

# UROPA SECURITIES PLC

(Incorporated in England and Wales under Registered Number 6169704)

**£15,000,000,000**

## **Mortgage Backed Securities Programme**

Under this Mortgage Backed Securities Programme (the "**Programme**"), Uropa Securities PLC (the "**Issuer**") may from time to time issue (i) notes (the "**Notes**") and (ii) subordinated notes ("**Subordinated Notes**" and together with the Notes, the "**Instruments**") (denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below)). The holders of the Instruments shall be defined as "**Instrumentholders**" and the holders of each class of Notes shall be defined as a "**class of Noteholders**".

The maximum aggregate nominal amount of all Instruments from time to time outstanding under the Programme will not exceed £15,000,000,000, subject to any increase as described in the Programme Dealer Agreement.

The Instruments may be issued on a continuing basis to one or more of the Dealers appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer(s) shall, in the case of an issue of Instruments being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Instruments.

This document comprises a base prospectus (the "**Base Prospectus**") for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Base Prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and to be admitted to trading on its regulated market (the "**Market**"). The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. Such approval relates only to the Series of Notes which are to be admitted to trading on the Market or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area.

References in this Base Prospectus to the Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Irish Stock Exchange's market for listed securities and have been admitted to the Official List of the Irish Stock Exchange. The Irish Stock Exchange's market for listed securities is a regulated market for the purposes of Directive 93/22/EEC (the "**Investment Services Directive**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under the "*Terms and Conditions of the Notes*") of Notes will be set out in the supplement to this Base Prospectus (the "**Supplement**") which, with respect to the Notes to be listed on the Irish Stock Exchange, will be delivered to the IFSRA and the Irish Stock Exchange on or before the date of issue of such Tranche of Notes.

The Programme provides that the Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer, the Trustee (as defined under "*Summary Information – Parties*") and the relevant Dealer(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

All investment in Instruments issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

**ABN AMRO**

*Programme Arranger, Bookrunner and Lead Manager*

**The date of this Base Prospectus is 18 July 2007**

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States or any other relevant jurisdiction. The Instruments are being offered solely (a) outside the United States to non-U.S. Persons in offshore transactions (as defined in Regulation S under the Securities Act ("Regulation S")) in reliance on Regulation S and (b) other than in the case of the Subordinated Notes within the United States in reliance on Rule 144A under the Securities Act ("Rule/144A") to persons who are qualified institutional buyers as defined in Rule 144A ("Qualified Institutional Buyers"). For certain restrictions on resales, see "*Transfer Restrictions*".

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

The Instruments will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Instruments will not be obligations of, and will not be guaranteed by, any Series Originator, Topaz Finance Plc ("Topaz") (in its capacities as Seller, Programme Cash Manager and Special Servicer), any Series Servicer, any Legal Titleholder, any Series AssetCo, ABN AMRO Bank N.V., London Branch (in any capacity in which it is involved in this Programme, including the "Lead Manager"), ABN AMRO Trustees Limited (in its capacity as Trustee and Series Security Trustee) and each other Transaction Party (as defined under "*Summary Information*" below).

The information contained in this document with respect to each Transaction Party (other than the Issuer) relates to and has been obtained from each of them and the Issuer accepts responsibility for the accurate reproduction of this information. As far as the Issuer is aware, and has been able to ascertain from information published by each such party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The delivery of this Base Prospectus shall not create any implication that there has been no change in the affairs of each Transaction Party (other than the Issuer) since the date of this Base Prospectus, or that the information contained or referred to in this Base Prospectus is correct as of any time subsequent to its date. The Instrumentholders will not have any right to proceed directly against each Transaction Party (other than the Issuer) in respect of their respective obligations under any of the agreements to which they are a party.

THE INSTRUMENTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY NOTES (OTHER THAN IN RELATION TO THE SUBORDINATED NOTES) MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH PURCHASER OF INSTRUMENTS OFFERED HEREBY WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH HEREIN UNDER "*TRANSFER RESTRICTIONS*" AND "*CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS*". THE INSTRUMENTS ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "*TRANSFER RESTRICTIONS*" AND "*CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS*".

NONE OF THE SUBORDINATED NOTES, OR ANY INTEREST THEREIN, ARE DESIGNED FOR, OR MAY BE PURCHASED OR HELD BY, ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) WHICH IS SUBJECT THERETO, OR ANY PLAN (AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) OR BY ANY PERSON

ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN, AND EACH PURCHASER OF A SUBORDINATED NOTE, OR ANY INTEREST THEREIN, WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS A SUBORDINATED NOTE WILL NOT BE, SUCH EMPLOYEE BENEFIT PLAN OR PLAN OR A PERSON DEEMED TO HOLD ASSETS OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN. SEE FURTHER "CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS".

The Instruments will be in fully registered form and, in the case of the Notes, without interest coupons attached.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Instruments. No action has been taken by the Issuer or the Managers other than as set out in the cover page of this Base Prospectus that would permit a public offering of the Instruments or the distribution of this Base Prospectus in any country or jurisdiction where action for that purpose is required. The distribution of this Base Prospectus and the offering of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Managers to inform themselves about, and to observe, such restrictions. For a description of certain further restrictions on offers and sales of Instruments and distribution of this Base Prospectus, see "*Subscription and Sale*" below.

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

An investment in the Instruments is only suitable for financially sophisticated investors who are capable of evaluating the merits and risk of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.

References in this Base Prospectus 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 Base Prospectus to "€" or "euro" are references to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome of 25 March 1957, as amended from time to time. All references in this Base Prospectus to "\$", "dollars", "US\$" and "US dollars" are to the lawful currency of the United States of America.

In connection with the issue of any class of the Notes, the Dealer(s) (if any) disclosed as stabilising manager (in such capacity, the "**Stabilising Manager**") or any person acting for the Stabilising Manager in the applicable Supplement may over-allot the Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant class of Notes) 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 public disclosure of the terms of the offer of 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 Date of the relevant Series of Notes and 60 days after the date of allotment of the relevant class of the Notes.

The Instruments of a Series (a) sold in reliance on Regulation S under the Securities Act will be represented on issue in registered form for each of the Notes (the "**Reg S Global Notes**") and the Subordinated Notes (the "**Global Subordinated Notes**") expected to be deposited with ABN AMRO GSTS Nominees Limited as nominee for ABN AMRO Bank N.V., London Branch, as common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); and (b) sold in reliance on Rule 144A under the Securities Act (other than the Subordinated Notes of a Series) will be represented on issue by global

notes in registered form for each of the Instruments (the "**Rule 144A Global Notes**", together with the Reg S Global Notes, the "**Global Instruments**") and expected to be deposited with LaSalle Bank National Association, as custodian (the "**Custodian**") for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee.

Capitalised terms used in this Base Prospectus, unless otherwise indicated, have the meanings set out in this Base Prospectus. An index of defined terms used in this Base Prospectus appears on pages 200 to 207.

#### **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 STATE OF NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE 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.

#### **ENFORCEABILITY OF JUDGMENTS**

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against them judgments of the courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

#### **FORWARD-LOOKING STATEMENTS**

This Base Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented herein. When used in this Base Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer does not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

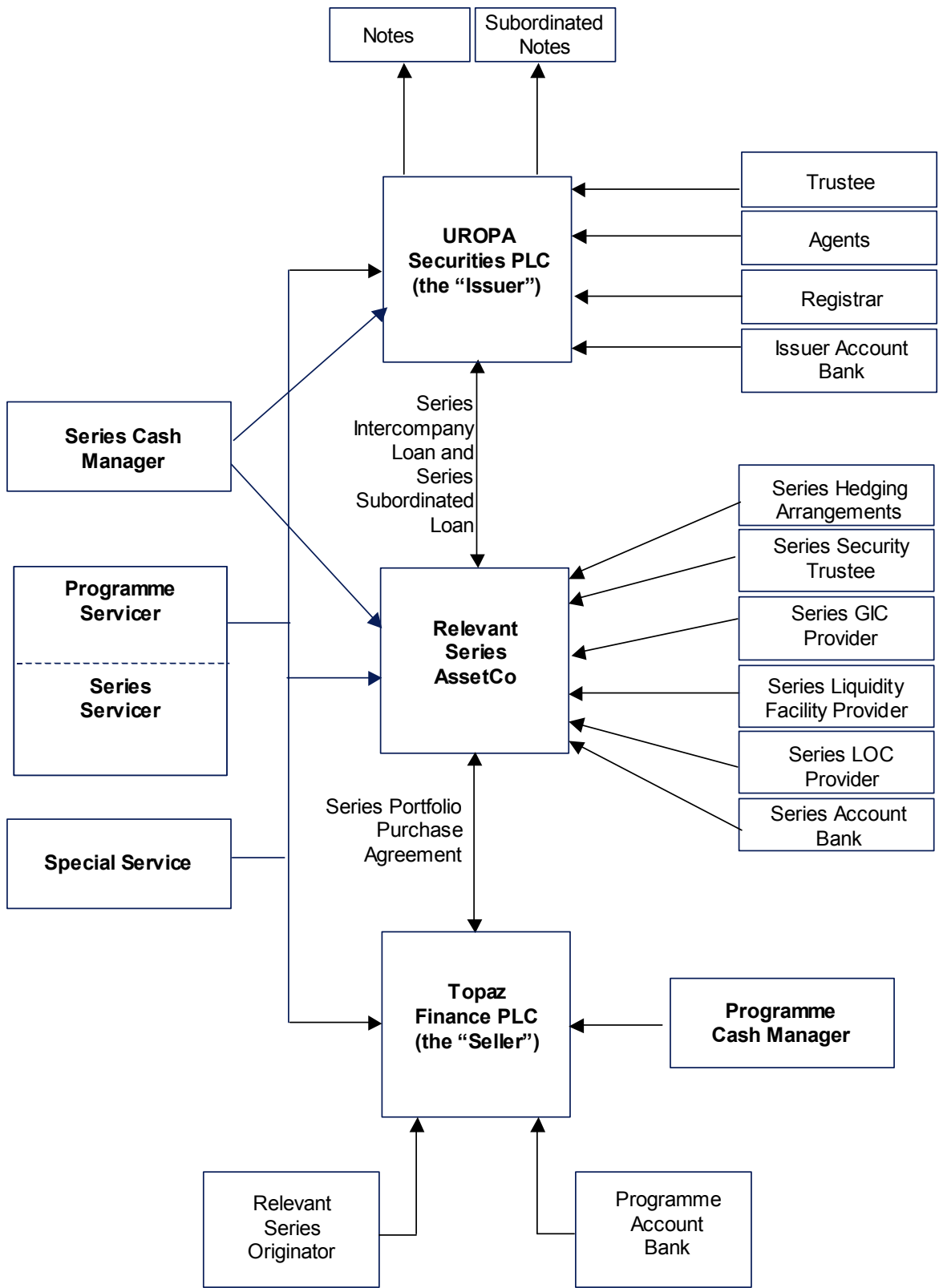
#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with the sale of the Rule 144A Notes, the Issuer will be required to furnish, upon request of a holder of such Note, or any beneficial owner thereof, to such holder or beneficial owner and a prospective purchaser designated by such holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

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**TRANSACTION OVERVIEW**



## SUMMARY INFORMATION

*The information set out below is a summary of the principal features of the issue of the Instruments. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Base Prospectus.*

### STRUCTURE OVERVIEW

- Programme:** Under the terms of the Programme established on or about 18 July 2007 (the "**Programme Establishment Date**"), the Issuer may from time to time, subject to certain conditions, issue Series of Instruments as described herein. The conditions of each Series will be contained in the relevant Supplement which must be read in conjunction with this Base Prospectus.
- Series Intercompany Loans:** The Issuer will apply the proceeds of each Series of Notes to provide a loan to the relevant Series AssetCo (each a "**Series Intercompany Loan**") to enable it to purchase Series Portfolios.
- Series Subordinated Loans:** The Issuer will apply the proceeds of each Series of Subordinated Notes to provide a loan to the relevant Series AssetCo (each a "**Series Subordinated Loan**") to enable it to fund, among other things, the Series Reserve Fund.
- Purchase of Series Portfolios:** Each Series AssetCo will apply the proceeds of a Series Intercompany Loan to purchase from the Seller on each Issue Date a Series Portfolio together with its Collateral Security at the dates specified in the relevant Supplement, in each case in accordance with the terms of the relevant Series Portfolio Purchase Agreement dated on or about the relevant Issue Date and entered into by the Seller, the Series AssetCo and the Series Security Trustee. The general characteristics of each Series Portfolio are described below under "*The Series Portfolios*", and further information regarding each Series Portfolio will be contained in the relevant Supplement to this Base Prospectus, which will be prepared in connection with the sale of each Series Portfolio to the relevant Series AssetCo and the issue of Instruments in connection therewith. A Series Portfolio may also include any Substitute Loans and Further Advances acquired by the relevant Series AssetCo in accordance with the provisions of the relevant Series Portfolio Purchase Agreement, as described below under "*Transaction Documents — Series Portfolio Purchase Agreements*".
- Mortgages and Loans:** Each Mortgage in respect of any Series Portfolio will be a mortgage or charge of, or standard security over, a residential property in England, Wales, Scotland or Northern Ireland. Loans will be eligible for inclusion in a Series Portfolio subject to satisfaction of the Transfer Conditions. See "*Transaction Documents – Series Portfolio Purchase Agreements – Transfer Conditions*".
- Series Priorities of Payments:** The following "**Series Priorities of Payments**" will be specified in the Supplement related to each Series:
- (a) prior to the service of a Series Enforcement Notice in respect of the Series, Available Revenue Funds will be applied in accordance with the Series Pre-Enforcement Revenue Priority of Payments;

- (b) prior to the service of a Series Enforcement Notice in respect of the Series, Available Redemption Funds will be applied in accordance with the Series Pre-Enforcement Principal Priority of Payments; and
- (c) following the service of a Series Enforcement Notice in respect of the Series, all amounts received in respect of the Series will be applied in accordance with the Series Post-Enforcement Priority of Payments.

See further "*Credit Structure*".

