global Instruments**”.

The Global Instruments will be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement.

The Depository will (a) for each class of Note, issue a certificateless depository interest in respect of one of the Rule 144A Global Notes in the name of DTC or its nominee, (b) for each class of Note, issue a certificated depository interest in respect of the other Rule 144A Global Note to HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee on behalf of the Common Depository for the account of Euroclear and Clearstream, Luxembourg, and (c) for each class of Instrument, issue a certificated depository interest in respect of each Reg S Global Note, Reg S Global DAC, Reg S Global MERC and Reg S Global Residual Certificate to the Common Depository. All of the certificateless and certificated depository interests (“**CDIs**”) will represent a 100 per cent. interest in the underlying Global Instrument relating thereto. The Depository, acting as agent of the Issuer, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the certificateless depository interests referred to in (a) above and the Common Depository or a nominee of the Common Depository as owner of the certificated depository interests referred to in (b) and (c) above.

Upon confirmation by the Depository that it has custody of the Global Instruments and acceptance by the Common Depository of the CDIs, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Reg S Global Instruments and the Rule 144A Global Notes relating thereto. Upon confirmation by DTC that the Depository has custody of the Rule 144A Global Notes to be held by or on behalf of DTC or its nominee and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representations sent by the Depository, the Lead Arranger and the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Rule 144A Global Notes relating thereto. For the avoidance of doubt, all references in this section to a “**Book-Entry Interest**” in a Global Instrument are construed as a reference to a Book-Entry Interest in the CDI attributable to such Global Instrument.

Book-Entry Interests in respect of Global Instruments will be recorded in the Minimum Denominations.

Ownership of Book-Entry Interests in respect of Global Instruments will be limited to persons that have accounts with DTC, Euroclear or Clearstream, Luxembourg or persons that hold interests in the Book-Entry Interests through participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with DTC, 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, DTC, 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 to be credited will be designated by the Lead Arranger.

Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by DTC, 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 their participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdiction or otherwise subject to the laws thereof to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Instruments underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Instrumentholder for all purposes under the Trust Deed. Except as set forth under “Issuance of Definitive Instruments” below, participants or indirect participants will not be entitled to have Instruments registered in their names, will not receive or be entitled to receive physical delivery of Instruments in definitive bearer or registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its interest in the relevant Book-Entry Interests to exercise

any rights and obligations of a holder of Instruments under the Trust Deed. (For further information, see “*Action in Respect of the Global Instruments and the Book-Entry Interests*”).

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

The CDIs issued in representation of the Reg S Global Notes, Reg S Global DAC, Reg S Global MERC, Reg S Global Residual Certificate and the Rule 144A Global Notes held by the Common Depository or its nominee may not be transferred except as a whole by the Common Depository to a successor of the Common Depository or its nominee. The CDIs issued in representation of the Rule 144A Global Notes held by or on behalf of DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through (a) DTC if they are participants in such system, or indirectly through organisations which are participants in such system; Euroclear and Clearstream, Luxembourg are such participants, or (b) Euroclear and Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. All Book-Entry Interests in the Rule 144A Global Notes held by or on behalf of DTC will be subject to the procedures and requirements of DTC and all Book-Entry Interests in the Rule 144A Global Notes held by the Common Depository or its nominee will be subject to the procedures and requirements of Euroclear and Clearstream, Luxembourg.

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

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

#### *Payments on Global Instruments*

Payment of principal and/or interest or MER Distributions (as the case may be) on the Global Instruments will be made by the Principal Paying Agent on behalf of the Issuer to the Depository as the holder thereof. Each holder of Book-Entry Interest must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of any amounts paid by or on behalf of the Issuer to the Depository in respect of those Book-

Entry Interests. All such amounts will, subject as provided below (see “*Exchange Rate Agency Agreement*”), be payable by a Paying Agent, in sterling, dollars, euros or other currency which is specified as being applicable to the relevant Instrument. Upon receipt of any payment of principal and/or interest or MER Distributions (as the case may be) on a Global Instrument, the Depository will distribute all such payments to (in the case of the Reg S Global Notes, the Reg S Global DAC, the Reg S Global MERC, the Reg S Global Residual Certificate and Rule 144A Global Notes held by or on behalf of the Common Depository) the nominee for the Common Depository and (in the case of the Rule 144A Global Notes held by or on behalf of DTC) the nominee for DTC. 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 nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Depository to the Common Depository, the respective systems will promptly credit their participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of DTC, upon receipt of any payment from the Depository, DTC will promptly credit its participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in a “street name”, and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee or any other agent of the Issuer or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant’s ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a participant’s ownership of Book-Entry Interests.

#### *Redemption*

In the event that any Global Instrument (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Instrument to the nominee of the Common Depository (in the case of a Reg S Global Note, the Reg S Global DAC, the Reg S Global MERC, the Reg S Global Residual Certificate and the Rule 144A Global Note held by Euroclear and Clearstream, Luxembourg) and to the nominee of DTC (in the case of a Rule 144A Global Note held by DTC or its nominee) and, upon a final payment, surrender such Global Instrument to or to the order of a Paying Agent for cancellation.

The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Instrument (or portion thereof) relating thereto. For any redemptions of a Global Instrument in part, selection of the Book-Entry Interests relating thereto to be redeemed will be made by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as DTC, Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only Book-Entry Interests in the original amount of the Minimum Denominations will be redeemed. Upon any redemption in part, the Depository will cause the relevant Paying Agent to mark down or to cause to be marked down the schedule to such Global Instrument by the principal amount or other amounts (in the case of the Global DAC and Global MERC) so redeemed.

#### *Transfers and Transfer Restrictions*

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

Each Rule 144A Global Note will bear a legend substantially identical to that appearing in “*Rule 144A Global Notes*” under “*Additional Information for U.S. Investors - Transfer Restrictions and Investor Representations*”, and no Rule 144A Global Note nor any Book-Entry Interest in such Rule 144A Global Note may be transferred except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Depository of a written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with



Rule 903 or Rule 904 of Regulation S under the Securities Act (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Each Reg S Global Instrument will bear a legend substantially identical to that appearing in “*Reg S Global Instruments*” under “*Additional Information for U.S. Investors - Transfer Restrictions and Investor Representations*”. Until the expiry of the Distribution Compliance Period (i) Book-Entry Interests in a Reg S Global Note may be held only through Euroclear or Clearstream, Luxembourg, unless transfer and delivery is made through a Rule 144A Global Note of the same class and (ii) the Reg S Global DAC, the Reg S Global MERC and the Reg S Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg.

Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in a Rule 144A Global Note of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is both a “**qualified institutional buyer**” within the meaning of Rule 144A of the Securities Act (a “**Qualified Institutional Buyer**”) and a “**qualified purchaser**” within the meaning of Section 2(a)51 of the Investment Company Act (a “**Qualified Purchaser**”), in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

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

#### *Issuance of Definitive Instruments*

Holders of Book-Entry Interests in a Global Instrument will be entitled to receive Definitive Instruments representing Instruments of the relevant class in registered form in exchange for their respective holdings of Book-Entry Interests only if: (i) (in the case of CDIs in Reg S Global Notes, Reg S Global DACs, Reg S Global MERCs, Reg S Global Residual Certificates and Rule 144A Global Notes held by or on behalf of the Common Depository) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or (ii) (in the case of CDIs in Rule 144A Global Notes held by or on behalf of DTC) DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to the CDIs, or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or (iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as Depository and a successor Depository previously approved by the Trustee in writing is not appointed by the Issuer within 90 days of such notification; or (iv) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Instruments which would not be required if the Instruments were in definitive registered form; or (v) the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear or Clearstream, Luxembourg to the Issuer, following an Event of Default.

Any Definitive Instruments issued in exchange for Book-Entry Interests in a Global Instrument will be registered by the Registrar in such name or names as the Depository instructs the Registrar based on the instructions of Euroclear or Clearstream, Luxembourg (in the case of Reg S Global Notes, the Reg S Global DAC, the Reg S Global MERC, the Reg S Global Residual Certificate and Rule 144A Global Notes held by or on behalf of the Common Depository) or DTC (in the case of Rule 144A Global Notes held by or on behalf of DTC). It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant Book-Entry Interests. In no event will Definitive Instruments be issued in bearer form.

#### *Action in respect of the Depository Global instruments and the Book-Entry Interests*

Not later than 10 days after receipt by the Depository of any notices in respect of the Global Instruments or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Instruments or holders of Book-Entry Interests, the Depository will deliver to DTC, 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 DTC, Euroclear and Clearstream, Luxembourg will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Instruments and (c) a statement as to the manner in which such instructions may be given. Upon the written request of DTC, Euroclear and Clearstream, Luxembourg, as applicable, the Depository is required to endeavour, insofar as practicable, to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Instruments in accordance with any instructions set forth in such request. DTC, Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under “General” above with respect to soliciting instructions from their respective participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Instruments.

#### *Reports*

The Depository will immediately, and in no event later than 10 calendar days from receipt, send to DTC, Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received in relation to the Issuer, the Global Instruments or the Book-Entry Interests. All notices regarding the Global Instruments will be sent to Euroclear, Clearstream, Luxembourg, DTC and the Depository. In addition (so long as the Instruments are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require), notices regarding the Instruments will be published in a leading newspaper having a general circulation in Ireland, which is expected to be The Irish Times, and (for so long as the Instruments are admitted to the Official List and the rules of the Irish Stock Exchange require) notices regarding the Instruments will be notified to the Company Announcement Office.

#### *Action by Depository*

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

#### *Charges of Depository*

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

#### *Amendment and Termination*

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Trustee and without the consent of the holders of Book-Entry Interests (a) to cure any inconsistency, omission, defect or ambiguity in the Depository Agreement; (b) to add to the covenants and agreements of the Depository or the Issuer; (c) to effect the assignment of the Depository’s rights and duties to a qualified successor; (d) to comply

with the Securities Act, the Exchange Act or the Investment Company Act, as amended; or (e) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to the holders of Book-Entry Interests. Except as set forth above, no amendment that adversely affects the holders of the Book-Entry Interests may be made to the Depository Agreement without the consent of the holders of the Book-Entry Interests. The Depository Agreement will terminate upon the issuance of Definitive Instruments.

#### *Resignation or Removal of Depository*

The Depository may at any time resign as Depository upon 30 days' written notice delivered to each of the Issuer and the Trustee. The Issuer may remove the Depository at any time upon 30 days' written notice. No resignation or removal of the Depository and no appointment of a successor Depository will become effective until (a) the acceptance of appointment by a successor Depository or (b) the issuance of Definitive Instruments.

#### *Obligation of Depository*

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

#### *Information Regarding DTC, Euroclear and Clearstream, Luxembourg*

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

DTC is a limited-purpose trust company organised under the New York Banking Law, a “**banking organisation**” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “**clearing corporation**” within the meaning of the New York Uniform Commercial Code, and a “**clearing agency**” registered pursuant to the provisions of section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. 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 also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. The Issuer understands that under existing industry practices, if either the Issuer or Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, DTC, 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.

#### **Exchange Rate Agency Agreement**

***None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures,***

***Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument will be possible under any circumstance.***

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

If such instructions are not received by the Depository, the Exchange Agent will, pursuant to the Exchange Rate Agency Agreement, exchange the relevant pounds sterling amounts for which it has not received contrary instructions from the Depository (acting on the instructions of DTC) into dollars at the highest exchange rate offered for such pounds sterling by three recognised foreign exchange dealers (which may include the Exchange Agent) in London chosen by the Exchange Agent and approved by the Issuer and the Depository, and the relevant Noteholders will receive the dollar equivalent of such pounds sterling payment converted at such exchange rate. The Issuer will agree in the Exchange Rate Agency Agreement to indemnify the Exchange Agent in connection with its activities thereunder.

In the event that bid quotations for exchange rates are unavailable, the Exchange Agent will, upon notifying the Issuer and the Depository, cease to have any further responsibility with respect to such payments. In addition, in certain cases, the appointment of the Exchange Agent may be terminated without a successor being appointed. In such cases, Noteholders may experience delays in obtaining payment.

## **6 Ancillary Agreements**

### **Corporate Services Agreement**

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider has been appointed by the Issuer, Parent and Options to provide corporate secretarial and administrative services.

#### *Corporate Services to be Provided*

The duties of the Corporate Services Provider will be set out in the Corporate Services Agreement, and will include, among others, the following:

- (a) the provision of a company secretary;
- (b) the provision of the company's registered office including the supply of stationery and the use of facsimile transmission, telephone, e-mail and postal facilities;
- (c) maintaining all statutory books and registers that the companies are required to maintain under the Companies Acts 1985 to 1989 (including the register of shareholders and of the directors and secretary) and to make such books and registers available for inspection and/or to supply copies of such books and registers in accordance with the articles and applicable English law;
- (d) the convening of the annual shareholders' meeting and the annual meeting of the each of the boards of directors and preparation of written minutes of such meetings (unless the waiving of such requirement is permissible subject to section 379A of the Companies Acts 1985 and 1989);
- (e) preparing and forwarding to the shareholders, all statements and notices which the Boards of directors are required to issue, send or serve in accordance with the articles and applicable English law;
- (f) accepting service of process in England and any other documents or notices to be served on the companies in England;

- (g) procuring, in conjunction with the auditors of the Companies, that the annual reports, accounts and tax returns of the companies (subject to the receipt by the Corporate Services Provider of all necessary information) be properly filed and maintained by the companies as required by applicable English law;
- (h) obtaining legal, accounting and taxation advice from the companies' professional advisers and acting thereon where considered reasonably appropriate;
- (i) giving, at the reasonable request of the boards of directors, any directions and information to any providers of services (such as auditors, accountants, financial or management advisers or attorneys) or other agents appointed by the boards of directors;
- (j) liaising with the Irish Stock Exchange as to various matters; and
- (k) delivering, as and when requested under the terms of any of the Transaction Documents to which the companies are a party, information or documents to the relevant persons entitled to such information or documents as provided for in the Transaction Documents to which the companies are a party and which is in the possession of the Corporate Services Provider or is reasonably obtainable by it.

#### *Subcontracting*

The Corporate Services Provider may sub-contract the performance of any or all or any of its obligations under the Corporate Services Agreement subject to certain conditions specified in the Corporate Services Agreement including, but not limited to, confirmation from the Rating Agencies that that any sub-contracting or delegation will not affect the then current ratings of the Instruments. Notwithstanding any sub-contract or delegation, the Corporate Services Provider will remain liable to the Issuer for those services performed by any sub-contractor.

#### *Fees and Costs*

The Corporate Services Provider will be entitled to be paid the Corporate Services Fee paid in accordance with the Priority of Payments. The Corporate Services Provider will also be entitled to be reimbursed for costs, expenses and charges incurred by it on behalf of the Issuer, Parent and Options in accordance with the terms of the Corporate Services Agreement. The Issuer, Parent and Options have undertaken to indemnify the Corporate Services Provider and its directors, officers and employees in connection with the performance of the obligations under the Corporate Services Agreement.

#### *Termination*

The Corporate Services Agreement may be terminated by any of the parties thereto by not less than three months' written notice to the other party or at any time forthwith by notice in writing if the other party shall have at any time, among others, (a) committed any material breach of the terms of the Corporate Services Agreement and has not remedied such breach within 30 days or (b) been the subject of one or more insolvency events as defined in the Corporate Services Agreement. The termination of the Corporate Services Provider shall not become effective until a successor has been appointed.

#### **Post Enforcement Call Option Agreement**

Pursuant to the Post Enforcement Call Option Agreement, the Trustee acting as the agent of the Instrumentholders will, on the Issue Date, grant to Options a call option exercisable by Options, entitling Options to acquire all (but not some only) of the Instruments (plus accrued and Interest Shortfall thereon where applicable for such Instrument) from the Instrumentholders for the payment of the Consideration.

The call option will be exercisable on the date on which the Trustee has given notice to Options that it has determined in its opinion that all amounts outstanding under the Instruments have become due and payable and there is no reasonable likelihood of there being any further realisations (whether from an enforcement of the security created under the Deed of Charge or otherwise) which would be available to pay amounts outstanding under the Instruments after having first paid all obligations ranking in priority to the relevant Instruments.

The Instrumentholders are bound by the terms of the post enforcement call option granted to Options pursuant to the terms and conditions of the Trust Deed and by the General Conditions and the Trustee is irrevocably

authorised (without warranty, responsibility or liability on the part of the Trustee) to enter into as agent for the Instrumentholders the Post Enforcement Call Option Agreement.

## TRANSACTION CASHFLOWS

### 1 COLLECTIONS FROM BORROWERS

#### Direct Debit Payments by Borrowers

Monthly direct debit payments by Borrowers in respect of any amounts due under the Loans comprised in the Mortgage Pool will be credited into a collection account of the Originator established specifically for this purpose (the “**FM2 Collection Account**”). The Originator will declare a trust over the FM2 Collection Account in favour of the Issuer. All monies in the FM2 Collection Account will be transferred into the GIC Account at the end of each Business Day. Where, however, such monies represent any Relevant Clawback Amounts or do not represent cleared funds, such monies will be transferred back into the FM2 Collection Account at the end of each Business Day.

#### Payments From Borrowers Other Than Via Direct Debit

Payments from Borrowers that are not made via direct debit (for example late payments made by cheque or other applicable means of payment) will be paid into the existing Rooftop Collection Account of the Originator. Monies in the Rooftop Collection Account which relate to the Loans comprised in the Mortgage Pool will, subject to a minimum transfer amount of £10,000, be transferred into the GIC Account at the end of each Business Day provided that such minimum transfer amount will not apply to amounts transferred into the GIC Account on each of the two Business Days prior to an Interest Payment Date. Cleared payments from borrowers under mortgages which are not part of the Mortgage Pool will also be paid into the Rooftop Collection Account.

An existing declaration of trust in favour of RFL has been granted by the Originator over the Rooftop Collection Account, as amended and restated from time to time. The Originator will further amend and restate the existing declaration of trust over the Rooftop Collection Account to declare a trust in favour of the Issuer to the extent of collection proceeds in the Rooftop Collection Account which relate to the Loans comprised in the Mortgage Pool.

### 2 TRACKING CASHFLOWS

#### Use of Ledgers

The cash collected from Borrowers (as described above) or derived from other sources and the subsequent utilisation of such cash by the Issuer from time to time will be tracked through ledgers maintained by the Transaction Manager. The ledgers shall together reflect all amounts from time to time held by the Issuer, being the aggregate of all amounts which are for the time being either:

- (a) standing to the credit of the Issuer Accounts; or
- (b) invested in Authorised Investments (if any).

#### Collections

##### *Revenue Ledger*

All Revenue Payments (which includes any receipts under any Interest Rate Cap Agreements and any Interest Rate Floor Agreements) and any other income of the Issuer, for example amounts received in respect of Authorised Investments and interest earned on the Issuer Accounts will be recorded as credits in the Revenue Ledger as well as any drawings from the Reserve Ledger. On each Determination Date prior to any Interest Payment Date during the Prefunded Loan Period, the Prefunding Interest Ledger will be debited (in relation to the Prefunding Interest Shortfall Amount) in an amount as is required (and the Revenue Ledger credited).

The Revenue Ledger will be debited in respect of the payments to be made under the Pre-Enforcement Interest Priority of Payments (including any payments due to a Hedge Counterparty in accordance with the Pre-Enforcement Interest Priority of Payments which will be allocated in accordance with the Revenue Currency Ledger, as described below) and in respect of any item of Permitted Withdrawals (other than item (a) of Permitted Withdrawals which, among others, relates to the purchase of Further Advances Loans, Converted Loans or Substituted Collateral Loans).

Amounts standing to the credit of the Revenue Ledger will form part of Initial Available Revenue.

#### *Revenue Currency Ledger*

The Revenue Currency Ledger will contain four sub-ledgers, to be known as the Revenue Sterling Sub-Ledger, the Revenue Euro Sub-Ledger, the Revenue Dollar Sub-Ledger and the Revenue X Sub-Ledger. All amounts representing amounts due to a Hedge Counterparty in accordance with the Pre-Enforcement Interest Priority of Payments as debited to the Revenue Ledger will be recorded as a credit in the Revenue Sterling Sub-Ledger when such amounts are credited to the Sterling Account. The Revenue Sterling Sub-Ledger will be debited when such amounts are paid to a Hedge Counterparty. All amounts received from a Hedge Counterparty (including Hedge Termination Amounts but not collateral payments) will be credited to the relevant sub-ledger which corresponds to the currency in which such amounts are received.

Amounts standing to the credit of the Revenue Currency Ledger will not form part of Initial Available Revenue.

#### *Principal Ledger*

The Principal Ledger will be used to record as credits, among others, the Mortgage Principal Receipts, amounts credited to the Principal Deficiency Ledgers in accordance with the Pre-Enforcement Interest Priority of Payments to reduce debit balances and, on the Determination Date prior to the second Interest Payment Date, amounts of Prefunding not to be utilised to purchase Prefunded Loans on the second Interest Payment Date and, in relation to any Prefunded Loans acquired by the Issuer, the purchase price of those of such Prefunded Loans which are Non-Verified Loans and which do not Verify by the Payment Verification Date repurchased by the Originator and RFL.

The debits to the Principal Ledger will include, among others, the payments to be made under the Pre-Enforcement Principal Priority of Payments (including any payments due to a Hedge Counterparty in accordance with the Pre-Enforcement Principal Priority of Payments which will be allocated in accordance with the Principal Currency Ledger as described below) and such amounts as may be required to fund the difference between: (i) the amount credited to the Substitutions Ledger in respect of Loan under which a further advance has been requested (and such Loan has been repurchased under the terms of the Mortgage Sale Agreement) and (ii) the principal balance of a Further Advances Loan.

Amounts standing to the credit of the Principal Ledger will form part of Actual Redemption Funds.

#### *Principal Currency Ledger*

The Principal Currency Ledger will contain four sub-ledgers, to be known as the Principal Sterling Sub-Ledger, the Principal Euro Sub-Ledger, the Principal Dollar Sub-Ledger and the Principal X Sub-Ledger. All amounts representing sums due to a Hedge Counterparty in accordance with the Pre-Enforcement Principal Priority of Payments as debited to the Principal Ledger will be recorded as a credit in the Principal Sterling Sub-Ledger when such amounts are credited to the Sterling Account. The Principal Sterling Sub-Ledger will be debited when such amounts are paid to a Hedge Counterparty. All amounts received from a Hedge Counterparty (including Hedge Termination Amounts but not collateral payments) will be credited to the relevant sub-ledger which corresponds to the currency in which such amounts are received.

Amounts standing to the credit of the Principal Currency Ledger will not form part of Actual Redemption Funds.

### **Credit Support**

#### *Reserve Ledger*

The Reserve Ledger will be used to record as a credit: (i) on the Issue Date, the Tranche B Amount and (ii) on each Interest Payment Date such amounts as may be credited in accordance with item (xiv) of the Pre-Enforcement Interest Priority of Payments.

The Reserve Ledger will be debited on each Interest Payment Date to meet any Income Deficiency. If the Notes have been repaid in full or amounts standing to the credit of the Reserve Ledger exceed the amount as is required by the Rating Agencies to maintain the then current rating of the Instruments, then amounts equal to the



credit balance in respect of the Reserve Ledger or the excess (as the case may be) will be debited to the Reserve Ledger.

All amounts debited to the Reserve Ledger will be credited to the Revenue Ledger and will form part of Available Revenue Funds.

### **Liquidity Support**

#### *Liquidity Drawings Ledger and Standby Drawings Ledger*

Drawings under the Liquidity Facility Agreement (or Standby Liquidity Drawings made after a Standby Drawing has been made) and repayments thereof will be recorded in the relevant sub-ledgers of the Liquidity Drawings Ledger in the manner as set out in “*Summary of Key Transaction Documents - 2. Credit Support and Account Documents - Liquidity Facility Agreement*”.

All drawings to be credited to the Liquidity Drawings Ledger will form part of Available Revenue Funds.

### **Prefunding, Mortgage Discounts and Substitutions**

#### *Prefunding Ledger*

The Prefunding Ledger shall comprise two sub-ledgers, being (a) the Prefunding Principal Ledger and (b) the Prefunding Interest Ledger. On the Issue Date, (i) an amount equal to the Prefunding will be credited to the Prefunding Principal Ledger, and (ii) proceeds from the Tranche C Amount will be credited to the Prefunded Interest Ledger.

Amounts up to the amount of the Prefunding may be debited to purchase Prefunded Loans on a Prefunding Acquisition Date during the Prefunded Loan Period. All amounts standing to the credit of the Prefunding Principal Ledger (as are referable to the amount of the Prefunding) will be transferred to the Principal Ledger to be applied as Actual Redemption Funds on (i) the first Interest Payment Date if, on the Determination Date immediately prior to the first Interest Payment Date, an additional amount is not allocated to the Prefunding Interest Shortfall Amount in accordance with item (ii) of such definition, or (ii) the second Interest Payment Date if, on the Determination Date prior to the second Interest Payment Date, such amount is not allocated for the purchase of Prefunded Loans on such Interest Payment Date.

On each Determination Date prior to any Interest Payment Date during the Prefunded Loan Period, the Prefunding Interest Ledger will be debited (in relation to the Prefunding Interest Shortfall Amount) in an amount as is required (and the Revenue Ledger credited) when such funds form part of Initial Available Revenue on each such Interest Payment Date. If the Prefunding Principal Ledger is zero at any time, any amounts standing to the credit of the Prefunding Interest Ledger will be deemed to be a Permitted Withdrawal.

#### *Mortgage Discount Ledger*

On the Issue Date, proceeds from the Tranche D Amount (other than the amount of £250,000 which will be credited to the Substitutions Ledger as the Substitution Reserve) will be deposited in the GIC Account and recorded as a credit in the Mortgage Discount Ledger. Further amounts may be credited to the Mortgage Discount Ledger from time to time in connection with the purchase of Further Advances Loans, Substituted Collateral Loans, Converted Loans, Prefunded Loans or Substitute Loans by the Issuer under the terms of the Mortgage Sale Agreement and the Servicing Agreement.

On each Determination Date prior to the Interest Payment Date during the Maximum Discount Loan Period, the Mortgage Discount Ledger will be debited in an amount equal to the Mortgage Discount Amount (and the Revenue Ledger credited) when such funds form part of Initial Available Revenue on each such Interest Payment Date.

To the extent that amounts of the Tranche D Amount remain credited to the Mortgage Discount Ledger as are referable to the amounts of Prefunding not used to acquire Prefunded Loans on a Prefunding Acquisition Date, such amounts will be credited to the Revenue Ledger to be used as part of Available Revenue Funds.

### *Substitutions Ledger*

On the Issue Date an amount equal to £250,000 from the Tranche D Amount will be credited to the Substitutions Ledger and recorded in a sub-ledger to be known as the Substitution Reserve.

All payments received by the Issuer from the Originator or RFL in connection with a repurchase of a Loan from the Issuer by the Originator or RFL shall be recorded as credits in the Substitutions Ledger.

Amounts required by the Issuer to purchase Converted Loans or Substituted Collateral Loans will be debited to the Substitutions Ledger. Amounts required by the Issuer to purchase Further Advances Loans (but only in respect of the difference between: (i) the amount credited to the Substitutions Ledger in respect of a Loan under which a further advance has been requested (and such Loan has been repurchased under the terms of the Mortgage Sale Agreement) and (ii) the principal balance of a Further Advances Loan) will be debited:

- (a) first from the Principal Ledger; and
- (b) thereafter from the Substitutions Reserve (if required).

Amounts standing to the credit of the Substitutions Ledger will not form part of Actual Redemption Funds until the Final Maturity Date or final redemption of the Instruments (whichever is earlier).

### **Instrument Related Ledgers**

#### *MERC Ledger*

Mortgage Early Redemption Amounts received by the Issuer will be credited to the MERC Ledger and paid to the MERC Holders directly by the Issuer (or the Transaction Manager on its behalf) on each Interest Payment Date. The Mortgage Early Redemption Amounts will not form part of the Available Revenue Funds or Actual Redemption Funds and will not be applied in accordance with the Priority of Payments.

#### *Principal Deficiency Ledgers*

Five ledgers, namely, the A Principal Deficiency Ledger, the M1 Principal Deficiency Ledger, the M2 Principal Deficiency Ledger, the B1 Principal Deficiency Ledger and the B2 Principal Deficiency Ledger respectively, will be established in order to record any losses on the Mortgage Pool following the completion of enforcement proceedings in respect of any Loans. Such losses represent the amount by which the aggregate Mortgage Principal Receipts recovered in respect of a Loan are less than the sum of the outstanding principal balance of the Loan at such time (the "**Principal Deficiency**"). Any Principal Deficiency shall be debited first to the B2 Principal Deficiency Ledger (such debits being recredited at item (xiii) of the Pre-Enforcement Interest Priority of Payments) so long as the debit balance on such ledger does not exceed the Principal Amount Outstanding of the B2 Notes; and thereafter any Principal Deficiency shall be debited to the B1 Principal Deficiency Ledger (such debits being recredited at item (xi) of the Pre-Enforcement Interest Priority of Payments) so long as the debit balance on such ledger does not exceed the Principal Amount Outstanding of the B1 Notes; and thereafter any Principal Deficiency shall be debited to the M2 Principal Deficiency Ledger (such debits being recredited at item (ix) of the Pre-Enforcement Interest Priority of Payments) so long as the debit balance on such ledger does not exceed the Principal Amount Outstanding of the M2 Notes; and thereafter any Principal Deficiency shall be debited to the M1 Principal Deficiency Ledger (such debits being recredited at item (vii) of the Pre-Enforcement Interest Priority of Payments) so long as the debit balance on such ledger does not exceed the Principal Amount Outstanding of the M1 Notes; and thereafter any Principal Deficiency shall be debited to the A Principal Deficiency Ledger (such debits being recredited at item (v) of the Pre-Enforcement Interest Priority of Payments) so long as the debit balance on such ledger does not exceed the Principal Amount Outstanding of the A Notes. Principal Deficiencies shall be recorded in sterling.

#### *Collateral Ledger*

Amounts representing collateral received from any Hedge Counterparty will be credited to the Collateral Ledger. Such amounts will not form part of Available Revenue Funds or Actual Redemption Funds and will be debited to this ledger when the Issuer is required to return the collateral to the relevant Hedge Counterparty under the terms of the Hedge Agreements.

## **Issuer Profit and Start-Up Expenses**

### *Profit Ledger*

The Profit Ledger will be used to record amounts pursuant to paragraph (xv) of the Pre-Enforcement Interest Priority of Payments. Amounts in this ledger will not form part of Available Revenue Funds or Actual Redemption Funds and will form part of the income of the Issuer.

### *Start-up Costs Ledger*

On the Issue Date, proceeds from the Tranche A Amount will be deposited in the GIC Account and recorded as a credit in the Start-up Costs Ledger. The Start-up Costs Ledger will be debited by amounts applied in or towards payment of the costs and expenses incurred by the Issuer in connection with the issue of the Instruments on the Issue Date and will not form part of Available Revenue Funds or Actual Redemption Funds.

## **Debiting and Crediting Restrictions**

A ledger (other than the Principal Deficiency Ledger) will only be debited (and the corresponding payment or transfer (if any) may only be made) to the extent that such entry does not cause the relevant ledger to have a debit balance. Each Principal Deficiency Ledger will only be credited to the extent that such entry does not cause such Principal Deficiency Ledger to have a credit balance.

## **3 APPLICATION OF CASH PRIOR TO INTEREST PAYMENT DATE**

### **GIC Account and Permitted Withdrawals**

On any date (and, if such date is an Interest Payment Date, then in respect of items (c) to (h) below, in priority to the payments, transfers and provisions referred to in the Pre-Enforcement Interest Priority of Payments) the Transaction Manager shall be permitted to make the following withdrawals (the “**Permitted Withdrawals**”) from the GIC Account:

- (a) to purchase Further Advances Loans, Substituted Collateral Loans, Converted Loans and Loans in respect of which the Originator wishes to refund the Mortgage Early Redemption Amount to the Borrower;
- (b) to make Authorised Investments in accordance with the terms of the Transaction Management Agreement and to pay all normal costs and expenses incurred in connection with the making or realisation of any Authorised Investment;
- (c) to pay when due (but subject to any right to refuse or withhold or offset payment that has arisen by reason of the Borrower’s breach of the terms of the Loan or Mortgage concerned) any amount payable by the Issuer to a Borrower under the terms of the Loan or Mortgage to which that Borrower is a party or by operation of law;
- (d) if any amount has been received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover), to pay such amount when due to such third party;
- (e) to pay to any person (including the Originator, the Transaction Manager and the Servicer) any amounts due arising from any overpayment or incorrect payment by any person to the Issuer in respect of the Loans or Mortgages;
- (f) to meet reasonable out of pocket fees and expenses payable to the Servicer and/or the Transaction Manager on any date other than an Interest Payment Date;
- (g) if, at any time, the Prefunding Principal Ledger is zero, then any credits standing to the Principal Interest Ledger will be re-credited to the Originator; and

- (h) to pay when due and payable any amounts due and payable by the Issuer to third parties (other than Secured Creditors), if any, and incurred without breach by the Issuer of the Trust Deed and Deed of Charge and not provided for payment elsewhere in items (a) to (g) above.

No Permitted Withdrawal may be made or provided for under items (b) to (h) above during the period from and including a Determination Date to and including the next following Interest Payment Date unless:

- (a) the Transaction Manager reasonably assumes that such payment would be made for the purpose of determining the Actual Redemption Funds on such Determination Date; or
- (b) such payment is made out of amounts credited to the Revenue Ledger after such Determination Date; or
- (c) the making of such payment would not result in a reduction in the amounts which Transaction Manager calculates would otherwise be available to make any payments of principal or interest in respect of the Notes on such Interest Payment Date.

#### **4 APPLICATION OF CASH ON INTEREST PAYMENT DATE**

##### **Determination of Revenue Cashflows**

On each day which falls five Business Days prior to an Interest Payment Date (a “**Determination Date**”), the Issuer or the Transaction Manager on its behalf will determine whether the credit balance of the Revenue Ledger, after crediting amounts from the Prefunding Ledger and the Mortgage Discount Ledger (if applicable) and after taking into account any Permitted Withdrawals (other than item (a) of Permitted Withdrawals) to be made on such date as described above (the “**Initial Available Revenue**”), is sufficient to pay or provide for payment of items (i) to (xiii) inclusive of the Pre-Enforcement Interest Priority of Payments. To the extent that the credit balance is insufficient (the amount of any deficit being an “**Income Deficiency**”), the Issuer shall provide for such Income Deficiency (a) first, by applying amounts standing to the credit of the Reserve Ledger; and (b) secondly, (but only to the extent of items (i) to (xii) (other than items (v), (vii), (ix) and (xi)) inclusive of the Pre-Enforcement Interest Priority of Payments, by drawing under the Liquidity Facility Agreement.

One Business Day before each Interest Payment Date the entire balance of the GIC Account (which will at least include an amount equal to the Initial Available Revenue together with drawings under the Reserve Ledger (if any)) will be transferred from the GIC Account to the Sterling Account. Any drawings under the Liquidity Facility will be credited to the Sterling Account.

The amount of the Initial Available Revenue together with (i) drawings under the Reserve Ledger and/or (ii) a Liquidity Drawing or Standby Liquidity Drawing constitutes the “**Available Revenue Funds**”.

##### *Sterling Account*

The Sterling Account will be used to receive and disburse all sterling denominated receipts and outgoings of the Issuer.

##### *Euro Account*

The Euro Account will be used to receive and disburse all euro denominated receipts and outgoings of the Issuer. No such account will be required by the Issuer in connection with the transaction contemplated under this Prospectus.

##### *Dollar Account*

The Dollar Account will be used to receive and disburse all dollar denominated receipts and outgoings of the Issuer. No such account will be required by the Issuer in connection with the transaction contemplated under this Prospectus.

## Pre-Enforcement Interest Priority of Payments

Prior to the enforcement of the Security, the Transaction Manager on behalf of the Issuer will apply the Available Revenue Funds in making the following payments or provisions in the following order of priority on each Interest Payment Date (taking into account any Permitted Withdrawals (other than item (a) of Permitted Withdrawals) to be made on such Interest Payment Date), but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (i) first, to pay *pari passu* and *pro rata* when due, the Trustee's Fees and Trustee's Liabilities;
- (ii) second, to pay *pari passu* and *pro rata* when due:
  - (a) amounts (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date; and
  - (b) to pay or provide for the Issuer's liability or possible liability for corporation tax; and
  - (c) an amount equal to any premia in respect of Insurance Contracts; and
  - (d) the Transaction Party Expenses;
- (iii) third, (by debiting the relevant sub-ledgers of the Liquidity Drawings Ledger) amounts (if any) payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement (other than any amount to be drawn under the terms of the Liquidity Facility Agreement or from Standby Drawings on such Interest Payment Date and utilised in accordance with the Pre-Enforcement Interest Priority of Payments);
- (iv) fourth, to pay *pari passu* and *pro rata*:
  - (a) amounts of interest payable in respect of the A1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1a Noteholders and the Detachable A1a Couponholders);
  - (b) amounts of interest payable in respect of the A2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2a Noteholders and the Detachable A2a Couponholders);
  - (c) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A1b Note Currency Swap Agreement; and any interest due and payable on the A1b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1b Noteholders and the Detachable A1b Couponholders);
  - (d) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A2b Note Currency Swap Agreement; and any interest due and payable on the A2b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2b Noteholders and the Detachable A2b Couponholders);
  - (e) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A1c Note Currency Swap Agreement; and any interest due and payable on the A1c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to

- the respective interest entitlements of the A1c Noteholders and the Detachable A1c Couponholders);
- (f) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A2c Note Currency Swap Agreement; and any interest due and payable on the A2c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2c Noteholders and the Detachable A2c Couponholders);
  - (g) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A1x Note Currency Swap Agreement; and any interest due and payable on the A1x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1x Noteholders and the Detachable A1x Couponholders);
  - (h) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the A2x Note Currency Swap Agreement; and any interest due and payable on the A2x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2x Noteholders and the Detachable A2x Couponholders);
  - (i) amounts payable (if any) to each Interest Rate Swap Counterparty and any Hedge Termination Amounts (such amounts to be paid *pro rata* according to the respective entitlement of each Interest Rate Swap Counterparty) pursuant to the Interest Rate Swap Agreements;
- (v) fifth, in or towards crediting the A Principal Deficiency Ledger until the debit balance of the A Principal Deficiency Ledger has reached zero;
- (vi) sixth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the M1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1a Noteholders);
  - (b) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M1b Note Currency Swap Agreement; and any interest due and payable on the M1b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1b Noteholders);
  - (c) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M1c Note Currency Swap Agreement; and any interest due and payable on the M1c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1c Noteholders);
  - (d) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M1x Note Currency Swap Agreement; and any interest due and payable on the M1x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1x Noteholders);
- (vii) seventh, in or towards crediting the M1 Principal Deficiency Ledger until the debit balance of the M1 Principal Deficiency Ledger has reached zero;
- (viii) eighth, to pay *pari passu* and *pro rata*:

- (a) amounts of interest payable in respect of the M2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2a Noteholders);
  - (b) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M2b Note Currency Swap Agreement; and any interest due and payable on the M2b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2b Noteholders);
  - (c) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M2c Note Currency Swap Agreement; and any interest due and payable on the M2c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2c Noteholders);
  - (d) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the M2x Note Currency Swap Agreement; and any interest due and payable on the M2x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2x Noteholders);
- (ix) ninth, in or towards crediting the M2 Principal Deficiency Ledger until the debit balance of the M2 Principal Deficiency Ledger has reached zero;
- (x) tenth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the B1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1a Noteholders);
  - (b) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B1b Note Currency Swap Agreement; and any interest due and payable on the B1b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1b Noteholders);
  - (c) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B1c Note Currency Swap Agreement; and any interest due and payable on the B1c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1c Noteholders);
  - (d) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B1x Note Currency Swap Agreement; and any interest due and payable on the B1x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1x Noteholders);
- (xi) eleventh, in or towards crediting the B1 Principal Deficiency Ledger until the debit balance of the B1 Principal Deficiency Ledger has reached zero;
- (xii) twelfth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the B2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2a Noteholders);
  - (b) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B2b Note Currency Swap Agreement; and any interest due and payable on the B2b Notes after applying interest received from the Currency Swap Counterparty in Dollars (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2b Noteholders);

- (c) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B2c Note Currency Swap Agreement; and any interest due and payable on the B2c Notes after applying interest received from the Currency Swap Counterparty in Euro (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2c Noteholders);
- (d) amounts payable (if any) in sterling to the Currency Swap Counterparty in respect of notional interest and any Hedge Termination Amounts pursuant to the B2x Note Currency Swap Agreement; and any interest due and payable on the B2x Notes after applying interest received from the Currency Swap Counterparty (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2x Noteholders);
- (xiii) thirteenth, in or towards crediting the B2 Principal Deficiency Ledger until the debit balance of the B2 Principal Deficiency Ledger has reached zero;
- (xiv) fourteenth, amounts to be credited to the Reserve Ledger, until the balance of the Reserve Ledger reaches the Reserve Fund Required Amount;
- (xv) fifteenth, to credit to the Profit Ledger an amount equal to 0.01 per cent. per annum of the aggregate Balances of the Loans in the Mortgage Pool on the immediately preceding Determination Date divided by four;
- (xvi) sixteenth, to pay *pari passu* and *pro rata* amounts of interest payable in respect of Tranche A Amount, Tranche B Amount, Tranche C Amount and Tranche D Amount of the Residual Certificates;
- (xvii) seventeenth, in redeeming *pari passu* and *pro rata*, the Tranche A Amount, Tranche B Amount, Tranche C Amount and Tranche D Amount of the Residual Certificates;
- (xviii) eighteenth, to pay amounts due and payable *pari passu* and *pro rata* to each Hedge Counterparty in respect of any Hedge Subordinated Amounts;
- (xix) nineteenth, to pay to the D Noteholder the Deferred Consideration under the Mortgage Sale Agreement (if any); and
- (xx) twentieth to pay surplus (if any) to the Issuer.

In the event that any payment is to be made from the Available Revenue Funds by the Issuer and the Available Revenue Funds are not denominated in the relevant currency in which such payment is to be made, the Issuer shall convert the relevant amounts comprised in the Available Revenue Funds to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

### **Determination of Principal Cashflows**

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

- (i) the amounts standing to the credit of the Principal Ledger;
- (ii) (on the Final Maturity Date) the amounts standing to the credit of the Substitutions Ledger;
- (iii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Interest Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced on the immediately succeeding Interest Payment Date; and
- (iv) (as at the second Determination Date) the amounts of Prefunding (if any) standing to the credit of the Prefunding Principal Ledger on the second Determination Date which is not to be allocated for the purchase of Prefunded Loans on the second Interest Payment Date.



## Pre-Enforcement Principal Priority of Payments

On each Interest Payment Date, prior to the enforcement of the Security, other than the Interest Payment Date on which the Notes are to be redeemed under paragraph 2(a) or 2(d) of the Bond Conditions or paragraph 2(e) of the General Conditions, the Transaction Manager on behalf of the Issuer shall apply an amount equal to the Actual Redemption Funds calculated as at the Determination Date (taking into account item (a) of the Permitted Withdrawals made from the Determination Date and/or to be made on such Interest Payment Date) in making payments in the following priority but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (i) Where the Pro-Rata Test (as set out below) has been satisfied, *pari passu* and on a *pro rata* basis of:
  - (a) the Principal Amount Outstanding in respect of A1a Notes;
  - (b) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (c) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (d) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
  - (e) the Principal Amount Outstanding in respect of A2a Notes;
  - (f) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (g) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (h) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
  - (i) the Principal Amount Outstanding in respect of M1a Notes;
  - (j) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (k) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (l) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1x Note Currency Swap Agreement; and the

Principal Amount Outstanding in respect of the M1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;

- (m) the Principal Amount Outstanding in respect of M2a Notes;
  - (n) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (o) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (p) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
  - (q) the Principal Amount Outstanding in respect of B1a Notes;
  - (r) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (s) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (t) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
  - (u) the Principal Amount Outstanding in respect of B2a Notes;
  - (v) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (w) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (x) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (ii) Where the Pro-Rata Test has not been satisfied,
- (a) first, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
    - (1) the Principal Amount Outstanding in respect of A1a Notes;

- (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A1x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (b) second, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
- (1) the Principal Amount Outstanding in respect of A2a Notes;
  - (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the A2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the A2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (c) third, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
- (1) the Principal Amount Outstanding in respect of M1a Notes;
  - (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M1x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (d) fourth, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
- (1) the Principal Amount Outstanding in respect of M2a Notes;

- (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the M2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the M2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (e) fifth, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
- (1) the Principal Amount Outstanding in respect of B1a Notes;
  - (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B1x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B1x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (f) sixth, in or towards payment *pari passu* on a *pro rata* basis (until redeemed in full) of:
- (1) the Principal Amount Outstanding in respect of B2a Notes;
  - (2) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2b Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2b Notes after applying principal received from the Currency Swap Counterparty in Dollars;
  - (3) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2c Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2c Notes after applying principal received from the Currency Swap Counterparty in Euro;
  - (4) the Principal Amount Outstanding in sterling to the Currency Swap Counterparty and any Hedge Termination Amounts pursuant to the B2x Note Currency Swap Agreement; and the Principal Amount Outstanding in respect of the B2x Notes after applying principal received from the Currency Swap Counterparty in the currency of the X Notes;
- (iii) after payments under either (i) or (ii) above, to pay any amounts due and payable *pari passu* and *pro rata* to each Hedge Counterparty in respect of any Hedge Subordinated Amounts;
- (iv) after payments under (iii) above, to pay the surplus (if any) to the Issuer.

The “**Pro-Rata Test**” will be satisfied on any such Interest Payment Date immediately succeeding a Determination Date on which:

- (i) the Trigger Ratio, as set out below, is satisfied;
- (ii) the aggregate of the Balances of all Mortgages in the Mortgage Pool that are 90 days or more in arrears on such Determination Date as a percentage of the aggregate Balances of all Mortgages in the Mortgage Pool does not exceed 22.5 per cent. (or such greater percentage agreed between the Issuer and the Rating Agencies from time to time upon the basis that such increase will not adversely affect the then current rating of the Notes);
- (iii) there are no debits recorded on each of the Principal Deficiency Ledgers;
- (iv) the balance of the Reserve Fund is at the Reserve Fund Required Amount; and
- (v) no amount (other than any amount to be drawn on such Interest Payment Date) is outstanding under the Liquidity Facility Agreement or under a Standby Drawing.

The “**Trigger Ratio**” shall be satisfied if  $X/Y$  (expressed as a percentage) is greater than  $2P/Q$  (expressed as a percentage) where:

Y = the Principal Amount Outstanding of the Notes (where necessary, converted into sterling at the relevant Swap Rate) on the Determination Date on which the Trigger Ratio is to be calculated.

X = the Principal Amount Outstanding of the M Notes and the B Notes (in each case where necessary, converted into sterling at the relevant Swap Rate) on the Determination Date on which the Trigger Ratio is to be calculated.

Q = the Principal Amount Outstanding of the Notes (where necessary, converted into sterling at the relevant Swap Rate) on the Issue Date.

P = The Principal Amount Outstanding of the M Notes and the B Notes (in each case where necessary, converted into sterling at the relevant Swap Rate) on the Issue Date.

## 5 APPLICATION OF CASH ON ENFORCEMENT OF SECURITY

### Post-Enforcement Priority of Payments

After the Trustee has given notice to the Issuer pursuant to General Condition 7(a) declaring the Instruments to be due and repayable, the Trustee shall use the proceeds from enforcement of the Security including, among others, the funds standing to the credit of the Issuer Accounts and any Hedge Termination Amounts received by the Issuer (after making payments of certain moneys which properly belong to third parties) other than amounts credited to the MERC Ledger (which are payable to MERC Holders) and to the Collateral Ledger (which are required to be returned to the relevant Hedge Counterparty under the terms of the Hedge Agreements), in making payments in the following order of priority but in each case only to the extent that all payments of a higher priority that fall due to be paid have been made in full:

- (i) first, to pay, *pari passu* and *pro rata*,
  - (a) any remuneration then due to any liquidator or receiver and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such liquidator or receiver together with interest thereon; and
  - (b) to pay the Trustee’s Fees and Trustee’s Liabilities;
- (ii) second, to pay, *pari passu* and *pro rata*, the Transaction Party Expenses;

- (iii) third, to pay all amounts due to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) fourth, to pay *pari passu* and *pro rata*:
  - (a) amounts of interest payable in respect of the A1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1a Noteholders and the Detachable A1a Couponholders) in accordance with Bond Condition 1;
  - (b) amounts of interest payable in respect of the A2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2a Noteholders and the Detachable A2a Couponholders) in accordance with Bond Condition 1;
  - (c) all amounts of principal due under the A1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1a Noteholders) until redemption in full of the A1a Notes;
  - (d) all amounts of principal due under the A2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2a Noteholders) until redemption in full of the A2a Notes;
  - (e) amounts of interest payable in respect of the A1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1b Noteholders and the Detachable A1b Couponholders) in accordance with Bond Condition 1;
  - (f) amounts of interest payable in respect of the A2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2b Noteholders and the Detachable A2b Couponholders) in accordance with Bond Condition 1;
  - (g) all amounts of principal due under the A1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1b Noteholders) until redemption in full of the A1b Notes;
  - (h) all amounts of principal due under the A2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2b Noteholders) until redemption in full of the A2b Notes;
  - (i) amounts of interest payable in respect of the A1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1c Noteholders and the Detachable A1c Couponholders) in accordance with Bond Condition 1;
  - (j) amounts of interest payable in respect of the A2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2c Noteholders and the Detachable A2c Couponholders) in accordance with Bond Condition 1;
  - (k) all amounts of principal due under the A1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1c Noteholders) until redemption in full of the A1c Notes;
  - (l) all amounts of principal due under the A2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2c Noteholders) until redemption in full of the A2c Notes;
  - (m) amounts of interest payable in respect of the A1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1x Noteholders and the Detachable A1x Couponholders) in accordance with Bond Condition 1;
  - (n) amounts of interest payable in respect of the A2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2x Noteholders and the Detachable A2x Couponholders) in accordance with Bond Condition 1;

- (o) all amounts of principal due under the A1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A1x Noteholders) until redemption in full of the A1x Notes;
  - (p) all amounts of principal due under the A2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A2x Noteholders) until redemption in full of the A2x Notes;
  - (q) all amounts (other than any Hedge Subordinated Amounts) payable to each Hedge Counterparty pursuant to the Hedge Agreements (such amounts to be paid *pro rata* according to the respective entitlement of each Hedge Counterparty);
- (v) fifth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the M1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1a Noteholders) in accordance with Bond Condition 1;
  - (b) all amounts of principal due under the M1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1a Noteholders) until redemption in full of the M1a Notes;
  - (c) amounts of interest payable in respect of the M1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1b Noteholders) in accordance with Bond Condition 1;
  - (d) all amounts of principal due under the M1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1b Noteholders) until redemption in full of the M1b Notes;
  - (e) amounts of interest payable in respect of the M1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1c Noteholders) in accordance with Bond Condition 1;
  - (f) all amounts of principal due under the M1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1c Noteholders) until redemption in full of the M1c Notes;
  - (g) amounts of interest payable in respect of the M1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1x Noteholders) in accordance with Bond Condition 1;
  - (h) all amounts of principal due under the M1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1x Noteholders) until redemption in full of the M1x Notes;
- (vi) sixth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the M2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2a Noteholders) in accordance with Bond Condition 1;
  - (b) all amounts of principal due under the M2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2a Noteholders) until redemption in full of the M2a Notes;
  - (c) amounts of interest payable in respect of the M2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2b Noteholders) in accordance with Bond Condition 1;

- (d) all amounts of principal due under the M2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2b Noteholders) until redemption in full of the M2b Notes;
  - (e) amounts of interest payable in respect of the M2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2c Noteholders) in accordance with Bond Condition 1;
  - (f) all amounts of principal due under the M2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2c Noteholders) until redemption in full of the M2c Notes;
  - (g) amounts of interest payable in respect of the M2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2x Noteholders) in accordance with Bond Condition 1;
  - (h) all amounts of principal due under the M2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2x Noteholders) until redemption in full of the M2x Notes;
- (vii) seventh, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the B1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1a Noteholders) in accordance with Bond Condition 1;
  - (b) all amounts of principal due under the B1a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1a Noteholders) until redemption in full of the B1a Notes;
  - (c) amounts of interest payable in respect of the B1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1b Noteholders) in accordance with Bond Condition 1;
  - (d) all amounts of principal due under the B1b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1b Noteholders) until redemption in full of the B1b Notes;
  - (e) amounts of interest payable in respect of the B1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1c Noteholders) in accordance with Bond Condition 1;
  - (f) all amounts of principal due under the B1c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1c Noteholders) until redemption in full of the B1c Notes;
  - (g) amounts of interest payable in respect of the B1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1x Noteholders) in accordance with Bond Condition 1;
  - (h) all amounts of principal due under the B1x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1x Noteholders) until redemption in full of the B1x Notes;
- (viii) eighth, to pay *pari passu* and *pro rata*:
- (a) amounts of interest payable in respect of the B2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2a Noteholders) in accordance with Bond Condition 1;



- (b) all amounts of principal due under the B2a Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2a Noteholders) until redemption in full of the B2a Notes;
  - (c) amounts of interest payable in respect of the B2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2b Noteholders) in accordance with Bond Condition 1;
  - (d) all amounts of principal due under the B2b Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2b Noteholders) until redemption in full of the B2b Notes;
  - (e) amounts of interest payable in respect of the B2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2c Noteholders) in accordance with Bond Condition 1;
  - (f) all amounts of principal due under the B2c Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2c Noteholders) until redemption in full of the B2c Notes;
  - (g) amounts of interest payable in respect of the B2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2x Noteholders) in accordance with Bond Condition 1;
  - (h) all amounts of principal due under the B2x Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2x Noteholders) until redemption in full of the B2x Notes;
- (viii) ninth, to pay *pari passu* and *pro rata*:
- (a) all amounts of interest then due and payable in respect of the Tranche A Amount, Tranche B Amount, Tranche C Amount and Tranche D Amount of the Residual Certificates; and
  - (b) all amounts of principal due thereon until redemption in full of the Tranche A Amount, Tranche B Amount, Tranche C Amount and Tranche D Amount of the Residual Certificates;
- (ix) tenth, to pay any amounts due and payable *pari passu* and *pro rata* to each Hedge Counterparty in respect of any Hedge Subordinated Amounts;
- (x) eleventh, to pay to the D Noteholder the Deferred Consideration under the Mortgage Sale Agreement (if any) less an amount equal to 0.01 per cent. per annum of the aggregate Balances of the Loans comprised in the Mortgage Pool as at the Interest Payment Date immediately preceding the date on which the Instruments are declared to be due and payable; and
- (xi) twelfth, to pay surplus (if any) to the Issuer.

In relation to payments under the Post-Enforcement Priorities of Payments which are not denominated in the relevant currency in which such payment is to be made, the Issuer shall convert the relevant amounts to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

## **6 PAYMENT OF DEFERRED CONSIDERATION**

The D Notes will be issued to and purchased by the D Noteholder on the Issue Date. The D Notes will entitle the D Noteholder to the Deferred Consideration in accordance with the Mortgage Sale Agreement.

The D Notes will not be listed and are not being offered under this Prospectus.

The beneficial interest in the D Notes may only be held by a company which is and remains within the charge to UK corporation tax while it holds the D Notes. The beneficial holder of a D Note may not transfer any D Notes held by it to any person unless such person: (a) represents to the beneficial holder of such D Note and the Issuer that it is at the time of purchase, and will be during the period for which it holds the beneficial interest in the D Note, a company which is within the charge to UK corporation tax, and (b) undertakes to the beneficial holder and the Issuer that it will only transfer any D Note held by it to a person who gives a similar representation and undertaking in the terms set out in this paragraph.

A beneficial holder of a D Note who receives any payment or transfers any D Note held by them in breach of the provisions set out above, undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

Where a beneficial holder of a D Note is also the beneficial holder of a Residual Certificate and any payment is received in respect of a Residual Certificate or a transfer of the Residual Certificate occurs in breach of Bond Condition 3, then such beneficial holder of a D Note undertakes to indemnify the Issuer, on an after-tax basis, in respect of any liabilities incurred by the Issuer as a consequence of any payments made by the Issuer to such a beneficial holder in such circumstances.

## BUSINESS OVERVIEW OF CERTAIN TRANSACTION PARTIES

### 1. THE ORIGINATOR

#### (A) *Corporate Structure*

The Originator is a limited company incorporated in England and Wales on 19 December 2002 and originated its first loan in October 2003. The Originator is engaged in the business of originating, purchasing and selling residential mortgage loans, made to borrowers whose borrowing needs may not be met by traditional financial institutions in the UK residential mortgage market.

The registered office of the Originator is 26 Farringdon Street London EC4A 4AB.

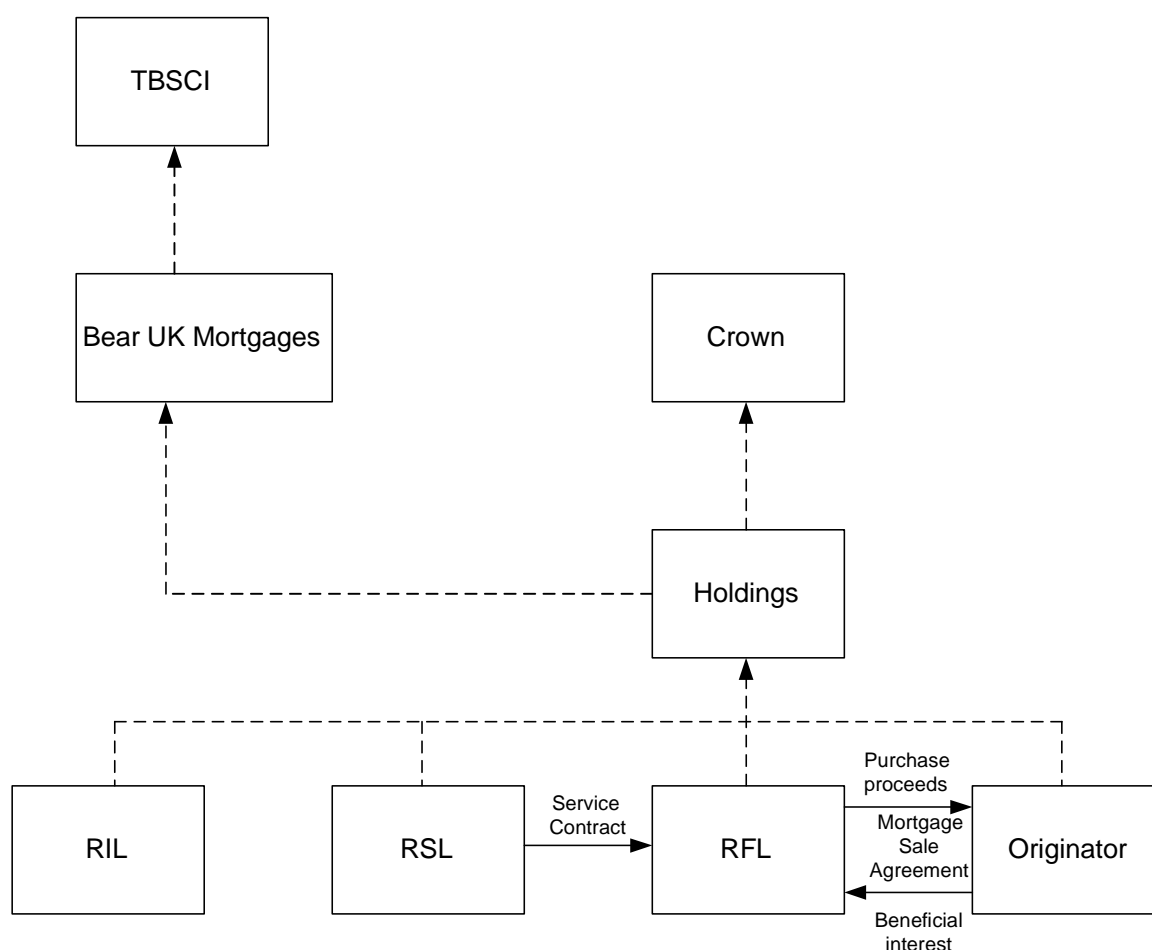
The Originator has entered into the Mortgage Purchase Agreement with RFL, whereby RFL can purchase the Originator's whole right, title and interest in each mortgage loan originated by the Originator together with the related collateral security, and any further advances to be made on a mortgage loan. Typically, RFL only purchases the beneficial interest and the legal title remains with the Originator. The Originator has granted a power of attorney to RFL allowing them to take legal title at RFL's discretion.

RFL obtains unsecured warehouse funding from The Bear Stearns Companies Inc. to enable it to fund loans originated by the Originator prior to securitisation or other mode of sale. RSL receives unsecured working capital from Bear Stearns to meet any running costs should it not have adequate financial resources.

The Originator is a wholly owned subsidiary of Holdings. Holdings wholly owns three other subsidiaries, being RIL, RSL and RFL. Each of RIL, RSL and RFL are limited companies incorporated in England and Wales and have no active role in the business of originating residential mortgage loans conducted by the Originator. Since its incorporation, RSL has been carrying on the business of managing and providing corporate services to RFL and the Originator. Since its incorporation, RFL has been carrying on the business of administering and providing the funding required by the Mortgage Pool and holding the beneficial interest of the Mortgage Pool. RIL was established for the sole purpose of acquiring and holding certain mortgage backed instruments and became part of the Originator's group (as shown below) on 9 November 2004.

The shareholders of Holdings are Crown Asset Management Limited and Bear UK Mortgages Limited.

The shareholding structure of the Originator's group of companies are set out in the diagram below:



**(B) Standard Business Practices, Servicing and Credit Assessment**

**(i) Origination**

**Rooftop Packager Partners**

Loans are originated via a restricted, controlled, panel of packager partners.

Initially, the panel comprised members of the Mortgage Distribution Co-Operative (“MDC”). The MDC is chaired by The Mortgage & Loan Group (“MLG”). MDC used a web-based mortgage processing system offering underwriting work-flow and offer production known as the HUB system. The HUB Origination system is owned and managed by MLG.

As a result of regulatory changes and business growth the Originator has moved all of its packagers to a replica system known as Rooftop Origination Application Device (“ROAD”). The ROAD origination system license is owned and managed by RSL. To join the Originator, packagers have to demonstrate volume and a capability to produce business at a high standard. Both HUB and ROAD are supplied and supported by SDS Applications Ltd (“SDS”). There is a rigorous selection process for ROAD packagers before they are granted a packaging arrangement with the Originator.

The Originator's packager network provides nationwide geographical coverage.

The Originator packagers operate in one or all of the following ways:

- the Originator packager direct to consumer, via a fully authorised mortgage brokerage

- the Originator packager with direct broker network
- the Originator packager via one or more satellite packagers (where the satellite packager does not complete sufficient volumes to have a direct relationship with the Originator)

The Originator also intends to widen its distribution via Broker Networks where the Originator will receive applications directly and packaged via a Rooftop Service Centre.

An origination agreement governs the relationship between the Originator and each of the packager partners, which sets out how the Originator wishes to receive packaged business and the obligations of both parties. The document was fairly standardised across the Originator's packager community with minor exceptions. The Originator has replaced the existing form of such origination agreements with "**Standard Terms and Conditions for Intermediaries**" which will incorporate the Originator's "**Operation Manual**" and "**Packager and Processing Manual**" as each is amended, updated and replaced from time to time. Remuneration of packager partners is dealt with under the Originator's "**Packager Service Plan**".

### Phoebus Systems

The structure of the Originator is such that many day-to-day tasks are outsourced. In addition to ROAD and HUB, the servicing IT system can be summarised as follows:

- Crown operates a servicing platform provided by Phoebus Software Ltd (Phoebus), which is used by a number of other mortgage or banking business specialists such as iGroup, Heritable Bank and Broadcastle Bank. It is Local Area Network based and is a modular system that is easy to enhance and modify to take account of the Originator's changing product range. Phoebus provides the source of servicing data and functionality consistent with modern day mortgage servicing needs.

In its recent Servicer Evaluation report Standard & Poor's have described Phoebus as a "**well designed, flexible system...user friendly...**". Similarly, in its rating report, Fitch describes a "**flexible servicing system...versatile Windows-based package and significant resources have been devoted to developing its capabilities for administration**".

### Credit Evaluation Process

Currently the approval will be for one of the seven product levels, namely "**Near Prime**" (comprising "**Stepped Light**" and "**Stepped Maxi**" products), "**Light Adverse**", "**Medium Adverse**", "**Heavy Adverse**", "**Right-to-Buy**" and "**Buy-to-Let**".

#### a. Application Form

The prospective borrower meets with a mortgage intermediary to go through the advice and application process. This involves the completion of the application form which includes the following information, as appropriate:

- Required mortgage amount and term
- Required mortgage type and purpose (e.g., "**buy-to-let**", "**let-to-buy**", residential, first time buyer, house purchase, re-mortgage or self-certified etc.)
- Repayment method (i.e., interest only or repayment)
- Property details
- Personal Information about prospective borrower(s) and guarantor(s) (if appropriate)
- Residential status (own, rented, number of years at address)
- Professional status and details
- Annual income or profit

- Past credit history (including details of existing or previous mortgages and/or tenancies, credit or charge cards, )

b. Supporting Documents

The following documentation is also requested from the prospective borrower, as appropriate:

- Proof of borrower income (e.g., pay slip, P60, tax return accountants reference or income reference);
- Proof of borrower identity and address (passport, drivers licence, photo identity card, voters roll, utility bills, etc.);
- Borrower tax identification number (usually their National Insurance Number);
- Ancillary details as necessary for the optional employment/critical-illness insurance;

c. Referencing

A detailed credit search is performed for each borrower using Experian credit searching systems. From the detail provided in these reports, and the mortgage application and documents supplied, the underwriter will determine what product can be applied and the maximum loan based on income and expenditure.

d. Valuation

Valuation for mortgage purposes is carried out by the Originator's approved surveyors. The lower of the purchase price or the open market value is used to assess the loan to value.

e. Verification

The Originator verifies that the information provided in the mortgage application agrees with the information in the system.

The completions team ensure the certificate of title in respect of the Property is properly completed and complies with the conditions of the offer letter and that all pre-completion conditions are met.

Crown Mortgage Management Limited downloads data from the HUB/ROAD into Phoebus before completion can take place. Any errors in the import process will be checked and corrected before completion.

f. Loan Processing Authorities

The packager may process a loan up to offer stage using the product matrix, which is limited by the underwriting manual criteria.

The Originator may authorise the loan to the full extent of the product matrix.

Under no circumstances will loans within the Mortgage Pool be originated outside the Lending Criteria (unless agreed and documented as an exception by an authorised mandate holder).

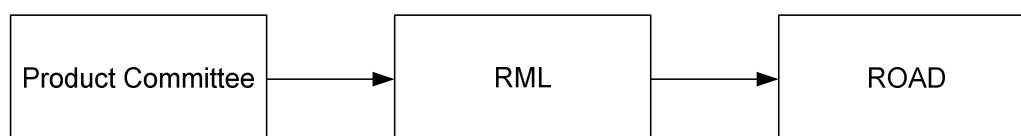
The following officers have the levels of approvals set out next to their names:

- |                               |   |
|-------------------------------|---|
| • Credit Committee            | Oversees Policy & reviews special cases |
| • Head of Underwriting        | £500,000                                |
| • Head of Roving Underwriters | £500,000                                |
| • Senior Underwriter          | £350,000                                |
| • Underwriter Level 2         | £250,000                                |

- Underwriter Level 1 £150,000.

g. Product Approval Procedure

On a regular (normally weekly) basis the Product Committee will review any product criteria and pricing. Once the Product Committee has agreed upon any amendments, the Originator will ensure that the ROAD is updated.



h. Title Insurance

This product is designed for the benefit/protection of the lender only but enables the borrower to shorten the conveyance timescale. London & European Title Insurance Company Limited is the supplier of the Originator's standard remortgage title insurance product. Stewart Title Limited is the supplier of the Originator's purchase and remortgage Right-to-Buy title insurance products.

(ii) *Servicing*

**Primary Servicing**

The Servicer undertakes the following roles in the primary management of the Mortgage Pool:

1. Payment Collection

The monthly mortgage payments are automatically collected by the Servicer's servicing system through BACS.

2. Redemption/Prepayment

The Servicer's servicing system generates automated statements.

3. Deeds management and document control

The deeds to the properties that form part of the Mortgage Pool are stored through the Servicer in an off-site, protected environment.

4. Insurance processing

The Servicer notifies insurers of the Originator's interest in the insurance policy and monitors the insurance cover through an annual review to ensure adequacy and acceptability. On receipt of notification of the lapse of any policy, cover under a block policy is automatically substituted.

5. Borrower Communications

The Servicer liaises with all borrowers with regard to all aspects of mortgage administration.

**Special Servicing**

The Servicer has the following roles in the arrears management of the Mortgage Pool:

1. Unpaid Direct Debit Payment Collection

The Servicer attempts telephone contact upon notification of unpaid direct debit. Payments are collected wherever possible by debit card and payments promised are diarised and chased by telephone.

2. Arrears Management

Arrangements are made in accordance with the FSA Mortgage Conduct of Business. The requirements include dealing fairly with customers in arrears, clear communication of policies and procedures, adopting a reasonable approach when agreeing to payment arrangements, with possession as a last resort. Arrangements are monitored and regular communication established with the customer to ensure that a joint co-operation approach is in place to restore the loan to a performing status. Debt counsellors are also used with the customers consent.

3. Litigation Management

Unless there are special circumstances, all accounts are placed in the hands of solicitors when the arrears balance equates to three monthly payments.

4. Repossession/Property Disposal Management

Halifax Corporate Services is appointed by the Servicer to carry out eviction attendance, securing property, market appraisal, agent appointment and sale negotiation.

5. Loss Recovery

Pro-active pursuance of the customer is conducted to make good any loss, post property disposal.

Proceedings for the repossession of the relevant property are generally initiated when the borrower is 3 months in arrears on the mortgage payments unless otherwise at the discretion of the Originator and where the applicable law permits.

## 2. **THE SERVICER**

The Servicer is a wholly-owned subsidiary of Crown Asset Management Limited, which is in turn owned by Crown NorthCorp Limited. These companies all of which are incorporated within the United Kingdom are wholly owned subsidiaries of Crown NorthCorp, Inc. which is an SEC reporting entity, headquartered in Columbus, Ohio, USA, and which provides comprehensive financial services to the real estate industry, including in particular, third party asset management and loan servicing. The Servicer has servicer ratings from all three leading rating agencies and services approximately £1.44 billion of mortgage assets. The registered office and principal place of business of the Servicer is Crown House, Crown Street, Ipswich IP1 3HS.

## 3. **THE STANDBY SERVICER**

The Standby Servicer has been appointed as the Standby Servicer of the Issuer pursuant to the Standby Servicer Agreement. In the event that the appointment of the Servicer pursuant to the Servicing Agreement is terminated, the Standby Servicer has agreed to provide the equivalent services to the Issuer and the Trustee as set out in the Servicing Agreement.

The Standby Servicer currently provides mortgage administration services to approximately 35 institutions. Assets totalling in excess of £28 billion are currently under its administration. It has been providing these services for approximately 15 years and annually services approximately 240,000 mortgage loans. The Standby Servicer currently has 1,200 full time employees and is rated RPS2+ by Fitch Ratings Limited in respect of its primary service responsibilities for UK residential loans.

The registered office and principal place of business of the Standby Servicer is 1 Providence Place, Skipton, North Yorkshire BD23 2HL and is registered under company no 2214839.



#### 4. THE LIQUIDITY FACILITY PROVIDER AND THE GIC PROVIDER

Danske Bank A/S is a public limited company organised under the laws of the Kingdom of Denmark under number 61126228. It has its registered and head office at Holmens Kanal 2-12, DK-1092 Kobenhavn K, Denmark. It is regulated in Denmark by Finanstilsynet, the Danish Financial Supervisory Authority, and by the Financial Services Authority for the conduct of investment business in the UK.

The Danske Bank Group (“**Danske Group**”), which comprises Danske Bank A/S, the parent company, and a number of subsidiaries, offers its customers a wide range of banking, insurance, mortgage finance, asset management, capital markets, investment banking and leasing services. Danske Group is the largest bank in Denmark in terms of equity, deposits and assets. Danske Group also ranks among the largest financial institutions in the Nordic countries.

As of December 31, 2004, the Danske Group had total assets of DKr 2,051 billion (USD 335 billion), total loans and advances of DKr 1,139 billion (USD 186 billion), total deposits of DKr 841 billion (USD 137 billion) and equity shareholder funds of DKr 67 billion (USD 11 billion).

As of March 31, 2005, the Danske Group had total assets of DKr 2,271 billion (USD 371 billion), total loans and advances of DKr 1,270 billion (USD 208 billion), total deposits of DKr 1,026 billion (USD 168 billion) and equity shareholder funds of DKr 65 billion (USD 11 billion). The profit before taxation of the Danske Group in respect of the three months ended March 31, 2005 was DKr 4,238 million (USD 693 million).

Danske Bank A/S current credit ratings are as follows: Moody’s: P-1 (short-term) and Aa1 (long-term), Standard & Poor’s: A-1+ (short-term) and AA- (long-term), Fitch: F1+ (short-term) and AA- (long-term).

Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the Danske Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

#### 5. THE INTEREST RATE CAP COUNTERPARTY

Headquartered in London with its principal office at 8 Canada Square, Level 24, London E14 5HQ, HSBC Bank plc’s international network currently comprises over 9,800 offices in around 80 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

HSBC Bank plc will act as Interest Rate Cap Counterparty under the Interest Rate Cap Agreement. As at the date of this Prospectus, the Interest Rate Cap Counterparty had a long-term unsecured and unsubordinated debt rating of “Aa2” from Moody’s, “AA-” from S&P and “AA” from Fitch and a short-term unsecured, unguaranteed and unsubordinated debt rating of “P-1” from Moody’s, “A-1+” from S&P and “F1+” from Fitch.

Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of HSBC Bank plc since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

**The information contained herein with respect to the Originator, the Servicer, the Standby Servicer, the Liquidity Facility Provider, the GIC Provider and Interest Rate Cap Counterparty relates to and has been accurately reproduced from information obtained from each of them. So far as the Issuer is aware and is able to ascertain from information published by those parties no facts have been omitted which would render the information reproduced above misleading. In addition, the delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the Originator, the Servicer, the Standby Servicer, the Liquidity Facility Provider, the GIC Provider and the Interest Rate Cap Counterparty since the date hereof, or that the information contained or referred to herein is correct as at any time subsequent to its date. None of the Instrumentholders will have any right to proceed directly against the Originator, the Servicer, the Standby Servicer, the Liquidity Facility Provider, the GIC Provider and the Interest Rate Cap Counterparty in respect of their respective obligations under any of the agreements to which they are party.**

## **THE ISSUER**

### **Introduction**

The Issuer was established as a special purchase vehicle and incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with limited liability as a public limited company on 21 July, 2005 with registered number 5514927. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP and the telephone number for the registered office is +44 (0) 20 7398 6300.

### **Principal Activities**

The principal objects of the Issuer are set out in article 4 of its Memorandum of Association and permit, the Issuer to, amongst other things, borrow money, grant security over its property for the performance of its obligations and to purchase property.

The Issuer was established to issue the Instruments, purchase the Loans and their related collateral security comprised in the Completion Mortgage Pool (and any further Loans in accordance with this Prospectus), to enter into the Transaction Documents, and carry out any and all other activities related to the transactions described in this Prospectus.

The Issuer has no subsidiaries or employees.

Since its incorporation, the Issuer has not carried on any business or activities other than those incidental to its incorporation, the authorisation and issue of the Instruments and the purchase of the Loans and their related Collateral Security contained in the Completion Mortgage Pool and activities incidental to the exercise of its rights and compliance with its obligations under the Transaction Documents (including registration under the Data Protection Act 1998 and becoming licensed under the CCA) and any other documents entered into in connection with the issue of the Instruments.

### **Capital and Shares**

The authorised share capital of the Issuer is comprised of 50,000 ordinary shares of £1 each.

The Issuer has issued 50,000 shares at £1 each (all of which are fully paid up). Parent owns 49,999 shares of Issuer and Nominee Trustee holds one share of the Issuer on trust for Parent under the Nominee Declaration of Trust.

## Capitalisation

The capitalisation of the Issuer as at the date of this Prospectus, adjusted for the issue of the Notes and Residual Certificates (exclusive of issue costs), is as follows:

<b>Share Capital</b>	<b>£</b>
<b>Authorised</b>	
50,000 ordinary shares of £1 each	<b><u>50,000</u></b>
<b>Issued</b>	
50,000 ordinary shares of £1 each, all of which are fully paid up	<b>50,000</b>
<b>Loan Capital</b>	
Notes	<b>200,000,000</b>
Residual Certificates	<b>5,675,000</b>
<b>Total Capitalisation</b>	<b><u>205,725,000</u></b>

As at the date hereof, save as disclosed above, the Issuer has no loan capital outstanding or authorised but unissued shares, no term loans outstanding and no other borrowings or indebtedness in the nature of the borrowing nor any contingent liabilities or guarantees. The current financial period of the Issuer will end on 30 November, 2006.

## Directors

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

<i>Name</i>	<i>Business Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

The directors of each of SFM Directors Limited, SFM Directors (No. 2) Limited and SFM Corporate Services Limited and their principal activities are:

<i>Name</i>	<i>Position</i>	<i>Principal Activity</i>
Jonathan Keighley	Director	Company Director
Robert Berry	Director	Company Director
James Macdonald	Director	Company Director
Helena Whitaker	Alternate Director	Company Secretary
Annika Goodwille	Alternate Director	Company Secretary
Claudia Wallace	Alternate Director	Transaction Manager
J-P Nowacki	Alternate Director	Transaction Manager

The business address of each director of SFM Directors Limited, SFM Directors (No. 2) Limited and SFM Corporate Services Limited is 35 Great St. Helen's, London EC3A 6AP.

#### **Secretary**

The secretary of the Issuer is SFM Corporate Services Limited acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

#### **Corporate Services**

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider will provide directors and certain other corporate services to the Issuer in consideration for the payment by the Issuer of an annual fee to the Corporate Services Provider.

#### **Auditors**

Audited financial statements will be published on an annual basis. The independent auditor of the Issuer is Deloitte & Touche LLP.

#### **Financial Information**

At the date of this Prospectus, no financial statements of the Issuer have been prepared. The Issuer intends to publish its first financial statements in respect of the period ending on 30 November, 2006. The Issuer will not prepare interim financial statements.

#### **Material Contracts**

At the date of this Prospectus, the Issuer has not entered into any material contracts other than the Subscription Agreement and Residual Certificate Note Purchase Agreement.

#### **No Material Adverse Change**

Since the date of the Issuer's incorporation, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

## PARENT AND OPTIONS

### 1. Parent

Parent was incorporated in England and Wales on 21 July, 2005, with registered number 5514952 and as a private company with limited liability under the Companies Act 1985 (as amended). The registered office of Parent is at 35 Great St. Helen's, London EC3A 6AP.

Parent's authorised share capital as at the date of this Prospectus comprises 100 ordinary shares of £1 each. Parent's issued share capital as at the date of this Prospectus comprises 100 ordinary shares of £1 (all of which are fully paid up).

All of Parent's issued share capital is held by the Share Trustee under the terms of the Share Declaration of Trust established under English law for charitable purposes. Under the Share Declaration of Trust, the Share Trustee covenants, among other things, that, so long as the Secured Amounts are outstanding, it shall not sell, charge, transfer or otherwise deal in the share capital held by the Share Trustee or any interest therein.

### Principal Activities

The principal objects of Parent are set out in its memorandum of association and are, amongst other things, to acquire and hold, by way of investments or otherwise and to deal in or exploit in such manner as may from time to time be considered expedient, all or any of the shares, stocks, debenture stocks, debentures or other interests of or in any company (including the Issuer and Options).

Parent is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of the Issuer and Options, Parent has not engaged in any other activities. Parent has no employees. The current financial period of Parent will end on 30 November, 2006.

### Directors and Secretary

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

<i>Name</i>	<i>Business Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

The secretary of Parent is SFM Corporate Services Limited acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

### Corporate Services Agreement

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider provides certain directors and other corporate services to the Parent in consideration for the payment by Parent (or the Issuer on its behalf) of an annual fee to the Corporate Services Provider.

### 2. Options

Options was incorporated in England and Wales on 21 July, 2005, with registered number 5514941 and as a private company with limited liability under the Companies Act 1985 (as amended). The registered office of Options is at 35 Great St. Helen's, London EC3A 6AP.

Option's authorised share capital as at the date of this Prospectus comprises of 100 ordinary shares of £1 each. Option's issued share capital as at the date of this Prospectus comprises 100 ordinary share of £1 (all of which are fully paid up).

All of Option's issued share capital is held by Parent.