Liabilities solely incurred by a relevant Series AssetCo, such as amounts payable to the Series Security Trustee, the Programme Servicer, any Series Servicer, the Special Servicer, the Series Cash Manager, the Series Account Bank, the Series Liquidity Facility Provider, the Series LOC Facility Provider, the Series GIC Providers and the Series Hedge Providers, will be funded at the relevant Series AssetCo level in accordance with the Series Cash Management Agreement. See further "*Credit Structure - Series Priorities of Payments*".

**Issuer Priorities of Payments:** The following "**Issuer Priorities of Payments**" will be specified in the Supplement related to each Series:

- (a) prior to the service of an Enforcement Notice in respect of the Series, payments from the relevant Series AssetCo under the relevant Series Intercompany Loans Agreement will be applied in accordance with the "**Issuer Pre-Enforcement Revenue Priority of Payments**" and "**Issuer Pre-Enforcement Principal Priority of Payments**" (and together with the Issuer Pre-Enforcement Revenue Priority of Payments, the "**Issuer Pre-Enforcement Priorities of Payment**"), as applicable;
- (b) following the service of an Enforcement Notice in respect of the Series, payments from the relevant Series AssetCo under the relevant Series Intercompany Loans Agreement will be applied in accordance with the "**Issuer Post-Enforcement Priority of Payments**".

Certain amounts payable by the Issuer under the Issuer Priorities of Payment, such as amounts payable to the Trustee, the Programme Servicer, any Series Servicer, the Special Servicer, the Issuer Account Bank, the Series Cash Manager in respect of the administration of the Issuer Priorities of Payments and the Corporate Services Provider in respect of services to the Issuer, will be funded at the relevant Series AssetCo level (as relevant Series Permitted Withdrawals in respect of each Series on any date other than a Distribution Date and in accordance with the relevant Series Priorities of Payments on the relevant Distribution Date) and allocated to the applicable Issuer Account for application in accordance with the Issuer Priorities of Payments.

## THE PARTIES

### **Series Originators:**

Any persons or groups who are in the business of advancing or acquiring residential Loans to borrowers secured over



properties in England, Wales, Northern Ireland and/or Scotland (each a "**Series Originator**"). Further information regarding each Series Originators will be contained in the relevant Supplement to this Base Prospectus.

- Seller:** Topaz Finance PLC (the "**Seller**") is a public company with limited liability incorporated under the laws of England and Wales with registered number 5946900. Its registered office is 10 Upper Bank Street, London E14 5JJ. It was established as the regulated mortgage subsidiary of ABN AMRO Bank N.V., London Branch for the purpose of acquiring and potentially securitising residential mortgage assets in the United Kingdom. The Seller received full regulatory authorisation to conduct mortgage business from the FSA in May 2007 (FSA number 461671).
- Legal Titleholder:** Any Series Originator, the Seller, North Yorkshire Mortgages or any other persons or groups named as "**Legal Titleholder**" in the relevant Supplement to this Base Prospectus.
- Issuer:** The Issuer is a special purpose company incorporated in England and Wales as a public company with limited liability. The Issuer's company number is 6169704 and its registered office is at 35 Great St. Helen's, London EC3A 6AP. The Issuer's issued share capital is held by Uropa Holdings Limited ("**UK Holdings**") except for one share held by SFM Nominees Limited (the "**Share Trustee**") as nominee for UK Holdings under the terms of a share trust deed dated 15 May 2007.
- The Issuer has been established as a special purpose company for the purpose of issuing asset backed securities.
- Series AssetCo:** Each Series AssetCo which will acquire a Series Portfolio from the Seller will be a special purpose company incorporated in England and Wales as a private limited company ("**Series AssetCo**"). Further information regarding each Series AssetCo will be contained in the relevant Supplement to this Base Prospectus.
- UK Holdings:** UK Holdings is a special purpose company incorporated in England and Wales as a private limited company. UK Holdings' company number is 6198306 and its registered office is at 35 Great St. Helen's, London EC3A 6AP.
- OptionCo:** Uropa Options Limited is a special purpose company incorporated in England and Wales as a private limited company ("**OptionCo**"). OptionCo's company number is 6198154 and its registered office is at 35 Great St. Helen's, London EC3A 6AP. It will be appointed as the company with the benefit of the Post-Enforcement Call Option (the "**PECO Holder**").
- Corporate Services Provider:** Structured Finance Management Limited will be the corporate service provider to the Issuer, each Series AssetCo, UK Holdings and OptionCo (in such capacity, the "**Corporate Services Provider**") pursuant to the terms of a corporate services agreement to be entered into by Corporate Service Provider and each of the Issuer, each Series AssetCo, UK Holdings and OptionCo on or about the Programme Establishment Date.

<b>Programme Servicer:</b>	Specialist Mortgage Services Limited ("SMS") was appointed as programme servicer (" <b>Programme Servicer</b> "), on 30 March 2007, under the terms of a programme servicing agreement between SMS, the Seller and the Series Security Trustee (a " <b>Programme Servicing Agreement</b> ") to provide certain administration and management services to the Seller. Each relevant Series AssetCo will be required to accede to the Programme Servicing Agreement in relation to the administration services to be provided by the Programme Servicer with respect to a particular Series Portfolio (" <b>Programme Servicing Agreement Supplement</b> "). See " <i>The Series Portfolio</i> " and " <i>Transaction Documents – Programme Servicing Agreement</i> " below.
<b>Series Servicer:</b>	Programme Servicer or any other person appointed as servicer as specified in the relevant Supplement (the " <b>Series Servicer</b> "). The Series Servicer will be appointed to provide certain administration and management services to the relevant Series AssetCo in relation to the relevant Series Portfolio.
<b>Special Servicer:</b>	Topaz Finance PLC will be appointed as special servicer (the " <b>Special Servicer</b> ") pursuant to the terms of the Special Servicing Agreement on or about the Programme Establishment Date. The terms of the Special Servicing Agreement provide that upon the accession of each Series AssetCo to the Special Servicing Agreement the Special Servicer assumes the rights and obligations of the Programme Servicer in relation to that Series Portfolio. Upon its appointment the Special Servicer will delegate certain of its functions to the Programme Servicer.
<b>Series Standby Servicer:</b>	If specified in the Supplement, a Series Standby Servicer shall be appointed by the Trustee to assume the functions of the Series Servicer (the " <b>Series Standby Servicer</b> ").
<b>Programme Cash Manager:</b>	ABN AMRO Bank N.V., London Branch (whose registered office is at 250 Bishopsgate, London EC2M 4AA) will be appointed as Cash Manager (" <b>Programme Cash Manager</b> ") to provide cash management services to the Seller in respect of the Programme under the Programme Cash Management Agreement. See " <i>Transaction Documents - Programme Cash Management Agreement</i> " below.
<b>Series Cash Manager:</b>	ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN), will be appointed as programme cash manager (" <b>Series Cash Manager</b> ") to provide cash management services to the Issuer and each Series AssetCo in respect of the relevant Series under the Series Cash Management Agreement to be dated on or about the Issue Date (the " <b>Series Cash Management Agreement</b> "). See " <i>Series Transaction Documents – Series Cash Management Agreement</i> " below.
<b>Programme Account Bank:</b>	Programme collection accounts will be held with HSBC Bank plc in its capacity as programme account bank provider (" <b>Programme Account Bank</b> ") pursuant to the terms of the programme bank account agreement between, <i>inter alios</i> , the Programme Account Bank and the Seller dated on or about the Programme Establishment Date (the " <b>Programme Bank Account Agreement</b> "). See " <i>The Programme Account Bank</i> " and " <i>Transaction Documents – Programme Bank Account</i> "

*Agreement*" below.

- Series Account Bank:** The bank accounts in respect of each Series AssetCo ("**Series Bank Accounts**") will be held with ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) or any other person as specified in the relevant Supplement, in its capacity as account bank for each relevant Series AssetCo ("**Series Account Bank**") pursuant to the terms of the relevant Series bank account agreement (each a "**Series Bank Account Agreement**"). See "*Series Account Bank, Issuer Account Bank and Series Cash Manager*" and "*Transaction Documents – Series Bank Account Agreements*" below.
- Series Security Trustee:** ABN AMRO Trustees Limited (whose registered office is at 82 Bishopsgate, London EC2N 4BN) will be appointed as Series Security Trustee for each Series ("**Series Security Trustee**") pursuant to the terms of the security deed to be dated on or about each Issue Date between, *inter alios*, the Series Security Trustee and the relevant Series AssetCo (the "**AssetCo Security Deed**") to hold the benefit of the Collateral Security granted by the relevant Series AssetCo over the relevant Series Portfolio to the Issuer for itself and on behalf of the AssetCo Secured Creditors as set out in the relevant AssetCo Security Deed.
- Series Hedge Providers:** If specified in the relevant Supplement, the relevant Series AssetCo will enter into one or more Series Hedge Agreements with one or more Series Hedge Providers as specified in the relevant Supplement to hedge certain interest rate, currency and/or other risks in respect of amounts received by the relevant Series AssetCo under the relevant Series Portfolio and any amounts payable by the relevant Series AssetCo to the Issuer under that Series Intercompany Loan and the applicable Series Priorities of Payments.
- See further "*Credit Structure – Series Hedge Agreements*" below.
- Trustee:** ABN AMRO Trustees Limited (whose registered office is at 82 Bishopsgate, London EC2N 4BN) will be appointed as trustee for the (i) Noteholders and (ii) Subordinated Noteholders (in such capacity, the "**Trustee**") pursuant to the terms of a trust deed (the "**Trust Deed**") to be entered into on or about the Programme Establishment Date between the Issuer and the Trustee and each deed entered into supplemental thereto in connection with a Series (a "**Supplemental Trust Deed** "). The Issuer will enter into a security deed (the "**Issuer Security Deed** ") with the Trustee on or about the Programme Establishment Date and supplemental security deeds (each an "**Issuer Security Deed Supplement** ") in connection with each Series. The Trustee will hold the security granted by the Issuer under each Issuer Security Deed Supplement for the benefit of, among others, the Instrumentholders of the relevant Series.
- Principal Paying Agent and Agent Bank:** ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) will be appointed as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the Instruments) and as agent bank (in such capacity, the "**Agent**

**Bank"**, which expression includes any other agent bank appointed in respect of the Instruments) in respect of the Instruments under the Agency Agreement (the "**Agency Agreement**").

<b>Irish Paying Agent:</b>	NCB Stockbrokers Limited (whose address is at 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland) will be appointed as Irish paying agent in respect of the Instruments (in such capacity, the " <b>Irish Paying Agent</b> ", which expression includes any other Irish paying agent appointed in respect of the Instruments) pursuant to the Agency Agreement. The Irish Paying Agent will make payments to the Instrumentholders in certain circumstances where such Instrumentholders are situated in Ireland.
<b>Registrar and Transfer Agent:</b>	ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) will be appointed as registrar (in such capacity, the " <b>Registrar</b> ", which expression includes any other registrar appointed in respect of the Instruments) and as transfer agent (in such capacity, the " <b>Transfer Agent</b> ", which expression includes any other transfer agent appointed in respect of the Instruments) in respect of the Instruments pursuant to the Agency Agreement.
<b>Issuer Account Bank:</b>	ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) will be appointed as Issuer Account Bank (the " <b>Issuer Account Bank</b> ") under the terms of the bank agreement to be dated on or about each Issue date (each an " <b>Issuer Bank Account Agreement</b> ").
<b>Series GIC Provider:</b>	Each relevant Series AssetCo may appoint any person as GIC provider as specified in the relevant Supplement (the " <b>Series GIC Provider</b> ") under the terms of the guaranteed investment contracts to be dated on or about each Issue Date (the " <b>Series GICs</b> ").
<b>Series Liquidity Facility Provider:</b>	Each relevant Series AssetCo may appoint any person as liquidity facility provider as specified in the relevant Supplement (the " <b>Series Liquidity Facility Provider</b> ") under the terms of the liquidity facility agreement to be dated on or about each Issue Date (the " <b>Series Liquidity Facility Agreement</b> ").
<b>Series LOC Facility Provider:</b>	Each relevant Series AssetCo may appoint any person as a letter of credit facility provider as specified in the relevant Supplement (the " <b>Series LOC Facility Provider</b> ") under the terms of a letter of credit agreement to be dated on or about each Issue Date (the " <b>Series LOC Agreement</b> ").
<b>Rating Agencies:</b>	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (" <b>S&amp;P</b> "), Moody's Investor Service Limited (" <b>Moody's</b> ") and Fitch Ratings Ltd. (" <b>Fitch</b> " and, together with S&P and Moody's, the " <b>Rating Agencies</b> ").
<b>Transaction Parties:</b>	Each Series Originator, the Seller, each Series AssetCo, the Issuer, UK Holdings, the OptionCo, the Corporate Services Provider, the Programme Servicer, any Series Servicer, the Special Servicer, the Programme Cash Manager, the Series Cash Manager, the Programme Account Bank, the Series Account Bank, the Series Hedge Providers, the Series LOC

Provider, the Series Security Trustee, the Trustee, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent, the Issuer Account Bank, the Series GIC Provider, the Series Liquidity Facility Provider, are together the "**Transaction Parties**" and each a "**Transaction Party**".

## THE INSTRUMENTS

<b>Description:</b>	Mortgage Backed Securities Programme.
<b>Programme Size:</b>	At the date of this Base Prospectus, the aggregate nominal principal amount of Instruments which may be outstanding at any time under the Programme will not exceed £15,000,000,000 (or its equivalent in other currencies). The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Dealer Agreement.
<b>Issue of Series or Classes:</b>	Series of Instruments may be issued by the Issuer from time to time and in the case of the Notes, each comprising one or more Classes of Notes. The Notes comprising each Class may be issued on different dates.
<b>Ranking of Notes:</b>	The Classes of Notes will rank in the priority specified in the Supplement.
<b>Conditions:</b>	The Conditions of each issue of Notes and Subordinated Notes are set out in this Base Prospectus under " <i>Terms and Conditions of the Notes</i> " and " <i>Terms and Conditions of the Subordinated Notes</i> ", respectively, below and will be supplemented in the Supplement prepared in connection with, and applicable to, the Series, which must be read in conjunction with this Base Prospectus.
<b>Certain Restrictions:</b>	Each issue of Instruments in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.
<b>Distribution:</b>	<p>Instruments of a Series may be distributed outside the United States to persons other than U.S. persons (as such term is defined in Regulation S under the Securities Act) and/or (other than the Subordinated Notes, of a Series) may be offered and sold in the United States only to QIBs pursuant to Rule 144A under the Securities Act.</p> <p>Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to applicable selling restrictions.</p>
<b>Denominations:</b>	Notes will be issued in such denominations as specified in the applicable Supplement in respect of a Series, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive

will be €50,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Specified Currencies:** Subject to any applicable legal or regulatory restrictions, such currency or currencies as specified in the applicable Supplement.