### **Principal Activities**

The principal objects of Options are set out in its memorandum of association and are, amongst other things, to hold bonds, notes, obligations and securities issued or guaranteed by any company and any options or rights in respect of them.

Options is organised as a special purpose company to be the holder of the Post Enforcement Call Option. Since its incorporation, Options has not engaged in any material activities other than those activities incidental or relating to the acquisition of the Post Enforcement Call Option. Options has no subsidiaries or employees. The current financial period of Options will end on 30 November, 2006.

### **Directors and Secretary**

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

<i>Name</i>	<i>Business Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

The secretary of Options is SFM Corporate Services Limited acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

### **Corporate Services Agreement**

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider provide certain directors and other corporate services to Options in consideration for the payment by Options (or the Issuer on its behalf) of an annual fee to the Corporate Services Provider.

## NON-STATUTORY FINANCIAL STATEMENTS

*The following is the text of a report received by the directors of the Issuer from Deloitte & Touche LLP, the auditors of the Issuer, who have given, and not withdrawn their written consent to the issue of this Prospectus with the inclusion of their report and references to its name in the form and context in which they are included, and has authorised the contents of that part of this Prospectus for the purposes of Annex item 9.1 of Commission Regulation (EC) No. 809/2004 and Section 45 of the Investment Funds Companies and Miscellaneous Provisions Act 2005.*

### *Statement of Directors' Responsibilities*

The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors consider that in preparing the non-statutory financial statements on pages 145 and 146, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Issuer.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF FARRINGDON MORTGAGES NO. 2 PLC**

We have audited the non-statutory financial statements of Farringdon Mortgages No. 2 Plc (the “**Company**”) for the period from 21 July 2005 to 22 September 2005 which comprise the balance sheet and related notes 1 to 5. These non-statutory financial statements have been prepared under United Kingdom law and accounting standards and the accounting policies set out herein.

These non-statutory financial statements have been prepared for use by the directors of the Company (the “**Directors**”) to gain assurance over the financial position of the company as at 22 September 2005.

This report is made solely to the Directors in accordance with our letter of engagement dated 6 September 2005. Our audit has been undertaken solely for the purposes of providing the Directors with an audit opinion on the non-statutory financial statements of the Company. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the “Statement of Directors' Responsibilities”, the Directors are responsible for the preparation of the non-statutory financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the non-statutory financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the non-statutory financial statements give a true and fair view and are properly prepared in accordance with the accounting provisions of the Companies Act 1985 that would have applied had these been statutory accounts.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory financial statements. It also includes an assessment of the significant

estimates and judgements made by the Directors in the preparation of the non-statutory financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the non-statutory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the non-statutory financial statements.

### **Opinion**

In our opinion the non-statutory financial statements give a true and fair view in accordance with United Kingdom accounting standards of the state of the company's affairs as at 22 September 2005 and have been properly prepared in accordance with the accounting provisions of the Companies act 1985 that would have applied had the financial statements been statutory accounts.

Deloitte & Touche LLP  
Chartered Accountants  
London

23 September 2005



**FARRINGDON MORTGAGES NO. 2 PLC**

**Balance sheet as at 22 September 2005**

	<b>Notes</b>	<b>2005 £</b>
<b>CURRENT ASSETS</b>		
Cash at bank and in hand		50,000
<hr/>		
<b>FINANCED BY</b>		
<b>EQUITY SHAREHOLDERS' FUNDS</b>		
Called up share capital	2	50,000
<hr/> <hr/>		

These financial statements were approved by the Directors on 23 September 2005.

Signed on behalf of the Directors

Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 22 September 2005**

**1. Accounting Policies**

The financial statements have been prepared for use by the Directors to gain assurance over the financial position of the Company as at 22 September 2005 and are not statutory accounts.

The financial statements set out in this report have been prepared under the historical cost convention in accordance with applicable accounting standards generally accepted in the United Kingdom.

**2. Called up share capital**

	No.	22 September 2005 £
<b>Authorised</b>		
Ordinary Shares of £1 each	50,000	50,000
<b>Called up, allotted and fully paid</b>		
Ordinary shares of £1 each	50,000	50,000

Authorised share capital consists of 50,000 ordinary shares of £1 each. The issued share capital consists of 50,000 ordinary shares allotted and fully paid, issued on 21 July 2005, for the total cash consideration of £50,000.

**3. Profit and loss account**

The company has been dormant throughout the period since incorporation on 21 July, 2005 to 22 September 2005 and has received no income nor incurred any expenditure. Accordingly no profit and loss account and no statement of total recognised gains and losses are presented.

Audit fees in respect of the non statutory financial statements have been borne by a third party.

The Company employed no staff during the period other than its directors. None of the directors were entitled to any remuneration in respect of their services to the company during the period.

The Company has not produced a cash flow statement as it is entitled to the exemptions available under companies legislation for small companies.

**4. Ultimate parent company**

The Company's immediate and ultimate parent company is Farringdon Parent No. 2 Limited, a company registered in England and Wales which holds the shares of the Issuer under the terms of a discretionary trust for certain charitable institutions.

**5. Post Balance Sheet Event**

The Company is intending to enter into a transaction for the purchase of a pool of mortgages, and the sale of loan notes backed by these mortgages, in accordance with the Prospectus dated 23 September 2005.

## PART 3

### GENERAL TERMS AND CONDITIONS

*The following are the general terms and conditions of the Instruments (the “General Conditions”) in the form (subject to amendment and completion) as they will apply to each Instrument whether in global form or definitive form. These General Conditions together with the Specific Conditions (if any) in respect of any given Instrument will comprise the Conditions for such Instrument. In the event of a conflict between any terms of the Specific Conditions of an Instrument and any terms of these General Conditions, the terms of the Specific Conditions will prevail.*

The statements in these General Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Depository Agreement, the Exchange Rate Agency Agreement and the Glossary (copies of which are available for inspection by the Instrumentholders at the Stated Office of each of the Paying Agents). The Instrumentholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Depository Agreement, the Exchange Rate Agency Agreement, and the definitions contained in the Glossary and each other Transaction Document. Copies of the Transaction Documents to which the Issuer and Trustee are a party are available for inspection at the Stated Offices of each of the Paying Agents during normal business hours.

*None of the Instruments issued by the Issuer in respect of the transaction under this Prospectus will be offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act). Language and references in this Prospectus suggesting otherwise will therefore not be applicable. Moreover, none of the clearing/settlement procedures, Investment Company Act disclosures, and other provisions otherwise applicable in relation to Notes offered under Rule 144A of the Securities Act or otherwise offered or sold in the United States or to any U.S. Person (as defined in Regulation S under the Securities Act) will be applicable in respect of the transaction under this Prospectus. In particular, no transfers of Book-Entry Interests between DTC and Euroclear/Clearstream, Luxembourg or transfers of Book-Entry Interests from a Regulation S Instrument to a Rule 144A Instrument, will be possible under any circumstance.*

#### 1. Global Instruments and Definitive Instruments

##### (a) Reg S Global Instruments

Subject to the above disclaimer, the Instruments initially offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S will initially be represented by a separate global instrument in bearer form for each class of Instrument (collectively, the “**Reg S Global Instruments**”). The Reg S Global Instruments will each be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will issue a certificated depository interest in respect of each Reg S Global Instrument to the Common Depository for the account of Euroclear and Clearstream, Luxembourg.

##### (b) Rule 144A Global Notes

The Instruments initially offered and sold in the United States to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) who are also “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act) in reliance on Rule 144A will initially be represented by two separate global instruments in bearer form for each class of Instrument (collectively, the “**Rule 144A Global Notes**” and, together with the Reg S Global Instruments, the “**Global Instruments**”). The Rule 144A Global Notes will be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will (i) issue a certificateless depository interest in respect of one of the Rule 144A Global Notes of each class of Instruments in the name of DTC or its nominee, and (ii) issue a certificated depository interest in respect of the other Rule 144A Global Note of each class of Instrument to HSBC Issuer Services Common Depository Nominees (UK) Limited as nominee on behalf of the Common Depository for the account of Euroclear and Clearstream, Luxembourg.

(c) *Form of and Title to Global Instruments*

Each Global Note (other than the A Notes), the Global Residual Certificate and the Global MERC will be issued in bearer form without coupons or talons.

Subject to the above disclaimer, in the case of the A Notes: (i) the Principal Amount Outstanding and the interest element constituted by the Ordinary A Coupons in respect of each class of A Notes offered for sale under General Condition 1(a) will be represented by a corresponding global note in bearer form (the “**Reg S Global A Notes**”) and (ii) the Principal Amount Outstanding and the interest element constituted by the Ordinary A Coupons in respect of each class of A Notes offered for sale under General Condition 1(b) will be represented by a corresponding global note in bearer form (the “**Rule 144A Global A Notes**”) and together with the Reg S A Global Notes, the “**A Global Notes**”), in each case without coupons or talons.

The interest element constituted by a separate coupon for each Reg S Class A Note will be represented by a corresponding global coupon in bearer form (the “**Reg S Global Detachable A Coupons**”). Subject to the above disclaimer, the interest element constituted by a separate coupon for each Rule 144A Class A Note will be represented by a corresponding global coupon in bearer form (the “**Rule 144A Global Detachable A Coupons**”).

The A Global Notes, in aggregate, will represent the aggregate Principal Amount Outstanding of all the corresponding A Notes and the interest element of the corresponding A Notes constituted by the Ordinary A Coupons.

The Depository or its nominee shall, for so long as it is holder of the Global Instruments and, except as otherwise required by law, be treated as its absolute owner for all purposes (including the making of any payments), regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

Subject to the above disclaimer, ownership of interests in the Rule 144A Global Notes (“**Restricted Book-Entry Interests**”) will be limited to persons that have accounts with DTC and/or Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants.

Ownership of interests in the Reg S Global Instruments (the “**Unrestricted Book-Entry Interests**”) and, together with the Restricted Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants.

Subject to the above disclaimer, Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream, Luxembourg and their participants and in accordance with the provisions of the Depository Agreement.

(d) *Issue of Definitive Instruments*

Subject to the above disclaimer, a Global Instrument will be exchanged for Definitive Instruments of the relevant Instrument if any of the following circumstances apply:

- (i) in the case of (i) a Reg S Global Instrument in respect of which a certificated depository interest has been issued to the Common Depository for the account of Euroclear and Clearstream, Luxembourg or (ii) a Rule 144A Global Note in respect of which a certificated depository interest has been issued to the Common Depository for the account of Euroclear and Clearstream, Luxembourg, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (ii) in the case of a Rule 144A Global Note in respect of which the Depository has registered a certificateless depository interest in the name of DTC or its nominee, DTC has notified the Issuer that it is unwilling or unable to continue as the holder with respect to such certificateless depository interest, or is at any time unwilling or unable to continue as, or

ceases to be, a clearing agency registered under the Exchange Act and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or

- (iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as depository and a successor to the Depository previously approved by the Trustee in writing is not appointed by the Issuer within 90 days of such notification; or
- (iv) the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream, Luxembourg to the Issuer, following an Event of Default; or
- (v) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Instruments which would not be required if the Instruments were in definitive registered form.

If Definitive Instruments are issued, the Book-Entry Interests represented by the Reg S Global Instrument of each class of Instrument will be exchanged by the Issuer for Definitive Instruments (“**Reg S Definitive Instruments**”) of that class of Instrument and the Book-Entry Interests represented by each Rule 144A Global Note of each class of Instrument will be exchanged by the Issuer for Definitive Instruments (“**Rule 144A Definitive Notes**”) of that class of Instrument (in each case, for an amount equal to the Exchange Amount applicable to the relevant Instrument), subject to and in accordance with the detailed provisions of these General Conditions, the Paying Agency Agreement (if applicable), the Depository Agreement, the Exchange Rate Agency Agreement, the Trust Deed and the relevant Global Instrument.

The registered holder of the Definitive Instruments will, except as otherwise required by law, be treated as its absolute owner for all purposes (including the making of any payments), regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

(e) *Title to and Transfer of Definitive Instruments*

Title to a Definitive Instrument will pass upon registration in the register which the Issuer will procure to be kept by the Registrar (the “**Register**”). Each Definitive Instrument will be serially numbered and will be denominated in the Minimum Denomination. Definitive Instruments may be transferred in whole or in part provided that any partial transfer must be made in the Minimum Denomination upon surrender of the relevant Definitive Instrument, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Instrument, a new Definitive Instrument in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Instruments are subject to any restrictions on transfer set forth in such Definitive Instruments and the detailed regulations concerning transfers in the Paying Agency Agreement.

The registered holder of any Definitive Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Definitive Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than a duly executed transfer of such Definitive Note in the form endorsed thereon.

Each new Definitive Instrument to be issued upon transfer of a Definitive Instrument will, within five Business Days of receipt at the specified office of the Registrar of such Definitive Instrument (duly endorsed) for transfer, be available for delivery at the specified office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Instrument to such address as may be specified in the form of transfer.

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

No transfer of a Definitive Instrument will be registered in the period beginning 15 Business Days before, and ending on the fifth Business Day after, each Interest Payment Date.

- (f) “**Instrumentholders**” means (i) in respect of each Global Instrument, the bearer thereof, and (ii) in respect of a Definitive Instrument issued under General Condition 1(d) above, the person in whose name such Definitive Instrument is registered, subject as provided in General Condition 4(b); and related expressions are to be construed accordingly.
- (g) References to “**Instruments**” include the Global Instruments and the Definitive Instruments.

## 2. **Status, Security, Priorities, Optional Redemption and Relationship between Instrumentholders**

### (a) *Status*

- (i) The Instruments are constituted by the Trust Deed.
- (ii) The Instruments constitute direct, secured and unconditional obligations of the Issuer and Instruments of the same class rank *pari passu* and rateably without any preference or priority amongst themselves.

### (b) *Security and Priority in respect of the Notes, DACs and Residual Certificates*

- (i) As security for the payment of all moneys payable in respect of the Instruments (other than the MERCs) and payments due to other Secured Creditors under the Trust Deed (including the remuneration and expenses of a receiver appointed under the Deed of Charge), the Issuer will enter into the Deed of Charge, and create the Security (subject always to the right of redemption of the Issuer) in favour of the Trustee for itself and on trust for the Instrumentholders (other than the MERC Holders) and other Secured Creditors thereunder.
- (ii) Prior to the enforcement of the Security, and as regards payment of interest (and in the case of the Residual Certificates as regards payment of interest and principal), (i) the A Notes and the DACs will rank in priority to the M1 Notes, the M2 Notes, the B1 Notes, the B2 Notes and the Residual Certificates and (ii) the M1 Notes will rank in priority to the M2 Notes, the B1 Notes, the B2 Notes and the Residual Certificates and (iii) the M2 Notes will rank in priority to the B1 Notes, the B2 Notes and the Residual Certificates and (iv) the B1 Notes will rank in priority to the B2 Notes and the Residual Certificates, and (v) the B2 Notes will rank in priority to the Residual Certificates.
- (iii) Prior to the enforcement of the Security, and as regards payment of principal, (i) the A1 Notes will rank in priority to the A2 Notes, the M1 Notes, the M2 Notes, the B1 Notes and the B2 Notes and (ii) the M1 Notes will rank in priority to the M2 Notes, the B1 Notes and the B2 Notes and (iii) the M2 Notes will rank in priority to the B1 Notes and the B2 Notes and (iv) the B1 Notes will rank in priority to the B2 Notes, where the Pro-Rata Test has not been met. Where the Pro-Rata Test has been met, the Notes will rank *pari passu* and pro rata as to payment of principal.
- (iv) In the event of the Security being enforced, and as to payment of both interest and principal, (i) the A Notes and the DACs will rank in priority to the M1 Notes, the M2 Notes, the B1 Notes, the B2 Notes and the Residual Certificates and (ii) the M1 Notes will rank in priority to the M2 Notes, the B1 Notes, the B2 Notes and the Residual Certificates and (iii) the M2 Notes will rank in priority to the B1 Notes, the B2 Notes and the Residual Certificates and (iv) the B1 Notes will rank in priority to the B2 Notes and the Residual Certificates and (v) the B2 Notes will rank in priority to the Residual Certificates.

(c) *Security in Respect of the MERCs*

As security for the payment of all moneys payable in respect of the MERCs, the Issuer will, under the Deed of Charge create (subject always to the right of redemption of the Issuer) in favour of the Trustee for itself and on trust for the MERC Holders a fixed equitable charge over the Issuer's interest in the Issuer Accounts which represent amounts standing to the credit of the MERC Ledger (and any Authorised Investments funded by such cash from time to time) (the "**MERC Security**"). There will be no other security for the Issuer's obligations under the MERCs and MERC Holders will not be entitled to the benefit of the Security.

(d) *Priority of Payments*

- (i) Prior to the enforcement of the Security, payments to Instrumentholders (other than MERC Holders) will be made in accordance with the Pre-Enforcement Priority of Payments and upon enforcement of the Security, payments to Instrumentholders (other than MERC Holders) will be made in accordance with the Post-Enforcement Priority of Payments.
- (ii) All payments of MER Distributions (whether before or after the MERC Security becomes enforceable) will be made to MERC Holders out of funds standing to the credit of the MERC Ledger and will not be subject to the Priority of Payments.
- (iii) The Instrumentholders have full recourse to the Issuer in respect of the payments prescribed above and accordingly are entitled to bring a claim under English law for the full amount of such payments in accordance with General Condition 8.
- (iv) The Security and MERC Security will become enforceable upon the occurrence of an Event of Default, provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the DACs, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and DAC Holders (including accrued interest) and any amounts required under the Deed of Charge to be paid *pari passu* with, or in priority to the Notes and DACs or (ii) the Trustee is of the opinion, which shall be binding on the Instrumentholders and the other Secured Creditors, reached after considering at any time and from time to time the advice (upon which the Trustee will be entitled to rely) of an investment bank or other financial adviser selected by the Trustee, that the prospective cash flow receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and DAC Holders and any amounts required under the Deed of Charge to be paid *pari passu* with, or in priority to the Notes and DACs and in either case, the Trustee has been indemnified and/or secured to its satisfaction.

(e) *Optional Redemption for Regulatory or Tax Reasons*

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either:

- (i) on the next Interest Payment Date the Issuer would be required by reason of a change in law or published practice relating thereto, or the interpretation or administration thereof to deduct or withhold from any payment of (1) principal or interest on the Notes or Residual Certificates or (2) interest on the DACs (other than, in each case, in respect of default interest), or (3) payments of MER Distribution, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or
- (ii) the total amount payable in respect of interest or Mortgage Early Redemption Amounts in relation to any of the Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax

therefrom or otherwise, and whether or not actually received) by the Issuer during such Interest Period; or

- (iii) by reason of a change in law or published practice relating thereto, or the interpretation or administration thereof, it will become illegal for the Issuer to continue to perform its obligations under the Transaction Documents,

then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Trustee and the Instrumentholders in accordance with General Condition 12, redeem all (but not some only) of the Instruments on any Interest Payment Date:

- (i) in the case of the Notes and the Residual Certificates at their aggregate Principal Amount Outstanding together with accrued interest;
- (ii) in the case of the DACs by payment of all accrued interest up to and including such Interest Payment Date; and
- (iii) in the case of the MERCs by payment of all accrued MER Distributions up to and including such Interest Payment Date,

provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee:

- (i) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Instruments as aforesaid; and
- (ii) if appropriate a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law (or interpretation or administration or practice thereof).

Any certificate or legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Instrumentholders.

(f) *Relationship Between Instruments*

- (i) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Instrumentholders as a whole as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any particular case to have regard only to the interests of:
  - (A) the A Noteholders (including DAC Holders, subject to sub-paragraph (ii) below) if, in the Trustee's opinion, there is or may be a conflict between the interests of the A Noteholders (including DAC Holders) and the interests of the M1 Noteholders and/or the interests of the M2 Noteholders and/or the interests of the B1 Noteholders and/or the interests of the B2 Noteholders and/or the interests of the Residual Certificate Holders and/or the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security; or
  - (B) (subject to paragraph (A) above or where there are no A Notes outstanding or where the Trustee is of the opinion that the interests of the A Noteholders are unaffected) the M1 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the M1 Noteholders and the interests of the M2 Noteholders and/or the interests of the B1 Noteholders and/or the interests of the B2 Noteholders and/or the interests of the Residual Certificate Holders and/or the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security; or
  - (C) (subject to paragraphs (A) and (B) above or where there are no A Notes and M1 Notes outstanding or where the Trustee is of the opinion that the interests of the A Noteholders and M1 Noteholders are unaffected) the M2 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the M2



Noteholders and the interests of the B1 Noteholders and/or the interests of the B2 Noteholders and/or the interests of the Residual Certificate Holders and/or the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security; or

- (D) (subject to paragraphs (A), (B) and (C) above or where there are no A Notes and M1 Notes and M2 Notes outstanding or where the Trustee is of the opinion that the interests of the A Noteholders and M1 Noteholders and M2 Noteholders are unaffected) the B1 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the B1 Noteholders and the interests of the B2 Noteholders and/or the interests of the Residual Certificate Holders and/or the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security; or
  - (E) (subject to paragraphs (A), (B), (C) and (D) above or where there are no A Notes and M1 Notes and M2 Notes and B1 Notes outstanding or where the Trustee is of the opinion that the interests of the A Noteholders and M1 Noteholders and M2 Noteholders and B1 Noteholders are unaffected) the B2 Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the B2 Noteholders and the interests of the Residual Certificate Holders and/or the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security; or
  - (F) (subject to paragraphs (A), (B), (C), (D) and (E) above or where there are no A Notes and M1 Notes and M2 Notes and B1 Notes and B2 Notes outstanding or where the Trustee is of the opinion that the interests of the A Noteholders and M1 Noteholders and M2 Noteholders and B1 Noteholders and B2 Noteholders are unaffected) the Residual Certificate Holders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Residual Certificate Holders and the interests of the MERC Holders, and/or the interests of any persons entitled to the benefit of the Security.
- (ii) In the event of a conflict between the interests of the A Noteholders and the interests of the DAC Holders, the Trustee shall have regard to the interests of the A Noteholders only.
  - (iii) In the event of a conflict between the interests of the MERC Holders and or the interests of any persons entitled to the benefit of the MERC Security (other than the specific persons as set out in General Condition 2(f)(i)), the Trustee shall have regard to the interests of the MERC Holders only.
  - (iv) Except where expressly provided otherwise, so long as any of the Instruments remain outstanding, the Trustee is not required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons entitled to the benefit of the Security and the Trustee shall have no liability to such persons as a consequence of so acting.

### **3. Covenants**

Save as envisaged in the Transaction Documents or with the prior written consent of the Trustee (which consent will not be given without the prior majority resolution of each class of Instrumentholders and confirmation from the Rating Agencies that the then current ratings of the Instruments would not be downgraded as a result), the Issuer shall comply with all of the Issuer Covenants as long as any Instrument remains outstanding.

### **4. Payments**

#### *(a) Global Instruments*

Payments in respect of any Global Instrument will be made only against presentation and, in the case of final redemption of a Global Instrument or in circumstances where the unpaid amounts under the relevant Global Instrument would be reduced to zero (including as a result of any other payment due in respect of such Global Instrument), surrender of such Global Instrument at the Stated Office of any

Paying Agent. A record of each payment so made, (distinguishing, where applicable to the relevant Global Instrument, between payments of principal and payments of interest) and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the relevant Global Instrument by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Payments in respect of:

- (i) the Rule 144A Global Notes (subject to the above disclaimer) to holders of interests in such Instruments who hold such interests through Euroclear and/or Clearstream, Luxembourg (the “**Rule 144A Euroclear/Clearstream, Luxembourg Holders**”); and
- (ii) the Reg S Global Instruments to holders of interests in such Instruments (together with the Rule 144A Euroclear/Clearstream, Luxembourg Holders, the “**Euroclear/Clearstream, Luxembourg Holders**”),

will be made in the currency in which amounts are payable under the Instrument held by the Euroclear/Clearstream, Luxembourg Holders.

Subject to the above disclaimer, payments in respect of the Rule 144A Global Notes to holders of interests in such Instruments who hold such interests through DTC (the “**DTC Holders**”) will be made in dollars subject to the provisions below, the Depository Agreement and the Exchange Rate Agency Agreement.

At present, DTC can only accept payments in U.S. dollars. As a result, DTC Holders will receive payments in Dollars as described above unless they elect, in accordance with DTC’s customary procedures, to receive payments in the currency in which amounts are payable under the Instrument held by the DTC Holders.

(b) *Definitive Instruments*

Payments in respect of any Definitive Instrument (and, in the case of final redemption of a Definitive Instrument or in circumstances where the unpaid amounts under the relevant Definitive Instrument would be reduced to zero (including as a result of any other payment due in respect of such Definitive Instrument), in which case the relevant payment will be made against surrender) will be made:

- (i) in the case of Definitive Instruments under which amounts are payable in sterling, to a sterling account maintained by the payee with a branch of a bank in London; or
- (ii) in the case of Definitive Instruments under which amounts are payable in dollars, to a dollar account maintained by the payee with a branch of a bank in New York City; or
- (iii) in the case of Definitive Instruments under which amounts are payable in euro to a euro account maintained by the payee with a branch of a bank in Euro Zone Interbank market; or
- (iv) in the case of Definitive Instruments under which amounts are payable in any other currency, to an account in such other currency maintained by the payee with a branch of a leading bank in the issuing jurisdiction of such currencies.

If any payment due in respect of any Definitive Instrument is not paid in full, the Registrar will annotate the register with a record of the amount, if any, paid. For the purposes of this General Condition 4, the holder of a Definitive Instrument will be deemed to be the person shown as the holder (or the first-named of joint holders) on the register on the fifteenth day before the due date for such payment (the “**Record Date**”).

Upon application by the holder of a Definitive Instrument to the specified office of the Registrar not later than the Record Date for payment in respect of such Definitive Instrument, such payment will be made by transfer either to (i) in the case of Definitive Instruments under which amounts are payable in sterling, a sterling account maintained by the payee with a branch of a bank in London; (ii) in the case of Definitive Instruments under which amounts are payable in dollars, a dollar account maintained by

the payee with a branch of a bank in New York City; (iii) in the case of Definitive Instruments under which amounts are payable in euro, a euro account maintained by the payee with a branch of a bank in the Euro Zone Interbank market or (iv) in the case of Definitive Instruments under which amounts are payable in any other currency, an account in such other currency maintained by the payee with a branch of a leading bank in the issuing jurisdiction of such currencies. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Instrument until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) *Payments Subject to Laws and Regulations*

Payments in respect of the Instruments are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) *Overdue Principal Payments*

If payment of principal (where applicable to an Instrument) or interest (in respect of the DACs) is improperly withheld or refused on or in respect of any such Instrument or part thereof, the interest which continues to accrue in respect of such relevant Instrument in accordance with the relevant Specific Conditions will be paid against presentation of such Instrument at the Stated Office of any Paying Agent and (in respect of any Definitive Instrument) in accordance with General Condition 4(b).

(e) *Change of Agents*

The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain a Paying Agent with a specified office in Dublin so long as any of the Instruments are listed on the Irish Stock Exchange. The Issuer will cause at least 14 days' notice of any change in or addition to the Paying Agents or the Registrar or their Stated Offices to be given in accordance with General Condition 12.

(f) *Presentation on Non-Business Days*

If any Instrument is presented for payment on a day which is not a business day in the location of the Paying Agent to whom such presentation is made, payment will not be made until the next succeeding business day in that location and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Instrument. No further payments of additional amounts by way of interest, principal or otherwise will be payable in respect of the late arrival of payment to an Instrumentholder in accordance with this General Condition 4. For the purposes of this General Condition 4, "**business day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

## 5. **Prescription**

Claims for principal (where applicable to an Instrument) in respect of such Global Instruments shall become void unless the relevant Global Instruments are presented for payment within ten years of the appropriate Relevant Date. Claims for interest (where applicable to an Instrument) in respect of such Global Instruments shall become void unless the relevant Global Instruments are presented for payment within five years of the appropriate Relevant Date.

Claims for principal and interest (where applicable to an Instrument) in respect of Definitive Instruments shall become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate Relevant Date.

Claims for payment in respect of Global MERCs or Definitive MERCs shall become void unless the relevant Global MERCs or Definitive MERCs presented for payment within a period of five years from the appropriate Relevant Date.

In this General Condition 5, the "**Relevant Date**" means the date on which a payment first becomes due but, if the full amount of the moneys payable has not been received by the Paying Agents or the Trustee on or prior to

such date, it means the date on which the full amount of such moneys shall have been so received and notice to that effect shall have been duly given to the Instrumentholders in accordance with General Condition 12.

## 6. Taxation

All payments in respect of the Instruments shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Instruments subject to any such withholding or deduction. In that event the Issuer or such Paying Agent (as the case may be) will make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to Instrumentholders in respect of such withholding or deduction.

## 7. Events of Default

### (a) *Event of Default*

The Trustee in its absolute discretion may, and:

- (i) if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class; or
- (ii) if so directed by or pursuant to an Extraordinary Resolution of the Most Senior Class,

(subject to the Trustee being indemnified and/or secured to its satisfaction in each case) shall, give notice (an “**Enforcement Notice**”) to the Issuer declaring the Instruments to be due and repayable and the Security and MERC Security enforceable at any time after the occurrence of any of the following events (each an “**Event of Default**”):

- (i) default by the Issuer for a period of ten Business Days in the payment of principal or interest on any Note or interest on any DAC (other than any interest in respect of the Notes which is deferred under the Bond Conditions) in each case as and when the same ought to be paid in accordance with these General Conditions; or
- (ii) the Issuer fails duly to perform or observe any other obligation binding upon it under the Instruments, the Trust Deed, the Deed of Charge or any other Transaction Document to which it is a party or any of the Servicer or the Transaction Manager failing duly to perform or observe any obligation binding on it under the Servicing Agreement, the Transaction Management Agreement, or the Deed of Charge and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy in which case no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer, the Servicer or the Transaction Manager (as the case may require) of notice requiring the same to be remedied; or
- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, threatening to cease to carry on business or a substantial part of its business or is or is deemed unable to pay its debts within the meaning of Section 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended from time to time); or
- (iv) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee or by an Extraordinary Resolution of the Most Senior Class; or
- (v) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, administration, voluntary arrangement, reorganisation or other similar laws (including, but not limited to, any application to court for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of

intention to appoint an administrator or the taking of any steps to appoint an administrator or liquidator) and such proceedings are not, in the opinion of the Trustee, disputed in good faith with a reasonable prospect of success, or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer takes possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such possession or process is not discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, administration, voluntary arrangement, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of the events described in sub-paragraph (ii) of this General Condition 7(a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Most Senior Class.

(b) *Effect of Enforcement Notice*

Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Instruments are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest, all interest accrued on the DACs will immediately become due and repayable and all MER Distributions received by the Issuer as at the date of such declaration will immediately become due and payable and the Security (including the MERC Security) will become enforceable, all in accordance with the Trust Deed and the Deed of Charge.

**8. Enforcement of Instruments and Post-Enforcement Call Option**

(a) *Enforcement*

Following the service of an Enforcement Notice the Trustee may, without notice, take such proceedings against the Issuer or any other person as are appropriate to enforce the provisions of the Instruments and the Transaction Documents and may, at any time after the Security has become enforceable, without notice, take possession of the Security or any part thereof and may in its discretion sell, call in, collect and convert into money the Security or any part thereof in such manner and upon such terms as the Security Trustee may think fit to enforce the Security, but it will not be bound to take any such proceedings or steps unless:

- (i) so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class; or
- (ii) so directed by or pursuant to an Extraordinary Resolution of the Most Senior Class,

(subject to the Trustee being indemnified and/or secured to its satisfaction in each case).

(b) *Controlling Class*

In the event of a conflict between (i) a resolution of holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class and (ii) an Extraordinary Resolution of the holders of the same class of Instruments for the purposes of General Condition 7(a) and General Condition 8(a), the resolution passed pursuant to the Extraordinary Resolution shall prevail.

(c) *No action by Instrumentholders*

Enforcement of the Security (including the MERC Security) will be the only remedy available to the Trustee and the Instrumentholders for the repayment of the Instruments and any interest or MER Distributions thereon. No Instrumentholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Security unless the Trustee, having become bound to do so, fails to do so within 90 days from the date it becomes so bound and such

failure shall be continuing; provided that only the Most Senior Class will be entitled to take such action.

No Instrumentholder will be entitled to directly take proceedings for the winding up, liquidation, administration or other insolvency related proceedings in respect of the Issuer. The Trustee cannot, while any of the Instruments are outstanding, be required to enforce the Security at the request of any other Secured Creditors under the Deed of Charge.

(d) *Post-Enforcement Call Option*

The Instrumentholders will, at the request of Options (the “**Post-Enforcement Call Option Holder**”) sell all (but not some only) of their holdings of the Instruments then outstanding to the Post Enforcement Call Option Holder pursuant to the exercise of an option which entitles the Post-Enforcement Call Option Holder to acquire all (but not some only) of the outstanding Instruments (plus accrued interest thereon, including Interest Shortfall) for the Consideration (the “**Post-Enforcement Call Option**”), granted to the Post-Enforcement Call Option Holder by the Trustee (on behalf of the Instrumentholders) pursuant to the Post-Enforcement Call Option Agreement.

The Post-Enforcement Call Option will become exercisable by the Post-Enforcement Call Option Holder on the date upon which the Trustee gives written notice to the Post-Enforcement Call Option Holder that it has determined (i) in its sole opinion and discretion that all amounts outstanding under the Instruments have become due and payable and (ii) in its sole opinion and discretion there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Security or MERC Security or otherwise) which would be available to pay any amounts outstanding under the Instruments.

Each Instrumentholder acknowledges that the Trustee has the authority and the power to bind such Instrumentholder to the provisions set out in the Post Enforcement Call Option Agreement and each Instrumentholder, by acquiring the relevant Instruments, irrevocably authorises and grants to the Trustee the power to act on its behalf in respect of the Post-Enforcement Call Option and agrees to be bound to the terms of this General Condition 8 and the Post-Enforcement Call Option Agreement and ratifies the Trustee’s entry into the Post-Enforcement Call Option Agreement, on its behalf, accordingly.

The Issuer shall give notice of the exercise of the Post-Enforcement Call Option to the Instrumentholders in accordance with General Condition 12.

## **9. Meetings of Instrumentholders; Modifications; Consents; Waiver**

(a) *Provisions for Meetings*

The Trust Deed contains provisions for convening meetings of Instrumentholders (excluding DAC Holders who have no voting rights) of any class to consider any matter affecting their interests, including, among others, the sanctioning by an Extraordinary Resolution of such Instrumentholders (excluding DAC Holders) of the relevant class of any modification of the Conditions of the Instruments of the relevant class (including these General Conditions as they relate to the Instruments of such relevant class (as the case may be)) or the provisions of any of the Transaction Documents.

(b) *Quorum for Meetings and for Basic Terms Modification*

The quorum at any meeting of the Instrumentholders (excluding DAC Holders) of any class of Instruments (which carry voting rights) for passing an Extraordinary Resolution shall be two or more persons holding or representing:

- (i) over 50 per cent. (or not less than 75 per cent. in the case of a Basic Terms Modification) of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding; or
- (ii) over 50 per cent. (or not less than 75 per cent. in the case of a Basic Terms Modification) of the entitlement to MER Distributions in respect of the MERCs; or

- (iii) over 50 per cent. (or not less than 75 per cent. in the case of a Basic Terms Modification) of the aggregate Principal Amount Outstanding of the Residual Certificates then outstanding,

(as the case may be), or, at any adjourned meeting:

- (iv) two or more persons being or representing the Noteholders of the relevant class representing whatever percentage (or not less than 25 per cent. in the case of a Basic Terms Modification) of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding; or
- (v) representing the MERC Holders of whatever percentage (or not less than 25 per cent. in the case of a Basic Terms Modification) of the entitlement to MER Distributions; or
- (vi) representing the Residual Certificate Holders of whatever percentage (or not less than 25 per cent. in the case of a Basic Terms Modification) of the aggregate Principal Amount Outstanding of the Residual Certificates then outstanding,

(as the case may be).

The quorum at any meeting of the Instrumentholders (excluding DAC Holders) of any class of Instruments (which carry voting rights) for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing:

- (i) at least 5 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding; or
- (ii) at least 5 per cent. of the entitlement to MER Distributions; or
- (iii) at least 5 per cent. of the aggregate Principal Amount Outstanding of the Residual Certificates then outstanding,

(as the case may be), or, at any adjourned meeting:

- (iv) two or more persons being or representing the Noteholders of the relevant class whatever percentage of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding; or
- (v) representing the MERC Holders of whatever percentage of the entitlement to MER Distributions; or
- (vi) representing the Residual Certificate Holders of whatever percentage of the aggregate Principal Amount Outstanding of the Residual Certificates then outstanding,

(as the case may be).

For as long as all the Instruments (whether being Definitive Instruments or represented by a Global Instrument) of a class are held by one person, such person (which, in the case of Instruments represented by a Global Instrument, shall refer to the accountholder and not the Common Depositary) will constitute two persons for the purposes of forming a quorum for meetings. A proxy for the holder of a Global Instrument will be treated as being two persons for the purposes of forming a quorum for meetings.

(c) *Passing Extraordinary Resolutions*

The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75 per cent. of the votes cast on that Extraordinary Resolution.

(d) *Effectiveness of Extraordinary Resolutions*

An Extraordinary Resolution passed at any meeting of the Instrumentholders of any class of Instruments (where the relevant Instruments carry voting rights) shall be binding on all Instrumentholders of such class, whether or not they are present at the meeting.

Subject to paragraph (e) below:

- (i) An Extraordinary Resolution of the MERC Holders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders), the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the Residual Certificate Holders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the Residual Certificate Holders.
- (ii) An Extraordinary Resolution of the Residual Certificate Holders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders), the M1 Noteholders, the M2 Noteholders, the B1 Noteholders and the B2 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M1 Noteholders, the M2 Noteholders, the B1 Noteholders and the B2 Noteholders. An Extraordinary Resolution passed at any meeting of the Residual Certificate Holders will be binding on the MERC Holders, irrespective of the effect upon them.
- (iii) An Extraordinary Resolution of the B2 Noteholders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders), the M1 Noteholders, the M2 Noteholders and the B1 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M1 Noteholders, the M2 Noteholders and the B1 Noteholders. An Extraordinary Resolution passed at any meeting of the B2 Noteholders will only be binding on the MERC Holders and Residual Certificate Holders, irrespective of the effect upon them.
- (iv) An Extraordinary Resolution of the B1 Noteholders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders), the M1 Noteholders and the M2 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M1 Noteholders, and the M2 Noteholders. An Extraordinary Resolution passed at any meeting of the B1 Noteholders will only be binding on the B2 Noteholders, the MERC Holders and Residual Certificate Holders, irrespective of the effect upon them.
- (v) An Extraordinary Resolution of the M2 Noteholders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders) and the M1 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders and the M1 Noteholders. An Extraordinary Resolution passed at any meeting of the M2 Noteholders will be only binding on the B Noteholders, the MERC Holders and Residual Certificate Holders, irrespective of the effect upon them.
- (vi) An Extraordinary Resolution of the M1 Noteholders shall not be effective for any purpose unless either the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders (including DAC Holders) or it is sanctioned by an Extraordinary Resolution of the A Noteholders. An Extraordinary Resolution passed at any meeting of the M1 Noteholders will only be binding on the M2 Noteholders, the B Noteholders, the MERC Holders and Residual Certificate Holders, irrespective of the effect upon them.
- (vii) An Extraordinary Resolution passed at any meeting of the A Noteholders will be binding on all other Noteholders, DAC Holders, MERC Holders and Residual Certificate Holders, irrespective of the effect upon them, provided that the Interest Rate applicable to the DACs



may not be modified or cancelled by any Extraordinary Resolution of the A Noteholders or otherwise.

(e) *Sanction of Basic Term Modification*

An Extraordinary Resolution of any class of Instrumentholders in relation to a Basic Terms Modification shall not be effective unless it is sanctioned by an Extraordinary Resolution of Instrumentholders of each other class of Instruments.

(f) *Trustee Waivers, Modifications, Determinations*

Subject to General Condition 9(g) below, the Trustee may agree, without the consent of the Instrumentholders of any class of Instruments:

- (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Instruments of such class (including these General Conditions) or any of the Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Instrumentholders of such class; or
- (ii) to any modification of the Instruments of such class (including these General Conditions) or any of the Transaction Documents, which in the Trustee's opinion is to correct a manifest or proven error or is of a formal, minor or technical nature.