**Maturities:** Such maturities as specified in the applicable Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant specified currency.

**Issue Price:** Notes will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Supplement.

**Form of Instruments:** The Instruments will be issued in registered form as described in "*Description of the Instruments*" below. Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes may be issued on the terms specified in the applicable Supplement.

**Fixed Rate Notes:** Fixed interest will be payable on such date or dates as specified in the relevant Supplement and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Supplement.

**Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement in the form of an ISDA 1992 Master Agreement (Multicurrency-Cross Border) (together with a schedule and any credit support annex thereto) incorporating the ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as specified in the applicable Supplement.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes and specified in the applicable Supplement.

**Other provisions in relation to Floating Rate Notes:** Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both if specified in the applicable Supplement.

Interest on Floating Rate Notes in respect of each Interest Period, as specified in the relevant Supplement, will be payable on such Interest Payment Dates, and will be

calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealers and as specified in the applicable Supplement.

**Zero Coupon Notes:** Zero Coupon Notes may be offered and sold at their nominal amount or at a discount and will not bear interest if specified in the applicable Supplement.

**Subordinated Notes:** The proceeds of the Subordinated Notes (if any) will be applied by the Issuer to provide the relevant Series AssetCo a Series Subordinated Loan as specified in the relevant Supplement and the relevant Series AssetCo shall use any Series Subordinated Loan drawn under the relevant Series Intercompany Loans Agreement to:

- (a) fund the Series Reserve Fund Amount in respect of the relevant Series;
- (b) meet Prefunding Interest Shortfall Amounts and fund the Series Discount Reserve (if any); and
- (c) meet the costs and expenses arising in respect of the issue of the Notes of the relevant Series, or incurred by the relevant Series AssetCo and advanced by the Issuer to the relevant Series AssetCo.

The Subordinated Notes may be issued to the Seller and the Seller as a holder of such Subordinated Notes will have similar voting rights as the other Noteholders of a Series.

**Deferral of Scheduled Interest and Scheduled Principal:** If specified in the applicable Supplement, scheduled interest (except in respect of the then most senior Class of Notes in a Series) and/or scheduled principal payments may be deferred to the next applicable Interest Payment Date and will accrue interest in the event that the relevant Series AssetCo has insufficient funds to make such payments in accordance with the applicable Series Priorities of Payments.

**Redemption:** The applicable Supplement relating to each Series of Instruments will indicate either that the relevant Instruments cannot be redeemed prior to their stated maturity (other than for taxation reasons or for any other specified reason) or that such Instruments will be redeemable (in whole or part) upon notice being given to the relevant Instrumentholders by the person set out in the Conditions of the Notes and Conditions of the Subordinated Notes, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) as set out in the applicable Supplement.

**Cross Default:** The terms of the Instruments of a particular Series will not contain any cross default provisions with the Instruments of another Series.

**Status:** Notes of any Class comprised in a Series will, unless indicated otherwise in the Supplement, rank *pari passu* without any preference among each other within that Class in the Series.

**Taxation:** If any withholding or deduction for or on account of any tax is imposed in respect of payments under the Instruments, the

Issuer will make payments subject to such withholding or deduction and neither the Issuer nor any other entity will be required to gross-up or otherwise pay additional amounts in respect thereof. The imposition of such withholding or deduction may entitle the Issuer to redeem the Notes in accordance with Condition 7(d) of the Notes (*Redemption and Post-Enforcement Call Option — Redemption for Tax Reasons*) and redeem the Subordinated Notes in accordance with Subnote Condition 7(d) (*Redemption and Post-Enforcement Call Option — Redemption for Tax Reasons*) if the Issuer has sufficient funds available. See "*United Kingdom Taxation*" below.

**Rating:** The rating of each class of Notes of a Series will be specified in the relevant Supplement. Subordinated Notes may be assigned a rating by any of the Rating Agencies specified in the relevant Supplement.

**Listing:** Application will be made for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Irish Stock Exchange. Notes may be unlisted or may be listed on such other or further stock exchanges as may be agreed between the Issuer, the Trustee, and the relevant Dealers in relation to each issue. The Supplement in respect of a particular Series will state whether or not the Notes are to be listed.

No application will be made for the Subordinated Notes to be admitted to the Official List of the Irish Stock Exchange or any other Stock Exchange, unless specified otherwise in a Supplement in respect of a particular Series.

**Governing Law:** The Notes and the Subordinated Notes will be governed by, and construed in accordance with, English law.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of any Instruments in the United States, the United Kingdom and Ireland. Other restrictions may apply in connection with the offering and sale of a particular Series of Instruments. Selling restrictions in respect of a particular Series will be specified in the applicable Supplement. See also "*Subscription and Sale*" and "*Transfer Restrictions*" below.



## 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 document.

### 1. GENERAL INVESTMENT CONSIDERATIONS

#### Ratings for the Notes

The expected ratings of each Class of Notes are set out in the relevant Supplement. The ratings that are assigned to any Class of Notes under the Programme are based on the Loans, the Collateral Security, the Series Portfolio and other relevant structural features of the transaction, which may include, among other things, the short term unsecured, unguaranteed and unsubordinated debt ratings of the relevant Series Liquidity Facility Provider, any relevant Series Hedge Provider and the Series Account Bank. These ratings reflect only the views of the Rating Agencies.

The ratings that are assigned to any Class of Notes under the Programme do not represent any assessment of the yield to maturity that a Noteholder may experience or the possibility that Noteholders may not recover their initial investments if unscheduled receipts of principal result from a prepayment, a default and acceleration or from the receipt of funds with respect to the compulsory purchase of a Property or Properties.

The ratings that are assigned to any Class of Notes under the Programme will address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Final Maturity Date. The Subordinated Notes will not be assigned a rating by any of the Rating Agencies.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Notes of any Class.

Credit rating agencies other than Fitch, Moody's and S&P could seek to rate the Notes (or any Class of them) without having been requested to do so by the Issuer and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, Moody's and S&P, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes of any Class. In this Base Prospectus, all references to ratings in this Base Prospectus are to ratings assigned by the Rating Agencies (namely Fitch, Moody's and S&P).

#### Ratings confirmation in respect of Series

The terms of certain of the Transaction Documents in respect of the relevant Series, require the Rating Agencies (except in the case of Moody's) to confirm that certain actions proposed to be taken by the Series Security Trustee, the Trustee or the Issuer will not have an adverse effect on the then current rating of the Notes (a "**Ratings Confirmation**").

By acquiring the Notes, Noteholders acknowledge and agree that notwithstanding the foregoing, a credit rating is an assessment of credit risk and does not address other matters that may be of relevance to Noteholders. A Ratings Confirmation that any action proposed to be taken by the Series Security Trustee, the Trustee or the Issuer will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents in respect of the relevant Series, or (ii) is in the best interests of, or prejudicial to, Noteholders. In being entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the relevant Notes would not be adversely affected, each of the Issuer Secured Creditors (including the Noteholders) has acknowledged and agreed in the Transaction Documents that the above does not impose or extend any actual or contingent liability of the Rating Agencies to the Issuer Secured Creditors (including the Noteholders), the Series Security Trustee, the Trustee, the Issuer or any other person or create any legal relations between the Rating Agencies and the Issuer Secured Creditors (including the Noteholders), the Series Security Trustee, the Trustee, the Issuer or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Ratings Confirmations, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Ratings Confirmation represents only a restatement of the opinions given and cannot be construed as advice for the benefit of any parties to the transaction.

### **Deferral of Interest and Principal**

If specified in the applicable Supplement, payments of interest (except in respect of the then most senior Class of Notes in a Series) and/or scheduled principal in respect of a Class of Notes on any Interest Payment Date when the Issuer has insufficient funds to make payment in full of such interest and/or principal on the Notes in accordance with the applicable Issuer Priorities of Payments may be deferred until the next applicable Interest Payment Date. This will not constitute an Event of Default or an Issuer Insolvency Event.

### **Subordination of Notes of a Series**

Prior to enforcement of the Issuer Security relating to a Series of Notes under the Issuer Security Deed and/or Issuer Security Deed Supplement and after enforcement of the Issuer Security relating to that Series of Notes following service of an Enforcement Notice, payments of principal and interest in respect of each Class of Notes within a Series will be subject to the Issuer Priorities of Payments and certain Classes of Notes will be subordinated to payments of principal and interest in respect of other Classes of Notes, as specified in the applicable Supplement.

Under the Issuer Priorities of Payments as specified in the relevant Supplement, payments will be made to certain Issuer Secured Creditors (such as the Trustee, the Issuer Account Bank and the Series Cash Manager (other than specified subordinated amounts)) and amounts will be allocated in respect of certain liabilities of the Issuer (e.g. for tax) in priority to the Instrumentholders of a Series.

### **Trustee, Issuer Security and conflicts of interest between Classes of Noteholders of a Series**

The Trust Deed and each Supplemental Trust Deed will contain provisions requiring the Trustee to have regard to the interests of the holders of all Classes of Notes and other Instruments comprised in a Series equally as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee with respect to such Series (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class or, as the case may be, Classes of Noteholders ranking most or more senior in the Issuer Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement if, in the Trustee's opinion, there is a conflict between the interests of the holders of any Classes of Notes comprised in a Series and to have regard only to the interests of the holders of the relevant Class or Classes of Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the holders of any Class or Classes of Notes and the holders of any Instruments other than Notes.

Following an Event of Default, all Classes of the Notes of such Series may be accelerated (i) at the direction of the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class of Notes of such Series ranking most senior in the Issuer Post-Enforcement Priority of Payments as set out in the relevant Supplement (where two or more Classes of *pari passu* ranking Notes rank most senior, treating such Notes as a single Class for this purpose) or (ii) if so directed by an Extraordinary Resolution of the holders of the most senior ranking Class or Classes of Notes (which direction in the case of both (i) and (ii) the Trustee shall not be obliged to comply with unless it and the Series Security Trustee have been indemnified or secured to its satisfaction), without reference to the interests of, or any requirement for sanction from, any junior ranking Classes of Noteholders of such Series.

Enforcement, including enforcement of the Issuer Security over the Issuer Assets relating to a Series, may be directed by an Extraordinary Resolution of the holders of the Class or, as the case may be, Classes of Notes of such Series ranking most senior in the Issuer Post-Enforcement Priority of Payments (which direction the Trustee shall not be obliged to comply with unless indemnified or secured to its satisfaction)

set out in the relevant Supplement, without reference to the interests of, or any requirement for sanction from, any junior ranking Classes of Noteholders of such Series.

In relation to any matters other than those referred to in the two preceding paragraphs, the Trust Deed and each Supplemental Trust Deed will contain provisions limiting the powers of any Class of Noteholders ranking behind or *pari passu* with, in the Issuer Post-Enforcement Priority of Payments, one or more other Classes of Noteholders, to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class or Classes of Noteholders more senior, or *pari passu* with, which such Class of Noteholders ranks. Except in the case of an Extraordinary Resolution to sanction a Basic Terms Modification (which shall not be binding upon any junior Classes of Noteholders unless the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of the junior ranking Classes of Notes or is sanctioned by an Extraordinary Resolution of the holders of each of the junior Classes of Notes), the Trust Deed will contain no such limitation on the powers of any Class of Noteholders ranking senior, in the Issuer Priorities of Payments, to one or more other Classes of Noteholders, by reference to the effect on the interests of such other Class or Classes of Noteholders, the exercise of which will be binding on such other Class or Classes of Noteholders, irrespective of the effect thereof on their interests.

#### **The Trustee may agree to modifications to the Transaction Documents without the Noteholders' prior consent**

Pursuant to the terms of the Trust Deed and the Supplemental Trust Deed in respect of any Series, the Trustee may, without the consent or sanction of any of the Noteholders or any of the other Issuer Secured Creditors or any of the other Instrumentholders, concur with any person, or instruct the Series Security Trustee to concur with any person, in making or sanctioning any modification (other than a Basic Terms Modification) to the Instruments or the other Transaction Documents:

- (a) provided that the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders of the Class of Notes then ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments (where two *pari passu* ranking Classes rank senior treating such Notes as a single Class); or
- (b) which is in the sole opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error, or to comply with mandatory provisions of law.

Pursuant to the terms of the Trust Deed and Supplemental Trust Deeds, the Issuer, the Trustee and/or the relevant Paying Agents may, without the consent or sanction of any of the Noteholders in respect of that Series or any of the other Issuer Secured Creditors in respect of that Series, concur with any person, or instruct the Series Security Trustee to concur with any person, in making or sanctioning any modifications of any of the provisions of the Supplement which are of a formal, minor or technical nature or are made to correct a manifest error or to comply with mandatory provisions of law.

#### **Book-Entry Interests**

Unless and until Definitive Notes are issued in exchange for Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

Euroclear or Clearstream, Luxembourg or its nominee will be the registered holder and sole legal Noteholder of the Global Notes under the Trust Deed. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg as specified in the applicable Supplement. Upon receipt of any payment from the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of interest 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 registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, any Paying Agent, or the Registrar 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.

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

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

## **Redemption of Instruments of a Series**

There are a number of circumstances in which the Instruments may be redeemed prior to their Final Maturity Date as set out in the relevant Supplement of a particular Series, including mandatory redemption in part (see Condition 7(b) (*Mandatory Redemption in part*) and Subnote Condition 7(b) (*Mandatory Redemption in part*)), redemption for tax reasons (see Condition 7(d) (*Redemption for Tax Reasons*) and Subnote Condition 7(d) (*Redemption for Tax Reasons*)) and optional redemption (see Condition 7(e) (*Optional Redemption*) and Subnote Condition 7(e) (*Optional Redemption*)).

## **Optional Redemption of Instruments of a Series**

Although the Issuer is entitled to redeem the Instruments of a Series in certain circumstances (see Condition 7(e) (*Optional Redemption*) and Subnote Condition 7(e) (*Optional Redemption*)) it is not obliged to do so. The ability of the Issuer to redeem the Instruments of a Series will be dependent primarily on the relevant Series AssetCo's ability to sell or refinance a Series Portfolio for an amount sufficient to enable the Issuer to make payments of all sums due to Instrumentholders of a Series upon any such redemption. Accordingly, if the relevant Series AssetCo is unable to raise sufficient redemption funds, whether by sale or refinance of the Series Portfolio or otherwise, the Issuer will not be able to exercise its rights of optional early redemption of the Notes.

## **General legal investment considerations**

The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Instruments are legal investments for it, (2) Instruments can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable risk-based capital or similar rules.

## **Fixed charges may take effect under English law as floating charges**

Pursuant to the terms of the relevant AssetCo Security Deed, the relevant Series AssetCo has purported to grant fixed charges over, amongst other things, its interests in the relevant Series Portfolios and their Collateral Security. Pursuant to the terms of the Issuer Security Deed and any Issuer Security Deed Supplement, the Issuer has purported to grant fixed charges over, amongst other things, its interests in the relevant Series Portfolios and their Collateral Security and its rights and benefits in the Series Bank Accounts.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer and the relevant Series AssetCo may take effect under English law as floating charges only, if, for example, it is determined that the Trustee or the Series Security Trustee, respectively, does not exert sufficient control over the charged property for the security to be said to "fix" over those assets. It should be assumed by Instrumentholders that the fixed charges will take effect as floating charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee (in the case of the Issuer) and the Series Security Trustee (in the case of the relevant Series AssetCo) in respect of the floating charge assets. In particular, the expenses of any administration, and the claims of any preferential creditors and, to the extent described in the Enterprise Act 2002 below, the claims of unsecured creditors would rank ahead of the claims of the Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents in respect of the relevant Series not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer and the relevant Series AssetCo, as applicant, will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Issuer Security Deed, any Issuer Security Deed Supplement and any AssetCo Security Deed, respectively.

## 2. CONSIDERATIONS RELATED TO THE SERIES PORTFOLIOS

### **Factors that may affect the realisable value of each Series Portfolio or any part thereof**

The realisable value of Loans and their Collateral Security comprised in a Series Portfolio may be reduced (which may affect the ability of the relevant Series AssetCo and Issuer to meet its respective obligations under the Programme) by a number of different factors, some of which are described in further detail below.

### **Reliance on third parties in relation to the Loans**

The relevant Series AssetCo is a party to contracts with a number of other third parties that have agreed to perform certain services in relation to the relevant Series Portfolio and Series Intercompany Loans Agreement. In particular, but without limitation, a Series Servicer will be appointed in relation to the administration of the relevant Series Portfolio. In the event that any relevant third party fails to perform their obligations under the respective agreements to which they are a party, the relevant Series AssetCo's ability to make payments on the relevant Series Intercompany Loans Agreement (if any) may be adversely affected and, as the Issuer is reliant on payments from the relevant Series AssetCo, Instrumentholders may be adversely affected.

### **Declining property values**

The security for the Instruments consists primarily of the relevant Series AssetCo's interest in the Loans and relevant Collateral Security which was charged in favour of the Series Security Trustee for the benefit of itself and the other AssetCo's Secured Creditors (including the Issuer) pursuant to the relevant AssetCo Security Deed. The value of this security may be affected by, among other things, a decline in United Kingdom residential property values. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Loans. If the residential property market in the United Kingdom should experience an overall decline in property values, or a decline in the rental income used by Borrowers to service Buy-to-Let Loans, such a decline could in certain circumstances result in the value of the security being significantly reduced and, in the event that the security is required to be enforced, may result in losses to the Instrumentholders.

### **LIBOR Linked Loans, Fixed Rate Loans and BBR Linked Loans**

The Lending Criteria will generally require that any Loan comprised in the Mortgage Pool is either: (a) a "**LIBOR Linked Loan**", which means that the interest rate payable on the Loan is calculated as a specified margin above or below "**Loan LIBOR**" being LIBOR for three month sterling deposits from time to time; (b) a "**Fixed Rate Loan**", which means that the interest rate payable on the loan is a fixed rate of interest set by reference to a pre-determined rate or series of rates for a fixed period or periods; or (c) a "**BBR Linked Loan**", which means that the interest rate payable on the Loan is calculated as a specified margin in excess of a "**Loan Base Rate**" being a rate set by the relevant Series Originator above or below "**Loan BBR**" being the Bank of England Base Rate (and, for the avoidance of doubt, the term BBR Linked Loan or LIBOR Linked Loans where used in the following sections, excludes Fixed Rate Loans which are also BBR Linked Loans or the LIBOR Linked Loans).

Subject to adjustment for business days, Loan LIBOR on all LIBOR Linked Loans in a Series Portfolio may be set and re-set from time to time (each a "**Loan LIBOR Fixing Date**"), and applies from each Loan LIBOR Fixing Date until the day preceding the next Loan LIBOR Fixing Date.

Subject to adjustment for business days, Loan BBR on all BBR Linked Loans in a Series Portfolio may be set and re-set from time to time (each date of such setting or re-setting of Loan BBR, "**Loan BBR Fixing Date**"), and applies from each Loan BBR Fixing Date until the day preceding the next Loan BBR Fixing Date.

Fixed Rate Loans which were but are no longer subject to a fixed rate of interest will convert into LIBOR Linked Loans or BBR Linked Loans upon the end of the fixed rate period, to the extent not previously redeemed.

In order to hedge against some or all of these risks the relevant Series AssetCo may enter into one or more Series Hedging Transactions as specified in the relevant Supplement.

## Right to Buy Loans

The Right to Buy Loans have been made in whole or in part to a Borrower for the purposes of enabling that Borrower to exercise his or her right to buy the relevant Property under the "**Right to Buy**" scheme of (in England and Wales) Part V of the Housing Act 1985 (as amended) (the "**1985 Act**") or (in Scotland) Part III of the Housing (Scotland) Act 1987 (as amended) (the "**1987 Act**") or (in Northern Ireland) under the Northern Ireland Housing Executive House Sales Scheme as provided for by the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003, as the case may be, from a local authority or, in Northern Ireland, the Northern Ireland Housing Executive (the "**NIHE**") or, in certain circumstances, registered social landlords or certain other public sector landlords from which he or she was renting the Property (the "**Landlord**").

Properties in England and Wales sold under the Right to Buy scheme of the 1985 Act are sold by the Landlord at a discount to market value calculated in accordance with the 1985 Act. A purchaser under this scheme must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the Landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one fifth if within five years, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he does so within two years and one-third if within three years. The Landlord obtains a statutory charge over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the 1985 Act such statutory charge ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge shall automatically rank behind any charge on the related property in relation to monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his right to buy. Unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the Landlord or another social landlord at full market value and to allow up to 8 weeks for acceptance of the offer. A mortgage lender selling the property as a mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the Landlord or other social landlord.

Properties sold under the Right to Buy scheme of the 1987 Act are sold by a Landlord at a discount to market value calculated in accordance with the 1987 Act. A purchaser under this scheme must repay the whole of the discount if he or she sells the property within one year of acquiring it from the Landlord, two-thirds if he or she does so within two years and one-third within three years. If the Landlord secures the purchaser's obligation to repay the discount or part of the discount via a standard security, this "**Discount Standard Security**" will rank behind any other standard security over the property securing funds borrowed for the purpose of either purchasing the property or improving the property.

With reference to the Right to Buy scheme of the 1985 Act, where an approved lending institution advances money to a purchaser for the purposes of both exercising his or her right to buy and for other purposes, the Landlord may give written consent to the charge granted to the approved lending institution ranking in priority to the statutory charge in relation to those monies advanced for purposes other than for enabling the exercise of the right to buy and shall give such consent if such other purposes are approved purposes under the 1985 Act. The 1985 Act also does not expressly require that where the Landlord gives such consent after the making of an advance made for an approved purpose, the Landlord be satisfied that the borrower has used the advance for an approved purpose.

In Northern Ireland, a similar Right to Buy scheme operates through the NIHE, although certain differences apply regarding repayment of discount. The discount covenant charge which is created under the standard terms of the NIHE scheme takes priority immediately after any mortgage securing any amount left outstanding by the purchaser and advanced to him by a lending institution for the purpose of buying his house (and for some other purposes). In relation to any subsequent charge granted to any lending institution other than the institution which provided the initial loan to buy the house, NIHE has a discretion to postpone its charge to this subsequent charge. Such subsequent charge would include a charge in favour of a new or subsequent lender if the purchaser were to transfer his initial mortgage to a new or subsequent lender within a period of three years after purchase of the house (being the period during which the NIHE may recoup discount pursuant to the discount covenant charge). The discretion is rarely exercised by NIHE. Considerations in respect of application of the money for approved purposes do not apply in Northern Ireland.

## **Enforcement**

In order to enforce a power of sale in respect of a property, the relevant mortgagee (which may be the relevant Legal Titleholder, the Seller, the relevant Series AssetCo or the Series Security Trustee) must first obtain possession of the Property. Possession is usually obtained by way of a court order although this can be a lengthy and costly process and will involve the mortgagee assuming certain risks. See "*The Series Portfolios*". If obtaining possession of property in such circumstances is lengthy or costly, the relevant Series AssetCo's ability to service payments under the applicable Series Intercompany Loans Agreement to the Issuer would likely be reduced and therefore, the Issuer's ability to service payments on the Instruments would likely be reduced.

## **Risk of Losses Associated with High LTV Loans**

There can be no assurance that Loans with higher loan to value ratios will not experience higher rates of delinquency, write offs, enforcement and bankruptcy than Loans with lower loan to value ratios.

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

Loans in arrears are generally likely to experience higher rates of delinquency, write offs, enforcements and bankruptcy than Loans without arrears.

## **Risk of Losses Associated with Self Certified Loans**

The rate of delinquencies, write offs, 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.

## **Default by Borrowers in paying amounts due on their Loans**

Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. Any impact on the ability of Borrowers to repay the Loans could reduce the relevant Series AssetCo's ability to make payments under the relevant Series Intercompany Loans Agreement and therefore the Issuer's ability to service payments on the relevant Instruments may be adversely affected.

The individual bankruptcy provisions of the Enterprise Act 2002 (the "**Enterprise Act**") (which came into force on 1 April 2004) have reduced the minimum period prior to a bankrupt's discharge. This appears to have led to an increased number of individual bankruptcies when compared to the period prior to that date. If this trend continues or accelerates, the relevant Series AssetCo's ability to make payments under the relevant Series Intercompany Loans Agreement may be affected and therefore the Issuer's ability to service payments on the Instruments would likely be reduced.

## **Non-Conforming Loans**

A Series Portfolio may include Loans to Borrowers who (a) may previously have been subject to one or more County Court Judgments or the Scottish or Northern Irish equivalents (each a "**CCJ**"), Individual Voluntary Arrangements (each an "**IVA**") or Bankruptcy Orders or the Scottish equivalent (each a "**BO**"); (b) are self-employed and/or have self certified their income and/or (c) are otherwise considered by bank and building society lenders to be non-conforming borrowers (collectively "**Non-Conforming Borrowers**").



Loans made to Non-Conforming Borrowers are generally likely to experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by Loans made to standard borrowers and therefore carry a higher degree of risk. The Lending Criteria of the Seller are more fully described in "*The Series Portfolios — Lending Criteria*" below and may be further described in respect of a particular Series Portfolio in the Supplement related to such Series Portfolio.

### **Underwriting Standards**

The Loans and any Substitute Loans in a Series Portfolio have been underwritten or will be underwritten in accordance with the underwriting standards described further in the relevant Supplement, which standards include criteria that would be generally acceptable to residential mortgage lenders who provide residential Loans to borrowers who do not satisfy the requirements of building societies or high street banks ("**non-conforming borrowers**"). These underwriting standards consider, *inter alia*, 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 borrowers who are not non-conforming 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.

However, certain other Lending Criteria are utilised with a view, in part, to mitigating the risks in lending to non-conforming borrowers in the foregoing categories. For a detailed analysis of the Loans constituting the Series Portfolio at the Cut-off Date, see the relevant Supplement in respect of a Series Portfolio.

### **Limited recourse to the Seller**

Neither the relevant Series AssetCo, the Lead Manager, the Dealers in respect of any Series nor the Series Security Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Loans and their related Mortgages in a Series Portfolio and each will rely instead on the Series Portfolio Warranties given by the Seller in the relevant Series Portfolio Purchase Agreement. The sole remedy (subject to the relevant cure period as set out in the Series Portfolio Purchase Agreement and save as described below) of the relevant Series AssetCo and the Series Security Trustee in respect of a breach of Series Portfolio Warranty which could have a material adverse affect on the relevant Loan and related Mortgage in a Series Portfolio shall be the requirement that the Seller repurchases, or procures the repurchase of, or substitutes 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 relevant Series AssetCo and/or the Series Security Trustee if the Seller fails to repurchase a Loan when obliged to do so.

There can be no assurance that the Seller will have the financial resources to honour such obligations under the Series Portfolio Purchase Agreements. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the relevant Series AssetCo nor the Series Security Trustee will have recourse to any other person in the event that that the Seller, for whatever reason, fails to meet such obligations.