In respect of each class of Instruments, the Trustee may also, without the consent of the Instrumentholders, determine that any Event of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default will not, or will not subject to specified conditions, be treated as such, provided always that the Trustee will not exercise such powers of waiver, authorisation or determination in contravention of any express direction of the Most Senior Class (provided further, that no such direction shall affect any authorisation, waiver or determination previously made or given). Any such modification, waiver, authorisation or determination shall be binding on the Instrumentholders of each such class and, unless the Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to such Instrumentholders in accordance with General Condition 12 as soon as practicable thereafter.

(g) *Exercise of Trustee's Powers*

Where the Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Instrumentholders of any class, it shall have regard to the interests of such Instrumentholders as a class and, in particular, but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Instrumentholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Instrumentholder be entitled to claim, from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Instrumentholders.

(f) *Determination of Material Prejudice*

The Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of the Instrumentholders and if the Trustee, shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the Issuer and the Instrumentholders. In making such a determination, the Trustee shall be entitled to take into account, among other things, any confirmation by the Rating Agencies that the then current rating of the Instruments of the relevant class would or, as the case may be, would not, be adversely affected by such event, matter or thing.

## **10. Indemnification and Exoneration of the Trustee**

The Trust Deed, the Deed of Charge and certain of the other Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security and MERC Security unless indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, among others, any assets comprised in the Security or MERC Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, or other similar persons whether or not on behalf of the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Security and/or any of their subsidiary or associated companies and to act as Trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Instrumentholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Deed of Charge relieves the Trustee of liability for, among other things, not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge. The Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Security. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified to its satisfaction or to supervise the performance by the Issuer, the Servicer, the Standby Servicer, the Transaction Manager, the Liquidity Facility Provider, any Hedge Counterparty or any other person of their obligations under the Transaction Documents and the Trustee will assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

## **11. Replacement of Global Instruments or Definitive Instruments**

If any Global Instrument or Definitive Instrument is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, Paying Agent, Registrar or Trustee may reasonably require. Mutilated or defaced Global Instruments or Definitive Instruments must be surrendered before replacements will be issued.

## **12. Notice to Instrumentholders**

All notices to Instrumentholders shall be deemed to have been validly given if published in a leading daily newspaper printed in the English language with general circulation in Dublin (which is expected to be The Irish Times) or, if that is not practicable, in such English language newspaper or newspapers as the Trustee approves having a general circulation in Ireland and the rest of Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. For so long as the Instruments of any class are represented by Global Instruments, notices to Instrumentholders will be validly given if published as described above or, for so long as the Instruments are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, at the option of the Issuer, if delivered to the Depository for communication by it to Euroclear and/or Clearstream, Luxembourg and/or to DTC for communication by them to their participants and for communication by such participants to entitled accountholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC as aforesaid shall be deemed to have been given on the day on which it is delivered to the Depository. A copy of each notice given in accordance with this General Condition 12 shall be provided to (for so long as the Instruments of any class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and at all times to the Rating Agencies, with a copy to the Depository.

The Trustee shall be at liberty to sanction some other method of giving notice to the Instrumentholders or any 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 or equivalent regulatory authority on which the Instruments are then listed and provided that notice of such other method is given to the Instrumentholders in such manner as the Trustee shall require.

### **13. Governing Law**

Except where Scots law or the law of the State of New York is expressly provided to be the governing law in whole or in part of any Transaction Document, the Transaction Documents and the Instruments are governed by, and shall be construed in accordance with, English law and the parties thereto irrevocably submit to the exclusive jurisdiction of the courts of England.

### **14. Redenomination of UK Currency**

- (i) If at any time there is a change in the currency of the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Instruments outstanding at the time of any such change and which are expressed in sterling will be converted into, and/or any amount becoming payable under the Instruments thereafter as specified in these General Conditions will be paid in, the currency or currency unit of the United Kingdom. Any such conversion will be made at the official rate of exchange recognised for that purpose by the Bank of England.
- (ii) Where such a change in currency occurs, the Global Instruments in respect of the Instruments then outstanding and the Conditions in respect of the Instruments will be amended in the manner agreed by the Issuer, the Principal Paying Agent and the Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Trustee, and the Instrumentholders in the same position had no change in currency occurred (such amendments to include, without limitation, changes required to reflect any modification to business day or other conventions arising in connection with such change in currency). All amendments made pursuant to this General Condition 14 will be binding upon Instrumentholders.
- (iii) Notification of the amendments made to the Instruments pursuant to this General Condition 14 will be made to the Instrumentholders in accordance with General Condition 12 which will state, among other things, the date on which such amendments are to take or took effect, as the case may be.

### **15. Sterling Determinations**

In these General Conditions, where the Issuer, the Trustee and/or the Transaction Manager is required to determine:

- (a) the Principal Amount Outstanding;
- (b) the principal amount; and/or
- (c) a single sterling monetary figure,

in respect of any of the Instruments, the Issuer, the Trustee and/or the Transaction Manager shall (where the context permits and requires) convert the euro amounts referable to such Euro denominated Instrument into sterling and convert the dollar amounts referable to the Dollar denominated Instrument into sterling, each at the relevant Swap Rate.

### **16. Third Party Rights**

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of these General Conditions or any Specific Conditions, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

**17. U.S. Tax Treatment and Provision of Information**

- (a) It is the intention of the Issuer, each Noteholder and beneficial owner (“**Owner**”) of an interest in the Notes that the Notes will be indebtedness of the Issuer for United States federal, state and local income and franchise tax purposes and for the purposes of any other United States federal, state and local tax imposed on or measured by income (the “**Intended U.S. Tax Treatment**”). To the extent applicable and absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note, or a beneficial interest therein, agree to treat the Notes, for purposes of United States federal, state and local income or franchise taxes and any other United States federal, state and local taxes imposed on or measured by income, consistent with the Intended U.S. Tax Treatment and to report the Notes on all applicable tax returns in a manner consistent with such treatment.
  
- (b) Subject to the Rule 144A disclaimer on page 3 of this Prospectus, for so long as any Notes remain outstanding and are “restricted securities” (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of the law and published practice in the United Kingdom as at the date of this document in relation to certain aspects of the United Kingdom taxation of payments in respect of, and of the issue and transfers of, the Notes. The comments do not deal with all United Kingdom tax aspects of acquiring, holding or disposing of the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of Noteholders (such as dealers or persons connected with the Issuer). The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed and do not consider the tax consequences of any such substitution.*

*The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their own professional advisors. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### A. Interest on the Notes

#### **United Kingdom Withholding Tax on payments of interest on the Notes, DACs and MERCs**

The Notes and the DACs issued by the Issuer which carry a right to interest will constitute “**quoted Eurobonds**” provided they are and continue to be listed on a recognised stock exchange. On the basis of the United Kingdom Inland Revenue's published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes and the DACs may be made without withholding or deduction for or on account of United Kingdom income tax.

Interest on the Notes (including the DACs) may also be paid without withholding or deduction on account of United Kingdom tax where the Issuer reasonably believes (and any person by or through whom interest is paid reasonably believes) that the person beneficially entitled to the interest is a company resident in the United Kingdom, or a partnership each member of which is a company resident in the United Kingdom, or, in the case of a non-United Kingdom resident company or partnership which has a non-United Kingdom resident company as a member, that such non-United Kingdom resident company trades in the United Kingdom through a permanent establishment and will be within the charge to United Kingdom corporation tax on such payment of interest, and that the Inland Revenue has not given a direction that the interest should be paid under deduction of tax.

In all other cases, interest on the Notes (including the DACs) may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply.

MER Distributions made to a MERC Holder under the Conditions of the MERCs may be paid without withholding or deduction on account of United Kingdom tax.

#### **Provision of Information**

Noteholders and DAC Holders should note that where any interest on Notes (including DACs) is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder or DAC Holder (other than solely by clearing or arranging

the clearing of a cheque) (a “collecting agent”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the name and address of the beneficial owner of the interest).

These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder or DAC Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder or DAC Holder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

#### **Other Rules Relating to United Kingdom Withholding Tax**

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

#### **B. Direct tax treatment of non- United Kingdom resident Noteholders**

Interest on the Notes has a United Kingdom source. Therefore, payments of interest on the Notes may be within the charge to United Kingdom tax even where interest is paid without withholding or deduction. Such payments of interest will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident in the United Kingdom for United Kingdom tax purposes unless such Noteholder carries on a trade, profession or vocation through a branch or agency (or, in the case of a Noteholder which is a company, which carries on a trade through a permanent establishment) in the United Kingdom in connection with which the payments of interest are received or to which the holding of the Notes is attributable. There are some exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may be relevant for such Noteholders.

Where interest has been paid under deduction of United Kingdom tax, Noteholders who are not resident in the United Kingdom for United Kingdom tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

#### **C. United Kingdom Corporation Tax Payers**

In general, Noteholders that are within the charge to United Kingdom corporation tax will be treated as realising profits or losses (including interest, and profits and gains arising as a result of currency fluctuations) for corporation tax purposes in respect of their holding of the Notes (and amounts payable thereunder) in accordance with the statutory accounting treatment applicable to such Noteholder.

#### **D. Other United Kingdom tax payers**

##### **Accrued Income Scheme – Individual Noteholders**

A transfer of a Note by a Noteholder who is not within the charge to United Kingdom corporation tax and resident, or ordinarily resident in the United Kingdom or a Noteholder who is not resident or ordinarily resident in the United Kingdom but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable, may give rise to a charge to income tax in respect of an amount representing interest on the Note which has accrued since the preceding Interest Payment Date.

##### **Taxation of chargeable gains – Individual Noteholders**

As a result of the provision for redenomination of the Sterling Notes into euro, it is not expected that the Sterling Notes will be treated by the United Kingdom Inland Revenue as “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992.

As the Euro Notes are denominated in euro and the Dollar Notes are denominated in dollars, they will not be regarded by the Inland Revenue as constituting “**qualifying corporate bonds**” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992.

Accordingly, a disposal (including a redemption) of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable but in either case who is not within the charge to corporation tax, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the individual circumstances of the Noteholder.

**E. Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax (SDRT) is payable on the issue of the Notes or on the transfer by delivery of a Note.

**F. EU Directive on the Taxation of Savings Income**

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Austria, Belgium and Luxembourg will be required (unless during that period they direct otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have agreed to adopt similar measures with effect from the same date.

## ADDITIONAL INFORMATION FOR U.S. INVESTORS

### United States Taxation

*Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (i) any discussion of federal tax issues contained or referred to in this Prospectus is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties that may be imposed on them under the Internal Revenue Code; (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.*

The following is a summary of certain principal United States federal income tax considerations for purchasers of the Notes who purchase the Notes in the original offering at the original issue price and who hold such Notes as capital assets for United States federal income tax purposes. This summary does not discuss all aspects of United States federal income tax law. In particular, this summary does not address special United States federal income tax considerations which may be important to particular investors in light of their individual investment circumstances, or to certain types of investors subject to special tax rules (e.g. financial institutions, insurance companies, regulated investment companies, tax-exempt institutions, persons liable for alternative minimum tax, certain U.S. expatriates, dealers in securities or currencies, securities traders that elect market-to-market accounting treatment, persons that own (directly, indirectly or constructively) 10% or more of the stock by vote or value, of the Issuer, persons holding such Notes as a hedge against currency risks, as part of an integrated transaction or “**conversion transaction**” or as a position in a “**straddle**” for United States federal income tax purposes or persons whose functional currency is not the United States dollar). In addition, this summary does not discuss any foreign, state, local or other tax considerations. This summary is based on the Internal Revenue Code of 1986 as amended (the “**Code**”), and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. Prospective investors should consult their own tax advisors regarding the United States federal, state, local, and foreign income and other tax considerations of owning the Notes. No rulings will be sought from the Internal Revenue Service (the “**IRS**”) with respect to the United States federal Income tax consequences described below.

For purposes of this summary, a “**United States holder**” means a beneficial owner of Notes that is (i) an individual who is, for United States federal income tax purposes, a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation, created in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. A “**non-United States holder**” means a beneficial owner of Notes that is not a United States holder. If an entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

There are no regulations, published rulings or judicial decisions addressing the characterisation for United States federal income tax purposes of securities with terms substantially the same as the Notes. The Issuer intends to take the positions that the Notes are debt of the Issuer issued in registered form for United States federal income tax purposes. Except as otherwise stated, the following discussion assumes that the Notes are debt of the Issuer for United States federal income tax purposes.

In determining whether a security (such as a Note) represents indebtedness, United States courts and the IRS have applied a number of factors. The most significant of these factors are: a fixed maturity date, the right to receive fixed payments, the right of a holder to enforce payment on default, the degree of subordination, the intent of the parties, the level of capitalisation, the extent to which the owner of the assets has transferred the opportunity for gain if the assets increase in value, the risk of loss if the assets decrease in value, and the extent to which the investors in the security have obtained the economic benefits and burdens of ownership of the assets. Based on these factors, among others, the Issuer intends to take the above-stated positions with respect to the debt or equity treatment of the Notes for United States federal income tax purposes.



However, no ruling will be obtained from the IRS, or opinion of counsel, with respect to the characterisation of the Notes for U.S. federal income tax purposes and there can be no assurance that the IRS or the courts will agree with the conclusions of the Issuer. In particular, in the case of the B Notes (and, to a lesser extent, the M Notes) because of the subordination level, it is possible that these Notes might be viewed as equity interests in the Issuer for United States federal income tax purposes. United States holders of Notes that are treated as equity in the Issuer would be treated as owning interests in a “**passive foreign investment company**” (a “**PFIC**”), as described more fully below, (see “*Investment in a Passive Foreign Investment Company*” below). Prospective investors should consult their tax advisors regarding the tax consequences of investing in the Notes.

#### *Interest Payments and Distributions*

Except as described below, and although not free from doubt, the Issuer will expect that the Notes should not be treated as bearing original issue discount (“**OID**”) for United States federal income tax purposes. Assuming no OID, stated interest on the Notes will be taxable to a United States holder as ordinary income at the time it is received or accrued, in accordance with the holder’s regular method of accounting for United States federal income tax purposes.

The total amount of OID on an instrument is the excess of its “**stated redemption price at maturity**” over its “**issue price**”. The issue price for the Notes is the price at which a substantial portion of the respective class of instrument is first sold to the public.

In general, the stated redemption price at maturity is the sum of all payments made on the instrument other than payments of interest that are “**qualified stated interest**” (i.e., payments of interest that (i) are actually payable at least annually over the entire life of the instrument and (ii) are based on a single fixed rate or variable rate (or certain combinations of fixed and variable rates)).

Because of the possibility that payments of interest on the Notes may be deferred, such payments of interest may not be treated as qualified stated interest and the Notes may be treated as bearing OID for United States federal income tax purposes.

*If any of the Notes are issued at a discount of an amount equal to or greater than 0.25 per cent. of such Note’s stated redemption price at maturity multiplied by such Note’s weighted average maturity (“**WAM**”), then such Note will be deemed to bear OID. The WAM of a Note is computed based on the number of full years each distribution of principal (or other amount included in the stated redemption price at maturity) is scheduled to be outstanding. The schedule of such distributions likely should be determined in accordance with an assumed rate of prepayment consistent with the information set forth in “**Weighted Average Lives of the Notes**” (the “**Prepayment Assumption**”) as reasonably applied to the Notes. There can be no assurance that payments will actually be made in accordance with the Prepayment Assumption.*

A United States holder (including a cash basis holder) of any class of Notes deemed to bear OID generally would be required to accrue OID on the relevant instrument for United States federal income tax purposes for each day on which the United States holder holds such instrument. For debt instruments that are subject to acceleration due to prepayments of obligations securing the instruments, the OID accruing in any period will likely equal the amount by which (a) the sum of (i) the present value of all remaining distributions to be made as of the end of such period plus (ii) the distributions made during such period included in the stated redemption price at maturity, exceeds (b) the “**adjusted issue price**” as of the beginning of the period. The present value of the remaining distributions is calculated based on (x) the original yield to maturity of such instrument, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the Prepayment Assumption. The method for determining an appropriate prepayment rate for purposes of calculating the yield to maturity has not been set forth in Treasury regulations. The applicable legislative history provides that a reasonable method should be used (e.g., the Prepayment Assumption). The “**adjusted issue price**” of a Note at the beginning of any accrual period generally would be the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments made in all prior accrual periods. If OID computed as described in this paragraph is negative for any period, the United States holder generally will not be allowed a current deduction for the negative amount but instead will be entitled to offset such amount only against future positive OID from such instrument. The accrual of OID may require holders to recognise income in advance of payments.

*Contingent Payment Debt Instruments.* Although the Issuer intends to take the position that any OID inclusions of income on the Notes should be calculated as described above, it is possible that the Notes might be treated as

contingent payment debt instruments that are subject to the Treasury regulations governing such debt instruments (the “**Contingent Payment Regulations**”).

Under the contingent payment regulations, the accrual of interest income on a contingent payment debt instrument is determined under a “**non-contingent bond**” method, pursuant to which, in essence, a United States holder would include original issue discount on a contingent payment debt instrument in income as ordinary interest income at a yield to maturity that reflects the rate of which the Issuer would issue a comparable fixed-rate noncontingent instrument (the “**comparable yield**”). Any differences between actual payments received by the United States holder on the contingent payment debt instrument in a taxable year and the projected amount of those payments would be accounted for as additional interest income (in the case of a positive difference) or as an offset to interest income in respect of the Notes for the taxable year in which the actual payment is made. As a result, the United States holder would be required to include the OID accruing on the contingent payment debt instrument in income each year, whether or not the cash payments on the instrument are sufficient to pay any resulting tax.

The application of the non-contingent bond method to the Notes would involve the following three steps. First, the Issuer would determine the comparable yield for the respective instrument and then, solely for United States federal income tax purposes, the Issuer would determine a schedule of the projected amounts of payments on the respective instrument (the “**projected payment schedule**”) that produces the comparable yield. The comparable yield and the projected payment schedule determined by the Issuer would generally be binding on the United States holders. The comparable yield and the projected payment schedule would be used to determine accruals of OID for United States federal income tax purposes only and would not be assurances by the Issuer with respect to the actual yield or payments and would not necessarily represent the Issuer’s expectations regarding the Notes.

Second, the United States holder would be required to include in income OID on the contingent payment debt obligation, computed at the comparable yield, under the OID provisions of the Code. In particular, the United States holder would be required to include interest on the contingent payment debt obligation in gross income on a daily economic accrual basis. In the case of an initial holder, the amount of OID that is allocable to each accrual period is to be determined by multiplying the adjusted issue price of the contingent payment debt instrument at the beginning of the accrual period by the comparable yield of the instrument (appropriately adjusted to reflect the length of the actual period).

Third, any differences between the actual amount of the contingent payments made on the contingent payment debt instrument during a taxable year and the projected amount of those payments is netted. If the actual contingent payments made during the year exceed the projected payments, then the excess is treated as an additional payment of interest. If the actual contingent payments are less than the projected payments, then the difference first reduces the amount of interest income otherwise taken into account for the year, and any excess is treated as an ordinary loss to the holder to the extent of the aggregate interest income from the instrument included by the United States holder in prior taxable years.

In the event that the IRS asserts or the Issuer otherwise believes that the Contingent Payment Regulations govern the treatment of the Notes, relevant information will be made available to the Noteholders.

*Notes Purchased at a Premium.* A United States holder that purchases a Note for an amount in excess of its principal amount may elect to treat the excess as “**amortisable bond premium**”, in which case the amount of interest on the Note required to be included in the United States holder’s income each year will be reduced by the amount of amortisable bond premium allocable (based on the Note’s yield to maturity) to that year. The amount of amortisable bond premium for each taxable year is the sum of the daily portions of bond premium with respect to the Note for each day during the taxable year or portion of the taxable year on which the United States holder holds the Note. The daily portion is determined by allocating to each day in any “**accrual period**” a *pro rata* portion of the bond premium allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the United States holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of bond premium allocable to an accrual period equals the excess of (a) the sum of the payments of interest on the Note allocable to the accrual period over (b) the product of the Note’s adjusted acquisition price at the beginning of the accrual period and the Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). The “**adjusted acquisition price**” of a Note at the beginning of any accrual period is the United States holder’s purchase price for the Note, decreased by the

amount of bond premium for each prior accrual period. In the case of Notes denominated in euro or sterling, bond premium will be computed in units of the relevant foreign currency, and amortisable bond premium that is taken into account currently will reduce interest income in that currency. On the date amortised bond premium offsets interest income, a United States holder may recognise exchange gain or loss (taxable as ordinary gain or loss), measured by the difference between the spot rates in effect on that date, and on the date the Notes were acquired by the United States holder. A United States holder that does not elect to take bond premium into account currently will recognise a market loss when the Note matures. Any election to amortise bond premium applies to all bonds (other than bonds the interest on which is excludible from gross income for United States federal income tax purposes) held by the United States holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States holder, and is irrevocable without the consent of the IRS.

*Sourcing.* Interest payments or distributions on a Note will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, United Kingdom withholding tax, if any, imposed on such payments (and any other non-United States taxes paid or withheld in respect of such payments) will generally be treated as foreign tax eligible for credit against a United States holder's United States federal income tax. For foreign tax credit purposes, interest will generally be treated as foreign source passive income (or, in the case of certain United States holders, financial services income).

*Foreign Currency Considerations.* A United States holder who uses the cash method of accounting and who receives a payment of interest or distribution in sterling or euro with respect to the Notes will be required to include in income the United States dollar value of the sterling or euro payment (determined at the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to United States dollars at that time, and such United States dollar value will be the United States holder's tax basis in sterling or euro as appropriate. The United States holder will not have to recognise additional exchange gain or loss with respect to the receipt of such income (other than the exchange or loss that might be realised on the disposition of the sterling or euro).

Except as provided below, a United States holder who uses the accrual method of accounting, or who uses the cash method of accounting but is required to accrue OID, and who receives a payment of interest or distribution or accrues OID in sterling or euro with respect to the Notes will be required to include in income the United States dollar value of the amounts of income that have accrued and are otherwise required to be taken into account with respect to such instrument during an accrual period. The United States dollar value of such accrual income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year.

Such United States holder will recognise additional exchange gain or loss, treated as ordinary income or loss, with respect to accrual income on the date such income is actually received or accrued or the applicable Note is disposed of. The amount of ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the sterling or euro payment received or accrued (determined at the spot rate on the date such payment is received or the applicable instrument is disposed of) in respect of such accrual period and (ii) the United States dollar value of income that has accrued during such or OID accrual period (determined at the average rate as described above). An accrual basis United States holder may elect to translate such interest or OID income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest or OID accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

#### *Disposition of Investment*

Subject to the discussion of the PFIC rules below, upon the sale, exchange or retirement of a Note (including pursuant to a redemption by the Issuer), prior to the maturity date of such instrument, the United States holder will recognise gain or loss equal to the difference between the amount realised and such United States holder's "**adjusted tax basis**" in such instrument. In general, a United States holder's adjusted tax basis in an OID debt instrument is equal to the United States holder's cost for such instrument, plus any OID accrued and less the amount of any payments received by such holder that are not "**qualified stated interest**" payments under Treasury regulations relating to OID. A United States holder's adjusted tax basis in a debt instrument with no OID is generally equal to the holder's United States dollar cost less the amount of any principal payments made

prior to the date disposition. For those purposes, the United States dollar cost of a Note will generally be the United States dollar value of the purchase price on the date of purchase (in the case of an accrual basis United States holder) or the settlement date (in the case of a cash basis United States Holder, or an accrual basis United States holder that so elects). A United States holder's adjusted tax basis in a Note treated as equity would generally be equal to the United States holder's cost for such Note. Except with respect to amounts attributable to accrued OID on any Note, and any gain received with respect to Notes that are contingent payment debt instruments, any gain or loss realised by such holder in excess of foreign currency gain or loss will generally be capital gain or loss. Any gain on the sale or exchange of a contingent payment debt instrument, and any accrued OID, will be treated as ordinary interest income, and any loss recognised on a contingent payment debt instrument will be treated as ordinary loss to the extent of the United States holder's prior interest inclusions, and thereafter generally as a capital loss.

Capital gain or loss, recognised by a United States holder on the sale or retirement of a Note will be long-term capital gain or loss if the Note was held by the United States holder for more than one year. For a non-corporate United States holder, the maximum long-term capital gains rate is 15 per cent. The deductibility of capital losses is subject to limitations.

*Sourcing.* Capital gain or loss realised by a United States holder on the sale, exchange or retirement of a Note generally, should be treated as United States source. United States holders are encouraged to consult their own tax advisors with regard to the application of the sourcing rules for foreign tax credit purposes as it relates to their own circumstances.

*Foreign Currency Considerations.* Gain or loss realised upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the sterling or euro principal amount of the relevant instrument, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or the relevant instrument is disposed of, and (ii) the United States dollar value of the sterling or euro principal amount of such instrument, on the date such holder acquired such instrument, and the United States dollar amounts previously included in income in respect of the accrual interest received. For purposes of determining foreign currency gain or loss, a Note shall be treated as having a principal amount equal to the holder's purchase price (in sterling or euro). Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States holder on the sale, exchange or retirement of the relevant instrument. The source of such euro or sterling gain or loss will be determined by reference to the residence of the United States holder or the qualified business unit of the United States holder on whose books the instrument is properly reflected.

A United States holder who purchases a Note with previously owned sterling or euro will recognise ordinary income or loss in an amount equal to the difference, if any, between such United States holder's tax basis in the sterling and the United States dollar fair market value of the relevant instrument on the date of purchase. A United States holder will have a tax basis in any sterling or euro received on the sale, exchange or retirement of a Note equal to the United States dollar value of such sterling or euro, determined at the time of such sale, exchange or retirement. Any gain or loss realised by a United States holder on a sale or other disposition of sterling or euro will be ordinary income or loss.

The redenomination of the Notes from sterling into euro pursuant to "*General Terms and Conditions of - Redenomination of U.K. Currency*" generally is not expected to be treated as a taxable exchange for U.S. federal income tax purposes.

#### *Investment in a Passive Foreign Investment Company*

As discussed above, it is possible that the B Notes and to a lesser extent the M Notes might be treated as equity interests in the Issuer. Because of the nature of the income of the Issuer, the Issuer will constitute a PFIC. Accordingly, United States holders of the M Notes and B Notes will be United States shareholders of a PFIC if such M Notes and B Notes were not treated as debt but rather were treated as equity of the Issuer for United States federal income tax purposes.

In general, United States holders treated as shareholders of the Issuer will be subject to special tax rules with respect to "**excess distributions**" made to them by the Issuer, including a rateable inclusion of excess distributions in the United States holder's gross income as ordinary income taxable at the highest applicable rate

and requirement for the payment of an interest charge on tax which is deemed to have been deferred with respect to such excess distributions. Excess distributions would generally include, among other things, (i) certain distributions with respect to a United States shareholder's equity interest in the Issuer for a taxable year if the aggregate of such amounts exceeds 125 per cent. of the average amount of distributions from the Issuer made during a specified base period, and (ii) gain from the disposition of such equity interest in the Issuer. A dividend from a PFIC would not constitute a "**qualified dividend**" taxable to individuals at a 15 per cent. tax rate under the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Issuer does not intend to comply with certain reporting requirements necessary for United States holders to elect to treat the Issuer as a qualified electing fund ("**QEF**"). Such an election would mitigate the adverse tax consequences as described above to holders. A United States holder that holds "**marketable**" stock in a PFIC may, in lieu of making a QEF election, also avoid certain unfavourable consequences of the PFIC rules by electing to mark the PFIC stock to market as of the close of each taxable year. A United States holder that makes the mark-to-market election is required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the stock at the close of the year over the United States holder's adjusted tax basis in the stock. For this purpose, a United States holder's adjusted basis will generally be the holder's cost for the stock, increased by the amount previously included in the holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the United States holder as a deduction pursuant to such election. If, at the close of the year, the United States holder's adjusted tax basis exceeds the fair market value of the stock, then the United States holder may deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains previously included in income. Any gain from the actual sale of the PFIC stock will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of net mark-to-market gains previously included in income. A stock is considered "**marketable**" if it is regularly traded on an exchange which the IRS determines to be qualified for these purposes. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and trading on its regulated market. Under applicable United States Treasury Regulations, the Irish Stock Exchange should be qualified for these purposes.

*Sourcing.* Gain or loss on the sale of a Note that is deemed to be equity the Issuer will generally be U.S. source, except that losses will be foreign source to the extent that the United States holder received distributions treated as dividends that were included in the financial services "**basket**" during the 24 month period prior to the sale. This 24 month period may be extended to cover periods in which the United States holder's risk of loss is hedged.

*Controlled Foreign Corporation Status.* It is possible that the Issuer might be treated as a "**controlled foreign corporation**" for United States federal income tax purposes. In such event, United States holders of equity interests that are treated as owning 10 per cent. or more of the combined "**voting power**" of the Issuer would be required to include in income their *pro rata* share of the earnings and profits of the Issuer, and generally would not be subject to the rules described above relating to PFICs. Prospective investors should consult with their tax advisors concerning the potential effect of the controlled foreign corporation provisions.

#### *Tax Return Disclosure and Investor List Requirements*

Treasury Regulations intended to address so-called tax shelters and other potentially tax-motivated transactions (the "**Tax Shelter Regulations**") require participants in a "**reportable transaction**" to disclose certain information about the transaction on IRS Form 8886 and retain information relating to the transaction. Organisers and sellers of reportable transactions are required to maintain lists identifying the transaction investors, furnish to the IRS upon demand such investor information as well as detailed information regarding the transactions and file a return identifying and describing the transaction. A transaction may be a "**reportable transaction**" based upon any of several indicia, including the existence of confidentiality agreements, certain indemnity arrangements, potential for recognising investment or other losses, or significant book-tax differences, one or more of which may be present with respect to or in connection with an investment in the Notes. If the Issuer has entered into one or more "**reportable transactions**," certain U.S. Holders of the M Notes or B Notes (if the M Notes or B Notes are treated as equity) also may be treated as having entered into one or more "**reportable transactions**" and, along with the Issuer, may have to disclose their participation in such transactions. In such case, the Issuer and its material advisors may have to maintain a list of such Holders. In addition, the Tax Shelter Regulations could be interpreted to cover and require reporting of transactions that are generally not considered tax shelters, including certain foreign currency transactions. Recent legislation enacted by Congress in the American Jobs Creation Act of 2004 impose significant penalties for failure to comply with these disclosure requirements. Investors should consult their tax advisors concerning any possible

disclosure obligation with respect to their investment and should be aware that the Issuer and other participants in the transaction intend to comply with the disclosure and information maintenance requirements under the Tax Shelter Regulations as they determine apply to them with respect to this transaction.

#### *Non-United States Holders*

An investment in the Notes by non-United States holders generally will not give rise to any United States federal income tax consequences, unless the income received on, or any gain recognised on the sale or other disposition of, such instruments, by such holders is treated as effectively connected with the conduct of a trade or business in the United States or, in the case of gain recognised by an individual, such individual is present in the United States for 183 days or more and certain other conditions are met.

#### *Backup Withholding and Information Reporting*

Information reporting to the IRS generally will likely be required with respect to distributions or payments of principal or interest (including any OID) on the Notes and proceeds of the sale of the Notes within the United States to United States holders other than corporations and other exempt recipients. A “**backup**” withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (such as such holder’s taxpayer identification number) or such holder is notified by the IRS that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding.

#### **Transfer Restrictions and Investor Representations**

The Notes (including any direct or indirect interests therein) have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, the Notes may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an effective registration statement or in accordance with an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws. In addition, the Issuer has not registered and will not register under the Investment Company Act. Accordingly, the Notes (and interests therein) are being offered and sold: (1) in the United States only to Qualified Institutional Buyers who are also Qualified Purchasers in transactions exempt from the registration requirements of the Securities Act and any other applicable securities laws or (2) outside the United States to non-U.S. Persons in compliance with Regulation S.

The Residual Certificates, MERCs and DACs have not been and will not be registered under the Securities Act or under the laws of any state of the United States and will only be offered and sold outside the United States to non-U.S. Persons pursuant to the requirements of Regulation S under the Securities Act. Beneficial interests in the Residual Certificates, MERCs and DACs may only be held by a company which is within the charge to UK corporation tax. In the event that a beneficial holder of Residual Certificates, MERCs or DACs does not comply with these restrictions, no payments under the Residual Certificates, MERCs and/or the DACs will be made to such beneficial holders under the terms and conditions of the Residual Certificates, MERCs and DACs.

*Because of the following restrictions, including those set out in the legends below, as applicable, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.*

Each purchaser of an Instrument (including purchasers of any direct or indirect interests therein) by acceptance of an interest in any Instrument will be deemed to have represented, agreed and acknowledged as follows, as applicable and subject to the Rule 144A disclaimer on page 3 of this Prospectus (references to Instruments in this section include interests therein):

- (1) in the case of a purchaser of Notes, (A) it (i) is both a Qualified Institutional Buyer and a Qualified Purchaser, (ii) is acquiring such Notes for its own account or for the account of a Qualified Institutional Buyer who is also a Qualified Purchaser and each beneficial owner of such Notes has been advised that the sale of such Notes to it is being made in reliance on Rule 144A, (iii) is not a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis not less than \$25,000,000 in securities of issuers that are not affiliated to it, (iv) is not a participant-directed

employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, (v) is not formed for the purpose of investing in the Issuer (except where each beneficial owner of the purchaser is a Qualified Purchaser), (vi) it, and each account for which it is purchasing, will hold and transfer at least the Minimum Denomination, (vii) understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry registries and (viii) agrees to provide written notice of the foregoing and any other applicable transfer restrictions to any transferee or (B) it is not a U.S. Person (as defined in Regulation S) and is acquiring such Notes for its own account or for the account of a non-U.S. Person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S;

- (2) in the case of a purchaser of any MERCs, DACs or Residual Certificates, it is not a U.S. Person (as defined in Regulation S) and is acquiring such MERCs, DACs and/or Residual Certificates in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S;
- (3) the Instruments are (a) being offered and sold only in a transaction that does not require registration under the Securities Act and (b) not being offered or sold in a transaction that causes the Issuer to be required to register under the Investment Company Act and, if such purchaser decides to resell or otherwise transfer such Instruments then such Instruments may be offered, resold, pledged or otherwise transferred only in accordance with the provisions set forth herein, including the legends set forth below, as applicable;
- (4) it shall treat the Note as indebtedness of the Issuer for United States federal income tax purposes;
- (5) each of the Issuer and the Trustee reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the restrictions in this section, including the legends set out below, as applicable;
- (6) in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such purchaser is or was in breach, at the time given or deemed to be given, of any of the representations, agreements or acknowledgements set forth in this section, including the legends set out below, as applicable, or otherwise determines that any transfer or other disposition of any Instruments would, in the sole determination of the Issuer or the Trustee acting on behalf of the Issuer, require the Issuer to register as an investment company under the provisions of the Investment Company Act, such purchase or other transfer will be void *ab initio* and will not be honoured by the Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as an Instrumentholder and the Issuer shall have the right to force the transfer of, or redeem, any such Instruments; and
- (7) it shall notify any subsequent purchaser from it of, or any person to whom it otherwise transfers, Instruments or any interest therein of the restrictions set forth herein, including the legends set forth below, as applicable, and each subsequent holder will be required to notify any subsequent transferee of such Instruments of such transfer restrictions.

#### *Rule 144A Global Notes*

In addition to the above and subject to the disclaimer on page 3 of this Prospectus, each purchaser of Rule 144A Global Notes (including purchasers of any direct or indirect interests therein) (a) acknowledges that each Rule 144A Global Note and each such Definitive Note (if any) will bear a legend substantially to the following effect and (b) by acceptance of an interest in any such Note will be deemed to have represented, agreed and acknowledged as set forth in such legend:

**“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THE**

ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE HOLDER HEREOF AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN, BY ACCEPTING OR PURCHASING THIS NOTE OR ANY INTEREST HEREIN, AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO THE ISSUER, (2) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, AND WHO IS A QUALIFIED PURCHASER, AS DEFINED UNDER SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT, (I) WHO IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER, (II) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (III) WHO IS NOT A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (A)(1)(II) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN \$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT, (IV) WHO IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (A)(1)(I)(D) OR (A)(1)(I)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(I)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, (V) WHO IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THIS NOTE (EXCEPT WHERE EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER) AND (VI) WHO, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION, (VII) WHO UNDERSTANDS THAT THE ISSUER OF THIS NOTE MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY REGISTRIES, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND NOT IN A TRANSACTION THAT CAUSES THE ISSUER TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT, (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND NOT IN A TRANSACTION THAT CAUSES THE ISSUER TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

THE HOLDER HEREOF AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. THE HOLDER HEREOF AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER IS OR WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS, AGREEMENTS OR ACKNOWLEDGEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR THE TRUSTEE ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONOURED BY THE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED HOLDER OR TRANSFEREE WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES OR INTERESTS THEREIN.

WITH RESPECT TO PURCHASERS OF NOTES, OR OF INTERESTS THEREIN, THE PURCHASER WILL NOT TRANSFER SUCH NOTES OR INTERESTS THEREIN TO A TRANSFEREE PURCHASING SUCH NOTES OR INTERESTS THEREIN WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS



AMENDED (“ERISA”), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ANY SUBSTANTIALLY SIMILAR LAW, EXCEPT THAT, IN THE CASE OF THE A NOTES ONLY, SUCH NOTES MAY BE SO TRANSFERRED IF ONE OR MORE EXEMPTIONS APPLIES SO THAT THE USE OF SUCH ASSETS WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR SUCH SIMILAR LAW AND EITHER THAT (A) NO PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD SUCH NOTES OR INTERESTS THEREIN CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW OR (B) PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD SUCH NOTES OR INTERESTS THEREIN CONSTITUTES ASSETS OF ONE OR MORE EMPLOYEE BENEFIT PLANS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW AND THE USE OF SUCH ASSETS TO PURCHASE SUCH NOTES OR INTERESTS THEREIN WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW BY REASON OF THE APPLICATION OF A STATUTORY OR ADMINISTRATIVE EXEMPTION.

EACH HOLDER HEREOF AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN AGREES THAT IT SHALL NOTIFY ANY SUBSEQUENT PURCHASER FROM IT OF, OR ANY PERSON TO WHOM IT OTHERWISE TRANSFERS, THIS NOTE OR ANY INTEREST HEREIN OF THE RESTRICTIONS SET FORTH HEREIN.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF THIS NOTE SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE AND ANY INTERESTS HEREIN TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF OR OF ANY INTEREST HEREIN, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON IT AND ON ALL FUTURE SUCH HOLDERS AND BENEFICIAL OWNERS, INCLUDING THOSE HOLDING OR OWNING AN INTEREST IN ANY NOTE ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON OR THEREON).

THIS NOTE MAY BE TRANSFERRED ONLY IN PRINCIPAL AMOUNTS OF £50,000 (IF DENOMINATED IN STERLING) OR U.S.\$100,000 (IF DENOMINATED IN DOLLARS) OR €50,000 (IF DENOMINATED IN EURO) AND INTEGRAL MULTIPLES IN EXCESS THEREOF.”

Each purchaser of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A.

#### *Reg S Global Instruments*

In addition to the above, each purchaser of Reg S Global Instruments (including purchasers of any direct or indirect interests therein) (a) acknowledges that each Reg S Global Instrument and each such Definitive Instrument (if any) will bear a legend substantially to the following effect and (b) by acceptance of an interest in any such Instrument will be deemed to have represented, agreed and acknowledged as set forth in such legend:

**“THIS INSTRUMENT HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”) IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF “INVESTMENT COMPANY” PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT.**

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS INSTRUMENT, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF THE INSTRUMENTS REPRESENTED BY THIS GLOBAL INSTRUMENT PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), BENEFICIAL INTERESTS IN THIS GLOBAL INSTRUMENT MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN “**INVESTMENT COMPANY**” UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, ANY TRANSFERS OF THE INSTRUMENTS PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.”

If the purchaser has acquired the Instruments in a sale or other transfer being made in reliance upon Regulation S, the purchaser agrees that during the Distribution Compliance Period, it will not offer, resell, pledge or otherwise transfer such Instruments to or for the account or benefit of any U.S. Person.

### **Certain ERISA and Other Considerations**

ERISA establishes fiduciary standards applicable to fiduciaries of employee benefit plans subject thereto. In addition, ERISA and Section 4975 of the Code effectively prohibit certain transactions between (a) employee benefit plans subject to ERISA, (b) plans described in section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans, and (c) any entities whose underlying assets include plan assets by reason of a plan’s investment in such entities (each a “**Plan**”), and persons having certain specified relationships to such Plans (referred to as “**Parties in Interest**” under ERISA and as “**Disqualified Persons**” under the Code).