### **Neither the relevant Series AssetCo nor the Issuer has legal title to the Loans in the Series Portfolio on the relevant Issue Date**

The sale by the Seller to the relevant Series AssetCo of English Loans and their Collateral Security and Northern Irish Loans and their Collateral Security will take effect by way of an equitable assignment. The sale by the Seller to the relevant Series AssetCo of Scottish Loans and their Collateral Security will be given effect by way of an assignment (but only in accordance with the provisions of the relevant Series Portfolio Purchase Agreement). As a result, save as before mentioned, legal title to the English Loans, Northern Irish Loans and Scottish Loans, together with, in each case, their Collateral Security will remain with the relevant Legal Titleholder. The relevant Series AssetCo, however, will have the right to demand that the Seller transfer its legal title to the Loans and the Collateral Security to the relevant Series AssetCo in the circumstances described in "*Transaction Documents — Series Portfolio Purchase Agreements — Transfer of Title to the Loans to the relevant Series AssetCo*" below and until such right arises the relevant Series AssetCo will not give notice of the sale of the Loans and their Collateral Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry (in relation to the English

Loans) or the Land Registry of Northern Ireland or the Registry of Deeds (in relation to the Northern Irish Loans) to register or record its equitable interest in the English Loans and the Northern Irish Loans and their Collateral Security or take any steps to perfect its title to the Scottish Loans and their Collateral Security at the Registers of Scotland.

Since the relevant Series AssetCo has not obtained legal title to the Loans or their Collateral Security and has not protected its interest in the English and Northern Irish Loans and their Collateral Security by registration of a notice at the Land Registry or taken any action to perfect its title to the Scottish Loans and their Collateral Security at the Registers of Scotland, the following risks exist:

- (a) *first*, if a Series Originator wrongly sells a Loan and its Collateral Security, which has already been assigned or transferred to the Seller which is then assigned or transferred to the relevant Series AssetCo in respect of a Series Portfolio, to another person and that person acted in good faith and did not have notice of the interests of the relevant Series AssetCo in the Loan and its Collateral Security, then such person might obtain good title to the Loan and its Collateral Security, free from the interests of the relevant Series AssetCo. If this occurred, then the relevant Series AssetCo would not have good title to the affected Loan and its Collateral Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the relevant Series AssetCo would be likely to be limited to circumstances arising from a breach by a Series Originator or the Seller of its contractual obligations or fraud, negligence or mistake on the part of a Series Originator or the Seller, or a third party originator or the relevant Series AssetCo or their respective personnel or agents;
- (b) *second*, the rights of the relevant Series AssetCo may be subject to the rights of the Borrowers against a Series Originator, such as rights of set-off, which occur in relation to transactions between Borrowers and a Series Originator, and the rights of Borrowers to redeem their Mortgages by repaying the Loans directly to a Series Originator; and
- (c) *third*, unless the relevant Series AssetCo has perfected the assignment and transfer of the Loans (which it is only entitled to do in certain circumstances), the relevant Series AssetCo would not be able itself to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join a Series Originator and/or the Seller as a party to any legal proceedings.

If any of the events described in the first two bullet points above were to occur then the realisable value of a Series Portfolio or any part thereof and/or the ability of the relevant Series AssetCo and Issuer to make payments under the Programme may be affected.

Once notice has been given to the Borrowers of the assignment or transfer of the Loans and their Collateral Security to the relevant Series AssetCo, independent set-off rights which a Borrower has against a Series Originator will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "**transaction set-off**" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

It should be noted however, that for so long as the relevant Series AssetCo does not have legal title, a Series Originator and the Seller will undertake for the benefit of the relevant Series AssetCo that it, if reasonably required to do so by the relevant Series AssetCo or the Series Security Trustee, will participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce a Series Originator's or the Seller's or the relevant Series AssetCo's or the Series Security Trustee's title to or interest in any Loan or its Collateral Security, and take such other steps as may be reasonably required by the relevant Series AssetCo or the Series Security Trustee in relation to, any legal proceedings in respect of the Loans and their Collateral Security.

#### **Sale of Loans and their Collateral Security following the occurrence of an Event of Default or a Series Insolvency Event**

Following an Event of Default in respect of a Series or a Series Insolvency Event, the Series Security Trustee or a receiver may sell Loans in a Series Portfolio and their Collateral Security. There is not at present an active and liquid secondary market in the United Kingdom for loans with characteristics similar to the Loans. There is no guarantee that a buyer will be found to acquire the Loans and their

Collateral Security at the times required and there can be no guarantee or assurance as to the price which the Series Security Trustee or a receiver may be able to obtain.

#### **Risk of losses associated with Interest Only Loans**

There may be Interest Only Loans in a Series Portfolio. 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 bullet 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 such Borrower's ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies. The relevant Series Originator may not require that such policies be established with respect to any Interest Only Loans and it may not require that the benefit of any such policies be assigned to it. The only security that would therefore exist would be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at that time. The amount of Loans by value in a Series Portfolio constituting Interest Only Loans will be disclosed in the Supplement related to such Series Portfolio.

#### **Risk of losses associated with non-owner occupied properties**

There may be Properties relating to Loans in a Series Portfolio which are not owner occupied. It is intended that such Properties (save in the case of certain properties held as investments) will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income achievable from tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Loan. It is possible that upon enforcement of a Loan in respect of a Property that is subject to an existing tenancy, vacant possession of the Property may not be obtained and that the Property will have to be sold as an investment property with one or more sitting tenants. This may affect the amount realised upon the enforcement of the Mortgage and the sale of the relevant Property. It is also possible that the rate of delinquencies and losses on Loans secured by non-owner occupied properties could be higher than for Loans secured by the primary residence of the Borrower. The number of non-owner occupied Properties in respect of which Loans in a Series Portfolio have been granted will be disclosed in relation to the value represented by such Loans in the applicable Series Portfolio in the Supplement related to such Series Portfolio.

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

The ability of the relevant Series AssetCo to repay the relevant Series Intercompany Loan and the relevant Series Subordinated Loan (if any) may depend upon whether the Loans in the relevant Series Portfolio can be realised to obtain an amount sufficient to repay the relevant Series Intercompany Loan and/or the relevant Series Subordinated Loan (if any) of the relevant Series. In the event of enforcement of the AssetCo Security, it may be difficult for the relevant Series AssetCo or, as the case may be, the Series Security Trustee or a receiver to sell the Loans in the relevant Series Portfolio on appropriate terms should such a course of action be required. As such, the ability of the Issuer to redeem all the Notes of a Series in full and to pay all amounts due to the Instrumentholders of a Series may be adversely affected.

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

Certain geographical regions from time to time will experience weaker regional economic conditions and housing markets than will other regions, and, consequently, will experience higher rates of loss and delinquency on Loans generally. Concentrations may present risk considerations in addition to those generally present for similar Loan asset backed securities without such concentrations.

#### **Buildings Insurance**

In relation to Loans in a Series Portfolio, where a Borrower has insured the relevant Property under an individual buildings insurance policy, the Borrower may not need to ensure that the interest of the relevant Series AssetCo or the Seller is noted on the buildings insurance policy. No assurance can be

given that the relevant Series AssetCo or the Seller will receive the benefit of any claims made under any applicable insurance contracts.

### **Life Policies**

In relation to all Loans in a Series Portfolio, applicants may not be required to obtain adequate life cover to repay the Loan in the event of their death prior to the repayment of the Loan. Where such policies are in place, a Series Originator may not have taken any security over such policies. Therefore, no assurance can be given that the relevant Series AssetCo, the Series Security Trustee or the Issuer will receive any benefit of any claims made under any applicable life or endowment policies (see "*Risk Factors Relating to the Series Portfolios — Insurance Contracts — Life Policies*" below).

### **Retentions**

Pursuant to the terms of certain Loans in a Series Portfolio, Borrowers have not been advanced all of their entitled loan amount on the initial drawdown date. Such withheld amounts (the "**Retentions**") will only be advanced to Borrowers on satisfaction of the requisite conditions attached to their Loans.

The relevant Series AssetCo expects to fund any Retentions from principal payments received under the Loans in a Series Portfolio during the relevant Determination Period (as defined below) in which such Retentions are to be made pursuant to the terms of the relevant Loan. The relevant Series AssetCo may not, however, receive sufficient amounts of principal to meet the amounts it is required to make as Retentions. If, and to the extent that, the relevant Series AssetCo fails to make Retentions to the relevant Borrowers when it is required to do so, this may give rise to an entitlement on the part of the relevant Borrower to set-off amounts to an amount equal to the Retention which it has failed to receive under the terms of the relevant Loan against amounts owing by such Borrower (including any claims for damages).

### **Legal considerations regarding Scottish Loans**

In order to perfect its security and to secure priority over any subsequent security, a Scottish Mortgage must be registered in the Registers of Scotland, failing which a standard security will not be effective against a subsequent purchaser or the heritable creditor under another standard security over the property. The priority of standard securities is (subject to express agreement to the contrary between the security holders) governed by their date of registration rather than their date of execution. There is no equivalent in Scotland to the priority period system which operates in relation to registered land in England and Wales. A Standard Security can only be enforced by a lender if it complies with the statutory enforcement procedures. The lender's enforcement remedies are subject to the Mortgage Rights (Scotland) Act 2001. In terms of the Mortgage Rights (Scotland) Act, a borrower can seek to have suspended the lender's enforcement remedies which, if successful, can see the suspension of the lender's enforcement rights for such period, to such extent and subject to such condition as the court considers reasonable. A summary of the general legal background in relation to Scottish Mortgages is given in "*The Series Portfolios — Scottish Loans*".

### **Mortgagee in Possession Liability**

A Series AssetCo or the Series Security Trustee (if it has taken enforcement action against the Series AssetCo) may be deemed to be a mortgagee in possession if there is physical possession of a property contained within a Series Portfolio or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to a borrower requiring it to make payments to the Relevant Series AssetCo or the Series Security Trustee (as the case may be). A mortgagee in possession has an obligation to account for the income obtained from the relevant property and, in the case of tenanted property, will be liable to a tenant for any mismanagement of the relevant property. A mortgagee in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

The Series Security Trustee has the absolute discretion, at any time, to refrain from taking any action under the AssetCo Security Deed or any of the Transaction Documents including becoming a mortgagee in possession in respect of any property contained within any of the Series Portfolios, unless it is satisfied at that time that it is adequately indemnified and/or secured to its satisfaction against any liability which it may incur by so acting.

### **Servicing of the Loans**

The Special Servicer (or the Programme Servicer on its behalf) shall during the term of the Special Servicing Agreement administer the Loans, the Mortgages and other relevant assigned rights in the relevant Series Portfolio and all related matters in accordance with the Service Specifications and according to the service levels as specified in the service specifications (and, where not so specified, as provided elsewhere in that Special Servicing Agreement).

The Special Servicer shall at all times during the term of the Special Servicing Agreement exercise all such discretions as are from time to time required to be exercised in relation to the administration of the Loans, the Mortgages and the Collateral Security in the relevant Series Portfolio.

#### **Risk of losses associated with Flexible Loans**

There may be Flexible Loans in a Series Portfolio. Subject to the terms and conditions of the Loans, Borrowers of Flexible Loans may have a right to overpay principal on any day and request a repayment from the lender of amounts representing any overpayment on the relevant Borrower's Loan (each a "**Borrow Back**") or request that the lender applies an amount of the overpayment as a credit towards that Borrower's monthly payments (each a "**Payment Holiday**"). Amounts that can be requested by Borrowers for Borrow Backs or Payment Holidays are limited in amount to previous unutilised overpayments, being the cumulative amounts paid by Borrowers in excess of their scheduled periodic payments which are not subject to an early redemption charge ("**Flexible Overpayments**"). A Series AssetCo will be obliged under the terms of the relevant Series Portfolio Purchase Agreements to fund amounts equal to any Borrow Backs requested as described in the Conditions and the relevant Special Servicing Agreement. To the extent that Borrowers under Flexible Loans consistently prepay principal, the timing of payments on the Notes of a Series may be adversely affected. There may be a shortfall in interest receipts and/or principal receipts as a consequence of a Borrower taking a Payment Holiday.

As described under "*Neither the relevant Series AssetCo nor the Issuer has legal title to the Loans in the Series Portfolio on the relevant Issue Date*" above, the rights of the relevant Series AssetCo in respect of the Loans in a Series Portfolio may be subject to the rights of the Borrowers against a Series Originator, including rights of set-off. Such set-off rights may arise if a Series Originator fails to advance a Borrow Back to a Borrower under a Flexible Loan in a Series Portfolio when the Borrower is entitled to such Borrow Back. The exercise of set-off rights by Borrowers would reduce the incoming cash flow in respect of a Series Portfolio to the relevant Series AssetCo during such exercise and there is a risk that Noteholders of a Series may not receive all amounts due on the relevant Notes or that payments may not be made when due.

However, the risk of such set-off rights arising would be likely to be limited to circumstances arising from a breach by the relevant Series Originator or Legal Titleholder, as the case may be, or the relevant Special Servicer of its contractual obligations, representations or warranties, fraud, negligence or mistake on the part of the relevant Special Servicer, the relevant Series Originator or the relevant Series AssetCo or their respective personnel or agents.

#### **Payments by Debit Card**

Payments made by Borrowers using debit cards may be cancelled by such Borrower giving written notice within a year of the relevant payment that such payment should not have been made.

#### **Prefunded Loans**

If, on the Distribution Date in respect of a Series, the aggregate amount applied by the relevant Series AssetCo to purchase the Prefunded Loans is less than the amount standing to the credit of the relevant Series Prefunding Ledger, a prepayment of principal to holders of the Notes in accordance with Condition 7(b) (*Mandatory Redemption in Part*) will result. Although each Prefunded Loan will, at its Prefunding Acquisition Date, comply with the Warranties, there can be no certainty that all the Prefunded Loans comprised within a Series Portfolio will have similar characteristics as the Loans in the Series Initial Mortgage Pool. In particular, there may be differences in the seasoning and underwriting criteria of the Prefunded Loans.

#### **Discount Rate Loans**

A Series Portfolio may contain Discount Rate Loans, the terms of which provide that the Borrower will pay a discounted interest rate for a specified time period. In particular, in purchasing Discount Rate Loans,

the relevant Series AssetCo may agree to exercise its rights with respect to such Discount Rate Loans may be less than would otherwise be the case.

### 3. **CONSIDERATIONS RELATED TO SERIES HEDGING ARRANGEMENTS**

#### **Rising mortgage interest rates**

The interest rate payable under LIBOR Linked Loans is calculated by reference to Loan LIBOR and interest rate payable under the BBR Linked Loans is calculated by reference to Loan BBR, in each case, which may be subject to variations. The relevant Series AssetCo could be subject to a higher risk of default in payment by a Borrower under a LIBOR Linked Loan or a BBR Linked Loan as a result of an increase in Loan LIBOR or Loan BBR (as applicable). See "*Risk Factors - Considerations Related to the Series Portfolio - Default by Borrowers in paying amounts due on their Loans*".