The United States Department of Labor (“**DOL**”) has issued a regulation (29 CFR Section 2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the “**Plan Assets Regulation**”). Under the Plan Assets Regulation, the underlying assets of an entity in which a Plan purchases or holds an “**equity interest**” generally will be deemed for purposes of ERISA and Section 4975 of the Code to be assets of the investing Plan unless certain exceptions apply.

The Plan Assets Regulation defines an “**equity interest**” as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Although it is not free from doubt, the Issuer will proceed based on the position that treats the A Notes offered hereby as indebtedness (and not as “**equity interests**”) for purposes of the Plan Assets Regulation at the time of their issuance by reason of, among other things, the terms and form of the A Notes and the probability of payment of principal and interest on the A Notes (as reflected by the credit ratings assigned to such A Notes by the applicable rating agencies). The treatment of the A Notes as not constituting equity for purposes of the Plan Assets Regulation depends on the circumstances and therefore may change in the event the Issuer incurs losses in respect of the assets held by the Issuer. If the underlying assets of the Issuer are deemed to be Plan assets, the obligations and other responsibilities of Plan sponsors, Plan fiduciaries and Plan administrators, and of Parties in Interest and Disqualified Persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such services (and their could be an improper delegation of authority to such providers).

By contrast, the M Notes and B Notes might be treated as possessing “**substantial equity characteristics**” and thereby treated as “**equity interests**” for purposes of the Plan Assets Regulation. Accordingly, the M Notes and B Notes, and any interest therein, may not be purchased or held by or transferred to a Plan or other benefit plan subject to any Similar Law.

Even assuming that the A Notes will not be treated as “**equity interests**” under the Plan Assets Regulation, it is possible that an investment in the A Notes by a Plan (or with the use of the assets of a Plan) could be treated as a prohibited transaction under ERISA or the Code (e.g. the indirect transfer to, or use by or for the benefit of, a Party in Interest or Disqualified Person of the assets of the Plan). Such transaction, however, may be subject to

a statutory or administrative exemption. Any such exemption may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan.

Each purchaser of the A Notes will be deemed to have represented and agreed that (i) either it is not purchasing or holding such Notes with the assets of any Plan or another employee benefit plan subject to Similar Law or that one or more exemptions applies such that the use of such assets will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or Similar Law, and (ii) with respect to transfers, it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan or another employee benefit plan subject to Similar Law, or one or more exemptions applies that the use of such assets will not constitute a non-exempt prohibited transaction. The M Notes and B Notes and any interest therein, may not be purchased or held by or transferred to a Plan that is subject to the prohibited transaction provisions of ERISA or Section 4975 of the Code or to any other benefit plan subject to any substantially Similar Law.

Any Plan fiduciary that proposes to cause a Plan to purchase such instruments should consult with its counsel and other advisers with respect to the potential applicability of ERISA and Section 4975 of the Code (and, particularly in the case of non-ERISA Plans and arrangements, any additional state, local and non-U.S. law considerations) to such investment, the applicability of any exemption, and determine on its own whether all conditions of such exemption or exemptions have been satisfied.

### **United States Legal Investment Considerations**

None of the Notes will constitute “**mortgage related securities**” under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

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

## GENERAL INFORMATION

- 1 The issue of the Instruments was authorised by resolution of the board of directors of the Issuer passed on 21 September 2005.
- 2 Any listing of the Instruments on the Irish Stock Exchange will be expressed as a percentage of their principal amount. It is expected that listing of the Instruments on the Official List of the Irish Stock Exchange will be granted on or about the Issue Date, subject only to issue of the Global Instruments of each class of Instruments. The listing of Instruments will be cancelled if the Global Instruments are not issued.
- 3 The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP Numbers, Common Codes and ISIN for the Instruments.

Class	Common Code Reg S	Common Code 144A	ISIN – Reg S (Clearstream, Luxembourg/ Euroclear)	ISIN - 144A (DTC)	CUSIP Reg S (DTC)	CUSIP 144A (DTC)
A1a	22870904	n/a	XS0228709043	n/a	n/a	n/a
A1a DAC	22870955	n/a	XS0228709555	n/a	n/a	n/a
A2a	22870998	n/a	XS0228709985	n/a	n/a	n/a
A2a DAC	22871056	n/a	XS0228710561	n/a	n/a	n/a
M2a	22871188	n/a	XS0228711882	n/a	n/a	n/a
B1a	22871226	n/a	XS0228712260	n/a	n/a	n/a
B2a	22871293	n/a	XS0228712930	n/a	n/a	n/a
MERCs	22871323	n/a	XS0228713235	n/a	n/a	n/a
Residual Certificates	22871340	n/a	XS0228713409	n/a	n/a	n/a

- 4 No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Instruments are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Paying Agent in Dublin. The Issuer does not publish interim accounts.
- 5 The Issuer is not, and has not been, involved in any governmental, litigation or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had, since the date of incorporation, a significant effect on the Issuer's financial position.
- 6 Deloitte & Touche LLP, auditors of the Issuer, has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Prospectus for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001. Deloitte & Touche LLP is authorised and regulated by the FSA and is a member of the Institute of Chartered Accountants of England and Wales.
- 7 Since the date of its incorporation, the Issuer has entered into the Subscription Agreement and Residual Certificate Note Purchase Agreement.

- 8 Save as disclosed herein, since 21 July, 2005 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.
- 9 Physical copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at 35 Great St. Helen's, London EC3A 6AP and at the specified offices of the Irish Paying Agent in Dublin from the date of this Prospectus:
- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the balance sheet of the Issuer as at 22 September 2005 and the auditor's report thereon;
  - (c) the consent referred to in paragraph 6 above;
  - (d) the Subscription Agreement and Residual Certificate Note Purchase Agreement referred to in paragraph 7 above;
  - (e) drafts (subject to modifications) of the following documents:
    - (i) the Mortgage Sale Agreement;
    - (ii) the Servicing Agreement;
    - (iii) the Standby Servicing Agreement;
    - (iv) the Transaction Management Agreement;
    - (v) the Liquidity Facility Agreement;
    - (vi) the Guaranteed Investment Contract;
    - (vii) the Account Agreement;
    - (viii) the Corporate Services Agreement;
    - (ix) the Deed of Charge;
    - (x) the Trust Deed;
    - (xi) the Paying Agency Agreement;
    - (xii) the Depository Agreement;
    - (xiii) the Post Enforcement Call Option Agreement;
    - (xiv) the Hedge Agreements; and
    - (xv) the Scottish Trust Deed.
- 10 Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and trading on its regulated market.
- 11 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.

- 12 No person is 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 Managers, the Originator (in its various capacities), the Servicer, the Standby Servicer, each Hedge Counterparty, any Hedge Guarantor, the GIC Provider, the Transaction Manager, the Collection Account Banks, the Transaction Account Bank or the Trustee (which expression includes the trustee or trustees for the time being of the Notes pursuant to the Trust Deed). All information contained in this document is given as of the date of this Prospectus. Neither the delivery of this document nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the information contained herein since the date hereof.
- 13 None of the Managers or the Trustee has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy or in connection with the Notes. Each person receiving this Prospectus acknowledges that such person has not relied on the Managers or the Trustee nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.
- 14 This Prospectus has been prepared by the Issuer solely for use in connection with the offering. This Prospectus is personal to each potential investor to whom it has been delivered by the Issuer, the Managers or any of their respective affiliates and does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Managers (or any of them) to subscribe for or purchase any of the Notes. Except as set forth below, distribution of this Prospectus in the United States to any persons other than the potential investors and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- 15 The distribution of this Prospectus and the offering or sale of any Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.
- 16 For a description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus see “*Subscription and Sale*”. This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of this Prospectus in any jurisdiction where such action is required.
- 17 Each person contemplating making an investment in the Notes must make its own investigation and analysis of the Issuer and the terms of the offering including the merits and risks involved, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.
18. No revaluation of the Properties has occurred for the purpose of the issuance of the Instruments. Wherever Mortgage valuations are quoted in this Prospectus, these are sourced from the Originator’s records as at the Cut-Off Date, provided always that such records may reflect valuations obtained prior to the Cut-Off Date.
- 19 Neither the Issuer nor any of the Managers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws.
- 20 The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.
- 21 References in this document to “£”, “pounds”, “pounds sterling” or “sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this document to “euro” or “Euro” or “€” are to the single currency introduced at the third stage of

European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended from time to time. References in this document to “\$” or “dollars” are to the lawful currency for the time being of the United States of America.

- 22 In connection with this issue, Bear, Stearns International Limited (in this capacity the “**Stabilising Manager**”) or any person acting for it may over-allot or effect transactions with a view to supporting the market prices of the Notes (or any class of them) at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilising action. Any stabilising action may begin on or after the date on which adequate disclosure of the terms of the offer if the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days’ after the issue of the Notes and 60 days’ after the date of the allotment of the Notes.
- 23 Subject to the Rule 144A disclaimer on page 3 of this Prospectus, offers and sales of the Notes in the United States of America will be made by the Managers through affiliates that are registered broker dealers under the Exchange Act.

## GLOSSARY

“**144A Paying Agent**” is not applicable;

“**A Definitive Notes**” means, as applicable, the A1a Definitive Notes, the A1b Definitive Notes, the A1c Definitive Notes, the A1x Definitive Notes, the A2a Definitive Notes, the A2b Definitive Notes, the A2c Definitive Notes and the A2x Definitive Notes;

“**A Global Notes**” means the A1 Global Notes and the A2 Global Notes, as applicable;

“**A Noteholders**” means the several persons who are for the time being holders of the A Notes (being, if and to the extent that the A Notes are represented by the A Definitive Notes, the bearers thereof and, if and to the extent that the A Notes are represented by the A Global Notes, the persons for the time being shown in the records of Euroclear, Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) and DTC as being holders of the A Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg, Euroclear or DTC as to the Principal Amount Outstanding of A Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the A Global Notes in accordance with and subject to their respective terms and the terms of the Trust Deed) and for which purpose the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**A Notes**” means the A1 Notes and the A2 Notes, as applicable;

“**A Principal Deficiency Ledger**” means the ledger of such name created and maintained by the Transaction Manager to record as debits any Principal Deficiency in accordance with the Transaction Management Agreement;

“**A1 Global Notes**” means, as applicable, the A1a Global Notes, the A1b Global Notes, the A1c Global Notes and the A1x Global Notes;

“**A1 Notes**” means, as applicable, the A1a Notes, the A1b Notes, the A1c Notes and the A1x Notes or any of them;

“**A1a Definitive Notes**” means, as applicable, the A1a Reg S Definitive Note and the A1a Rule 144A Definitive Note;

“**A1a Global Notes**” means, as applicable, the A1a Reg S Global Note and the A1a Rule 144A Global Note;

“**A1a Noteholders**” means the holders of the A1a Notes;

“**A1a Notes**” means the £80,000,000 A1a Mortgage Backed Floating Rate Notes due 2047 or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the A1a Global Notes (or any of them) and the A1a Definitive Notes (or any of them);

“**A1a Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the A1a Reg S Global Note;

“**A1a Reg S Definitive Note**” means a definitive note issued in respect of the A1a Reg S Global Note;

“**A1a Reg S Global Note**” means a Reg S global note in bearer form in respect of the A1a Notes;

“**A1a Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A1a Rule 144A Global Note;

“**A1a Rule 144A Definitive Note**” means a definitive note issued in respect of the A1a Rule 144A Global Note;

“**A1a Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the A1a Notes;



**“A1b Definitive Notes”** means, as applicable, the A1b Reg S Definitive Note and the A1b Rule 144A Definitive Note;

**“A1b Global Notes”** means, as applicable, the A1b Reg S Global Note and the A1b Rule 144A Global Note;

**“A1b Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A1b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A1b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“A1b Noteholders”** means the holders of the A1b Notes;

**“A1b Notes”** means, as applicable, the A1b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A1b Global Notes (or any of them) and the A1b Definitive Notes (or any of them);

**“A1b Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A1b Reg S Global Note;

**“A1b Reg S Definitive Note”** means a definitive note issued in respect of the A1b Reg S Global Note;

**“A1b Reg S Global Note”** means a Reg S global note in bearer form in respect of the A1b Notes;

**“A1b Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A1b Rule 144A Global Note;

**“A1b Rule 144A Definitive Note”** means a definitive note issued in respect of the A1b Rule 144A Global Note;

**“A1b Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the A1b Notes;

**“A1c Definitive Notes”** means, as applicable, the A1c Reg S Definitive Note and the A1c Rule 144A Definitive Note;

**“A1c Global Notes”** means, as applicable, the A1c Reg S Global Note and the A1c Rule 144A Global Note;

**“A1c Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A1c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A1c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“A1c Noteholders”** means the holders of the A1c Notes;

**“A1c Notes”** means the A1c Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A1c Global Notes (or any of them) and the A1c Definitive Notes (or any of them);

**“A1c Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A1c Reg S Global Note;

**“A1c Reg S Definitive Note”** means a definitive note issued in respect of the A1c Reg S Global Note;

**“A1c Reg S Global Note”** means a Reg S global note in bearer form in respect of the A1c Notes;

**“A1c Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A1c Rule 144A Global Note;

**“A1c Rule 144A Definitive Note”** means a definitive note issued in respect of the A1c Rule 144A Global Note;

**“A1c Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the A1c Notes;

**“A1x Definitive Notes”** means, as applicable, the A1x Reg S Definitive Note and the A1x Rule 144A Definitive Note;

**“A1x Global Notes”** means, as applicable, the A1x Reg S Global Note and the A1x Rule 144A Global Note;

**“A1x Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A1x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A1x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“A1x Noteholders”** means the holders of the A1x Notes;

**“A1x Notes”** means the A1x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A1x Global Notes (or any of them) and the A1x Definitive Notes (or any of them);

**“A1x Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A1x Reg S Global Note;

**“A1x Reg S Definitive Note”** means a definitive note issued in respect of the A1x Reg S Global Note;

**“A1x Reg S Global Note”** means a Reg S global note in bearer form in respect of the A1x Notes;

**“A1x Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A1x Rule 144A Global Note;

**“A1x Rule 144A Definitive Note”** means a definitive note issued in respect of the A1x Rule 144A Global Note;

**“A1x Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the A1x Notes;

**“A2 Global Notes”** means, as applicable, the A2a Global Notes, the A2b Global Notes, the A2c Global Notes and the A2x Global Notes;

**“A2 Notes”** means, as applicable, the A2a Notes, the A2b Notes, the A2c Notes and the A2x Notes or any of them;

**“A2a Definitive Notes”** means, as applicable, the A2a Reg S Definitive Note and the A2a Rule 144A Definitive Note;

**“A2a Global Notes”** means, as applicable, the A2a Reg S Global Note and the A2a Rule 144A Global Note;

**“A2a Noteholders”** means the holders of A2a Notes;

**“A2a Notes”** means the £84,000,000 A2a Mortgage Backed Floating Rate Notes due 2047 or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the A2a Global Notes (or any of them) and the A2a Definitive Notes (or any of them);

**“A2a Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A2a Reg S Global Note;

**“A2a Reg S Definitive Note”** means a definitive note issued in respect of the A2a Reg S Global Note

**“A2a Reg S Global Note”** means a Reg S global note in bearer form in respect of the A2a Notes;

**“A2a Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A2a Rule 144A Global Note;

**“A2a Rule 144A Definitive Note”** means a definitive note issued in respect of the A2a Rule 144A Global Note;

**“A2a Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the A2a Notes;

**“A2b Definitive Notes”** means, as applicable, the A2b Reg S Definitive Note and the A2b Rule 144A Definitive Note;

**“A2b Global Notes”** means, as applicable, the A2b Reg S Global Note and the A2b Rule 144A Global Note;

**“A2b Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A2b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A2b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“A2b Noteholders”** means the holders of the A2b Notes;

**“A2b Notes”** means the A2b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A2b Global Notes (or any of them) and the A2b Definitive Notes (or any of them);

**“A2b Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A2b Reg S Global Note;

**“A2b Reg S Definitive Note”** means a definitive note issued in respect of the A2b Reg S Global Note;

**“A2b Reg S Global Note”** means a Reg S global note in bearer form in respect of the A2b Notes;

**“A2b Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A2b Rule 144A Global Note;

**“A2b Rule 144A Definitive Note”** means a definitive note issued in respect of the A2b Rule 144A Global Note;

**“A2b Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the A2b Notes;

**“A2c Definitive Notes”** means the A2c Reg S Definitive Note and the A2c Rule 144A Definitive Note;

**“A2c Global Notes”** means the A2c Reg S Global Note and the A2c Rule 144A Global Note;

**“A2c Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A2c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A2c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“A2c Noteholders”** means the holders of the A2c Notes;

**“A2c Notes”** means the A2c Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A2c Global Notes (or any of them) and the A2c Definitive Notes (or any of them);

**“A2c Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the A2c Reg S Global Note;

“**A2c Reg S Definitive Note**” means a definitive note issued in respect of the A2c Reg S Global Note;

“**A2c Reg S Global Note**” means a Reg S global note in bearer form in respect of the A2c Notes;

“**A2c Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A2c Rule 144A Global Note;

“**A2c Rule 144A Definitive Note**” means a definitive note issued in respect of the A2c Rule 144A Global Note;

“**A2c Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the A2c Notes;

“**A2x Definitive Notes**” means the A2x Reg S Definitive Note and the A2x Rule 144A Definitive Note;

“**A2x Global Notes**” means the A2x Reg S Global Note and the A2x Rule 144A Global Note;

“**A2x Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the A2x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the A2x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**A2x Noteholders**” means the holders of the A2x Notes;

“**A2x Notes**” means the A2x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the A2x Global Notes (or any of them) and the A2x Definitive Notes (or any of them);

“**A2x Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the A2x Reg S Global Note;

“**A2x Reg S Definitive Note**” means a definitive note issued in respect of the A2x Reg S Global Note;

“**A2x Reg S Global Note**” means a Reg S global note in bearer form in respect of the A2x Notes;

“**A2x Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the A2x Rule 144A Global Note;

“**A2x Rule 144A Definitive Note**” means a definitive note issued in respect of the A2x Rule 144A Global Note;

“**A2x Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the A2x Notes;

“**Account Agreement**” means the agreement between, among others, the Collection Account Banks, the Transaction Account Bank, the Issuer and the Trustee in relation to the maintenance and operation of the Collection Accounts and the Transaction Accounts;

“**Account Banks**” means each Collection Account Bank, the GIC Provider and the Transaction Account Bank;

“**Account Mandates**” means the Rooftop Collection Account Mandate, the FM2 Collection Account Mandate, the GIC Account Mandate, the Dollar Account Mandate, the Euro Account Mandate and the Sterling Account Mandate;

“**Actual Redemption Funds**” means the amount as at any Determination Date that is calculated as the aggregate of:

- (a) the amounts standing to the credit of the Principal Ledger;
- (b) (on the Determination Date immediately prior to the Final Maturity Date only) the amounts standing to the credit of the Substitutions Ledger;

- (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Interest Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced on the immediately succeeding Interest Payment Date; and
- (d) (as at the second Determination Date) the amounts of Prefunding (if any) standing to the credit of the Prefunding Principal Ledger on the second Determination Date which is not to be allocated for the purchase of Prefunded Loans on the second Interest Payment Date;

**“Administration Procedures Manuals”** means the administration procedures manuals together with the appendices and annexures thereto (as from time to time amended in accordance with the practice of a Prudent Mortgage Lender) as exhibited relative to the Servicing Agreement and initialled for identification purposes by the parties thereto;

**“Administrators”** means each of the Servicer and the Transaction Manager or either of them as the context may require (and **“Administrator”** shall be construed accordingly);

**“Advance”** means an advance or, as the case may be, advances (as from time to time reduced by repayment) made or to be made by the Liquidity Facility Provider pursuant to Clause 7 of the Liquidity Facility Agreement;

**“Agent Bank”** means HSBC Bank plc;

**“Agents”** means the Principal Paying Agent, the Agent Bank, the Irish Paying Agent, the Registrar and the Depository;

**“agreed draft”** means, in relation to any document, the draft of the document which has been substantially agreed between the parties thereto, subject to any amendments that may be agreed between those parties;

**“Applicable Rate”** means, in relation to any outstanding Advances, the Note Sterling LIBOR applicable to the Interest Period in which such Advance is outstanding plus 0.45 per cent.;

**“Arrangement Fee”** has the meaning given in Clause 19.1 of the Liquidity Facility Agreement;

**“Assigned Rights”** means, in relation to a Loan, all right, title, interest, benefit and obligations of the Issuer in and to the relevant Loan and its Collateral Security, which are sold by the Sellers to the Issuer pursuant to the Mortgage Sale Agreement;

**“Assignee”** shall have the meaning given in Clause 13.4 of the Liquidity Facility Agreement;

**“Assignment of Charges”** means an assignment of the English Charges in the form set out in the Mortgage Sale Agreement to be executed pursuant to the Mortgage Sale Agreement in relation to the Mortgage Pool;

**“Assignment of Policies”** means the assignment of the Insurance Contracts in the form set out in the Mortgage Sale Agreement to be executed pursuant to the Mortgage Sale Agreement;

**“Associated Costs Rate”** means, in respect of any period, the percentage rate per annum given by the formula set out in Schedule 3 of the Liquidity Facility Agreement;

**“Auditors”** means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of the Trust Deed, such other firm of accountants as may be appointed in writing by the Issuer after consultation with the Trustee;

**“Authorised Investments”** means any sterling denominated principal protected fixed income security or bank account or other right of or with any entity any of whose short term unsecured, unguaranteed and non-subordinated securities or debt is rated at least P-1 by Moody’s and A-1+ by S&P and at least F-1+ by Fitch and which matures on or before the next Interest Payment Date on which the cash represented by such investments is required by the Issuer and in respect of which the rate of return is at least equal to the Note Sterling LIBOR less the GIC Margin;

**“Authorised Signatory”** means in relation to any Transaction Party, the person authorised to enter into the relevant Transaction Document for and on behalf of such Transaction Party and/or operate the Bank Accounts and **“Authorised Signatories”** shall be construed accordingly;

**“Available Commitment”** means, at any time, the Commitment less the outstanding Advances at that time;

**“Available Revenue Funds”** means the amount of the Initial Available Revenue together with (i) drawings under the Reserve Ledger and/or (ii) a Liquidity Drawing or Standby Liquidity Drawing in accordance with the Transaction Documents;

**“B Definitive Notes”** means, as applicable, the B1a Definitive Notes, the B1b Definitive Notes, the B1c Definitive Notes, the B1x Definitive Notes, the B2a Definitive Notes, the B2b Definitive Notes, the B2c Definitive Notes and the B2x Definitive Notes;

**“B Global Notes”** means the B1 Global Notes and the B2 Global Notes;

**“B Noteholders”** means the several persons who are for the time being holders of the B Notes (being, if and to the extent that the B Notes are represented by the B Definitive Notes, the bearers thereof and, if and to the extent that the B Notes are represented by the B Global Notes, the persons for the time being shown in the records of Euroclear, Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) and DTC as being holders of the B Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg, Euroclear or DTC as to the Principal Amount Outstanding of B Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the B Global Notes in accordance with and subject to their respective terms and the terms of the Trust Deed) and for which purpose the words **“holder”** and **“holders”** and related expressions shall (where appropriate) be construed accordingly;

**“B Notes”** means the B1 Notes and the B2 Notes;

**“B1 Global Notes”** means, as applicable, the B1a Global Notes, the B1b Global Notes, the B1c Global Notes and the B1x Global Notes;

**“B1 Noteholders”** means the holders of the B1 Notes;

**“B1 Notes”** means, as applicable, the B1a Notes, the B1b Notes, the B1c Notes and the B1x Notes or any of them;

**“B1 Principal Deficiency Ledger”** means the ledger of such name created and maintained by the Transaction Manager;

**“B1a Definitive Notes”** means, as applicable, the B1a Reg S Definitive Note and the B1a Rule 144A Definitive Note;

**“B1a Global Notes”** means, as applicable, the B1a Reg S Global Note and the B1a Rule 144A Global Note;

**“B1a Noteholders”** means the holders of the B1a Notes;

**“B1a Notes”** means the £7,400,000 B1a Mortgage Backed Floating Rate Notes due 2047 or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the B1a Global Notes (or any of them) and the B1a Definitive Notes (or any of them);

**“B1a Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the B1a Reg S Global Note;

**“B1a Reg S Definitive Note”** means a definitive note issued in respect of the B1a Reg S Global Note;

**“B1a Reg S Global Note”** means a Reg S global note in bearer form in respect of the B1a Notes;

**“B1a Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B1a Rule 144A Global Note;

**“B1a Rule 144A Definitive Note”** means a definitive note issued in respect of the B1a Rule 144A Global Note;

**“B1a Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the B1a Notes;

**“B1b Definitive Notes”** means, as applicable, the B1b Reg S Definitive Note and the B1b Rule 144A Definitive Note;

**“B1b Global Notes”** means, as applicable, the B1b Reg S Global Note and the B1b Rule 144A Global Note;

**“B1b Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the B1b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the B1b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“B1b Noteholders”** means the holders of the B1b Notes;

**“B1b Notes”** means, as applicable, the B1b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the B1b Global Notes (or any of them) and the B1b Definitive Notes (or any of them);

**“B1b Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the B1b Reg S Global Note;

**“B1b Reg S Definitive Note”** means a definitive note issued in respect of the B1b Reg S Global Note;

**“B1b Reg S Global Note”** means a Reg S global note in bearer form in respect of the B1b Notes;

**“B1b Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B1b Rule 144A Global Note;

**“B1b Rule 144A Definitive Note”** means a definitive note issued in respect of the B1b Rule 144A Global Note;

**“B1b Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the B1b Notes;

**“B1c Definitive Notes”** means, as applicable, the B1c Reg S Definitive Note and the B1c Rule 144A Definitive Note;

**“B1c Global Notes”** means, as applicable, the B1c Reg S Global Note and the B1c Rule 144A Global Note;

**“B1c Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto between the Issuer and a Currency Swap Counterparty in connection with the B1c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the B1c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“B1c Noteholders”** means the holders of the B1c Notes;

**“B1c Notes”** means the B1c Mortgage Backed Floating Rate Notes the time being outstanding or, as the context may require, a specific number thereof and includes the B1c Global Notes (or any of them) and the B1c Definitive Notes (or any of them);

**“B1c Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the B1c Reg S Global Note;

“**B1c Reg S Definitive Note**” means a definitive note issued in respect of the B1c Reg S Global Note;

“**B1c Reg S Global Note**” means a Reg S global note in bearer form in respect of the B1c Notes;

“**B1c Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B1c Rule 144A Global Note;

“**B1c Rule 144A Definitive Note**” means a definitive note issued in respect of the B1c Rule 144A Global Note;

“**B1c Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the B1c Notes;

“**B1x Definitive Notes**” means the B1x Reg S Definitive Note and the B1x Rule 144A Definitive Note;

“**B1x Global Notes**” means the B1x Reg S Global Note and the B1x Rule 144A Global Note;

“**B1x Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedule and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the B1x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the B1x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**B1x Noteholders**” means the holders of the B1x Notes;

“**B1x Notes**” means, as applicable, the B1x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the B1x Global Notes (or any of them) and the B1x Definitive Notes (or any of them);

“**B1x Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the B1x Reg S Global Note;

“**B1x Reg S Definitive Note**” means a definitive note issued in respect of the B1x Reg S Global Note;

“**B1x Reg S Global Note**” means a Reg S global note in bearer form in respect of the B1x Notes;

“**B1x Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B1x Rule 144A Global Note;

“**B1x Rule 144A Definitive Note**” means a definitive note issued in respect of the B1x Rule 144A Global Note;

“**B1x Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the B1x Notes;

“**B2 Global Notes**” means, as applicable, the B2a Global Notes, the B2b Global Notes, the B2c Global Notes and the B2x Global Notes;

“**B2 Noteholders**” means the holders of the B2 Notes;

“**B2 Notes**” means, as applicable, the B2a Notes, the B2b Notes, the B2c Notes and the B2x Notes or any of them;

“**B2 Principal Deficiency Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**B2a Definitive Notes**” means, as applicable, the B2a Reg S Definitive Note and the B2a Rule 144A Definitive Note;

“**B2a Global Notes**” means, as applicable, the B2a Reg S Global Note and the B2a Rule 144A Global Note;

“**B2a Noteholders**” means the holders of the B2a Notes;



**“B2a Notes”** means the £5,100,000 B2a Mortgage Backed Floating Rate Notes due 2047 or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the B2a Global Notes (or any of them) and the B2a Definitive Notes (or any of them);

**“B2a Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the B2a Reg S Global Note;

**“B2a Reg S Definitive Note”** means a definitive note issued in respect of the B2a Reg S Global Note;

**“B2a Reg S Global Note”** means a Reg S global note in bearer form in respect of the B2a Notes;

**“B2a Rule 144A CDIs”** means, as applicable, the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B2a Rule 144A Global Note;

**“B2a Rule 144A Definitive Note”** means a definitive note issued in respect of the B2a Rule 144A Global Note;

**“B2a Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the B2a Notes;

**“B2b Definitive Notes”** means the B2b Reg S Definitive Note and the B2b Rule 144A Definitive Note;

**“B2b Global Notes”** means, as applicable, the B2b Reg S Global Note and the B2b Rule 144A Global Note;

**“B2b Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedules and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the B2b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the B2b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

**“B2b Noteholders”** means the holders of the B2b Notes;

**“B2b Notes”** means, as applicable, the B2b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the B2b Global Notes (or any of them) and the B2b Definitive Notes (or any of them);

**“B2b Reg S CDIs”** means certificated depository interests issued by the Depository in respect of the B2b Reg S Global Note;

**“B2b Reg S Definitive Note”** means a definitive note issued in respect of the B2b Reg S Global Note;

**“B2b Reg S Global Note”** means a Reg S global note in bearer form in respect of the B2b Notes;

**“B2b Rule 144A CDIs”** means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B2b Rule 144A Global Note;

**“B2b Rule 144A Definitive Note”** means a definitive note issued in respect of the B2b Rule 144A Global Note;

**“B2b Rule 144A Global Note”** means a Rule 144A global note in bearer form in respect of the B2b Notes;

**“B2c Definitive Notes”** means, as applicable, the B2c Reg S Definitive Note and the B2c Rule 144A Definitive Note;

**“B2c Global Notes”** means, as applicable, the B2c Reg S Global Note and the B2c Rule 144A Global Note;

**“B2c Note Currency Swap Agreement”** means the ISDA Master Agreement, corresponding schedules and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the B2c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from

time to time in connection with the B2c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**B2c Noteholders**” means the holders of the B2c Notes;

“**B2c Notes**” means, as applicable, the B2c Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the B2c Global Notes (or any of them) and the B2c Definitive Notes (or any of them);

“**B2c Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the B2c Reg S Global Note;

“**B2c Reg S Definitive Note**” means a definitive note issued in respect of the B2c Reg S Global Note;

“**B2c Reg S Global Note**” means, a Reg S global note in bearer form in respect of the B2c Notes;

“**B2c Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B2c Rule 144A Global Note;

“**B2c Rule 144A Definitive Note**” means a definitive note issued in respect of the B2c Rule 144A Global Note;

“**B2c Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the B2c Notes;

“**B2x Definitive Notes**” means, as applicable, the B2x Reg S Definitive Note and the B2x Rule 144A Definitive Note;

“**B2x Global Notes**” means, as applicable, the B2x Reg S Global Note and the B2x Rule 144A Global Note;

“**B2x Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedules and confirmations relating thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the B2x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the B2x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**B2x Noteholders**” means the holders of the B2x Notes;

“**B2x Notes**” means, as applicable, the B2x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the B2x Global Notes (or any of them) and the B2x Definitive Notes (or any of them);

“**B2x Reg S CDIs**” means the certificated depository interests issued by the Depository in respect of the B2x Reg S Global Note;

“**B2x Reg S Definitive Note**” means a definitive note issued in respect of the B2x Reg S Global Note;

“**B2x Reg S Global Note**” means a Reg S global note in bearer form in respect of the B2x Notes;

“**B2x Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the B2x Rule 144A Global Note;

“**B2x Rule 144A Definitive Note**” means a definitive note issued in respect of the B2x Rule 144A Global Note;

“**B2x Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the B2x Notes;

“**BACS**” means Bankers’ Automated Clearing Service as amended from time to time or any scheme replacing the same;

“**BACS Amounts**” means amounts received under the BACS system;

**“Balance”** means in relation to any Loan and on any date the interest bearing balance of that Loan including, without limitation, (i) the original principal amount advanced to the Borrower *plus* any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the Mortgage Conditions on or prior to such date, and (ii) any advance of further moneys to the Borrower thereof on the security of the relevant Mortgage after the date of completion of such Loan including advances of any retention less any repayments of such amounts;

**“Bank Accounts”** means the Issuer Accounts and the Collection Accounts (or any replacement accounts for such accounts or further accounts as may be opened in accordance with the terms of the Account Agreement) and references to Bank Accounts shall include any or all of them;

**“Barclays”** means Barclays Bank PLC;

**“Basel II”** means the proposals for capital adequacy regulation implemented, either by way of any European Union Directive or other rules or regulations promulgated by the UK Financial Services Authority or other such regulatory authority, as a result of the new Basel Capital Accord proposed in 1999;

**“Basic Terms Modification”** means any modification of the terms of the relevant class of Instruments which relates to:

- (a) altering the date of maturity of the Instruments of the relevant class;
- (b) a modification which would have the effect of postponing any day for payment of interest or MER Distributions or any other distributions (as the case may be) in respect of such Instruments;
- (c) the reduction or cancellation of the amount of principal or MER Distributions or any other distributions (as the case may be) payable in respect of such Instruments;
- (d) the alteration of the Interest Rate or DAC Interest Rate applicable in respect of such Instruments;
- (e) the alteration of the majority required to pass an Extraordinary Resolution;
- (f) the alteration of the currency of payment of such Instruments; or
- (g) any alteration of the priority of redemption of such Instruments.

**“Bear UK”** means Bear UK Mortgages Limited incorporated with company number 5210244 with its registered office at One Canada Square, London E14 5AD;

**“Block Building Insurer”** mean CHUBB Insurance Co. Limited;

**“Block Buildings Policy”** means the block building insurance policy described in the Mortgage Sale Agreement and any other insurance contracts in replacement, addition or substitution therefore from time to time;

**“Bond Conditions”** means the specific terms and conditions applicable to the Notes and the Residual Certificates;

**“Book-Entry Interest”** means the Restricted Book-Entry Interest and the Unrestricted Book-Entry Interest;

**“Borrower”** means in relation to each Loan, each borrower specified in such Loan;

**“Business Day”** means (i) a day (other than Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York and (ii) a day on which the TARGET System is operating;

**“Buy-to-Let Loan”** means a Loan made to a Borrower for the purpose of purchasing a Property which will be non-owner occupied and will be rented to tenants;

“**Cancellation Event**” means the refusal by the Liquidity Facility Provider pursuant to Clause 2.3.2 of the Liquidity Facility Agreement of a request by the Borrower pursuant to Clause 2.2 of the Liquidity Facility Agreement for new facilities to be granted;

“**Capped Rate**” means, in respect of the interest-rate payable on a Loan, a 3 year capped rate of between (as at the Issue Date) 6.36 per cent. and 8.76 per cent.;

“**Capped Rate Loans**” means those Loans which are subject to a Capped Rate;

“**CCA**” means the Consumer Credit Act 1974;

“**CCJ**” means a county court judgment (or the Scottish equivalent) relating to a Borrower;

“**CDIs**” means, as applicable, the Reg S CDIs and the Rule 144A CDIs;

“**Certificate of Title**” means the title certificate issued in respect of a Property;

“**CHAPS**” means the Clearing House Automated Payments System;

“**Charge**” means a legal charge granted by a Borrower, in favour of the Originator, in respect of a Property by way of collateral security for the payment of the moneys secured by a Mortgage;

“**Charged Assets**” means the property, assets, rights and undertaking for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge and references to the Charged Assets shall include references to any part of it;

“**Charged Transaction Documents**” means the Transaction Documents other than the Trust Deed;

“**Clearstream, Luxembourg**” means Clearstream, Luxembourg Banking, Société Anonyme, Luxembourg;

“**CML**” means the Council of Mortgage Lenders in the United Kingdom;

“**CML Code**” means the Code of Mortgage Lending Practice of the CML;

“**Collateral Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**Collateral Security**” means in relation to each Loan, the Mortgage granted by the relevant Borrower to the mortgagee together with any associated security including, without limitation, any guarantee, any insurance policies in respect of which the interest of the Originator may be given effect to by way of co-insurance or the notifying of the Originator’s interest and any other assignment, assignation, notification or deposit which may be effected in connection with securing the relevant Loan;

“**Collection Account Banks**” means Barclays and Danske in their respective capacities as such;

“**Collection Accounts**” means the Rooftop Collection Account and the FM2 Collection Account;

“**Co-Managers**” means Commerzbank AG and Danske Bank A/S;

“**Commitment**” means (subject to any increase, decrease or cancellation of the Commitment as may be made pursuant to Clauses 2.3.2, 9 and 12 of the Liquidity Facility Agreement) fourteen million pounds sterling (£14,000,000);

“**Commitment Period**” means the period commencing on the date of the Liquidity Facility Agreement and concluding on the day which is 364 days after such date of commencement (including, for the purpose of counting such number of days, date of the Liquidity Facility Agreement) or such later date as may be the last day of any new Commitment Period agreed under Clause 2.3 of the Liquidity Facility Agreement;

“**Common Depository**” means HSBC Bank plc as common depository for Euroclear and Clearstream, Luxembourg;

**“Common Terms”** means the common terms set out in Schedule 2 of the Deed of Charge;

**“Completion”** means (a) in relation to the Completion Mortgage Pool, the sale and purchase thereof and implementation of the other matters provided for in Clause 5 of the Mortgage Sale Agreement and (b) in relation to the Further Advances Loans, the Converted Loans, the Substituted Collateral Loans, the Substitute Loans or the Prefunded Loans, the sale and purchase thereof and implementation of other matters, as provided for in Clause 5 of the Mortgage Sale Agreement;

**“Completion Mortgage Pool”** means (i) the Loans selected from the Provisional Completion Mortgage Pool in accordance with Clause 3 of the Mortgage Sale Agreement and (ii) any additional loans, which are to be sold and assigned to the Issuer pursuant to the Mortgage Sale Agreement on the Issue Date;

**“Conditions”** means:

- (i) in relation to the Notes and Residual Certificates, the General Conditions together with the Bond Conditions; and
- (ii) in relation to the MERCs, the General Conditions together with the MERC Conditions; and
- (iii) in relation to the DACs, the General Conditions together with the DAC Conditions;

**“Consideration”** means

- (i) in relation to the MERCs and Residual Certificates and the Sterling Notes and Sterling DACs an amount equal to £0.01 per Sterling Note, Sterling DAC, MERC and Residual Certificate;
- (ii) in relation to the Dollar Notes and Dollar DACs an amount equal to \$0.01 per Dollar Note and Dollar DAC;
- (iii) in relation to the Euro Notes and Euro DACs an amount equal to €0.01 per Euro Note and Euro DAC;

**“Converted Loan”** means a Loan converted into either a Repayment Loan, Part and Part Loan or an Interest Only Loan in accordance with the provisions of the Transaction Documents;

**“Corporate Services Agreement”** means the corporate services agreement dated on or about the Issue Date made between, among others, the Issuer, Parent, Options, the Trustee and the Corporate Services Provider;

**“Corporate Services Fee”** means the fee (inclusive of any value added tax if any) payable pursuant to the Corporate Services Fee Letter together with costs and expenses incurred by the Corporate Services Provider in accordance with the Corporate Services Agreement;

**“Corporate Services Fee Letter”** means the corporate services fee letter (referred to in the Corporate Services Agreement dated on or about the Issue Date) from the Corporate Services Provider and accepted by the Issuer setting out the fees payable to the Corporate Services Provider;

**“Corporate Services Provider”** means Structured Finance Management Limited;

**“Coupon”** means a coupon relating to a Note (other than a DAC);

**“Coupon Value”** has the meaning in DAC Condition 1(b);

**“Couponholders”** means holders of Coupons;

**“CPR”** means an assumed constant per annum rate of prepayment;

**“Currency Swap Agreement”** means, as applicable, any currency swap agreement as may be entered into between the Issuer and a Currency Swap Counterparty to hedge currency risk in respect of the Instruments;

**“Currency Swap Counterparty”** means the currency swap counterparty, if any, named as such in the **“Hedge Table”**;

**“Currency Hedge Guarantor”** is not applicable under this Prospectus

**“Current Balance”** means, in relation to a Loan, the amount of principal outstanding in respect of advances to a Borrower including any insurance premiums, fees, costs and expenses which may have been added to such principal amount but excluding any accrued interest or arrears of interest;