#### **Potential timing mismatch between Loan LIBOR and LIBOR**

Interest on all LIBOR Linked Loans is determined on each Loan LIBOR Fixing Date. The relevant Series AssetCo may enter into any hedging arrangements to mitigate the potential mismatch arising from the interest payments receivable by the relevant Series AssetCo in respect of LIBOR Linked Loans being calculated by reference to Loan LIBOR determined on a Loan LIBOR Fixing Date and interest payable by the relevant Series AssetCo in respect of the relevant Series Intercompany Loans being calculated by reference to LIBOR determined at a different date, and as a result of the difference between the reset dates, the calculations of Loan LIBOR and LIBOR may vary. The relevant Series AssetCo may seek to mitigate the effects of the potential mismatch in Loan LIBOR and LIBOR by entering into one or more LIBOR Basis Swap Transaction with a Series Hedge Provider, as described under "*Series Transaction Documents – Series Hedge Agreements*".

#### **Fixed Rate**

The Fixed Rate Loans are subject to a fixed rate of interest. It is possible that there may be discrepancies between this fixed rate of interest and the rates of interest payable on the Notes as set out in the relevant Supplement. As such, the relevant Series AssetCo's ability to pay interest under the relevant Series Intercompany Loan and the Issuer's ability to pay interest on the Notes might be adversely affected as LIBOR increases. In order to mitigate the relevant Series AssetCo's exposure to such an increase in LIBOR, the relevant Series AssetCo may enter into one or more Fixed/Floating Swap Transaction with a Series Hedge Provider, as described under "*Series Transaction Documents – Series Hedge Agreements*".

#### **Potential basis rate mismatch between Loan BBR and LIBOR**

Interest on the BBR Linked Loans is determined by reference to the Bank of England base rate ("**Loan BBR**"). Loan BBR on all BBR Linked Loans takes effect on each Loan BBR Fixing Date. It is possible that there may be discrepancies between Loan BBR and LIBOR and hence a potential mismatch arising from the interest payable to the Issuer under the relevant Series Intercompany Loan in respect of BBR Linked Loans being calculated by reference to Loan BBR and interest payable by the relevant Series AssetCo in respect of the relevant Series Intercompany Loan being calculated by reference to LIBOR. The relevant Series AssetCo may seek to mitigate the effects of the potential mismatch between Loan BBR and LIBOR by entering into one or more BBR Swap Transaction with a Series Hedge Provider as described under "*Series Transaction Documents – Series Hedge Agreements*".

#### **Exchange rate risks**

Repayments of principal and payments of interest on the Euro Notes and USD Notes will be made in euro and US dollars, respectively, but payments made by Borrowers under the Loans to the relevant Series AssetCo will be made in sterling.

To hedge the AssetCo's currency exchange rate exposure, including any interest rate exposure connected with that currency exposure, the relevant Series AssetCo may enter into one or more Currency Swap Transactions with the relevant Series Hedge Provider, as described under "*Series Transaction Documents – Series Hedge Agreements*".

If the relevant Series Hedge Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in euro equal to the full amount to be paid to the relevant Series AssetCo

under the relevant Currency Swap Agreement, the relevant Series AssetCo will be exposed to changes in euro/sterling and US dollar/sterling currency exchange rates. Unless a replacement currency swap is entered into, the relevant Series AssetCo may have insufficient funds to make payments due to the Issuer under the relevant Series Intercompany Loans Agreement and as the Issuer is reliant on payments from the relevant Series AssetCo under the relevant Series Intercompany Loans Agreement, the Issuer may have insufficient funds to make payments due on the Euro Notes and the USD Notes.

#### **Termination payments on the Series Hedge Agreements**

If any of the Hedging Transactions terminate, the relevant Series AssetCo may be obliged to make a termination payment to the relevant Series Hedge Provider. The amount of the termination payment will be based on the cost of entering into a replacement swap agreement.

There can be no assurance that the relevant Series AssetCo will have sufficient funds available to make any termination payment under any Series Hedge Agreement. Nor can any assurance be given that the relevant Series AssetCo will be able to enter into a replacement swap agreement or, if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Notes by the Rating Agencies.

If the relevant Series AssetCo is obliged to make a termination payment to the relevant Series Hedge Provider or pay any other additional amount as a result of the termination of the relevant Series Hedge Agreement, this could reduce the relevant Series AssetCo's ability to service payments under the relevant Series Intercompany Loan and therefore the Issuer's ability to service payments on the Notes may be adversely impacted.

#### **4. CONSIDERATIONS RELATED TO THE RELEVANT SERIES ASSETCO**

##### **Limited Recourse Obligation of the Relevant Series AssetCo**

The relevant Series AssetCo's ability to pay required amounts of principal, interest and fees due and payable to the Issuer in respect of the relevant Series Intercompany Loan and the relevant Series Subordinated Loan (if any) will depend upon, *inter alia*:

- (a) the relevant Series AssetCo receiving a sufficient amount of principal and revenue collections in relation to the relevant Series Portfolio; and
- (b) the relevant Series AssetCo receiving payments from the various Series Hedge Providers pursuant to the applicable Series Hedge Agreements.

On each Distribution Date in respect of such Series, the relevant Series AssetCo will only be obliged to pay amounts due to the Issuer under the relevant Series Intercompany Loan and the relevant Series Subordinated Loan (if any) to the extent that it has funds available to do so.

If there is a shortfall between the amounts paid by the relevant Series AssetCo to the Issuer under the relevant Series Intercompany Loan and the relevant Series Subordinated Loan (if any) and the amounts payable by the Issuer on the relevant Series of Instruments, then Instrumentholders may not receive the full amount of interest and/or principal which would otherwise be then due and payable to the Instrumentholders on the relevant Series of Instruments.

#### **5. CONSIDERATIONS RELATED TO THE INSTRUMENTS**

##### **Yield and Prepayment Considerations**

The yield to maturity of the Instruments will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Loan, repurchases by the Seller due to breaches of warranties under the relevant Series Portfolio Purchase Agreement or requests by Borrowers to convert their current Loan to one of a different type) on the Loans and the price paid by the Instrumentholders for the Instruments. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans.

The Loans may be prepaid in full or in part at any time. Early repayment will generally take place in one of two possible circumstances. The Borrower may voluntarily redeem the Loan when, for example,

remortgaging or selling the underlying property or the Loan may be redeemed as a result of enforcement proceedings following default by the Borrower in making scheduled payments. However, an early repayment charge will be charged to a Borrower in connection with any repayment if the Loan is prepaid within the first few years of its term. The level of early repayment charges depends upon the terms of the relevant Loan but is typically on a decreasing sliding scale over the first two or three years.

Principal prepayments in full may result in connection with refinancings, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Loan, as well as the receipt of proceeds from building insurance policies. In addition, repurchases or purchases of Loans by the Seller will have the same effect as a prepayment in full of such Loans (save that no Mortgage Early Repayment Charges will arise in respect of such repurchases, purchases or adjustments).

The rate of prepayment of the 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.

### **Obligations of Issuer only**

The Instruments represent obligations of the Issuer's alone. They do not constitute obligations or responsibilities of, and are not guaranteed by, any other person (including, but not limited to, the Managers and the Transaction Parties other than the Issuer). The relevant Series AssetCo's will rely solely on receipts and recoveries in respect of the Loans, the Series Reserve Fund, the Series Discounted Margin Reserve Fund, amounts received pursuant to any Series Hedge Agreements, amounts drawn down under the Series Liquidity Facility and other claims of the relevant Series AssetCo under the relevant Transaction Documents to enable it to make payments in respect of the relevant Series Intercompany Loan and the Series Subordinated Loan (if any) and the Issuer will rely solely on the payments under the relevant Series Intercompany Loan and the Series Subordinated Loan (if any) to make payments in respect of the Instruments.

Although the Instruments will be full recourse obligations of the Issuer, upon enforcement of the security for the Instruments, the Trustee or any receiver will, in practice, have recourse only to the Loans and Collateral Security pursuant to the relevant AssetCo Security Deed.

Other than as provided in the relevant Series Portfolio Purchase Agreement, the relevant Series AssetCo will have no recourse to the Seller in respect of the Loans and other than as provided in the relevant Series Intercompany Loans Agreement and the relevant AssetCo Security Deed, the Issuer will have no recourse to the relevant Series AssetCo in respect of the Loans.

If, upon default by Borrowers and after the exercise by the Programme Servicer of all available remedies in respect of the Loans, the relevant Series AssetCo does not receive the full amount due from those Borrowers, then the Issuer may receive by way of principal repayment under the relevant Series Intercompany Loan and/or the relevant Series Subordinated Loan an amount less than the face value of the Notes and/or Subordinated Notes and the Issuer may be unable to pay in full interest and principal due on the Notes and/or Subordinated Notes.

### **No recourse to any Series Originator**

In particular, the Instruments are not obligations of, or the responsibility of, or guaranteed by, any Series Originator (or any subsidiary or affiliate of any Series Originator), and any Series Originator (or any subsidiary or affiliate of any Series Originator) has no responsibility for this Base Prospectus or its contents. Any information concerning any Series Originator in this Base Prospectus comprises only publicly available information issued by or on behalf of any Series AssetCo.

### **Limited Liquidity – 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 provide holders of the Instruments with liquidity of investment, or may not continue for the life of the Instruments or it may leave Instrumentholders with illiquidity of investment. Illiquidity can have an adverse affect on the market value of the Instruments. Any Series of Instruments may experience illiquidity, although generally illiquidity is more like to occur in respect of Series that are



especially sensitive to prepayment, credit or interest rate risk, or that have been structured to meet the investment requirements of limited categories of Instrumentholders.

### **Reliance on third parties in relation to the Instruments**

The Issuer is a special purpose financing entity with no business operations other than the issue of each Series of Instruments, the lending under the relevant Series Intercompany Loans Agreement and the transactions ancillary thereto. The ability of the Issuer to make payments of interest and principal on the Series of Instruments and its ability to pay its operating and administrative expenses will depend primarily on funds being received under the relevant Series Intercompany Loans Agreement.

The Issuer will not have any other significant sources of funds available to meet its obligations under the Instruments and/or any payments ranking in priority to a Series of Instruments. If the resources described above cannot provide the Issuer with sufficient funds to enable the Issuer to make required payment on a Series of Instruments, the Instrumentholders may incur a loss of interest and/or principal which would otherwise be due and payable to the Instrumentholders on the relevant Series of Instruments.

The Issuer will rely solely on monies received or recovered on the relevant Series Intercompany Loans.

### **Lack of Control by Noteholders of a Series**

The servicing of the Loans in a Series Portfolio will be carried out by the Programme Servicing Agreement. The holders of Notes will have no right to consent to, or approve of, any actions taken by the Programme Servicing Agreement in accordance with the Programme Servicing Agreement see "*Transaction Document — Programme Servicing Agreement*" below.

### **Enforcement of Issuer Security**

The only remedy for recovering amounts due on a Series of Instruments is through the enforcement of Issuer Security relating to that Series and/or the enforcement by the relevant Series Security Trustee of the relevant AssetCo Security. Holders of the Instruments of a Series will have no recourse to the assets of the Issuer in respect of any other Series or to the assets of any Series AssetCo for any other Series. If the relevant Series AssetCo does not pay amounts due under the relevant Series Intercompany Loan and the relevant Series Subordinated Loan (if any) because it does not have sufficient funds available, the Issuer will only have recourse to the relevant Series Assets of the relevant Series AssetCo and the Series Security Trustee has enforced the relevant AssetCo Security.

Other than as provided in the relevant Series Intercompany Loans Agreement, the Issuer and the Trustee will have no recourse to the relevant Series AssetCo or any other entity.

## **6. CONSIDERATIONS RELATING TO LEGAL, REGULATORY AND TAXATION REGIMES**

### **European Monetary Union**

It is possible that, prior to the maturity of the Instruments, the United Kingdom may become a participating Member State in Economic and Monetary Union and that therefore the euro may become the lawful currency of the United Kingdom. In this event: (a) all amounts payable in respect of the Sterling Notes may become payable in euro; (b) 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 changes in the way those rates are calculated, quoted and published or displayed; and (c) applicable provisions of law may allow the Issuer to redenominate the Sterling Notes into euro and take additional measures in respect of the Sterling Notes.

If the euro becomes the lawful currency of the United Kingdom and the Instruments are outstanding at the time, the Issuer intends to make payments on the Instruments in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom may have on investors in 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.

## **European Union directive on the taxation of savings income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

## **Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes**

The Basel Committee on Banking Supervision published the text of a new risk-based capital framework on 26 June 2004 under the title "*Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework*." An updated version was issued by the Basel Committee on 15 November 2005. This new framework (the "**Framework**"), which places enhanced emphasis on market discipline and sensitivity to risk, 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. If implemented in accordance with its current form, the Framework could affect risk-weighting of the Notes in respect of certain investors if those investors are subject to the new Framework following its statutory implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the new Framework. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

## **There May Be Adverse Consequences for Instrumentholders if the New UK Special Regime for the Taxation of Securitisation Companies Does Not Apply to the Issuer**

The Taxation of Securitisation Companies Regulations 2006 (SI2006/3206) (the "**Securitisation Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer and each Series AssetCO with effect for their periods of account beginning on or after 1 January 2007. If the Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer considers that it will fall to be taxed under the special taxation regime for which provision is made by the Regulations. It is expected that each Series AssetCo will also fall to be taxed under this special taxation regime (further information on the expected taxation position of each Series AssetCo will be set out in the relevant Supplement). Investors should note, however, that the Regulations are in short-form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the Regulations including whether any particular company falls within the new regime. While the UK tax authorities have published draft guidance on the Regulations that guidance has yet to be finalised and consequently may be the subject of amendment. Investors should note that if the Issuer did not fall to be taxed under the new regime then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer or any Series AssetCo could have an adverse affect on their ability to make payments to Instrumentholders or pursuant to the relevant Series Intercompany Loan, respectively.