**“Cut-Off Date”** means 29 July, 2005;

**“D Noteholder”** means the holder of the D Notes;

**“D Notes”** means the note to be issued by the Issuer to the D Noteholder which entitles the D Noteholder to receive the Deferred Consideration;

**“DAC Conditions”** means the specific terms and conditions applicable to the DACs;

**“DAC Holder”** means a holder of a DAC;

**“DAC Interest Rate”** is 2.13%;

**“DAC Interest Amount”** means the interest amount determined in accordance with DAC Condition 2(d);

**“DACs”** means, together, the Detachable A1a Coupons and the Detachable A2a Coupons;

**“Danske”** means Danske Bank A/S;

**“Danske Group”** means Danske and a number of subsidiaries of Danske Bank A/S;

**“Deed of Charge”** means the deed of charge and assignment dated the Issue Date between, among others, the Issuer, the Trustee and the other Transaction Parties, and includes any further or supplemental charge or security granted pursuant thereto;

**“Deed of Priority”** means a deed entered into by a Borrower in favour of the Originator postponing a charge or other security interest in the Collateral Security to the charge or security interest in the Collateral Security securing the Further Advances Loan;

**“Deferred Consideration”** means any amount payable by way of further, deferred consideration to the D Noteholder in accordance with the Mortgage Sale Agreement and the Pre-Enforcement Interest Priority of Payments;

**“Definitive DACs”** means the Reg S Definitive DAC;

**“Definitive Instrument”** means, as applicable, the Definitive Notes, the Definitive DACs, the Definitive MERCs and the Definitive Residual Certificates, as the case may be;

**“Definitive MERCs”** means the Reg S Definitive MERC;

**“Definitive Notes”** means the A Definitive Notes, the M Definitive Notes and the B Definitive Notes;

**“Definitive Residual Certificates”** means the Reg S Definitive Residual Certificate;

**“Depository”** means HSBC Bank USA, National Association;

**“Depository Agreement”** means the depository agreement dated on or about the Issue Date between the Issuer, the Depository and the Trustee;

**“Detachable A Coupons”** or **“DACs”** means, as applicable, the Detachable A1 Coupons and the Detachable A2 Coupons;

**“Detachable A1 Coupons”** means, as applicable, the Detachable A1a Coupons, the Detachable A1b Coupons, the Detachable A1c Coupons and the Detachable A1x Coupons;

**“Detachable A1a Coupons”** or **“A1a DAC”** means, the detachable coupons for the time being outstanding or, as the context may require, a specific number thereof and includes the Reg S Global A1a DACs (or any of them) and the Reg S Definitive A1a DACs (or any of them);

**“Detachable A1b Coupons”** means, as applicable, the detachable coupons in respect of the A1b Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A1c Coupons”** means, as applicable, the detachable coupons in respect of the A1c Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A1x Coupons”** means, as applicable, the detachable coupons in respect of the A1x Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A1a Couponholders”** means the holders of the Detachable A1a Coupons;

**“Detachable A1b Couponholders”** means the holders of the Detachable A1b Coupons;

**“Detachable A1c Couponholders”** means the holders of the Detachable A1c Coupons;

**“Detachable A1x Couponholders”** means the holders of the Detachable A1x Coupons;

**“Detachable A2 Coupons”** means, as applicable, the Detachable A2a Coupons, the Detachable A2b Coupons, the Detachable A2c Coupons and the Detachable A2x Coupons;

**“Detachable A2a Coupons”** or **“A2a DAC”** means the detachable coupons in respect of the A2a Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the Reg S Global A2a DACs (or any of them) and the Reg S Definitive A2a DACs (or any of them);

**“Detachable A2b Coupons”** means, as applicable, the detachable coupons in respect of the A2b Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A2c Coupons”** means, as applicable, the detachable coupons in respect of the A2c Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A2x Coupons”** means, as applicable, the detachable coupons in respect of the A2x Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the global DACs (or any of them) and the definitive DACs (or any of them);

**“Detachable A2a Couponholders”** means holders of the Detachable A2a Coupons;

**“Detachable A2b Couponholders”** means holders of the Detachable A2b Coupons;

**“Detachable A2c Couponholders”** means holders of the Detachable A2c Coupons;

**“Detachable A2x Couponholders”** means holders of the Detachable A2x Coupons;

**“Determination Date”** means each day which falls five Business Days prior to an Interest Payment Date;

**“Direct Debiting Scheme”** means the scheme for the manual and automated debiting of bank accounts opened in accordance with the detailed rules of certain members of the Association for Payment Clearing Services;

**“Distribution Compliance Period”** means the period until and including the 40th day after the later of the commencement of the offering of the Instruments and the Issue Date for the offering of the Instruments;

**“Dollar”, “dollar”, “U.S. Dollar”, “U.S.\$” or “\$”** denotes the lawful currency for the time being of the United States of America;

**“Dollar A Notes”** means, as applicable, the A1b Notes and the A2b Notes;

**“Dollar Account”** means the account in the name of the Issuer at the Transaction Account Bank denominated in U.S. Dollars;

**“Dollar Account Mandate”** means the account mandate in the form set out in the Account Agreement as they may be amended from time to time;

**“Dollar DACs”** means, as applicable, the Detachable A1b Coupons and the Detachable A2b Coupons;

**“Dollar Notes”** means, as applicable, the A1b Notes, the A2b Notes, the M1b Notes, the M2b Notes, the B1b Notes and the B2b Notes or any of them;

**“Dollar Swap Agreements”** means, as applicable, the A1b Note Currency Swap Agreement, the A2b Note Currency Swap Agreement, the B1b Note Currency Swap Agreement, the B2b Note Currency Swap Agreement, the M1b Note Currency Swap Agreement and the M2b Note Currency Swap Agreement;

**“Dollar Swap Counterparty”** is not applicable under this Prospectus;

**“Dollar Swap Rate”** is not applicable under this Prospectus;

**“Drawdown Date”** means, in relation to any Advance, the date for the making thereof, as specified in the Notice of Drawdown relating thereto;

**“Drawing”** means a Liquidity Drawing or a Standby Liquidity Drawing;

**“DTC”** means The Depository Trust Company;

**“DTI”** means the Department of Trade and Industry of the United Kingdom;

**“Enforcement Liabilities”** means all amounts owed by a Borrower under the respective Loan;

**“Enforcement Notice”** means a notice given by the Trustee to the Issuer under General Condition 7(a);

**“Enforcement Proceeds”** means, in relation to a Borrower who defaults under the respective Loan, the proceeds from enforcement proceedings against such Borrower, including the sale proceeds of the relevant Property and other Collateral Security;

**“Enforcement Procedures”** means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower’s obligations arising from any default by the Borrower under or in connection with the respective Loan or related Collateral Security in accordance with the procedures described in the Service Specification or such other procedures as may be agreed from time to time by the Trustee with the Servicer, and **“completion of the Enforcement Procedures”** shall be deemed to have occurred in respect of a particular Loan and its related Collateral Security when the Servicer determines that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic;

**“English Charge”** means a Charge governed by English law;

**“English Loan”** means a Loan secured by an English Mortgage;



“**English Mortgage**” means a Mortgage secured over an English Property;

“**English Property**” means a freehold or leasehold residential property situated in England or Wales;

“**Euro**” or “**euro**” or “**€**” denotes the lawful currency for the time being of the member states of the European Union that adopt the single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty of Rome of 25th March, 1957, establishing the European Community as amended from time to time and as amended by, among others, the Treaty of European Union of 7th February, 1992;

“**Euro A Notes**” means, as applicable, the A1c Notes and the A2c Notes;

“**Euro Account**” means the account in the name of the Issuer at the Transaction Account Bank denominated in Euro;

“**Euro Account Mandate**” means the account mandate in the form set out in the Account Agreement as may be amended from time to time;

“**Euro DACs**” means, as applicable, the Detachable A1c Coupons and the Detachable A2c Coupons;

“**Euro Notes**” means, as applicable, the A1c Notes, the A2c Notes, the M1c Notes, the M2c Notes, the B1c Notes and the B2c Notes or any of them;

“**Euro Swap Agreements**” means, as applicable, the A1c Note Currency Swap Agreement, the A2c Note Currency Swap Agreement, the M1c Note Currency Swap Agreement, the M2c Note Currency Swap Agreement, the B1c Note Currency Swap Agreement and the B2c Note Currency Swap Agreement;

“**Euro Swap Rate**” is not applicable under this Prospectus;

“**Euroclear**” means Euroclear Bank S.A. / N.V. as operator of the Euroclear System;

“**Event of Default**” means any of the events set out in General Condition 7(a);

“**Excepted Obligations**” means the obligations of the Borrower to pay to the Liquidity Facility Provider:

- (a) the Associated Costs Rate under Clauses 8.2, 8.3 and 17.1 of the Liquidity Facility Agreement;
- (b) the costs specified in Clause 10.2 of the Liquidity Facility Agreement;
- (c) the costs (including broken funding costs) payable under Clause 12 of the Liquidity Facility Agreement; and
- (d) the gross-up costs payable under Clauses 18.3 and 18.4.2 of the Liquidity Facility Agreement; and
- (e) the indemnities payable under Clause 27 of the Liquidity Facility Agreement.

“**Excess Spread**” means the amount (expressed as a percentage) by which the weighted average interest rate payable by Borrowers on the Loans (assuming the same LIBOR is applicable to the Notes and/or payments under any relevant Interest Rate Swap Agreements and/or Interest Rate Agreements, where applicable, and that other than expenses pertaining to the transaction contemplated under this Prospectus, no extraordinary expenses have been incurred by the Issuer) exceeds the Weighted Average Note Rate, after including the Tranche D Amount on the Issue Date;

“**Exchange Act**” means the United States Securities Exchange Act of 1934 (as amended);

“**Exchange Agent**” is not applicable under this Prospectus;

“**Exchange Amount**” means, as applicable,:

- (a) in respect of the Notes, the Principal Amount Outstanding of the Reg S Global Note or, as the case may be, the Rule 144A Global Notes of the corresponding class; and
- (b) in respect of the Residual Certificates, the Principal Amounts Outstanding of a Reg S Global Residual Certificate;
- (c) in respect of the DACs, the Coupon Value of the Reg S Global DAC; and
- (d) in respect of the MERCs, the amount representing the beneficial interests in the Reg S Global MERC.

“**Exchange Rate**” means such rate as may be specified in the Exchange Rate Agency Agreement;

“**Exchange Rate Agency Agreement**” means, if applicable, the exchange rate agency agreement, entered into between, among others, the Exchange Agent and the Issuer;

“**Exchange Sterling**” means such amount as may be specified as payable to the Exchange Agent in the Exchange Rate Agency Agreement;

“**Expense Shortfall**” means the shortfall in items (i) to (iv) of the Pre-Enforcement Interest Priority of Payments after application of amounts standing to the credit of the Reserve Ledger;

“**Extraordinary Resolution**” means a resolution passed at a meeting of the relevant class of Instrumentholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75 per cent. of the votes given on such poll;

“**Facility**” means the Liquidity Facility and the Standby Liquidity Facility to be made available to the Issuer under the terms of the Liquidity Facility Agreement;

“**Final Maturity Date**” means:

- (a) in respect of the Notes, DACs and Residual Certificates, the Interest Payment Date falling on 15 July 2047; and
- (b) in respect in respect of the MERCs, the Interest Payment Date falling on 15 July 2047;

“**Fitch**” means Fitch Ratings Ltd. and includes any successor to its rating business;

“**Floor Counterparty**” is not applicable in this Prospectus;

“**FM2 Collection Account**” means the collection account in the name of the Originator, sort code 30-12-81, account number 93404422 held and maintained with Danske Bank A/S;

“**FM2 Collection Account Mandate**” means the account mandate in the form set out in the Account Agreement;

“**FM2 Collection Account Declaration of Trust**” means the declaration of trust over the FM2 Collection Account dated on or about the Issue Date;

“**FSA**” means the Financial Services Authority;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Further Advances Loan**” means a Loan in the Mortgage Pool which is repurchased by the Originator from the Issuer and redeemed and a new Loan made to the Borrower for an amount which equals the amount so redeemed plus the further advance requested by the Borrower in accordance with the Lending Criteria;

“**General Conditions**” means the general terms and conditions applicable to the Instruments;

“**GIC Account**” means the account in the name of the Issuer, sort code 30-12-81, account number 93404457 held at the GIC Provider;

“**GIC Account Mandate**” means the account mandate in the form set out in Schedule 1 of the Guaranteed Investment Contract;

“**GIC Balance**” means on any day all amounts standing to the credit of the GIC Account;

“**GIC Margin**” means 0.45 per cent per annum;

“**GIC Provider**” means Danske Bank A/S in its capacity as provider of the Guaranteed Investment Contract;

“**Global DACs**” means the Reg S Global DACs;

“**Global Instruments**” means, as applicable, the Reg S Global Instruments and the Rule 144A Global Notes;

“**Global MERCs**” means Reg S Global MERC;

“**Global Notes**” means the A Global Notes, the M Global Notes and the B Global Notes and “**Global Note**” means any of them;

“**Global Residual Certificate**” means the Reg S Global Residual Certificate;

“**Glossary**” means this section of the Prospectus so entitled containing a list of defined terms;

“**Group**” or “**Group Company**” means the Originator and each Subsidiary from time to time of the Originator;

“**Guaranteed Investment Contract**” or “**GIC**” means the agreement dated on or about the date of this Prospectus between, among others, the Issuer, the GIC Provider, and the Trustee;

“**Hedge Agreements**” means the Swap Agreements together with the Interest Rate Agreements;

“**Hedge Counterparty**” means a counterparty of a Hedge Agreement entered into with the Issuer;

“**Hedge Guarantor**” means either or both the Interest Rate Swap Guarantor and/or the Currency Swap Guarantor;

“**Hedge Subordinated Amounts**” means any termination payments payable to a Hedge Counterparty in connection with the termination of a Hedge Agreement where such termination results from a default by such Hedge Counterparty or where the Hedge Counterparty is the sole Affected Party (as defined in the Hedge Agreement);

“**Hedge Termination Amounts**” means any termination payments payable either by the Issuer or by the relevant Hedge Counterparty in connection with the termination of a Hedge Agreement but does not include Hedge Subordinated Amounts;

“**Hedge Table**” means the table containing the relevant details of the Hedge Agreements entered into by the Issuer as set out in the section headed “**Principal Characteristics of Hedge Agreements**”;

“**Holdings**” means Rooftop Holdings Limited incorporated with company number 5210277 and its registered office at 26 Farringdon Street London EC4A 4AB;

“**Income Deficiency**” means on any Determination Date, the extent to which the Initial Available Revenue is insufficient to pay or provide for payment of items (i) to (xiii) inclusive of the Pre-Enforcement Interest Priority of Payments and “**Income Deficiencies**” shall be construed accordingly;

“**Initial Available Revenue**” means on each Determination Date, the credit balance of the Revenue Ledger after crediting amounts from the Prefunding Ledger and the Mortgage Discount Ledger (if applicable) and after taking into account any Permitted Withdrawals (other than item (a) of Permitted Withdrawals);

**“Initial MERC Collection Period”** means until 15 October 2008;

**“Initial Non- Verified Loan”** means the Non-Verified Loans in the Provisional Completion Mortgage Pool;

**“Instrumentholders”** means the holders of the Instruments from time to time and **“Instrumentholder”** shall be construed accordingly;

**“Instruments”** means together the applicable classes of Notes, the DACs, the MERCs, the Residual Certificates offered under this Prospectus and **“Instrument”** means any one of them;

**“Insurance Agent”** means Beckett Risk Management Limited acting through its office at Blenheim House, Newmarket Road, Bury, Saint Edmunds, Suffolk IP33 358;

**“Insurance Contracts”** means the Title Insurance Policies and any Buildings Policy and any other insurance policies described in the schedules to the Mortgage Sale Agreement and any insurance contracts in replacement, addition or substitution therefore from time to time which relate to the Loans;

**“Insurances”** means the insurances effected and maintained by the Servicer to provide adequate and effective cover, among others, for the Insured Risks;

**“Insured Risks”** means:

- (a) the costs of reinstatement of the Servicer’s own office equipment, computer equipment, computer records and computer software;
- (b) operating risks including but not limited to public liability and business interruption (additional cost of working); and
- (c) professional negligence and costs of reinstating documents;

**“Interest Amount”** has the meaning set out in Bond Condition 1(d);

**“Interest Determination Date”** has the meaning in Bond Condition 1(c);

**“Interest Only Balance”** means £90,297,854.82;

**“Interest Only Loan”** means a Loan under the terms of which no payment of principal is required until maturity of the Loan in accordance with the Mortgage Conditions;

**“Interest Only Mortgage”** means a Mortgage over an Interest Only Loan;

**“Interest Only Number”** means 596;

**“Interest Payment Date”** means the 15th day of January, April, July and October in each year (or if such day is not a Business Day, the next succeeding Business Day) commencing on the Interest Payment Date falling in January 2006;

**“Interest Period”** means the period from (and including), an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date;

**“Interest Rate”** has the meaning set out in Bond Condition 1(c);

**“Interest Rate Agreements”** means the Interest Rate Cap Agreement and the Interest Rate Floor Agreement;

**“Interest Rate Cap Agreement”** means the agreement on or about the Issue Date of any instruments issued relating thereto made between, among others, the Issuer and the Interest Rate Cap Counterparty as may be described in the Hedge Table;

**“Interest Rate Cap Counterparty”** means HSBC Bank plc;

**“Interest Rate Floor Agreement”** means, if applicable, the agreement on or about the Issue Date of any instruments issued relating thereto made between, among others, the Issuer and the Interest Rate Floor Counterparty as may be described in the Hedge Table;

**“Interest Rate Floor Counterparty”** is not applicable under this Prospectus;

**“Interest Rate Swap Agreement”** means if applicable, the agreement made between, among others, the Issuer and any Interest Rate Swap Counterparty as may be described in the Hedge Table;

**“Interest Rate Swap Counterparty”** is not applicable under this Prospectus;

**“Interest Rate Swap Guarantor”** means the guarantor, if any, under any Interest Rate Swap Agreement;

**“Interest Shortfall”** has the meaning set out in Bond Condition 1(j);

**“Investor Report”** means the investor report in the form set out in the Transaction Management Agreement to be provided by the Transaction Manager to the Trustee, the Issuer, the Sellers, the Lead Arranger and each of the Rating Agencies in accordance with the Transaction Management Agreement;

**“Irish Paying Agent”** means HSBC Institutional Trust Services (Ireland) Limited;

**“ISDA”** means the International Swaps and Derivatives Association, Inc.;

**“Issue Date”** means 27 September 2005;

**“Issuer”** means Farringdon Mortgages No. 2 PLC;

**“Issuer Accounts”** means the GIC Account and the Transaction Accounts;

**“Issuer Covenants”** means the covenants of the Issuer as set out in Schedule 2 of this Prospectus;

**“Issuer Order”** means a written order or request signed in the name of the Issuer by a director of the Issuer;

**“Issuer Warranties”** means the warranties of the Issuer as set out in Schedule 1 of this Prospectus;

**“Issuer’s Certificate”** means a certificate signed in the name of the Issuer by a director of the Issuer.

**“IVA”** means an individual voluntary arrangement;

**“Land Registry”** means the Land Registry of England and Wales;

**“Law Society”** means the Law Society of England and Wales or the Law Society of Scotland, as applicable;

**“Lead Arranger”** means Bear, Stearns International Limited;

**“Ledgers”** means the Revenue Ledger, the Revenue Currency Ledger, the Principal Ledger, the Principal Currency Ledger, the Reserve Ledger, the Liquidity Drawings Ledger, the Standby Drawings Ledger, the Prefunding Ledger, the Mortgage Discount Ledger, the Substitutions Ledger, the MERC Ledger, the Principal Deficiency Ledgers, the Collateral Ledger, the Profit Ledger and the Start-up Costs Ledger;

**“Lending Criteria”** means the lending criteria set out in the Mortgage Sale Agreement together with such variations thereto as may from time to time be made in the manner of a Prudent Mortgage Lender;

**“Let-to-Buy Loan”** means a Loan made to a Borrower to purchase a new Property the repayment of which is financed from rental income from their existing Property;

**“LIBOR”** means the London Interbank Offer Rate;

**“LIBOR-Linked Loan”** means a Loan in respect of which the interest rate payable thereunder by the Borrower from time to time is calculated as being the aggregate of a percentage as specified in the Mortgage Conditions relating to that Loan plus LIBOR from time to time (and as re-set on 15 January, 15 April, 15 July and 15 October);

**“Liquidity Drawing”** means an Advance made or to be made under the Liquidity Facility;

**“Liquidity Drawings Ledger”** means a ledger of such name established for the purpose of crediting amounts drawn under the Liquidity Facility (with such drawings recorded in the relevant Liquidity Sub-Ledgers);

**“Liquidity Facility”** means the facility referred to in Clause 2.1.1 of the Liquidity Facility Agreement;

**“Liquidity Facility Agreement”** means the liquidity facility agreement dated on or about the Issue Date between the Issuer, the Liquidity Facility Provider and the Trustee;

**“Liquidity Facility Event of Default”** means any of those events specified in Clause 16 of the Liquidity Facility Agreement;

**“Liquidity Facility Provider”** means Danske Bank A/S in its capacity as provider of the Liquidity Facility;

**“Liquidity Facility Renewal Notice”** means a notice in substantially the form set out in Schedule 4 of the Liquidity Facility Agreement;

**“Liquidity Sub-Ledgers”** means the Senior Liquidity Sub-Ledger, the A Liquidity Sub-Ledger, the M1 Liquidity Sub-Ledger, the M2 Liquidity Sub-Ledger, the B1 Liquidity Sub-Ledger and the B2 Liquidity Sub-Ledger and **“Liquidity Sub-Ledger”** means any of them, as applicable;

**“Listing Agent”** means NCB Stockbrokers Limited acting through its Stated Office;

**“Loan Files”** means, in relation to each Loan, the file or files (including files kept in microfiche format or similar electronic data retrieval system) containing correspondence between the Borrower and the Servicer and including the relevant Standard Documentation applicable to that Loan, each letter of offer in respect of a Loan and other relevant documents (excluding the Property Deeds);

**“Loan Origination Period”** means the period from and including 23 September 2004 to and including 13 July 2005;

**“Loan to Value Ratio”** or **“LTV”** means the ratio, expressed as a percentage, which the amount of a Loan bears to the valuation of the relevant Property;

**“Loans”** means the loans comprised in the Mortgage Pool, and **“Loan”** means any one of them;

**“Location One”** means London;

**“Location One Number”** means 203;

**“Location Two”** means London;

**“Location Two Balance”** means £35,641,807.69, the aggregate Balance of the Loans in the Provisional Completion Mortgage Pool, by current balance as at the Cut-off Date located in Location Two;

**“LPA”** means Law of Property Act 1925;

**“M Definitive Notes”** means, as applicable, the M1a Definitive Notes, the M1b Definitive Notes, the M1c Definitive Notes, the M1x Definitive Notes the M2a Definitive Notes, the M2b Definitive Note, the M2c Definitive Note and the M2x Definitive Notes;

**“M Global Notes”** means the M1 Global Notes and the M2 Global Notes;

“**M Noteholders**” means the several persons who are for the time being holders of the M Notes (being, if and to the extent that the M Notes are represented by the M Definitive Notes, the bearers thereof and, if and to the extent that the M Notes are represented by the M Global Notes, the persons for the time being shown in the records of Euroclear, Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) and DTC as being holders of the M Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg, Euroclear or DTC as to the Principal Amount Outstanding of M Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the M Global Notes in accordance with and subject to their respective terms and the terms of the Trust Deed) and for which purpose the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**M Notes**” means, as applicable, the M1 Notes and the M2 Notes;

“**M1 Global Notes**” means, as applicable, the M1a Global Notes, the M1b Global Notes, the M1c Global Notes and the M1x Global Notes;

“**M1 Noteholders**” means the holders of the M1 Notes;

“**M1 Notes**” means, as applicable, the M1a Notes, the M1b Notes, the M1c Notes and the M1x Notes or any of them;

“**M1 Principal Deficiency Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**M1a Definitive Notes**” means, as applicable, the M1a Reg S Definitive Note and the M1a Rule 144A Definitive Note;

“**M1a Global Notes**” means, as applicable, the M1a Reg S Global Note and the M1a Rule 144A Global Note;

“**M1a Noteholders**” means the holders of the M1a Notes;

“**M1a Notes**” means the M1a Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M1a Global Notes (or any of them) and the M1a Definitive Notes (or any of them);

“**M1a Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M1a Reg S Global Note;

“**M1a Reg S Definitive Note**” means a definitive note issued in respect of the M1a Reg S Global Note;

“**M1a Reg S Global Note**” means a Reg S global note in bearer form in respect of the M1a Notes;

“**M1a Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M1a Rule 144A Global Note;

“**M1a Rule 144A Definitive Note**” means a definitive note issued in respect of the M1a Rule 144A Global Note;

“**M1a Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M1a Notes;

“**M1b Definitive Notes**” means, as applicable, the M1b Reg S Definitive Note and the M1b Rule 144A Definitive Note;

“**M1b Global Notes**” means, as applicable, the M1b Reg S Global Note and the M1b Rule 144A Global Note;

“**M1b Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedules and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in

connection with the M1b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M1b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M1b Noteholders**” means the holders of the M1b Notes;

“**M1b Notes**” means the M1b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M1b Global Notes (or any of them) and the M1b Definitive Notes (or any of them);

“**M1b Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M1b Reg S Global Note;

“**M1b Reg S Definitive Note**” means a definitive note issued in respect of the M1b Reg S Global Note;

“**M1b Reg S Global Note**” means a Reg S global note in bearer form in respect of the M1b Notes;

“**M1b Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M1b Rule 144A Global Note;

“**M1b Rule 144A Definitive Note**” means a definitive note issued in respect of the M1b Rule 144A Global Note;

“**M1b Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M1b Notes;

“**M1c Definitive Notes**” means, as applicable, the M1c Reg S Definitive Note and the M1c Rule 144A Definitive Note;

“**M1c Global Notes**” means, as applicable, the M1c Reg S Global Note and the M1c Rule 144A Global Note;

“**M1c Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedules and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the M1c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M1c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M1c Noteholders**” means the holders of the M1c Notes;

“**M1c Notes**” means the M1c Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M1c Global Notes (or any of them) and the M1c Definitive Notes (or any of them);

“**M1c Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M1c Reg S Global Note;

“**M1c Reg S Definitive Note**” means a definitive note issued in respect of the M1c Reg S Global Note;

“**M1c Reg S Global Note**” means a Reg S global note in bearer form in respect of the M1c Notes;

“**M1c Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M1c Rule 144A Global Note;

“**M1c Rule 144A Definitive Note**” means a definitive note issued in respect of the M1c Rule 144A Global Note;

“**M1c Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M1c Notes;



“**M1x Definitive Notes**” means, as applicable, the M1x Reg S Definitive Note and the M1x Rule 144A Definitive Note;

“**M1x Global Notes**” means, as applicable, the M1x Reg S Global Note and the M1x Rule 144A Global Note;

“**M1x Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedules and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the M1x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M1x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M1x Noteholders**” means the holders of the M1x Notes;

“**M1x Notes**” means the M1x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M1x Global Notes (or any of them) and the M1x Definitive Notes (or any of them);

“**M1x Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M1x Reg S Global Note;

“**M1x Reg S Definitive Note**” means a definitive note issued in respect of the M1x Reg S Global Note;

“**M1x Reg S Global Note**” means a Reg S global note in bearer form in respect of the M1x Notes;

“**M1x Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M1x Rule 144A Global Note;

“**M1x Rule 144A Definitive Note**” means a definitive note issued in respect of the M1x Rule 144A Global Note;

“**M1x Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M1x Notes;

“**M2 Global Notes**” means, as applicable, the M2a Global Notes, the M2b Global Notes, the M2c Global Notes and the M2x Global Notes;

“**M2 Noteholders**” means the holders of the M2 Notes;

“**M2 Notes**” means, as applicable, the M2a Notes, the M2b Notes, the M2c Notes and the M2x Notes or any of them;

“**M2 Principal Deficiency Ledger**” means, as applicable, the ledger of such name created and maintained by the Transaction Manager;

“**M2a Definitive Notes**” means, as applicable, the M2a Reg S Definitive Note and the M2a Rule 144A Definitive Note;

“**M2a Global Notes**” means, as applicable, the M2a Reg S Global Note and the M2a Rule 144A Global Note;

“**M2a Noteholders**” means the holders of the M2a Notes;

“**M2a Notes**” means the £23,500,000 M2a Mortgage Backed Floating Rate Notes due 2047 or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the M2a Global Notes (or any of them) and the M2a Definitive Notes (or any of them);

“**M2a Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M2a Reg S Global Note;

“**M2a Reg S Definitive Note**” means a definitive note issued in respect of the M2a Reg S Global Note;

“**M2a Reg S Global Note**” means a Reg S global note in bearer form in respect of the M2a Notes;

“**M2a Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M2a Rule 144A Global Note;

“**M2a Rule 144A Definitive Note**” means a definitive note issued in respect of the M2a Rule 144A Global Note;

“**M2a Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M2a Notes;

“**M2b Definitive Note**” means, as applicable, the M2b Reg S Definitive Note and the M2b Rule 144A Definitive Note;

“**M2b Global Notes**” means, as applicable, the M2b Reg S Global Note and the M2b Rule 144A Global Note;

“**M2b Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedules and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the M2b Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M2b Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M2b Noteholders**” means the holders of the M2b Notes;

“**M2b Notes**” means, as applicable, the M2b Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M2b Global Notes (or any of them) and the M2b Definitive Notes (or any of them);

“**M2b Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M2b Reg S Global Note;

“**M2b Reg S Definitive Note**” means a definitive note issued in respect of the M2b Reg S Global Note;

“**M2b Reg S Global Note**” means a Reg S global note in bearer form in respect of the M2b Notes;

“**M2b Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M2b Rule 144A Global Note;

“**M2b Rule 144A Definitive Note**” means a definitive note issued in respect of the M2b Rule 144A Global Note;

“**M2b Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M2b Notes;

“**M2c Definitive Notes**” means, as applicable, the M2c Reg S Definitive Note and the M2c Rule 144A Definitive Note;

“**M2c Global Notes**” means, as applicable, the M2c Reg S Global Note and the M2c Rule 144A Global Note;

“**M2c Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedule and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the M2c Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M2c Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M2c Noteholders**” means the holders of the M2c Notes;

“**M2c Notes**” means the M2c Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M2c Global Notes (or any of them) and the M2c Definitive Notes (or any of them);

“**M2c Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M2c Reg S Global Note;

“**M2c Reg S Definitive Note**” means a definitive note issued in respect of the M2c Reg S Global Note;

“**M2c Reg S Global Note**” means a Reg S global note in bearer form in respect of the M2c Notes;

“**M2c Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M2c Rule 144A Global Note;

“**M2c Rule 144A Definitive Note**” means a definitive note issued in respect of the M2c Rule 144A Global Note;

“**M2c Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M2c Notes;

“**M2x Definitive Notes**” means, as applicable, the M2x Reg S Definitive Note and the M2x Rule 144A Definitive Note;

“**M2x Global Notes**” means, as applicable, the M2x Reg S Global Note and the M2x Rule 144A Global Note;

“**M2x Note Currency Swap Agreement**” means the ISDA Master Agreement, corresponding schedule and related confirmations thereto that may be entered into between the Issuer and a Currency Swap Counterparty in connection with the M2x Notes, as may be amended, restated, varied or supplemented from time to time, and shall include (a) any additional and/or replacement currency swap agreement entered into by the Issuer from time to time in connection with the M2x Notes, and (b) each schedule to and confirmation in relation to such agreement or replacement agreement;

“**M2x Noteholders**” means the holders of the M2x Notes;

“**M2x Notes**” means, as applicable, the M2x Mortgage Backed Floating Rate Notes for the time being outstanding or, as the context may require, a specific number thereof and includes the M2x Global Notes (or any of them) and the M2x Definitive Notes (or any of them);

“**M2x Reg S CDIs**” means certificated depository interests issued by the Depository in respect of the M2x Reg S Global Note;

“**M2x Reg S Definitive Note**” means a definitive note issued in respect of the M2x Reg S Global Note;

“**M2x Reg S Global Note**” means a Reg S global note in bearer form in respect of the M2x Notes;

“**M2x Rule 144A CDIs**” means the certificateless or the certificated (as the case may be) depository interests issued by the Depository in respect of the M2x Rule 144A Global Note;

“**M2x Rule 144A Definitive Note**” means a definitive note issued in respect of the M2x Rule 144A Global Note;

“**M2x Rule 144A Global Note**” means a Rule 144A global note in bearer form in respect of the M2x Notes;

“**Managers**” means together, the Lead Arranger and the Co-Managers named in the Subscription Agreement;

“**Maximum Loan Capped Period**” means, in relation to each Capped Loan, a period of 3 years after the date of its origination;

“**Maximum Discount Loan Period**” means, in relation to each Loan subject to a discounted interest rate, a period of three years after the date of its origination;

“**MER Distributions**” shall have the meaning ascribed to it in MERC Condition 1(a);

“**MERCs**” means the Mortgage Early Redemption Certificate issued by the Issuer and “**MERC**” shall be construed accordingly;

“**MERC Conditions**” means the specific terms and conditions applicable to the MERCs;

“**MERC Holder**” means the holder of a MERC and “**MERC Holders**” shall be construed accordingly;

“**MERC Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**MERC Prefunding Mortgage Period**” means the period from and including the Issue Date to and excluding until 15 April 2009;

“**MERC Security**” means the security interest granted by the Issuer in favour of the Trustee for itself and on trust for the MERC Holders being a fixed equitable charge over the Issuer’s interest in the GIC Account which represent amounts standing to the credit of the MERC Ledger (and any Authorised Investments (if any) funded by such cash from time to time);

“**MHA Documentation**” means an affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 in connection with a Scottish Mortgage or the Scottish Property secured thereby;

“**Minimum Denominations**” means:

- (a) in the case of Notes, and Residual Certificates denominated in sterling, denominations of £50,000, in the case of Notes, denominated in dollars, denominations of \$100,000, in the case of Notes, denominated in euro 50,000 and above such amounts in integral multiples of £5000, \$5000 or 5000 euro (as the case may be) thereafter;
- (b) in the case of MERCs at least £50,000 and above such amount in integral multiples of £5000, thereafter; and
- (c) in the case of DACs denominated in sterling, denominations of £50,000, in the case of DACs, denominated in dollars, denominations of \$100,000, in the case of DACs, denominated in euro 50,000 and above such amounts in integral multiples of £5000, \$5000 or 5000 euro (as the case may be) thereafter;

“**Modelling Assumptions**” shall have the meaning ascribed to it in the section headed “Weighted Average Lives of Notes”;

“**Mortgage**” means a legal mortgage or (in Scotland) standard security secured over Property;

“**Mortgage Conditions**” means the mortgage and lending conditions forming part of the Standard Documentation;

“**Mortgage Discount**” means an amount equal to £2,560,809.34 of the Tranche D Amount;

“**Mortgage Discount Amount**” means the portion of the Mortgage Loan Discount relating to such Interest Payment Date;

“**Mortgage Discount Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**Mortgage Early Redemption Amount**” means amounts received by the Issuer as additional payments upon the prepayment of Loans within the Relevant Period (other than any interest payable for the month of redemption and amounts of principal repayable under the Loan) which are credited to the MERC Ledger;

**“Mortgage Loan Discount”** means any discount applicable to the interest rate under the Loans in the Mortgage Pool during the Maximum Discount Loan Period;

**“Mortgage Pool”** at any particular time will comprise:

- (a) the Completion Mortgage Pool;
- (b) any Prefunded Loans;
- (c) any Further Advances Loans;
- (d) any Substituted Collateral Loans;
- (e) any Converted Loans; and
- (f) the Collateral Security related to such Loans,

other than, in any such case, Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to RFL and/or the Originator or a third party pursuant to the Mortgage Sale Agreement;

**“Mortgage Principal Receipts”** means any payment in respect of principal received in respect of a Loan including payments pursuant to any Insurance Contract, whether on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant property) or on the disposal of such Loan;

**“Mortgage Purchase Agreement”** means the mortgage sale agreement dated 12 September 2003 (as amended and restated on 11 September 2004 and amended on 12 May 2005 and as may be further amended from time to time) made between the Originator and RFL;

**“Mortgage Sale Agreement”** means the mortgage sale agreement dated the Issue Date and made between, among others, the Issuer, the Trustee, RFL and the Originator;

**“Mortgage Warranty”** means each of the mortgage warranties set out in Part 1 of Schedule 1 of this Prospectus and **“Mortgage Warranties”** mean all of such representations and warranties;

**“Mortgagee”** means in relation to a Loan and the related Mortgage the person from time to time entitled to exercise the rights of the mortgagee or heritable creditor (as the case may be) thereunder;

**“Most Senior Class”** means, as applicable, the A Noteholders while any A Notes remain outstanding and thereafter the M1 Noteholders while any M1 Notes remain outstanding; and thereafter the M2 Noteholders while any M2 Notes remain outstanding; and thereafter the B1 Noteholders while any B1 Notes remain outstanding; and thereafter the B2 Noteholders while any B2 Notes remain outstanding; and thereafter the Residual Certificate Holders, provided that in each case for the purposes of voting, the Principal Amount Outstanding in respect of each class of Notes which are not denominated in sterling shall be converted to sterling at the spot rate at the time of voting;

**“MRICS”** means Member of the Royal Institute of Chartered Surveyors;

**“Nominee Declaration of Trust”** means the declaration of trust dated 5 August 2005 made by the Nominee Trustee;

**“Nominee Share Trust”** means the trust established under English law by the Nominee Declaration of Trust and made by the Nominee Trustee;

**“Nominee Trustee”** means SFM Nominees Limited;

**“Non-Owner Occupied Balance”** is £2,636,281.37;

“**Non-Owner Occupied Number**” is 32;

“**Non-Verified Balance**” is £0;

“**Non-Verified Loans**” means the Loans in respect of which the first monthly payment due date has not been reached;

“**Non-Verified Number**” is 0;

“**Note Dollar LIBOR**” means the rate of LIBOR applicable to the Dollar Notes as determined in accordance with Bond Condition 1(c);

“**Note EURIBOR**” means the rate of EURIBOR applicable to the Euro Notes as determined in accordance with Bond Condition 1(c);

“**Note Sterling LIBOR**” means the rate of LIBOR applicable to the Sterling Notes and the Residual Certificates as determined in accordance with Bond Condition 1(c);

“**Noteholders**” means the A Noteholders and/or the M Noteholders and/or the B Noteholders and “**Noteholder**” means any of them;

“**Notes**” means the A Notes, the M Notes and the B Notes;

“**Notice of Drawdown**” means a request for a Liquidity Drawing or a Standby Drawing and being substantially in the form, or containing substantially the information, set out in Schedule 2 of the Liquidity Facility Agreement;

“**Official List**” means the Official List of the Irish Stock Exchange;

“**Opinion of Counsel**” means a written opinion from legal counsel, who may be an employee of, or counsel to, the Issuer and who shall otherwise be satisfactory to the Depository (if appointed under the terms of the Transaction Document) and the Trustee;

“**Optional Sale Date**” means the date as determined in accordance with Bond Condition 2(d);

“**Options**” means Farringdon Options No. 2 Limited;

“**Ordinary A Coupons**” means the Ordinary A1a Coupons, Ordinary A1b Coupons, Ordinary A1c Coupons, Ordinary A1x Coupons, Ordinary A2a Coupons, Ordinary A2b Coupons, Ordinary A2c Coupons and the Ordinary A2x Coupons;

“**Ordinary A1a Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A1a Notes;

“**Ordinary A1b Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A1b Notes;

“**Ordinary A1c Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A1c Notes;

“**Ordinary A1x Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A1x Notes;

“**Ordinary A2a Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A2a Notes;

“**Ordinary A2b Coupons**” means the ordinary non-detachable coupons attached to and in respect of the A2b Notes;

**“Ordinary A2c Coupons”** means the ordinary non-detachable coupons attached to and in respect of the A2c Notes;

**“Ordinary A2x Coupons”** means the ordinary non-detachable coupons attached to and in respect of the A2x Notes;

**“Original Principal Amount Outstanding”** means in relation to a Note, the face value of such Note;

**“Originator Power of Attorney”** means the power of attorney executed by the Originator and RFL in the form set out in the Mortgage Sale Agreement;

**“Originator”** means Rooftop Mortgages Limited;

**“outstanding”** means in relation to the Instruments, all of the Instruments issued other than:

- (a) those Instruments which have been redeemed in full and cancelled pursuant to the Trust Deed;
- (b) those Instruments in respect of which the date for redemption in full in accordance with the relevant Conditions has occurred and the redemption moneys for which (including all interest payable thereon) have been duly paid to the Trustee or to the Paying Agent in the manner provided in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Instrumentholders in accordance with General Condition 12) and remain available for payment against presentation of the relevant Instruments;
- (c) those Instruments which have become void under General Condition 5;
- (d) those mutilated or defaced Instruments which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to General Condition 11;
- (e) (for the purpose only of ascertaining the Principal Amount Outstanding of the Instruments and without prejudice to the status for any other purpose of the relevant Instruments) those Instruments which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to General Condition 11; and
- (f) the Global Instruments to the extent that they shall have been exchanged for Definitive Instruments, pursuant to the provisions of General Condition 1(d),

PROVIDED THAT for each of the following purposes, namely:

- (g) the right to attend and vote at any meeting of the Instrumentholders;
- (h) the determination of how many and which Instruments are for the time being outstanding for the purposes of the Trust Deed, the relevant Conditions and, for the avoidance of doubt, the relevant paragraphs of the schedules to the Trust Deed containing the meeting provisions for the Instrumentholders;
- (i) any discretion, power or authority contained in the Trust Deed which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Instrumentholders; and
- (j) the determination by the Trustee whether any of the events specified in General Condition 7(a)(ii) is materially prejudicial to the interests of the Instrumentholders,

those Instruments (if any) which are for the time being held by any person (including but not limited to the Issuer, the Originator or the Administrators or any of their respective subsidiaries or holding companies) for the benefit of the Issuer, the Originator, or the Administrators or any of their respective subsidiaries or holding companies shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**“Parent”** means Farringdon Parent No. 2 Limited, the parent company of the Issuer;

**“Part and Part Loan”** means a Loan which in part is a Repayment Loan and in part is an Interest Only Loan;

**“Paying Agency Agreement”** means the paying agency agreement dated on or about the Issue Date entered into between, among others, the Issuer, the Trustee and the Paying Agents;

**“Paying Agent”** means the Principal Paying Agent, the 144A Paying Agent or the Irish Paying Agent and **“Paying Agents”** shall be construed accordingly;

**“Payment Verification Date”** means the date that is one month after the original due date for the first monthly contractual payment due from a Borrower under a Loan;

**“Permitted Withdrawals”** means the amounts which may be withdrawn from the GIC Account:

- (a) to purchase Further Advances Loans, Substituted Collateral Loans, Substitute Loans, Converted Loans and Loans in respect of which the Originator wishes to refund the Mortgage Early Redemption Amount to the Borrower;
- (b) to pay when due (but subject to any right to refuse or withhold or offset payment that has arisen by reason of the Borrower’s breach of the terms of the Loan or Mortgage concerned) any amount payable by the Issuer to a Borrower under the terms of the Loan or Mortgage to which that Borrower is a party or by operation of law;
- (c) if any amount has been received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover), to pay such amount when due to such third party;
- (d) to pay to any person (including the Originator, the Transaction Manager and the Servicer) any amounts due arising from any overpayment or incorrect payment by any person to the Issuer in respect of the Loans or Mortgages;
- (e) to make Authorised Investments in accordance with the terms of the Transaction Management Agreement and to pay all normal costs and expenses incurred in connection with the making or realisation of any Authorised Investment;
- (f) to meet reasonable out of pocket fees and expenses payable to the Servicer and/or the Transaction Manager on any date other than an Interest Payment Date;
- (g) if, at any time, the Prefunding Principal Ledger is zero, then any credits standing to the Principal Interest Ledger will be re-credited to the Originator; and
- (h) to pay when due and payable any amounts due and payable by the Issuer to third parties (other than Secured Creditors), if any, and incurred without breach by the Issuer of the Trust Deed and not provided for payment elsewhere in items (a) to (g) above.

**“Plug Pool”** means a sample of Loans representative of the Completion Mortgage Pool;

**“Pool Factor”** shall bear the meaning ascribed to such term in Bond Condition 2(c);

**“Portfolio”** means the Mortgage Pool;

**“Post Enforcement Call Option”** means the call option granted to Options in respect of the Instruments under the Post Enforcement Call Option Agreement;

**“Post Enforcement Call Option Agreement”** means the post enforcement call option agreement made between Options and the Trustee dated on or about the Issue Date;

**“Post-Enforcement Priority of Payments”** means the priority of payments for the application of moneys available for payment of the Secured Amounts after an Enforcement Notice has been served, as set in the section headed *“Transaction Cashflows - Post-Enforcement Priority of Payment”* of this Prospectus;



**“Powers”** in relation to the Trustee and any attorney, manager, delegate, agent or other person appointed by it under the Trust Deed means their respective powers, authorities and discretions under the Trust Deed or by law;

**“Pre-Acquisition Interest”** means, in relation to any Loan in the Mortgage Pool, interest accrued on such Loan up to the date of purchase of such Loan by the Issuer under the terms of the Mortgage Sale Agreement;

**“Pre-Enforcement Interest Priority of Payments”** means the priority of payments for the application of Available Revenue Funds prior to the service of an Enforcement Notice, as set out in the section headed *“Transaction Cashflows - Pre-Enforcement Interest Priority of Payments”* of this Prospectus;

**“Pre-Enforcement Principal Priority of Payments”** mean the priority of payment for the application of Actual Redemption Funds prior to the service of an Enforcement Notice, as set out in the section headed *“Transaction Cashflows - Pre-Enforcement Principal Priority of Payments”* of this Prospectus;

**“Pre-Enforcement Priority of Payments”** means the Pre-Enforcement Interest Priority of Payments together with the Pre-Enforcement Principal Priority of Payments;

**“Prefunded Loan Period”** means the period commencing on the Issue Date and ending on (and including) the second Interest Payment Date;

**“Prefunded Loans”** means the further loans purchased or may be purchased by the Issuer and included in the Mortgage Pool on a Prefunding Acquisition Date;

**“Prefunded Mortgage Pool”** means the pool of Loans comprising of each Prefunded Loan purchased on a Prefunding Acquisition Date;

**“Prefunded Non-Verified Loans”** means each Non-Verified Loan in the Prefunded Mortgage Pool;

**“Prefunding”** means the net proceeds of the Notes less the aggregate balance of the Completion Mortgage Pool;

**“Prefunding Acquisition Date”** means any Business Day on and from the Issue Date to and including the Interest Payment Date falling in April 2006;

**“Prefunding Interest Ledger”** means the sub-ledger of the Prefunding Ledger of such name;

**“Prefunding Interest Shortfall Amount”** means (i) an amount equal to the Tranche C Amount and (ii), if applicable, an additional amount funded by the Originator on the first Interest Payment Date to cover any Prefunding interest shortfall until the expiry of the Prefunded Loan Period;

**“Prefunding Ledger”** means a ledger of such name created and maintained by the Transaction Manager in the GIC Account to record the following amounts through two sub-ledgers: (i) Prefunding, in respect of the Prefunding Principal Ledger, and (ii) any Prefunding Interest Shortfall Amount recorded in the Prefunding Interest Ledger from and including the first Interest Payment Date to and including the expiry of the Prefunding Loan Period, in respect of the Prefunding Interest Ledger;

**“Prefunding Principal Ledger”** means the sub-ledger of the Prefunding Ledger of such name;

**“Principal Amount Outstanding”** means the principal amount outstanding of each Note and Residual Certificate as determined in accordance with Bond Condition 2(c);

**“Principal Currency Ledger”** means the ledger of such name created and maintained by the Transaction Manager;

**“Principal Deficiency”** means the amount by which the aggregate Mortgage Principal Receipts recovered in respect of a Loan are less than the sum of the outstanding principal balance of the Loan at such time;

**“Principal Deficiency Ledgers”** means the A Principal Deficiency Ledger, the M1 Principal Deficiency Ledger, the M2 Principal Deficiency Ledger, the B1 Principal Deficiency Ledger and the B2 Principal

Deficiency Ledger and created and maintained by the Transaction Manager and “**Principal Deficiency Ledger**” means any of them as applicable;

“**Principal Dollar Sub-Ledger**” means the sub-ledger of such name created and maintained by the Transaction Manager within the Principal Currency Ledger;

“**Principal Euro Sub-Ledger**” means the sub-ledger of such name created and maintained by the Transaction Manager within the Principal Currency Ledger;

“**Principal Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**Principal Paying Agent**” means HSBC Bank plc in such capacity;

“**Principal Sterling Sub-Ledger**” means the sub-ledger of such name created and maintained by the Transaction Manager within the Principal Currency Ledger;

“**Principal X Sub-Ledger**” means the sub-ledger of such name created and maintained by the Transaction Manager within the Principal Currency Ledger;

“**Priority of Payments**” means the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments;

“**Proceedings**” means any suit, actions or proceedings which may arise out of or in connection with the Transaction Documents or the Notes;

“**Product Category**” means each mortgage product type offered by the Originator of varying risk profiles;

“**Profit Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**Property**” means the freehold or long leasehold residential property located in England and Wales or the heritable or long leasehold residential property located in Scotland upon which the relevant Loan is secured, and “**Properties**” shall be construed accordingly;

“**Property Deeds**” means all conveyancing deeds and documents which make up the title to the Properties, the Mortgages and the Charges including land and charge certificates (where applicable);

“**Pro-Rata Test**” shall have the meaning ascribed to it in the section headed “*Transaction Cashflows - Pre-Enforcement Principal Priority of Payments*”;

“**Prospectus**” means a prospectus as defined in the Prospectus Directive;

“**Prospectus**” means this Prospectus dated the Issue Date issued by the Issuer in relation to the issue of the Instruments;

“**Prospectus Directive**” means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading;

“**Provisional Completion Mortgage Pool**” means the Loans contained in a provisional portfolio of Loans owned and selected by the Originator as at close of business on the Cut-Off Date, excluding all Loans (i) which are fully redeemed or (ii) which do not comply with the Mortgage Warranties;

“**Prudent Mortgage Lender**” means a reasonably prudent mortgage lender lending to Borrowers in England and Wales and Scotland, who include the recently self-employed, independent contractors and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital;

“**Qualifying Lender**” means a bank or financial institution which either:

- (a) is a company resident in the United Kingdom for tax purposes and is beneficially entitled to any interest to be paid to it under a Transaction Document; or
- (b) is a company which is not resident in the United Kingdom, but carries on a trade in the United Kingdom through a UK permanent establishment, and brings interest paid to it under any Transaction Document into account in computing its profits for the purposes of UK corporation tax.

“**Quarterly Report**” means the quarterly report in the form scheduled to the Servicing Agreement to be provided by the Servicer to, among others, the Issuer, Trustee and Transaction Manager in accordance with the terms of the Servicing Agreement;

“**Ramp A**” means a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. thereafter;

“**Ramp B**” means the CPRs as shown below:

Months	RMPB%
1	0.00
2	3.64
3	7.27
4	10.91
5	14.55
6	18.18
7	21.82
8	25.45
9	29.09
10	32.73
11	36.36
12	40.00
13 -36	40.00
37-42	60.00
thereafter	40.00

“**Rating Agencies**” means together Fitch and S&P and “**Rating Agency**” means any one of them;

“**Ratings Downgrade Event**” means the downgrading of the credit rating accorded to the Liquidity Facility Provider by any of the Rating Agencies to below the Required Rating;

“**Ratings Upgrade Event**” means the upgrading of the credit rating accorded to the Liquidity Facility Provider by any of the Rating Agency to, or above, the Required Rating;

“**Receiver**” or “**receiver**” means any receiver or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act and who is appointed by the Trustee under the Deed of Charge in respect of the Security and includes more than one such receiver and any substituted receiver;

“**Recognised Clearing System**” has the meaning ascribed to it in Section 841A of the Income and Corporation Taxes Act 1988;

“**Recognised Stock Exchange**” has the meaning ascribed to it in Section 841 of the Income and Corporation Taxes Act 1988;

“**Reference Banks**” means the banks named as such in Bond Condition 1(h) or such other banks as may (with the prior written approval of the Trustee) from time to time be appointed as such by the Issuer in accordance with the Bond Conditions;

“**Reg S A1a DAC CDIs**” means, as applicable, certificated depository interests issued by the Depository in respect of the Reg S Global A1a DAC;

“**Reg S A2a DAC CDIs**” means, as applicable, certificated depository interests issued by the Depository in respect of the Reg S Global A2a DAC;

**“Reg S CDIs”** means, as applicable, the A1a Reg S CDI, the A1b Reg S CDI; the A1c Reg S CDI, the A1x Reg S CDI, the A2a Reg S CDI, the A2b Reg S CDI; the A2c Reg S CDI, the A2x Reg S CDI, the M1a Reg S CDI, the M1b Reg S CDI; the M1c Reg S CDI, the M1x Reg S CDI, the M2a Reg S CDI, the M2b Reg S CDI; the M2c Reg S CDI, the M2x Reg S CDI, the B1a Reg S CDI, the B1b Reg S CDI; the B1c Reg S CDI, the B1x Reg S CDI, the B2a Reg S CDI, the B2b Reg S CDI; the B2c Reg S CDI, the B2x Reg S CDI, the Reg S DAC CDIs, the Reg S MERC CDIs and the Reg S Residual Certificate CDIs;

**“Reg S DAC CDIs”** means the Reg S A1a DAC CDIs and the Reg S A2a DAC CDIs ;

**“Reg S Definitive A1a DACs”** means a definitive DAC issued in respect of the Reg S Global A1a DAC;

**“Reg S Definitive A2a DACs”** means a definitive DAC issued in respect of the Reg S Global A2a DAC;

**“Reg S Definitive DACs”** means Reg S Definitive A1a DACs and Reg S Definitive A2a DACs;

**“Reg S Definitive Instruments”** means, as applicable, the A1a Reg S Definitive Note, the A1b Reg S Definitive Note; the A1c Reg S Definitive Note, the A1x Reg S Definitive Note, the A2a Reg S Definitive Note, the A2b Reg S Definitive Note; the A2c Reg S Definitive Note, the A2x Reg S Definitive Note, the M1a Reg S Definitive Note, the M1b Reg S Definitive Note; the M1c Reg S Definitive Note, the M1x Reg S Definitive Note, the M2a Reg S Definitive Note, the M2b Reg S Definitive Note; the M2c Reg S Definitive Note, the M2x Reg S Definitive Note, the B1a Reg S Definitive Note, the B1b Reg S Definitive Note; the B1c Reg S Definitive Note, the B1x Reg S Definitive Note, the B2a Reg S Definitive Note, the B2b Reg S Definitive Note; the B2c Reg S Definitive Note, the B2x Reg S Definitive Note, the Reg S Definitive DAC, the Reg S Definitive MERC, the Reg S Definitive Residual Certificate;

**“Reg S Definitive MERC”** means a definitive MERC issued in respect of the Reg S Global MERC;

**“Reg S Definitive Residual Certificate”** means a definitive Residual Certificate issued in respect of the Reg S Global Residual Certificate;

**“Reg S Global DAC”** means the Reg S Global A1a DAC and the Reg S Global A2a DAC;

**“Reg S Global A1a DAC”** means a Reg S global DAC in bearer form in respect of the A1a DACs;

**“Reg S Global A2a DAC”** means a Reg S global DAC in bearer form in respect of the A2a DACs;

**“Reg S Global Instruments”** means, as applicable, the A1a Reg S Global Note, the A1b Reg S Global Note; the A1c Reg S Global Note, the A1x Reg S Global Note, the A2a Reg S Global Note, the A2b Reg S Global Note; the A2c Reg S Global Note, the A2x Reg S Global Note, the M1a Reg S Global Note, the M1b Reg S Global Note; the M1c Reg S Global Note, the M1x Reg S Global Note, the M2a Reg S Global Note, the M2b Reg S Global Note; the M2c Reg S Global Note, the M2x Reg S Global Note, the B1a Reg S Global Note, the B1b Reg S Global Note; the B1c Reg S Global Note, the B1x Reg S Global Note, the B2a Reg S Global Note, the B2b Reg S Global Note; the B2c Reg S Global Note, the B2x Reg S Global Note, the Reg S Global DAC, the Reg S Global MERC and the Reg S Global Residual Certificate;

**“Reg S Global MERCs”** means a Reg S global MERC issued in bearer form in respect of the MERCs;

**“Reg S Global Notes”** means, as applicable, the A1a Reg S Global Note, the A1b Reg S Global Note; the A1c Reg S Global Note, the A1x Reg S Global Note, the A2a Reg S Global Note, the A2b Reg S Global Note; the A2c Reg S Global Note, the A2x Reg S Global Note, the M1a Reg S Global Note, the M1b Reg S Global Note; the M1c Reg S Global Note, the M1x Reg S Global Note, the M2a Reg S Global Note, the M2b Reg S Global Note; the M2c Reg S Global Note, the M2x Reg S Global Note, the B1a Reg S Global Note, the B1b Reg S Global Note; the B1c Reg S Global Note, the B1x Reg S Global Note, the B2a Reg S Global Note, the B2b Reg S Global Note; the B2c Reg S Global Note and the B2x Reg S Global Note;

**“Reg S Global Residual Certificate”** means a Reg S global residual certificate issued in bearer form in respect of the Residual Certificates;

**“Reg S MERC CDIs”** means certificated depository interests issued by the Depository in respect of the Reg S Global MERC;

**“Reg S Residual Certificate CDIs”** means certificated depository interests issued by the Depository in respect of the Reg S Global Residual Certificate;

**“Registered Land Transfers”** means in the case of English Mortgages the transfers to be executed in relation to Properties in the Completion Mortgage Pool, any Substituted Collateral Loan, any Further Advances Loan, any Collateral Loan, any Prefunded Loan and any other English Loan from time to time comprised in the Mortgage Pool which comprise Loans secured over English Properties comprising registered land (including English Properties the subject of applications for first registration at the Land Registry) pursuant to the Mortgage Sale Agreement;

**“Registers of Scotland”** means the Land Register of Scotland and/or the General Register of Sasines;

**“Registrar”** means HSBC Bank USA, National Association;

**“Regulation S”** means Regulation S under the Securities Act;

**“Relevant Clawback Amounts”** means the aggregate of any amounts incorrectly paid by Borrowers into the FM2 Collection Account via the Direct Debit Scheme that may, if applicable, have been subsequently transferred to GIC Account, as notified to the Transaction Manager and permitted to be withdrawn from the FM2 Collection Account and/or the GIC Account in accordance with the Transaction Documents;

**“Relevant Countries”** means England and Wales and Scotland;

**“Relevant Margin”** means in respect of the A1a Notes 0.15 per cent., in respect of the A2a Notes 0.27 per cent., in respect of the M2a Notes 0.90 per cent., in respect of the B1a Notes 1.50 per cent., in respect of the B2a Notes 3.50 per cent. and in respect of the Residual Certificates 4.00 per cent.;

**“Relevant Period”** means three years after the date of the advance of a Loan to the Borrower;

**“repay”**, **“redeem”** and **“pay”** shall each include both the others and cognate expressions shall be construed accordingly;

**“Repayment Date”** in relation to any Advance means the last day of the Term of such Advance;

**“Repayment Loan”** means a Loan under the terms of which monthly instalments covering both interest and principal are paid by the Borrower until the Loan is fully repaid by its maturity in accordance with the relevant Mortgage Conditions;

**“Repurchase Price”** means the amount payable by the Sellers to the Issuer in respect of a Loan to be repurchased by the Sellers pursuant to the Mortgage Sale Agreement

**“Required Filing”** means the registration of the charges created pursuant to the Deed of Charge with Companies House;

**“Required Rating”** means (i) in relation to the Interest Rate Cap Counterparty (or any applicable guarantor), the rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least A-1 by S&P, P-1 by Moody’s and F1 by Fitch and its long-term unsecured, unsubordinated and unguaranteed debt obligations of at least A+ by S&P, A1 by Moody’s and A by Fitch and (ii) in relation to any other party (or its guarantor) means the rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least A-1+ by S&P, P-1 by Moody’s and F1 by Fitch and its long-term unsecured, unsubordinated and unguaranteed debt obligations of at least AA- by S&P and A1 by Moody’s;

**“Reserve Fund Required Amount”** means an amount £4,440,000 on the Issue Date or such lower amount as may from time to time be agreed between the Issuer and the Rating Agencies, and for the avoidance of doubt, this amount will be reduced to zero once the Principal Amount Outstanding of the Notes is zero;

**“Reserve Ledger”** means the ledger of such name created and maintained by the Transaction Manager;

**“Residual Certificate Holders”** means holders of the Residual Certificates;

**“Residual Certificate Note Purchase Agreement”** means the residual certificate purchase agreement dated on or about the Issue Date made between, among others, the Issuer and the Residual Certificate Purchaser;

**“Residual Certificate Purchaser”** means RFL;

**“Residual Certificates”** means residual certificates in the amount of £5,675,000 due 2047 issued by the Issuer on the Issue Date or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Global Residual Certificates (or any of them) and the Definitive Residual Certificates (or any of them);

**“Restricted Book-Entry Interests”** means records maintained in book-entry form by DTC, and its participants, of the ownership and the transfer of interests in respect of Rule 144A Global Notes by persons that have accounts with DTC and/or persons that hold interests through its participants;

**“Revenue Currency Ledger”** means the ledger of such name created and maintained by the Transaction Manager;

**“Revenue Dollar Sub-Ledger”** means the sub-ledger of such name created and maintained by the Transaction Manager within the Revenue Currency Ledger;

**“Revenue Euro Sub-Ledger”** means the sub-ledger of such name created and maintained by the Transaction Manager within the Revenue Currency Ledger;

**“Revenue Ledger”** means the ledger of such name created and maintained by the Transaction Manager in the GIC Account;

**“Revenue Payments”** means any payment received in respect of any Loan whether on redemption (including partial redemption) of such Loan (other than Mortgage Early Redemption Amounts), on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan, including payments pursuant to any Insurance Contract which is not a Principal Payment in respect of such Loan and any receipts (other than collateral payments) under any Interest Rate Cap or Interest Rate Floor Agreements;

**“Revenue Sterling Sub-Ledger”** means the sub-ledger of such name created and maintained by the Transaction Manager within the Revenue Currency Ledger;

**“Revenue X Sub-Ledger”** means the sub-ledger of such name created and maintained by the Transaction Manager within the Revenue Currency Ledger;

**“RFL”** means Rooftop Funding Limited;

**“RIL”** means Rooftop Investment Limited;

**“Right of Set-Off”** means any right of set-off, compensation, retention or other equity or right as between the relevant Borrower and the Originator, such as would preclude the right to obtain judgment or decree for the full amount expressed by the relevant Loan to be payable;

**“Right-to-Buy”** means a mortgage loan made in whole or in part to a borrower for the purpose of enabling that borrower to exercise his or her statutory right to buy the relevant property from a local authority or housing association, excluding, however, any loan in respect of which the statutory charge referred to in sections 155 and 156 of the Housing Act 1985 or the standard security referred to in section 72 of the Housing (Scotland) Act 1987 has expired;

**“Right-to-Buy Balance”** means £880,980.22;

**“Right-to-Buy Number”** means 8;

**“Rooftop Collection Account”** means the collection account in the name of the Originator, sort code 20-44-51 account number 448680 held and maintained with Barclays;

**“Rooftop Collection Account Declaration of Trust”** means the collection account declaration of trust dated 12 September, 2003 declared by the Originator in favour of RFL as amended and restated on 24 February, 2005 and as further amended and restated on the Issue Date to declare a trust in favour of the Issuer over such account to the extent of collection proceeds that relate to the Mortgage Pool;

**“Rooftop Collection Account Mandate”** means the account mandate in the form set out in the Account Agreement;

**“Rooftop Guarantor”** means TBSCI;

**“RSL”** means Rooftop Services Limited;

**“Rule 144A”** means Rule 144A under the Securities Act;

**“Rule 144A CDIs”** means, as applicable, the A1a Rule 144A CDI, the A1b Rule 144A CDI; the A1c Rule 144A CDI, the A1x Rule 144A CDI, the A2a Rule 144A CDI, the A2b Rule 144A CDI; the A2c Rule 144A CDI, the A2x Rule 144A CDI, the M1a Rule 144A CDI, the M1b Rule 144A CDI; the M1c Rule 144A CDI, the M1x Rule 144A CDI, the M2a Rule 144A CDI, the M2b Rule 144A CDI; the M2c Rule 144A CDI, the M2x Rule 144A CDI, the B1a Rule 144A CDI, the B1b Rule 144A CDI; the B1c Rule 144A CDI, the B1x Rule 144A CDI, the B2a Rule 144A CDI, the B2b Rule 144A CDI; the B2c Rule 144A CDI and the B2x Rule 144A CDI;

**“Rule 144A Definitive Notes”** means, as applicable, the A1a Rule 144A Definitive Note, the A1b Rule 144A Definitive Note; the A1c Rule 144A Definitive Note, the A1x Rule 144A Definitive Note, the A2a Rule 144A Definitive Note, the A2b Rule 144A Definitive Note; the A2c Rule 144A Definitive Note, the A2x Rule 144A Definitive Note, the M1a Rule 144A Definitive Note, the M1b Rule 144A Definitive Note; the M1c Rule 144A Definitive Note, the M1x Rule 144A Definitive Note, the M2a Rule 144A Definitive Note, the M2b Rule 144A Definitive Note; the M2c Rule 144A Definitive Note, the M2x Rule 144A Definitive Note, the B1a Rule 144A Definitive Note, the B1b Rule 144A Definitive Note; the B1c Rule 144A Definitive Note, the B1x Rule 144A Definitive Note, the B2a Rule 144A Definitive Note, the B2b Rule 144A Definitive Note; the B2c Rule 144A Definitive Note and the B2x Rule 144A Definitive Note;

**“Rule 144A Global Notes”** means, as applicable, the A1a Rule 144A Global Note, the A1b Rule 144A Global Note; the A1c Rule 144A Global Note, the A1x Rule 144A Global Note, the A2a Rule 144A Global Note, the A2b Rule 144A Global Note; the A2c Rule 144A Global Note, the A2x Rule 144A Global Note, the M1a Rule 144A Global Note, the M1b Rule 144A Global Note; the M1c Rule 144A Global Note, the M1x Rule 144A Global Note, the M2a Rule 144A Global Note, the M2b Rule 144A Global Note; the M2c Rule 144A Global Note, the M2x Rule 144A Global Note, the B1a Rule 144A Global Note, the B1b Rule 144A Global Note; the B1c Rule 144A Global Note, the B1x Rule 144A Global Note, the B2a Rule 144A Global Note, the B2b Rule 144A Global Note; the B2c Rule 144A Global Note and the B2x Rule 144a Global Note;

**“S&P”** means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor to its ratings business;

**“Scottish Assets”** means property, assets, interests and undertaking situated in Scotland or the rights to which are governed by Scots law;

**“Scottish Loan”** means a Loan secured by a Scottish Mortgage;

**“Scottish Mortgage”** means a Mortgage secured over a Scottish Property;

**“Scottish Property”** means a heritable or long leasehold Property situated in Scotland;

**“Scottish Transfers”** means the assignments of Scottish Mortgages to be executed in relation to Properties in the Completion Mortgage Pool, any Substituted Collateral Loan, any Further Advances Loan, any Collateral Loan, any Prefunded Loan and any other Scottish Loans from time to time comprised in the Mortgage Pool which comprise Loans secured over Scottish Properties, pursuant to the Mortgage Sale Agreement in the relevant form set out in the Mortgage Sale Agreement;

**“Scottish Trust Deed”** means each declaration of trust or supplemental declaration of trust made by the Originator in favour of the Issuer in relation to the beneficial interests in any Scottish Loan and its related

Collateral Security pursuant to the Mortgage Sale Agreement in the relevant form set out in the Mortgage Sale Agreement;

“**Screen Rate**” has the meaning ascribed to it in Bond Condition 1(c);

“**Secured Amounts**” means the monies and liabilities which the Issuer covenants in the Deed of Charge to pay or discharge to the Secured Creditors;

“**Secured Creditors**” means the Trustee (in its capacity as a creditor secured by the Deed of Charge), the Instrumentholders, the Couponholders, any Receiver (in its capacity as a creditor secured by the Deed of Charge), the Servicer, the Transaction Manager, the Standby Servicer, the GIC Provider, the Liquidity Facility Provider, the Corporate Services Provider, the Residual Certificate Holders, the Principal Paying Agent, the Paying Agent, any Hedge Counterparty, the Depository, the Exchange Agent, Registrar, the Agent Bank, the Transaction Account Bank, each Collection Account Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a Secured Creditor;

“**Securities Act**” means the U.S. Securities Act of 1933, as amended;

“**Security**” means the security created by the Issuer in favour of the Trustee under or pursuant to the Deed of Charge (including, without limitation, the MERC Security);

“**Security Interest**” means any mortgage, standard security, sub-mortgage, charge, sub-charge, pledge, lien, right of set-off or other encumbrance or security interest whatsoever, howsoever created or arising;

“**Self-Certified Balance**” is £92,463,351.54;

“**Self-Certified Number**” is 645;

“**Sellers**” means the Originator and RFL;

“**Service Levels**” means the service levels specified for the administration of the Loans and related Collateral Security set out in the Service Specification and, where not specifically set out in the Service Specification, in the Servicing Agreement;

“**Service Specification**” means the administration and service specification criteria from time to time as contained in the Administration Procedures Manuals;

“**Servicer**” means Crown Mortgage Management Limited;

“**Servicer Termination Event**” shall have the meaning ascribed to it in the Servicing Agreement;

“**Services**” means the services to be provided by the Servicer in connection with the servicing, management and administration of the Loans, the Collateral Security and the other Assigned Rights, as more particularly set out in the Servicing Agreement;

“**Servicing Agreement**” means the agreement dated on or about the date hereof between, among others, the Servicer, the Issuer, the Trustee and the Originator;

“**Servicing Documents**” shall have the meaning ascribed to it in the Servicing Agreement;

“**Servicing Fee**” means the fee (exclusive of VAT, if any), payable under the Servicing Agreement, such fee being up to a maximum of the product of 0.22 per cent. and the average of the aggregate Balances of the Loans on the first day of each calendar month during the Interest Period ending on such Interest Payment Date divided by four together with costs and expenses incurred by the Servicer in accordance with the Servicing Agreement;

“**Share Declaration of Trust**” means the declaration of trust dated 5 August 2005 made by the Share Trustee;

“**Share Trust**” means the trust established under English law by the Share Declaration of Trust and made by the Share Trustee;



**“Share Trustee”** means SFM Corporate Services Limited;

**“Specific Conditions”** means the MERC Conditions, the Bond Conditions, the DAC Conditions and the specific terms and conditions of any other Instrument offered under this Prospectus;

**“Standard Discount”** means, in respect of the interest rate payable on a Loan, a one year discount of 2 per cent.;

**“Standard Documentation”** means the documents used by the Originator in connection with its activities as a residential mortgage lender in relation to the Mortgage Pool as set out in the Mortgage Sale Agreement, initialled for identification on behalf of the parties hereto and such other documents as may from time to time be substituted therefore or added thereto with the prior written approval of the Trustee or as required to comply with any applicable law or regulation;

**“Standby Drawing”** means an advance made or to be made under the Standby Liquidity Facility and when used in Clause 11.3 of the Liquidity Facility Agreement **“Standby Drawing”** shall mean the amount drawn under the Standby Liquidity Facility minus any outstanding Standby Liquidity Drawings (if any);

**“Standby Drawings Ledger”** means a ledger of such name established for the purpose of debiting amounts drawn from Standby Drawings (with such drawings recorded in the relevant Liquidity Sub-Ledgers);

**“Standby Liquidity Drawing”** means an amount applied by the Borrower for the purposes stated in Clause 3.1.1 of the Liquidity Facility Agreement from the amount drawn under the Standby Drawing;

**“Standby Liquidity Event”** means either one or both of a Ratings Downgrade Event and a Cancellation Event;

**“Standby Liquidity Facility”** means the facility referred to in Clause 2.1.2 of the Liquidity Facility Agreement;

**“Standby Servicer”** means Homeloan Management Limited;

**“Standby Servicer Fee”** means the fee of £15,000 per annum (plus value added tax, if any) payable annually in advance pursuant to the Standby Servicing Agreement to the Standby Servicer together with costs and expenses incurred by the Standby Servicer in accordance with the Standby Servicing Agreement;

**“Standby Servicing Agreement”** means the agreement dated on or about the date hereof between, among others, the Standby Servicer, the Issuer and the Trustee;

**“Start-up Costs Ledger”** means the ledger of such name created and maintained by the Transaction Manager;

**“Stated Office”** means:

- (a) in relation to the Issuer, 35 Great St. Helen’s, London EC3A 6AP;
- (b) in relation to the Originator, 26 Farringdon Street, London EC4A 4AB;
- (c) in relation to RFL, 26 Farringdon Street, London EC4A 4AB;
- (d) in relation to the Servicer, Crown House, Crown Street, Ipswich IP1 3HS;
- (e) in relation to the Standby Servicer, 1 Providence Place, Skipton, North Yorkshire BD23 2HL;
- (f) in relation to the Transaction Manager, 13/14 Basinghall Street, London EC2V 5BQ;
- (g) in relation to RIL, 26 Farringdon Street, London EC4A 4AB;
- (h) in relation to the Corporate Services Provider, 35 Great St. Helen’s, London EC3A 6AP;
- (i) in relation to the Transaction Account Bank, 8 Canada Square, London E14 5HQ;

- (j) in relation to the GIC Provider, 75 King William Street, London EC4N 7DT;
- (k) in relation to the Liquidity Facility Provider, 75 King William Street, London EC4N 7DT;
- (l) in relation to the Interest Rate Cap Counterparty, 8 Canada Square, London E14 5HQ;
- (m) in relation to the Trustee, 1 Grenville Street, St Helier, Jersey JE4 9PF;
- (n) in relation to the Principal Paying Agent, 8 Canada Square, London E14 5HQ;
- (o) in relation to the Irish Paying Agent, HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland;
- (p) in relation to the Common Depository, 8 Canada Square, London E14 5HQ;
- (q) in relation to the Depository, 452 Fifth Avenue, New York, New York, 10018;
- (r) in relation to Barclays, 1 Princes Street, Ipswich IP1 1PB;
- (s) in relation to the Registrar, 452 Fifth Avenue, New York, New York, 10018;
- (t) in relation to the Listing Agent, 3 George's Dock, IFSC, Dublin 1, Ireland; and
- (u) in relation to the Rooftop Guarantor, 383 Madison Avenue, New York, NY 10179, USA;

**“Stepped Discount”** means, in respect of the interest-rate payable on a Loan, a three year stepped discount of (i) 2.25 per cent. in year one, (ii) 1 per cent. in year two and (iii) 0.5 per cent. in year three;

**“Stepped Light Discount”** means, in respect of the interest-rate payable on a Loan, a three year stepped discount of (i) 2.5 per cent. in year one, (ii) 1.5 per cent. in year two and (iii) 1 per cent. in year three;

**“Sterling”**, **“sterling”** and **“£”** denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

**“Sterling Account”** means the account in the name of the Issuer held at the Transaction Account Bank with account number 59423755 and sort code 40-05-15;

**“Sterling Account Mandate”** means the account mandate in the form set out in the Account Agreement;

**“Sterling DACs”** means, as applicable, the Detachable A1a Coupons and/or the Detachable A2a Coupons;

**“Sterling Equivalent”** means in relation to any amount payable in respect of:

- (i) the Instruments denominated in euro, is the amount payable obtained by converting the euro amounts referable to such instruments into sterling at the Euro Swap Rate; and
- (ii) the Instruments denominated in Dollars, is the amount payable obtained by converting the dollar amounts referable to such instruments into dollars at the Dollar Swap Rate;

**“Sterling Notes”** means the A1a Notes, the A2a Notes, the M1a Notes, the M2a Notes, the B1a Notes and the B2a Notes or any of them;

**“Subscription Agreement”** means the subscription agreement dated the Issue Date entered into between, among others, the Issuer, the Originator, RFL and the Managers;

**“Subsidiaries”** means any subsidiary (as defined in the Companies Act 1985) of the Originator;

**“Substitute Loans”** means the Loans transferred or assigned to the Issuer pursuant to the Mortgage Sale Agreement in replacement for Loans which are subject to breaches of the Mortgage Warranties;

“**Substituted Collateral Loans**” means the Loans transferred or assigned to the Issuer pursuant to the Mortgage Sale Agreement for which new security has replaced existing security under the original Loans;

“**Substitution Reserve**” means an amount equal to £250,000 from the Tranche D Amount credited to the Substitutions Ledger on the Issue Date;

“**Substitutions Ledger**” means the ledger of such name created and maintained by the Transaction Manager;

“**Successor Depository**” means such other person as may from time to time be appointed as depository under the Depository Agreement by the Issuer with the prior written approval of the Trustee;

“**Swap Agreements**” means the Interest Rate Swap Agreements together with the Currency Swap Agreements;

“**Swap Counterparty**” means any Interest Rate Swap Counterparty together with any Currency Swap Counterparty;

“**Swap Rate**” means the Dollar Swap Rate or the Euro Swap Rate, as the case may be;

“**TARGET Business Day**” means a day on which the TARGET system settles payment in euro;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer system;

“**Taxes**” means any present or future taxes, levies, duties, charges, fees, deductions or withholdings of any nature whatsoever (and whatever called) imposed, assessed or levied by any competent fiscal authority having power to tax, and shall include any interest or penalties which may attach as a consequence of failure to pay on the due date and/or non-payment, and “**Tax**”, “**Taxation**” and similar words shall be construed accordingly;

“**TBSCI**” means The Bear Stearns Companies Inc.;

“**Term**” means in relation to any Advance drawn under the Liquidity Facility, the period from the Drawdown Date to the next Interest Payment Date, and in relation to an Advance drawn under the Stand-by Liquidity Facility, the period commencing on the relevant Drawdown Date and subject to Clause 11.2 of the Liquidity Facility Agreement, ending on the Final Maturity Date;

“**Termination Date**” means the last day of the Commitment Period or, as the case may be, the day on which the Liquidity Facility is cancelled in accordance with Clauses 12 or 16 of the Liquidity Facility Agreement;

“**Title Insurance Policies**” means the title insurance policies detailed in the Mortgage Sale Agreement;

“**Tranche A Amount**” means the proceeds of the first tranche of the Residual Certificates issued by the Issuer which will be deposited in the GIC Account in accordance with the Transaction Management Agreement in an amount equal to £1,235,822.54;

“**Tranche B Amount**” means the proceeds of the second tranche of the Residual Certificates issued by the Issuer which will be deposited in the GIC Account in accordance with of the Transaction Management Agreement in an amount equal to £1,200,000;

“**Tranche C Amount**” means the proceeds of the third tranche of the Residual Certificates issued by the Issuer which will be deposited in the GIC Account in accordance with the Transaction Management Agreement in an amount equal to £428,368.12;

“**Tranche D Amount**” means the proceeds of the fourth tranche of the Residual Certificates issued by the Issuer which will be deposited in the GIC Account in accordance with of the Transaction Management Agreement in an amount equal to £2,810,809.34;

“**Transaction Account Bank**” means HSBC Bank plc as holder of the Sterling Account, Euro Account and Dollar Account, as applicable;

**“Transaction Account Mandates”** means the resolutions, instructions and signature authorities relating to the Transaction Accounts in the form set out in the Account Agreement as they may be amended from time to time;

**“Transaction Accounts”** means the Sterling Account, the Dollar Account and the Euro Account and **“Transaction Account”** means any one of them as applicable;

**“Transaction Documents”** means the Trust Deed, the Deed of Charge, each Scottish Trust Deed, the Paying Agency Agreement, the Servicing Agreement, the Transaction Management Agreement, the Standby Servicing Agreement, the Mortgage Sale Agreement, the Rooftop Collection Account Declaration of Trust, the FM2 Collection Account Declaration of Trust, the Liquidity Facility Agreement, the Guaranteed Investment Contract, the Post Enforcement Call Option Agreement, the Residual Certificate Note Purchase Agreement, the Subscription Agreement, the Hedge Agreements, the Account Agreement, the Depository Agreement and the Corporate Services Agreement each as amended from time to time and any other agreement or document entered into from time to time by the Issuer pursuant thereto and specified to be a Transaction Document;

**“Transaction Management Agreement”** means the transaction management agreement dated on or about the Issue Date made between, among others, the Issuer, the Originator, the Transaction Manager, and the Trustee;

**“Transaction Manager”** means Wells Fargo Securitisation Services Limited;

**“Transaction Manager Fee”** means the fee (inclusive of VAT, if any), payable under the Transaction Management Agreement to the Transaction Manager;

**“Transaction Manager Parent”** means Wells Fargo Bank, NA;

**“Transaction Parties”** means the Issuer, the Managers, any Hedge Counterparty, any Hedge Guarantor, the Sellers, the Servicer, the Standby Servicer, the Transaction Manager, the Corporate Services Provider, the Transaction Account Bank, each Collection Account Bank, the GIC Provider, the Liquidity Facility Provider, the Trustee, the Principal Paying Agent, each Paying Agent, the Common Depository, the Depository, the Exchange Agent, Agent Bank, Registrar and any other party to a Transaction Document and **“Transaction Party”** means any of them;

**“Transaction Party Expenses”** means, as applicable:

- (a) the Servicing Fee and expenses due to the Servicer under the Servicing Agreement;
- (b) the Standby Servicer Fee due to the Standby Servicer under the Standby Servicing Agreement;
- (c) the Transaction Manager Fee due to the Transaction Manager under the Transaction Management Agreement;
- (d) the Corporate Services Fee and expenses due to the Corporate Services Provider under the Corporate Services Agreement;
- (e) fees and expenses due to the Principal Paying Agent, Paying Agent, Registrar and Agent Bank under the Paying Agency Agreement;
- (f) fees and expenses due to the Account Banks (other than the GIC Provider) under the Account Agreement;
- (g) fees and expenses due to the GIC Provider under the Guaranteed Investment Contract;
- (h) fees and expenses due to the Depository under the Depository Agreement; and
- (i) fees and expenses due to the Exchange Agent under the Exchange Rate Agency Agreement;

**“Transfer Certificate”** means the transfer certificate in the form set out in the Mortgage Sale Agreement;

**“Transfers”** means the Registered Land Transfers, the Unregistered Land Transfers and the Scottish Transfers;

“**Trust Deed**” means the Trust Deed dated on or about the date hereof between the Issuer and the Trustee constituting the Instruments and the Schedules thereto;

“**Trustee**” means HSBC Trustee (C.I.) Limited;

“**Trustee’s Fees**” means the remuneration payable to the Trustee (plus value added tax, if any) under the terms of the Trust Deed;

“**Trustee’s Liabilities**” means any costs, charges, liabilities and expenses (plus value added tax, if any) incurred by the Trustee under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;

“**Unregistered Land Transfers**” means the transfers to be executed in relation to English Properties in the Completion Mortgage Pool or any Substitute Loan and any other English Loan from time to time comprised in the Mortgage Pool which comprise Loans secured over English Properties comprising unregistered land (excluding English Properties the subject of applications for first registration at the Land Registry) pursuant to the Mortgage Sale Agreement in the form set out in the Mortgage Sale Agreement;

“**Unrestricted Book-Entry Interests**” means records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their participants, of the ownership and the transfer of interests in respect of Reg S Global Instruments, by persons that have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants;

“**Value Added Tax**” and “**VAT**” mean:

- (a) in the United Kingdom, value added tax as provided for in the Value Added Tax Act 1994 (“**VATA**”) (as amended or re-enacted in each case from time to time) and legislation supplemental thereto;
- (b) in another member State (as defined in section 96 VATA), the tax levied in any such member State pursuant to the Sixth Council Directive of 17 May 1977 on the harmonisation of the laws of the member states relating to turnover taxes - common system of value added tax: uniform basis of assessment - Directive 77/388; and
- (c) outside the United Kingdom and another such member State, any tax of a similar nature to value added tax (including, without limitation, sales tax),

in each case, at the rate in force when the relevant supply is made, and includes any tax of a similar nature substituted for, or levied in addition to, such tax;

“**Verifying Loan**” means a Loan in respect of which at least 50 per cent. of the first monthly contractual payment due from a Borrower under the terms of such Loan has been paid by no later than one month from when the original monthly contractual payment was first due and “**Verify**” and “**Verified**” have corresponding meanings when referred to herein;

“**WAFF**” means the weighted average foreclosure frequency;

“**WALS**” means the weighted average loss severity;

“**Weighted Average Note Rate**” means the average Interest Rate of the Notes (weighted by their respective initial Principal Amounts Outstanding);

“**Wells Fargo Group**” means the group of companies of which the Transaction Manager is part; and

“**X Notes**” means, as applicable, the A1x Notes, the A2x Notes, the M1x Notes, the M2x Notes, the B1x Notes and the B2x Notes.