## **General regulatory considerations**

For a discussion of the potential impact of key regulatory considerations relating to residential mortgage lending in the United Kingdom, see "*Regulation of the UK Residential Mortgage Market*" below. This

summary of certain regulatory considerations does not discuss all aspects of applicable legislation and other authorities, which may be important to prospective investors.

No assurance can be given that additional regulatory changes by any regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, any Series Originators' particular sector in that market, or specifically in relation to any Series Originators. Any such action or developments or compliance costs may have an adverse effect on any Series Originators, any Series AssetCo, the Programme Servicer, the Series Security Trustee, the Issuer, the Trustee and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments to Instrumentholders.

#### **Change of law, regulation and accounting practice**

The structure of the issue of the Instruments, the ratings which are to be assigned to the Notes and related transactions is based on English law, in relation to the Northern Irish Loans, Northern Irish law and, in relation to the Scottish Loans, Scots law, in effect as at the date of this document. No assurance can be given as to the impact of any possible changes to English law, Scots law, Northern Irish law, or administrative practice (including tax law and practice) in the United Kingdom after the date of this document.

#### **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 in respect of payments under the Notes would entitle (but not oblige) the Issuer to redeem the Notes at their Principal Amount Outstanding (plus accrued interest). See the information set out under the headings "United Kingdom Taxation" below.

*The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Instrumentholders, but the inability of the Borrowers to pay interest, principal, or other amounts on the Mortgages 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. There can be no assurance that the structural elements described in this Base Prospectus designed to lessen some of these risks 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.*

## CREDIT STRUCTURE

### General

The following is a summary of the structure and credit arrangements underlying the Notes and the Instruments of each Series. Such summary should be read in conjunction with information appearing elsewhere in this Base Prospectus and the relevant Supplement.

The Instruments will be obligations solely of the Issuer and will not constitute obligations or responsibilities of, or guarantees by, any other entity (including any Series Originator, any Legal Titleholder, the Seller, any Series AssetCo, the Programme Servicer, the Special Servicer, the Lead Manager, the Dealers in respect of any Series, the Series Security Trustee, any Series Servicer, the Corporate Services Provider, the Share Trustee, the Programme Account Bank, the Issuer Account Bank, the Series Account Bank, the Trustee, the Series Cash Manager, UK Holdings, the Paying Agents, the Registrar, the Transfer Agent, the Series Liquidity Facility Provider, the Series LOC Provider, the Agent Bank, any Series GIC Provider, any Series Hedge Provider, the OptionCo and/or anyone other than the Issuer).

### Series Receipts

The following receipts in respect of a Series will be applied by the Series Cash Manager on behalf of the relevant Series AssetCo to make payments of principal and interest on the repayment of the relevant Series Intercompany Loan of such Series, as well as the other amounts payable to the relevant AssetCo Secured Creditors (as identified in the relevant Supplement) under the applicable Series Priorities of Payments:

- (a) interest, principal and other amounts received in respect of Loans in the relevant Series Portfolio.
- (b) amounts standing to the credit of the relevant Series Bank Accounts, the proceeds of any Authorised Investments and any reserve fund amounts (as specified in the relevant Supplement). See further "*Credit Structure — Series Reserves — Reserve Fund*") below.
- (c) amounts received by the relevant Series AssetCo under the relevant Series Liquidity Facility Agreement. See further "*Credit Structure — Series Liquidity Facility Agreements*" below.
- (d) amounts received by the relevant Series AssetCo under the relevant Series LOC Agreement. See further "*Credit Structure - Series LOC Agreements*" below.
- (e) amounts received by the relevant Series AssetCo under the relevant Series Hedge Agreements (excluding amounts representing collateral which shall be applied in accordance with the provisions of the relevant collateral agreement entered into in connection with a Series Hedge Agreement). See further "*Credit Structure — Series Hedge Agreements*" below.

Series receipts will be applied by the Series Cash Manager on behalf of the relevant Series AssetCo as specified in the relevant Supplement of the Series and the applicable Series Priorities of Payments specified therein, as described below.

### Series Permitted Withdrawals

Unless otherwise specified in the relevant Supplement, prior to a Series Insolvency Event or the delivery of a Series Enforcement Notice (other than in respect of paragraph (b) below), the following withdrawals and corresponding payments in respect of a Series and the related Series Portfolio will be permitted to be made on any day by the Series Cash Manager from the Series Transaction Account (each a "**Series Permitted Withdrawal**"):

- (a) to pay when due and payable any amounts due and payable by the relevant Series AssetCo in respect of such Series to third parties (excluding, for the avoidance of doubt AssetCo Secured Creditors in respect of such Series) and incurred without breach by the relevant Series AssetCo of the Transaction Documents relating to that Series and to pay any premiums in respect of any insurance policy relating to any Loan in the Series Portfolio;

- (b) prior to an Event of Default in respect of the relevant Series, to make available to the relevant Series AssetCo the amounts required to purchase the Further Advances made by the relevant Legal Titleholder in respect of the Series to Borrowers pursuant to the terms of the relevant Series Portfolio Purchase Agreement or to advance Retentions to Borrowers;
- (c) to pay when due (but subject to any right to refuse or withhold payment or offset that has arisen by reason of the Borrower's breach of the terms of the Loan concerned) any amount payable by the relevant Series AssetCo to a Borrower under the terms of the Loan in the relevant Series Portfolio 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 by the relevant Series AssetCo to a third party for the provision of a service (including giving insurance cover) to either that Borrower or the relevant Series AssetCo to pay such amount when due to such third party or, in the case of the payment of an insurance premium, where such third party and the Seller have agreed that payment of commission to the Seller should be made by deduction from such insurance premium, to pay such amount less such commission when due to such third party and to pay such commission to the Seller;
- (e) to pay to any person (including the Seller and the Programme Servicer) any amounts due arising from any overpayment by any person to the relevant Series AssetCo in respect of the Loans in the relevant Series Portfolio or arising from any reimbursement by any person of any such overpayment;
- (f) to refund any amounts due arising from the rejection of any direct debit payments in respect of a Loan in the relevant Series Portfolio;
- (g) to refund any other overpayments made by a Borrower or the Seller and all other amounts not relating to the Loans in the relevant Series Portfolio owned by the relevant Series AssetCo or in respect of which the relevant Series AssetCo has no entitlement pursuant to the relevant Series Portfolio Purchase Agreement, or amounts credited to the relevant Series Transaction Account in error;
- (h) to refund to the Seller any amounts which represent amounts received from Borrowers and which are amounts owed by such Borrowers, in respect of any period prior to the relevant Issue Date as and when identified by the Programme Servicer and if a Borrower fails to pay the full amount that it owes, the relevant Series AssetCo shall be obliged to refund to the Seller only such portion of the amount received which relates to any period prior to the Issue Date;
- (i) to make payments into any other Series Bank Account specified in the relevant Series Bank Account Agreement and/or the Series Cash Management Agreement pursuant to the terms of such Series Bank Account Agreement and/or the Series Cash Management Agreement, respectively;
- (j) to cover any cost in relation to execution of a replacement hedge agreement in respect of the relevant Series by using any swap termination payments received from the relevant Series Hedge Provider under the relevant Series Hedge Agreement, as specified in the relevant Supplement; and
- (k) to make payments to the Programme Servicer pursuant to the Programme Servicing Agreement,

provided that, on any Distribution Date in respect of such Series, Series Permitted Withdrawals in paragraphs (a), (b) and (k) above will be applied in accordance with the relevant Series Priorities of Payments.

To the extent that any of the above Series Permitted Withdrawals, are made by the Series Cash Manager from and including the last Business Day of the month preceding a Determination Date to and including the relevant Distribution Date, any such withdrawals shall be made prior to administration of the applicable Series Priorities of Payments and, therefore, shall not be included in the Available Revenue Funds and/or the Available Redemption Funds, as applicable, for such Distribution Date.

### **Income Deficiencies**

On each day which will fall three Business Days prior to a Distribution Date (a "**Determination Date**") and each period from (and including) one Determination Date (or the Issue Date) up to (but excluding) the next Determination Date, each, a "**Determination Period**") in respect of each Series, the Series Cash Manager will determine whether the credit balance of the Series Revenue Ledger ("**Available Revenue Funds**") in respect of the relevant Series will be sufficient to pay or provide for certain payments under the applicable Series Priority of Payments. To the extent that the credit balance is insufficient (the amount of any deficiency being an "**Income Deficiency**"), the relevant Series AssetCo shall pay or provide for such Income Deficiency: (i) firstly, by applying amounts standing to the credit of the Series Reserve Ledger and the Series Discount Reserve Ledger in respect of the relevant Series; (ii) secondly, if specified in a Supplement, by applying Available Redemption Funds (as defined in that Supplement) standing to credit of the Series Transaction Account in respect of the relevant Series and (iii) thirdly, (but only to the extent permitted as set out under Series Liquidity Facility below) by applying amounts standing to the credit of the Series Liquidity Ledger in respect of the relevant Series.

### **Series Priorities of Payments**

On each Distribution Date in respect of a Series, amounts standing to the credit of the relevant Series Transaction Account will be applied in accordance with the Series Priorities of Payments set out in the relevant Supplement and the Series Cash Management Agreement.

#### *Series Pre-Enforcement Revenue Priority of Payments*

On each Distribution Date prior to the service of a Series Enforcement Notice in respect of the relevant Series, Available Revenue Funds standing to the credit of the relevant Series Transaction Account will be applied in accordance with the Series Pre-Enforcement Revenue Priority of Payments set out in the relevant Supplement (the "**Series Pre-Enforcement Revenue Priority of Payments**").

"**Available Revenue Funds**" in respect of a Series will have the meaning given to it in the relevant Supplement.

#### *Series Pre-Enforcement Principal Priority of Payments*

On each Distribution Date prior to the service of a Series Enforcement Notice in respect of the relevant Series, Available Redemption Funds standing to the credit of the applicable Series Transaction Account will be applied in accordance with the Series Pre-Enforcement Principal Priority of Payments as set out in the relevant Supplement (the "**Series Pre-Enforcement Principal Priority of Payments**").

"**Available Redemption Funds**" means, in respect of a Series, as at any Determination Date, unless otherwise specified in the relevant Supplement, an amount calculated as the aggregate of:

- (a) the amount standing to the credit of the relevant Series Principal Ledger as at the end of the Business Day before the Determination Date and the amount (if any) standing to the credit of the relevant Series Further Advances Ledger and relevant Series Ported Loans Ledger (before the transfer of the Committed Further Advances and Committed Ported Loans, respectively, calculated on that Determination Date from the relevant Series Principal Ledger) (and, for the avoidance of doubt, such amount (if any) shall be transferred to the relevant Series Principal Ledger on such Determination Date); and
- (b) the amount (if any) calculated on that Determination Date pursuant to the relevant Series Priorities of Payments to be the amount by which the debit balance on any of the relevant Series Principal Deficiency Ledgers is expected to be reduced by the application of Available Revenue Funds on the immediately succeeding Distribution Date.

"**Committed Further Advances**" means, on any Determination Date in respect of a Series, the aggregate of:

- (a) the amount of Further Advances which the relevant Series AssetCo is committed to purchasing from the Seller (but has not yet purchased) as at such date; and

- (b) the amount, advised to the relevant Series AssetCo by the Programme Servicer, which the relevant Series AssetCo anticipates it will require for purchasing future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than the amount specified in the relevant Supplement in respect of a Series.

"**Committed Ported Loans**" means, on any Determination Date, in respect of a Series, the aggregate of:

- (a) the aggregate principal amount of Ported Loans which the relevant Series AssetCo is committed to purchasing from the Seller (but has not yet purchased) as at such date together with the aggregate amount of related Ported Mortgage Early Repayment Charges which the relevant Legal Titleholder is committed to refunding (but has not yet refunded) as at such date; and
- (b) the aggregate principal amount which the relevant Series AssetCo anticipates it will require for purchasing future (but uncommitted) Ported Loans together with the aggregate amount of related Ported Mortgage Early Repayment Charges (such amount in respect of this item (b) only) not to be greater than the amount specified in the relevant Supplement in respect of a Series,

#### Series Post-Enforcement Priority of Payments

Following service of a Series Enforcement Notice in respect of the relevant Series, all moneys received or recovered by the Series Security Trustee (or a receiver appointed on its behalf) in respect of such Series under the AssetCo Security Deed will be applied following the enforcement of the AssetCo Security in respect of such Series by the Series Cash Manager on behalf of the Series Security Trustee in the order of priority specified in the Series Post-Enforcement Priority of Payments set out in the relevant Supplement (the "**Series Post-Enforcement Priority of Payments**").

#### Series AssetCo's obligations in respect of a Series

The relevant Series AssetCo will, in respect of each Series, incur the following Series specific liabilities subject to the terms of the applicable Series Priorities of Payments set out in the relevant Supplement:

- (a) payments of interest and principal under the relevant Series Intercompany Loans Agreement;
- (b) amounts payable to the Series Security Trustee in respect of the AssetCo Security granted over the Series Assets under the relevant Series Security Deed Supplement;
- (c) amounts due to third parties and not incurred by the relevant Series AssetCo in breach of the Transaction Documents;
- (d) amounts payable in respect of insurance contracts maintained by or on behalf of the relevant Series AssetCo in respect of the Series Portfolio;
- (e) amounts payable to the relevant Series Account Bank in respect of the Series Bank Accounts;
- (f) amounts payable to the Series Cash Manager in respect of cash management services;
- (g) amounts payable to the Series Liquidity Facility Provider, if any, under the relevant Series Liquidity Facility Agreement; and
- (h) amounts payable to the Series Hedge Providers under the relevant Series Hedge Agreements.

The above liabilities will be paid under the applicable Series Priorities of Payments subject to the priorities of payments specified therein as described in the relevant Supplement. If a Series Insolvency Event has not occurred and/or a Series Enforcement Notice has not been served amounts payable by the relevant Series AssetCo in respect of tax liabilities will rank ahead of payments to the Issuer under the relevant Series Intercompany Loans Agreement in the applicable Series Priorities of Payments.