## SCHEDULE 1 - REPRESENTATIONS AND WARRANTIES

*The representations, warranties and covenants in this Schedule 1 substantially reflect those given under the Mortgage Sale Agreement and the Deed of Charge and are subject to the detailed provisions of, and any amendments from time to time to, the Mortgage Sale Agreement and the Deed of Charge.*

### MORTGAGE WARRANTIES

#### Part 1 - Mortgage Warranties

- 1 The particulars of each Loan and its related Mortgage in the Provisional Completion Mortgage Pool set out in Annexure A to the Mortgage Sale Agreement are complete, true and accurate in all material respects.
- 2 The particulars of each Loan and its related Mortgage in the Completion Mortgage Pool set out in the schedules to the Mortgage Sale Agreement are complete, true and accurate in all material respects.
- 3 Immediately prior to Completion, the Originator will be the absolute legal owner of the Loans and the related Mortgages, Charges and other property to be sold to the Issuer by the Originator under the terms of the Mortgage Sale Agreement at Completion, free from encumbrances. Each such Loan is denominated in Sterling.
- 4 Immediately prior to Completion, RFL will be the absolute beneficial owner of the Loans and the related Mortgages, Charges and other property to be sold to the Issuer by RFL under the terms of the Mortgage Sale Agreement at Completion, free from encumbrances.
- 5 Each Loan and its related Mortgage constitutes a valid and binding obligation of the Borrower enforceable in accordance with its material terms and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the Originator in priority to any other charges or standard securities (as appropriate) affecting or registered against the relevant Property (other than in respect of "Right-to-Buy" products (which are wholly guaranteed under Title Insurance Policies) or any charge or standard security of which the Originator is the mortgagee, heritable creditor or proprietor, as the case may be, save that this warranty shall not apply in relation to any redemption fees or charges).
- 6 Subject to completion of any application for registration or recording which may be pending at the Land Registry or the Registers of Scotland, each Mortgage constitutes a first ranking legal mortgage or first ranking standard security over the relevant Property (other than in respect of "Right-to-Buy" products which are wholly guaranteed under Title Insurance Policies). Each relevant Property is situated in England and Wales or in Scotland.
- 7 At the time of origination thereof the Property intended to be charged to secure the repayment of the Loan was in all material respects of the kind permitted under the Lending Criteria (or any deviation therefrom was expressly approved by the Originator).
- 8 All steps necessary to perfect the Originator's legal title to each Loan and its related Mortgage were duly taken at the appropriate time or are in the process of being taken with all due diligence.
- 9 All Loans are governed by (i) English law or (ii) Scots law, as applicable.
- 10 Each Loan was underwritten (and in particular as regards to the credit and margin applicable to such Loan) by the Originator.
- 11 No lien or Right of Set-Off or counterclaim or other right of deduction has been created or arisen between the Originator and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan.
- 12 Prior to making a Loan to a Borrower, the Originator instructed or required to be instructed on its behalf solicitors from a firm comprising two or more partners to carry out in relation to the relevant Property all investigations, searches and other actions (unless the loan was covered by the Title

Insurance Policies in which case only a bankruptcy and title search are carried out) that would have been undertaken by a Prudent Mortgage Lender when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind permitted under the Lending Criteria and a Certificate of Title was received by or on behalf of the Originator from such solicitors which was subject only to such comments and details as were satisfactory to the Originator acting as a Prudent Mortgage Lender.

- 13 In relation to each English Mortgage (i) if the relevant Property is not registered with the Land Registry, the Borrower has good and marketable title to the fee simple absolute or is in possession for a term of years absolute in the relevant Property free (save for the relevant Mortgage or Mortgages or in respect of "Right-to-Buy" products, which are otherwise wholly guaranteed under Title Insurance Policies) from any encumbrance which would adversely affect such title, and (ii) if the Property is registered with the Land Registry the Borrower has title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property. In relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long leasehold title to the relevant Property registered or recorded (or in course of registration or recording) in the Registers of Scotland with absolute warrandice and (in the case of registered titles) with no exclusion of indemnity.
- 14 In respect of the relevant Borrower, the Borrower's identity has been verified in accordance with the Joint Money Laundering Steering Group Guidance Notes and the FSA Money Laundering Sourcebook, typically by the production of a valid passport, driving licence, an armed forces identity card, current employers signed photo identity card, a "Construction Industry Tax Exemption Certificate" with a photograph of the holder issued by the Inland Revenue (CIS4(P), CIS6 or CIS25), a firearms/shotgun certificate, Inland Revenue tax notification, a benefits book/original notification letter confirming rights to benefits or residents permit issued by the Home Office to EU nationals.
- 15 In relation to each Mortgage of Property where registration or recording of the relevant Mortgage is pending at the Land Registry or the Registers of Scotland, so far as it is aware, there is no caution, notice, inhibition or restriction which would prevent the registration or recording of that Mortgage.
- 16 Prior to making a Loan the relevant Property was valued by an independent valuer from the panel of valuers from time to time appointed by the Originator.
- 17 Prior to making a Loan, the nature and amount of such Loan and the circumstances of the relevant Borrower satisfied the Lending Criteria in all material respects.
- 18 Each Loan and its related Mortgage originated by the Originator has been made on the terms of the Standard Documentation (so far as applicable) which has not been varied in any material respect (other than as required to comply with any applicable law or regulation).
- 19 No agreement for any Loan is or includes a consumer credit agreement (as defined in Section 8 of the CCA) or constitutes any other agreement regulated or partly regulated by the CCA (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof or, where any agreement is or does so include such a consumer credit agreement or constitutes any other agreement regulated by the CCA or any modification or re-enactment thereof, nothing in such agreement would render such agreement unenforceable in whole or in part.
- 20 Interest on each Loan is charged in accordance with the provisions of the Loan and its related Mortgage and is payable two weeks in advance and two weeks in arrears. No Loan is subject to any provisions for the deferring of interest.
- 21 On the Issue Date, each Loan is a Verifying Loan.
- 22 Except where a Property was at completion of the relevant Mortgage (or, where appropriate, in the case of self-build properties, at the date of completion of the relevant property) covered by the Block Buildings Policy or a block buildings policy providing equivalent cover, the Originator took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by the Originator and that the Originator became a joint insured or its interest was noted or endorsed by the insurers.

- 23 The Block Buildings Policy covers all fire and other commercial risks for an amount not less than the outstanding Mortgage amount of the Properties covered by the Block Buildings Policy, and the Block Buildings Policy is in full force and effect and all premiums thereon are current at the date hereof or, in the case of Further Advances Loans, Converted Loans, Substituted Collateral Loans, a Substitute Loan or Prefunded Loan, as at the date such Loan is purchased by the Issuer in accordance with the Mortgage Sale Agreement, the Originator is not aware of any circumstances giving the insurer thereunder the right to avoid or terminate such policy in so far as it relates to the Properties.
- 24 No stamp duty or stamp duty land tax is payable on the transfer of the Loans.
- 25 The Originator has not given express written consent to the grant of a tenancy by a Borrower in circumstances where no Prudent Mortgage Lender, at the time such consent was given, would give such consent.
- 26 The Originator has not excluded, restricted, waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Loan or Collateral Security.
- 27 In relation to any leasehold Property, in any case where the Originator has received written notice from the relevant landlord that it is or may be taking steps to forfeit or irritate the lease of that Property, the Originator has taken such steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security in respect of the relevant Loan.
- 28 The granting of a Loan has been sanctioned by an appropriately authorised employee of the Originator.
- 29 The Originator has not waived or acquiesced in any breach of its rights under or in relation to a Loan which would reduce the value of the Loan and there are no outstanding claims by the Originator in respect of any material breaches of the terms of any Loan.
- 30 No Borrower has made any claim against the Originator in respect of a Loan or by way of set off or counterclaim against any liabilities in respect of a Loan which would entitle the Borrower to reduce the amount of any payment otherwise due under the relevant Loan and no Borrower is entitled to set off such claim against any loan or other sums due from the Borrower to the Originator.
- 31 So far as the Originator is aware, the introduction, origination and completion of a Loan is not the subject of fraud by any person (including, without limitation, the Borrower or any professional or other third party employed or engaged on behalf of the Originator).
- 32 No Loan is currently repayable in a currency other than sterling.
- 33 The performance of any of the terms of the Loan will not render such Loan unenforceable in whole or in part or subject to a right of rescission.
- 34 In relation to each English Mortgage, any person who at the date when the Loan was made had attained the age of 17 and who has been identified by the Borrower to the Originator as residing or about to reside in the relevant Property is either named as a joint Borrower or has signed a form of consent declaring that he or she will assert no right to any overriding or other interest by occupation adverse to the Originator's rights under the relevant Mortgage. In relation to each Scottish Mortgage, at the date when the Loan was made all necessary MHA Documentation had been obtained so as to ensure that neither such Scottish Mortgage nor the relevant Property is affected by or subject to any statutory right of occupancy.
- 35 No Loan in the Provisional Completion Mortgage Pool has a Balance of less than £10,000 or more than £1,000,000 on the Issue Date.
- 36 No Loan has a final maturity beyond the date falling two years prior to the final maturity of the Notes.
- 37 The Originator has procured that since the creation of each Loan full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and all such accounts, books and records are up to date, accurate



in all material respects and in the possession of the Servicer or held to its order (subject to the provisions of the Deed of Charge).

- 38 The Originator has not received written notice of any litigation or claim calling into question in any material way its title to any Loan and/or its related Mortgage or the value of any other security relative to that Loan.
- 39 In respect of any Property which is subject to a second or subsequent mortgage or standard security, the Originator has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto (subject, in respect of “Right-to-Buy” products only, to encumbrances wholly guaranteed under Title Insurance Policies).
- 40 Subject to completion of any registration or recording which may be pending at the Land Registry or the Registers of Scotland, all Property Deeds and Loan Files are held by, or to the order of, the Originator.
- 41 Each Borrower is an individual, and, to the best of the Originator’s knowledge and belief, no Borrower is at present an employee of the Originator or any Group Company.
- 42 All Loans were originated by or on behalf of the Originator.
- 43 No Loan or its related Mortgage contains an obligation on the part of the Originator to make any further advance which remains undischarged.
- 44 Following the expiry of the Maximum Loan Discount Period or the Maximum Loan Capped Period, each Loan is a LIBOR Linked Loan.
- 45 All formal approvals, consents and other steps necessary to permit a legal and beneficial transfer of the Loans and their related Mortgages and the Charges to be sold hereunder have been obtained or taken.
- 46 At origination of the Loan, variable direct debit instructions in favour of the Originator (or other arrangements acceptable to the Originator to ensure regular payment) were completed in respect thereof and such completed variable direct debit instructions were held by or on behalf of the Originator.
- 47 In respect of each Loan the origination of which was completed after 1 August 1995, the proposed limitations or exclusions of the liability of the relevant Mortgagee contained in the loan agreement relating to each Loan are fair and reasonable having regard to the circumstances of the particular Borrower for the purposes of the Unfair Contract Terms Act 1977 and are not “unfair terms” within the meaning of the Unfair Terms in Consumer Contracts Regulations 1999 (the “**Regulations**”), as amended or re-enacted from time to time.
- 48 To the extent that any loan agreement relating to a Loan was entered into after 1 August 1995 between the relevant Mortgagee and a “consumer” and such loan agreement was not “individually negotiated” with such consumer (as such terms are defined in the Regulations) none of the terms contained in such loan agreements are unfair terms within the meaning of the Regulations; no injunction or interdict has been granted by the court pursuant to regulation 8 of the Regulations which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Originator complied with the Regulations and, in particular, ensured that each Borrower had a real opportunity of becoming acquainted with the terms of the relevant loan agreement before the conclusion of the loan agreement.
- 49 That the Prospectus contains all material information with respect to the Originator, the Loans and their related Mortgages, the Properties and the Lending Criteria and that the statements contained therein relating to the Originator, the Loans and their related Mortgages, the Properties and the Lending Criteria are in every material particular true and accurate and not misleading and that there are no other material facts in relation thereto the omission of which would in the context of the issue of the Notes make any statement in the Prospectus misleading in any material respect and that all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

## Part 2 - Corporate Warranties

The Originator represents and warrants that:

- 51 it is a company limited by shares duly incorporated and validly existing under the laws of England with full authority and power to enter into each Transaction Document to which it is a party and to exercise its rights and perform its obligations under each Transaction Document to which it is a party and all corporate and other action required to authorise its execution of each Transaction Document to which it is a party and its performance of its obligations under each Transaction Document to which it is a party has been duly taken;
- 52 in any proceedings taken in England in relation to any of the Transaction Documents, it will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment pending, arrestment, inhibition, adjudication or other legal process;
- 53 in any proceedings taken in England in relation to any of the Transaction Documents, the choice of English law as the governing law of such Transaction Document and any judgment obtained in England will be recognised and enforced;
- 54 under the laws of England and Scotland, all acts, conditions and things required to be done, fulfilled and performed in order:
- (i) to enable it lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in each of the Transaction Documents;
  - (ii) to ensure that the obligations expressed to be assumed by it in each of the Transaction Documents are legal, valid and binding; and
  - (iii) to make each of the Transaction Documents admissible in evidence in England have been done, fulfilled and performed;
- 55 it is registered under the Data Protection Act 1998 and is licensed under the CCA and, subject to the foregoing it has obtained all consents and authorisations required thereunder and under any other laws in force in respect of its residential mortgage business and the transactions contemplated by the Transaction Documents;
- 56 the obligations expressed to be assumed by it in the Transaction Documents are legal and valid obligations binding on it in accordance with the terms thereof, subject to all applicable insolvency laws or laws of equity;
- 57 no breach of the Mortgage Purchase Agreement has occurred which is continuing unremedied or unwaived;
- 58 all the issued shares in the Originator are legally and beneficially owned by Holdings;
- 59 it is authorised by the FSA under FSMA;
- 60 it is not insolvent nor will it become insolvent as a result of discharging its obligations under the Transaction Documents and that additionally, it has not taken any corporate action nor have any other steps been taken or legal proceedings been started or to the best of its knowledge and belief threatened against it for its winding up, dissolution, administration or re organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or of any or all of its assets or revenues;
- 61 it is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which is reasonably likely to have a material adverse effect on its ability to comply with its obligations under the Transaction Documents;

- 62 no action or administrative proceedings of or before any court or agency which is likely to have a material adverse effect on its ability to comply with its obligations under this Agreement has been started or to the best of its knowledge and belief threatened;
- 63 the execution of the Transaction Documents and its exercise of its rights and performance of its obligations thereunder do not and will not:
- (i) conflict with any agreement, mortgage, standard security, bond or other instrument or treaty to which it is a party or which is binding upon it or any of its assets;
  - (ii) conflict with its Memorandum and Articles of Association;
  - (iii) conflict with any applicable law, regulation or official or judicial order or authorisation to which the Originator is subject; and
- 64 the execution of the Transaction Documents has been and is or will be made on bona fide arm's length commercial terms.

## **ISSUER WARRANTIES**

### **Part 1 - Prospectus**

- 65 That the Prospectus contains all material information with respect to the Issuer and the issue of the Instruments and that the statements contained therein relating to the Issuer and the issue of the Instruments are in every material particular true and accurate and not misleading and that there are no other material facts in relation thereto the omission of which would in the context of the issue of the Instruments make any statement in the Prospectus misleading in any material respect and that all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

### **Part 2 - Deed of Charge**

- 66 At the date of the Deed of Charge, the Issuer will be entitled in equity and beneficially to such of the Charged Assets as is purported to be transferred to it pursuant to the Mortgage Sale Agreement and it will at the date of purchase of each Prefunded Loan, each Further Advances Loan, each Converted Loan, each Substitute Loan or each Substituted Collateral Loan be entitled in equity to such of the Charged Assets as is purported to be transferred to it pursuant to the Mortgage Sale Agreement in respect of such Prefunded Loan, Further Advances Loan, Converted Loan, Substitute Loan or Substituted Collateral Loan, as the case may be, in each case subject to the subsisting rights of redemption of Borrowers but otherwise free from Security Interests, and it will take all necessary steps to enable it to charge or assign by way of security the Charged Assets in accordance with the Deed of Charge and it has and will not take any action or steps to prejudice its right, title and interest in and to the Charged Assets, provided that the Originator, RFL and the Administrators or any other Transaction Party shall have no rights against the Issuer in relation to any breach of this warranty to the extent that such breach results directly or indirectly from any breach by the Originator, RFL or the relevant Administrator or any other Transaction Party of any representation, warranty or other obligation given or owed by it to the Issuer.

### **Part 3 - Corporate**

- 67 The Issuer is a company duly incorporated and validly existing under the Companies Acts with full power and authority to own its property and assets and conduct its business as described in the Prospectus and to enter into and perform its obligations under the Transaction Documents and is not in liquidation.
- 68 No litigation, arbitration or administrative proceedings of or before any court, tribunal or governmental body have been commenced or, so far as the Issuer is aware, are pending or threatened against the Issuer or any of its assets or revenues.

- 69 The Issuer is a company which is and has been since incorporation resident for United Kingdom tax purposes solely in England and Wales.
- 70 The Issuer has no subsidiaries, employees, premises, establishment (as such term is used in Article 2(h) of the EU Insolvency Regulation) or branch office in any jurisdiction.
- 71 The Issuer has not engaged in any activities since its incorporation (other than those incidental to its registration under the Companies Act and various changes to its directors, secretary, registered office, Memorandum and Articles of Association, increases in its authorised and issued share capital, changes to its name, re-registration as a public limited company and issue of related shares and other appropriate corporate steps) other than the authorisation and execution of the Transaction Documents and the activities referred to or contemplated therein and in the Prospectus and for registration under the Data Protection Act 1998 and the CCA and the authorisation and issue of the Instruments, has made up audited non-statutory financial statements to 22 September 2005 as set out in the Prospectus, but has not made up any other accounts since that date and has neither paid any dividends nor made any distributions since incorporation.
- 72 The Issuer's entire issued, paid up and outstanding share capital is owned as to 1 share by Nominee Trustee and as to 49,999 shares by Parent.
- 73 The Issuer's management, the place at which meetings of the board of its directors are held and the place from which its interests are administered on a regular basis are all situated in England and Wales.
- 74 The Issuer has not taken any corporate action nor have any other steps been taken or legal proceedings been started against it for its winding-up, dissolution, administration or reorganisation or for the appointment of a receiver, administrator or administrative receiver of it or of any or all of its assets or revenues.
- 75 The Issuer has its "centre of main interests", as that term is used in Article 3(i) of the EU Insolvency Regulation, and its head office in England.

#### **Part 4 - Transaction Documents**

- 76 The Issuer has the requisite power and authority to enter into the Transaction Documents to which it is expressed to be a party, and to undertake and perform the obligations expressed to be assumed by it in the Transaction Documents.
- 77 All acts, conditions and things required to be done, fulfilled and performed in order to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Transaction Documents; to enable the Issuer lawfully to enter into the Transaction Documents to which it is expressed to be a party; to ensure that the obligations expressed to be assumed by it in the Transaction Documents are legal, valid, binding and enforceable against it; and to make the Transaction Documents admissible in evidence in England and Wales and (where applicable) Scotland, have been done, fulfilled and performed and are in full force and effect or, as the case may be, have been effected other than any necessary registration of the Deed of Charge pursuant to Section 395 of the Companies Act and so far as the Issuer is aware no steps have been taken to challenge, revoke or cancel any such authorisation obtained or effected.
- 78 The entry by the Issuer into, and the execution (and, where appropriate, delivery) of, the Transaction Documents to which the Issuer is expressed to be a party and the performance by the Issuer of its obligations under the Transaction Documents will not constitute a breach of infringement of any of the terms of, or constitute a default by the Issuer of the Issuer's Memorandum and Articles of Association, any applicable laws, regulations or any governmental or regulatory authority, or any agreement, indenture, contract, mortgage, standard security, deed or other instrument, obligation or treaty to which it is a party or which is binding on it or by which any of its undertaking, assets, property or revenues is bound or in respect of indebtedness in relation to which it is a surety.
- 79 The Deed of Charge creates the Security Interests which the Deed of Charge purports to create or, if the Deed of Charge purports to evidence a Security Interest, accurately evidences that Security Interest which has been validly created subject to all necessary registrations of the same being completed

within the relevant priority period and, in each case, are binding and enforceable on it (subject to any qualifications) and not liable to avoidance on liquidation or administration and there is no mortgage, security, lien, pledge, option, right to acquire or other charge or equity on or over the respective assets of the Issuer other than by operation of law which would rank in priority to or *pari passu* with the security for its obligations under the Deed of Charge; there exists no Security Interest (other than the Security or by operation of law) over the undertaking and assets of the Issuer; and the creation of the Security by the Issuer over its undertaking and assets in accordance with the terms of the Deed of Charge will not render the Issuer liable to offer or extend the benefit of such Security to any person other than the Trustee as security trustee on behalf of the Secured Creditors.

- 80 The Issuer is not in breach of or in default under any agreement, indenture, contract, mortgage, standard security, deed or other instrument to which it is a party or which is binding on it or any of its assets and no event relating to the Issuer has occurred which would constitute (after the issue of the Notes) an Event of Default, or which with the giving of notice or lapse of time or other condition in each case specified in the Conditions would (after the issue of the Notes) constitute such an Event of Default.
- 81 Save for the Required Filings in respect of the Issuer under the laws of the England and Wales and Scotland, it is not necessary that any of the Transaction Documents be filed, recorded or enrolled with any court or other authority in England and Wales or Scotland.
- 82 Under the laws of England and Wales and Scotland in force as at the date of making this representation, upon due execution and delivery by the Issuer of the Transaction Documents to which it is expressed to be a party and such Transaction Documents becoming effective in accordance with their terms, claims against the Issuer under the Transaction Documents will rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.
- 83 The obligations expressed to be assumed by the Issuer under the relevant Transaction Documents (other than the Instruments) are legal and valid obligations binding on it and enforceable against it in accordance with their respective terms.
- 84 Subject to the necessary registration of the Deed of Charge pursuant to Section 395 of the Companies Act, the Issuer has obtained any necessary licences, approvals or authorisation of any Governmental Authority in the United Kingdom in connection with the entry into or performance of the Transaction Documents to which it is expressed to be a party in relation to the Issuer which have not been revoked or suspended and which are in full force and effect and are not subject to any conditions which the Issuer, in its opinion, considers unusually onerous and the Issuer has complied with any conditions which apply to the Issuer and in respect of which the Issuer has not been notified that any such licences, approvals or authorisation of the Issuer is likely to be terminated or revoked or not renewed.
- 85 Since the date as of which the financial statements of the Issuer referred to in paragraph 71 were prepared there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position of the Issuer.
- 86 No steps have been taken by the directors of the Issuer or, so far as the Issuer is aware without having made any enquiry, by any third party, and no circumstances exist of which the Issuer is actually aware, which might reasonably be expected at any time after the Issue Date to render any of the Issuer Warranties no longer true or accurate.
- 87 In any proceedings taken in relation to the Instruments or any of the Transaction Documents the choice of English law will be recognised and enforced, subject only to public policy, insolvency, moratorium and other similar laws affecting creditors' rights generally.
- 88 No stamp, registration or similar tax will be payable on any Transaction Document or in respect of the issue, delivery or transfer of the Instruments.
- 89 The Issuer will not be required to make any deduction of tax from any payment it may make under the Instruments or the Transaction Documents.

90 The Issuer has not offered or consented to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1998.

## SCHEDULE 2 - COVENANTS

*The covenants in this Schedule 2 substantially reflect those given by the Issuer under the Mortgage Sale Agreement, the Deed of Charge and the Trust Deed and are subject to the detailed provisions of, and any amendments from time to time to, the Mortgage Sale Agreement, the Deed of Charge and the Trust Deed.*

### ISSUER COVENANTS

The Issuer covenants that:

- 1 it will not create or permit to exist or affect on any of the Charged Assets any Security Interest whatsoever (unless arising by operation of law) other than as created by or pursuant to the Deed of Charge or in accordance with the relevant Transaction Document;
- 2 it will not transfer, sell, lease, lend, part with or otherwise dispose of, or deal with, or grant any option, present or future, or right to acquire, any of the Charged Assets or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do so, except that the Issuer may sell all of the Loans (and their related Collateral Security) at a price equal to the aggregate Balances of the Loans at the date of completion of such sale together with an amount equal to all other amounts due under such Loans (and their related Collateral Security) at such price as would enable the Issuer to redeem the Instruments at their respective Principal Amounts Outstanding together with unpaid interest accrued thereon up to, but excluding, the date of completion of such sale *less* an amount equal to any interest thereon not due at the date of completion of such sale but paid in advance to the Issuer, where the Issuer satisfies the Trustee that the proceeds of such sale will be applied by the Issuer in redeeming the relevant Instruments in accordance with Bond Condition 2(d) or General Condition 2(e);
- 3 it shall ensure that save as permitted by the relevant Transaction Documents, no person other than the Issuer and the Trustee shall have any interest in the Charged Assets;
- 4 it shall give such notices of assignment or assignation in relation to the Charged Assets as may be required pursuant to the Mortgage Sale Agreement or by the Trustee;
- 5 for so long as any of the Instruments remains outstanding it will not have an interest in any bank account other than the Issuer Accounts or Authorised Investments save as may be permitted by the Trustee;
- 6 it shall not:
  - (a) engage in any activity or enter into any transaction or agreement which is not, or hold any asset the holding of which is not, reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in or enter into;
  - (b) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the security described in General Condition 2;
  - (c) issue or repurchase or hold any shares or other interest in any company, or have any subsidiaries, affiliates or employees or premises; or
  - (d) act as a director of any company;
- 7 it shall not pay any dividend or make any other distribution to its shareholders or issue any further shares other than pursuant to the Priority of Payments;
- 8 it shall not make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person other than as contemplated in the Charged Transaction Documents;
- 9 it shall not consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

- 10 except as contemplated by the Charged Transaction Documents, it shall not sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt or purport to sell, convey, transfer, lease or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking or any interest, estate, right, title or benefit therein or grant any option or right to acquire the same;
- 11 it shall not permit any of the Charged Assets relating to the Loans and their related Collateral Security owned by or the beneficial interest in which is vested in, (as appropriate), the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation of, or exercise of any powers of consent or waiver pursuant to the terms of the Trust Deed and the Conditions of the Instruments or permit any party to any of the Charged Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Loans and their related Collateral Security save as envisaged in the Charged Transaction Documents and the Deed of Charge;
- 12 it will not offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of any amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender;
- 13 it is not, and will not become, a member of a group of companies for the purposes of VAT;
- 14 it shall cause to be prepared and certified by the Auditors in respect of each financial year, accounts in such form as will comply with the requirements for the time being of the laws of England and Wales and/or the Irish Stock Exchange, as the case may be;
- 15 it has been, and shall be, resident for tax purposes solely in, and has had, and shall have, its usual place of abode in the United Kingdom;
- 16 it has not done any of the things specified in Paragraphs 6 and 7 above;
- 17 all of its issued share capital is held by Parent, except for one share which is held by Nominee Trustee on trust for Parent;
- 18 it shall not amend, supplement or otherwise modify its Memorandum and Articles of Association without the prior approval of the Trustee;
- 19 it shall not commingle or permit the commingling of its assets with those of any other entity;
- 20 it shall give to the Trustee (a) within 7 days after demand by the Trustee therefore and (b) (without the necessity for any such demand) after its audited accounts become available in respect of each financial period commencing with the financial period first ending after the date hereof and in any event not later than 180 days after the end of each such financial period, a certificate of the Issuer signed by two directors of the Issuer to the effect that, as at a date not more than 7 days before delivering such certificate (the “**relevant date**”), there did not exist and had not existed since the relevant date of the previous certificate (or, in the case of the first such certificate, the date hereof) any Event of Default (or if such exists or existed specifying the same) and that during the period from and including the relevant date of the last such certificate (or, in the case of the first such certificate, the date hereof) to and including the relevant date of such certificate, the Issuer has complied with all obligations contained in these presents and the Transaction Documents or (if such is not the case) specifying the respects in which it has not complied;
- 21 it shall at all times carry on and conduct its affairs in a proper and efficient manner in compliance with any law from time to time in England and Wales or in any other jurisdiction in which it carries on business and in compliance with its Memorandum and Articles of Association;
- 22 it shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any law from time to time in force in England and Wales or in any other applicable jurisdiction in connection with its business; or to enable it lawfully to enter into and perform its obligations under the Transaction Documents or to



- ensure the legality, validity, enforceability or admissibility in evidence in England and Wales of any relevant Transaction Documents including any registration required by law;
- 23 it shall deliver to the Trustee (with a copy to the Transaction Manager) on the Issue Date (and thereafter upon any change of the same), a list of Authorised Signatories of the Issuer together with a specimen signature of each Authorised Signatory;
- 24 it shall maintain its management in England and Wales and procure that its directors are resident (for tax and other purposes) in England and Wales, that all meetings of the board of directors are held in England and Wales and that its interests are administered in England and Wales;
- 25 it shall ensure that it does not at any time, prior to the Final Maturity Date, have an “**establishment**” (as such term is used in Article 2(h) of the EU Insolvency Regulation) or other form of fixed or business establishment such as a branch or agency outside England and Wales;
- 26 it shall maintain its registered office, its head office and its “**centre of main interest**” (as such term is used in Article 3(1) of the EU Insolvency Regulation) in England and Wales and not move of any of the same to another jurisdiction;
- 27 it shall at all times comply with and perform all its obligations under the Transaction Documents and the Instruments and use all reasonable endeavours to procure that the other parties thereto (other than the Trustee) comply with and perform all their respective obligations under the Transaction Documents;
- 28 it shall preserve and/or exercise and/or enforce its rights under and pursuant to the Instruments and the Transaction Documents;
- 29 it shall upon reasonable notice, during normal business hours allow the Trustee and any persons appointed by the Trustee access to such books of account and other business records as relate to the Charged Assets or the benefit of the Charged Assets as the Trustee or any such persons may reasonably require;
- 30 it shall at all times give to the Trustee such information, opinions, certificates and other evidence as the Trustee and any persons appointed by the Trustee shall reasonably require (and which it is reasonably practicable to produce) for the purposes of the discharge of the duties, trusts, powers, authorities and discretions vested in the Trustee by or pursuant to the Trust Deed, the Deed of Charge or any other Transaction Document;
- 31 it will give to the Trustee copies of the form of every notice to be given to the Instrumentholders in accordance with General Condition 12 at least 3 days prior to their publication;
- 32 it shall immediately notify the Transaction Manager and the Trustee if the Issuer becomes aware of any Event of Default or breach of any of the Issuer Warranties or Issuer Covenants or of any other undertaking given by the Issuer in any of the Transaction Documents;
- 33 if any legal proceedings are instituted against it by any of its creditors, or in respect of any of the Charged Assets, including any litigation or claim calling into question in any material way the Issuer’s interest therein immediately:
- (a) notify the Transaction Manager and the Trustee of such proceedings; and
  - (b) notify the court and any receiver appointed in respect of the property the subject of such proceedings of the interests of the Trustee in the Charged Assets;
- 34 it shall send or cause to be sent to the Trustee (in addition to any copies to which it may be entitled as a holder of any securities of the Issuer) four copies in English of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document issued or sent to its shareholders together with any of the foregoing, all resolutions passed by the shareholders of the Issuer and every document issued or sent to holders of its securities other than its shareholders (including the Instrumentholders) as soon as practicable after the issue or publication thereof;

- 35 it shall perform any act required by any law to be performed, and so far as permitted by applicable law, execute such further documents and perform such further acts as may be incidental to, or necessary in the opinion of the Trustee to give effect to, the Transaction Documents;
- 36 it shall not, until the Final Maturity Date, save to the extent permitted by the Transaction Documents or with the prior written consent of the Trustee:
- (a) terminate, repudiate, rescind or discharge any Transaction Document;
  - (b) vary, novate, amend, modify or waive any material provision of any Transaction Document;
  - (c) permit any person to do any of the things specified in Paragraph 36(a) or 36(b); or
  - (d) permit any person who has obligations under the Transaction Documents to be released from such obligations other than in accordance with the terms of the Transaction Document and any law;
- 37 it shall effect all Required Filings in respect of the Issuer and file, record or enrol each Transaction Document required to be filed, recorded or enrolled with any court or other authority in England and Wales and Scotland and ensure that such Required Filings and such other filings, recordings or enrolments are at all times maintained in accordance with any law;
- 38 it shall maintain, or procure that the Transaction Manager maintains, clear and unambiguous records and books of account in respect of the Charged Assets and all amounts received in respect of the Charged Assets;
- 39 it shall, if reasonably required to do so by the Trustee, participate in or join in and take such other steps as may be required by the Trustee in relation to any action (through the courts or otherwise) relating to any Charged Assets after the Issue Date in respect of such Charged Assets, including participation in any legal proceedings to the extent necessary for defending or contesting any litigation in relation to such Charged Assets including any litigation or claim calling into question in any material way the Issuer's interest in such any Charged Assets;
- 40 it shall at all times own and exercise its rights in respect of the Charged Assets and its interest in the Charged Assets and perform and comply with its obligations in respect of the Charged Assets under the terms of the Transaction Documents;
- 41 it shall use all reasonable endeavours to procure the admission of the Instruments (on the Issue Date) to trading on the Irish Stock Exchange and to maintain such admission until none of the Instruments so listed are outstanding;
- 42 if it is impracticable or unduly burdensome to maintain the admission of the Instruments and to trading on the Irish Stock Exchange, the Issuer shall use all reasonable endeavours to procure and maintain a listing for or quotation or trading of such Instruments on such other stock exchange or exchanges as it may (with the approval of the Managers and the Trustee) decide;
- 43 it shall not less than the number of days specified in the relevant Conditions of the Instruments prior to the redemption or repayment date in respect of any Instrument, give to the Trustee notice in writing of the amount of such redemption or repayment pursuant to the Conditions of the Instruments;
- 44 if the Issuer gives notice to the Trustee that it intends to redeem the Instruments pursuant to General Condition 2(e) of the Instruments, then prior to giving such notice to the Instrumentholders, it shall procure:
- (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Instruments as aforesaid; and

- (b) if appropriate, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law (or interpretation or administration or practice thereof);
- 45 it shall promptly give notice to the Trustee if:
- (a) it is required by law to effect a deduction of tax in respect of any payment due in respect of the Instruments; or
- (b) a Hedge Counterparty is required to make a deduction of tax in respect of any payment due under the relevant Hedge Agreement; or
- (c) it would not be entitled to relief for tax purposes in England and Wales for any material amount which it is obliged to pay, or is treated as receiving for tax purposes in England and Wales under the Transaction Documents; or
- (d) it becomes liable to tax in respect of its income or in respect of any of the Charged Assets,
- and take such action as may be required by the Trustee in respect thereof;
- 46 it shall, while any of the Instruments remain outstanding, give notice, or procure that notice is given, to each of the Rating Agencies of:
- (a) any proposed amendment to the Transaction Documents which is not of a formal, minor or technical nature or made to correct a manifest or proven error;
- (b) the Instruments of any class being repaid in full;
- (c) the delivery of a notice terminating the appointment of the Trustee, Transaction Manager or the Servicer or any of the Agents;
- (d) the appointment of a successor Trustee, Servicer or Transaction Manager or the appointment of any new or replacement Agents;
- (e) the occurrence of any Event of Default;
- (f) the delivery of an Enforcement Notice;
- (g) give not less than 14 days prior notice to the Instrumentholders in accordance with the Conditions of the Instruments of any future appointment or any resignation or removal of any Agent or of any change by any Agent of its Stated Office;
- 47 it shall at all times maintain an Agent Bank, three Reference Banks, a Principal Paying Agent and Paying Agent having a specified office in Ireland (as long as the Instruments are listed on the Irish Stock Exchange and the rules thereof so require) and, in the event that Definitive Instruments are issued, a Registrar in accordance with the Conditions of the Instruments;
- 48 it shall give notice to the Instrumentholders in accordance with the General Conditions of the appointment, resignation or removal of any Agent (other than the appointment of the initial Agents) and of any change in the Stated Office of any Agent;
- 49 it shall use its best efforts to minimise taxes and any other costs arising in connection with its activities;
- 50 it shall, in the event of the unconditional payment to the Trustee or the Principal Paying Agent of any sum due in respect of the Instruments being made after the due date for payment thereof, forthwith give, or procure to be given, notice to the Instrumentholders, or any of them, in accordance with the General Conditions that such payment has been made; and

51 subject to the Rule 144A disclaimer on page 3 of this Prospectus, it shall, unless it is subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any holder of Rule 144A Instruments and any prospective purchaser of such Instruments, in each case upon request, the information specified in Rule 144A(d)(4) under the Securities Act.

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