#### Series Hedge Agreements

If specified in the relevant Supplement, the relevant Series AssetCo will enter into one or more hedge transactions (each a "**Series Hedge Transaction**"). Each Series Hedge Transaction will be subject to an International Swaps and Derivatives Association, Inc. ("**ISDA**") Master Agreement together with schedules and any credit support annexes thereto (each such ISDA Master Agreement together with all

Series Hedge Transactions subject to the ISDA Master Agreement being a "**Series Hedge Agreement**" and collectively referred to as the "**Series Hedge Agreements**") with hedge providers (each a "**Series Hedge Provider**"), to hedge certain interest rate, currency and/or other risks related to any amounts received by the relevant Series AssetCo under the relevant Series Portfolio and any amounts payable by the relevant Series AssetCo under that Series Intercompany Loan and the applicable Series Priorities of Payments.

The particular Series Hedge Transactions to be entered into between the relevant Series AssetCo and the relevant Series Hedge Providers shall be specified in the relevant Supplement for each Series Portfolio.

#### **Series Liquidity Facility Agreements**

Subject to the satisfaction of the conditions precedent specified in a Series Liquidity Facility Agreement, the relevant Series AssetCo will be entitled from time to time on any Distribution Date in respect of each Series to make drawings in respect of the relevant Series in accordance with the applicable Series Priority of Payments under a 364 day facility (the "**Series Liquidity Facility**"), renewable by agreement with the parties thereto, to be entered into between, the liquidity facility provider as specified in the relevant Supplement (the "**Series Liquidity Facility Provider**") and the relevant Series AssetCo pursuant to the terms of an agreement between the relevant Series AssetCo, the Series Security Trustee and the Series Liquidity Facility Provider (the "**Series Liquidity Facility Agreement**") (any such drawings to be initially credited to the relevant Series GIC Account and recorded by the relevant Series AssetCo in a ledger established for such purposes in respect of the relevant Series (the "**Series Liquidity Ledger**")).

#### **Series LOC Agreements**

Subject to the conditions specified in a Series LOC Agreement, a letter of credit facility may be made available to the relevant Series AssetCo from time to time. Under a Series LOC Agreement, the Series LOC Provider will issue one or more irrevocable letters of credit in favour of the relevant Series AssetCo ("**Series LOC**") if and when the relevant Series AssetCo has insufficient amounts of other funds or committed funds in order for the Issuer to maintain specified ratings in relation to a Series of Instruments.

#### **Use of Proceeds of the Subordinated Notes**

If specified in the relevant Supplement, the proceeds of any issue of the Subordinated Notes specified in the relevant Supplement may be used by the Issuer to provide a subordinated loan ("**Series Subordinated Loan**") to the relevant Series AssetCo, the drawings under which may fund the Series Reserve Fund Amount, Prefunding Interest Shortfall Amounts and the Series Discount Reserve (if any) in respect of each Series. The proceeds under a Series Subordinated Loan may be used by the relevant Series AssetCo for meeting costs and expenses arising in respect of the issue of the Notes of the relevant Series, or incurred by the relevant Series AssetCo and Issuer and advanced by the Issuer to the relevant Series AssetCo. The drawings under the Series Subordinated Loan will be paid into the relevant Series GIC Account and will be recorded by the Series Cash Manager in the Series Reserve Ledger and the Series Discount Reserve Ledger, the Series Prefunding Interest Shortfall Ledger in respect of each Series.

#### **Series Reserves**

In addition to the Series Reserve Fund and the Series Discount Reserve described below, additional reserves in respect of a Series may be specified in the relevant Supplement.

##### **Reserve Fund**

If specified in the relevant Supplement, a reserve fund will be established on an Issue Date (the "**Series Reserve Fund**") to provide limited coverage for shortfalls in amounts as specified in the relevant Supplement due under the relevant Series Priorities of Payments. If specified in the relevant Supplement, the Reserve Fund will be funded using part of the drawings under the Series Subordinated Loan or as otherwise provided for in that Supplement.

The initial reserve fund amount as specified in the relevant Supplement (the "**Series Initial Reserve Fund Amount**") in respect of a Series will be credited to the relevant Series GIC Account in a ledger maintained for that purpose (the "**Series Reserve Ledger**") in respect of each Series, all as more particularly described in the relevant Supplement.



The amount standing, from time to time, to the credit of the Series Reserve Fund in respect of a Series (the "**Series Reserve Fund Amount**") will be available to meet, *inter alia*, Income Deficiencies; Series Principal Deficiencies arising from time to time; and any extraordinary costs and expenses incurred by the relevant Series AssetCo.

If, on any Distribution Date in respect of each Series, the amount credited to the Series Reserve Fund Amount exceeds the Series Reserve Fund Required Amount (as defined below), the excess shall be applied to redeem the relevant Subordinated Notes specified in the relevant Supplement (if any) in respect of the relevant Series or will be applied as otherwise provided for in that Supplement.

"**Series Reserve Fund Required Amount**" means an amount specified in the relevant Supplement provided that, on each Distribution Date in respect of a Series falling on or after the first Distribution Date in respect of such Series on which the relevant Series Reserve Fund is equal to or greater than the percentage of the Principal Amount Outstanding of the Notes (excluding the Subordinated Notes (if any) specified in the relevant Supplement) (the "**Series Reserve Fund Determination Date**") specified in the relevant Supplement (the "**Series Reserve Fund Maximum Percentage**") and if in respect of the relevant Series:

- (a) all balances on each of the sub-ledgers of the relevant Series Principal Deficiency Ledger are zero;
- (b) no amount in the Series Liquidity Facility has been drawn before the relevant Series Reserve Fund Determination Date;
- (c) the amount in the relevant Series Reserve Fund is equal to or greater than the Series Reserve Fund Required Amount as of the relevant Series Reserve Fund Determination Date;
- (d) the total balance of all Loans in the relevant Series Portfolio which are 90 days or more in arrears (including, for the avoidance of doubt, any Loans in that Series Portfolio in respect of which Enforcement Procedures have commenced and, the Property in respect of that Loan has not been sold) does not exceed the percentage specified in the relevant Supplement of the total balance of all the Loans in the Series Portfolio;
- (e) the total balance of all Loans foreclosed in the Series Portfolio does not exceed the percentage of the original balance of the Series Portfolio as at the relevant Issue Date or a percentage specified in the relevant Supplement; and
- (f) the total losses suffered by the Issuer from the relevant Issue Date until the relevant Series Reserve Fund Determination Date are lower than the percentage specified in the relevant Supplement,

then the Series Reserve Fund Required Amount will be reduced to an amount equal, on such Series Reserve Fund Determination Date in respect of the relevant Series, to the greater of an amount specified in the relevant Supplement and the percentage of the then Principal Amount Outstanding of the Notes (excluding the Subordinated Notes) as specified in the relevant Supplement of the then Principal Amount Outstanding of the Notes (excluding the Subordinated Notes (if any)).

#### Series Discount Reserve

Under the terms of certain Loans in a Series Portfolio, the margin payable by a Borrower will be discounted during a specified initial period of the Loan (the "**Discount Rate Loans**").

If specified in the relevant Supplement, a discount reserve will be established on the relevant Issue Date (the "**Series Discount Reserve Fund**") to cover the expected difference during the relevant discount period between rates payable on the Discount Rate Loans in the Series Portfolio and the margin above LIBOR, the Bank of England base rate or the SVR (as applicable) that will apply in respect of such Discount Rate Loans when the discount period expires, as further described in the relevant Supplement. The Series Discount Reserve Fund will be adjusted for Prefunded Loans, Substitute Loans and Further Advances in each case in respect of the relevant Series Portfolio, as applicable. If specified in the relevant Supplement, the Series Discount Reserve will be funded using part of the drawings under the Series Subordinated Loan or as otherwise provided for in that Supplement.

If at any time the amount standing to the credit of the Series Discount Reserve exceeds the Series Discount Reserve Required Amount, the amount of such excess shall be debited from the Series Discount Reserve and credited to the Series Transaction Account for application in accordance with the Series Priorities of Payments.

On any Distribution Date on which the Notes are redeemed in full or on which all discounts applicable to Discount Rate Loans which then form part of the relevant Series Portfolio have expired, the Series Discount Reserve (if any) will be applied as Available Revenue Funds.

**"Series Discount Reserve"** means a discount reserve established on the relevant Issue Date in order to cover the expected difference during the relevant discount period between rates payable on Discount Rate Loans in the Series Portfolio and the margin above LIBOR, the Bank of England base rate or the SVR (as applicable) that will apply in respect of such Discount Rate Loans when the discount period expires, as further described in the relevant Supplement.

### **Authorised Investments**

Unless otherwise specified in the relevant Supplement, the Series Cash Manager will on each Distribution Date in respect of a Series invest some or all of the funds of the relevant Series AssetCo (standing to the credit of the relevant Series Transaction Account and/or relevant Series GIC Account) in certain investments ("**Authorised Investments**") being:

- (a) investments in sterling denominated securities, bank accounts or other obligations of or rights against entities which then have the relevant Authorised Investments Standard Minimum Ratings;
- (b) investments satisfying the conditions (if any) set out in the relevant Supplement,

in each case, being an investment which will mature or (if funds require) can be unwound at or above par together with the relevant return on such investment on or before the next Distribution Date relating to that Series upon which the funds represented by that investment are required by the relevant Series AssetCo and complying with the conditions (if any) set out in the relevant Supplement.

The relevant Series AssetCo's rights and interests under Authorised Investments relating to a Series and proceeds from their disposal shall be subject to the AssetCo Security. All amounts received by the relevant Series AssetCo in respect of or derived from the Authorised Investment in respect of a Series shall be credited directly to the relevant Series Transaction Account.

**"Authorised Investments Standard Minimum Ratings"** means a rating by a Rating Agency in relation to a Series which is either equal to or higher than either the Long Term Rating or the Short Term Rating specified in the relevant Supplement.

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

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

For a description of how the funds will be invested and managed, see "*Series Transaction Documents - Series Cash Management Agreement - Authorised Investments*."

### **Principal Deficiency Ledger**

A Principal Deficiency Ledger in respect of each Series (the "**Series Principal Deficiency Ledger**") will comprise sub-ledgers specified in the relevant Supplement known as the "**Series Principal Deficiency Sub-Ledgers**" in respect of the tranche of the relevant Series Intercompany Loan and/or Series Subordinated Loan specified in the relevant Supplement established in order to record any losses on the relevant Series Portfolio (each respectively the "**Series Principal Deficiency**" in respect of each tranche of the relevant Series Intercompany Loan and/or Series Subordinated Loan specified in the relevant Supplement and together the "**Series Principal Deficiencies**"). Any Series Principal Deficiency will be debited to the relevant Series Principal Deficiency Sub-Ledger (such debit items being re-credited under the applicable Series Priority of Payments) so long as the debit balance on such sub-ledger is less than the

Principal Amount Outstanding of the relevant tranche of the relevant Series Intercompany Loan and/or Series Subordinated Loan (the "**Series Principal Deficiency Limit**").

### **Retentions**

Amounts received and standing to the credit of a Series Principal Ledger during a Determination Period in respect of a Series will be utilised by the relevant Series AssetCo as a Series Permitted Withdrawal (and paid outside of the relevant Series Priorities of Payments) to pay Retentions to Borrowers in the Determination Period for that Series in respect of which Retentions are required to be made by the relevant Series AssetCo pursuant to the terms of the relevant Loans in the relevant Series Portfolio. See "*Credit Structure - Series Permitted Withdrawals*" above.

### **Ranking of the Notes**

Holders of Classes of Notes that rank below another Class of Notes as specified in the relevant Supplement in respect of a Series, will not be entitled to receive any payment of interest unless and until all amounts then due to the Noteholders of the Class of Notes which rank in priority to the Classes of Notes held by them have been paid in full, in accordance with the Issuer Priorities of Payments of such Supplement.

In the event that, on any Determination Date in respect of a Series, there are insufficient Available Revenue Funds to make payment in full of interest amounts due and payable by the relevant Series AssetCo under the relevant Series Intercompany Loan and therefore there are insufficient funds to make payment in full of interest amounts due and payable on the Class of Notes specified in the relevant Supplement then, to that extent, interest shall be deferred until the next Distribution Date in respect of the relevant Class on which there are sufficient receipts by the Issuer of payments by the relevant Series AssetCo under the relevant Series Intercompany Loan.

The Notes in respect of each Series will be constituted by a Trust Deed and a Supplemental Trust Deed and will share the same security although, upon enforcement, each Class of Notes will rank in the priority specified in the relevant Supplement.

## TRANSACTION DOCUMENTS

### 1. PROGRAMME TRANSACTION DOCUMENTS

Each of the below listed documents shall be referred to as the "**Programme Transaction Documents**".

#### Programme Servicing Agreement

In respect of each Series Portfolio, the Seller and, *inter alios*, Specialist Mortgage Services Limited in its capacity as the servicer (the "**Programme Servicer**") have entered into a servicing agreement for the Programme (a "**Programme Servicing Agreement**") on the 30 March 2007. On or about each Issue Date, the relevant Series AssetCo and the relevant Series Security Trustee will enter into accession letters to the Programme Servicing Agreement (the "**Programme Servicing Agreement Supplement**") pursuant to which each relevant Series AssetCo and the Series Security Trustee will accede to the Programme Servicing Agreement. Pursuant to the Programme Servicing Agreement, the Programme Servicer and/or any Series Servicer will provide administrative and management services in respect of the Loans and Mortgages in the relevant Series Portfolio sold to the relevant Series AssetCo by the Seller.

#### Services

The Programme Servicer on behalf of and as agent for the relevant Series AssetCo will manage the relevant Series Portfolio on a segregated basis. Services to be provided by the Programme Servicer in respect of each Series Portfolio include the following:

- (a) managing the Loans, the Mortgages, the Collateral Security and other security and other security;
- (b) preparing and submitting all applications required for any approval, authorisation, consent or licence on behalf of and in connection with the business of the Seller and/or the relevant Series AssetCo; and
- (c) providing details of any mortgage rate changes.

"**Service Specifications**" means the document detailing the mortgage administration services to be provided by the Programme Servicer in respect of the Loans, together with the appendices and annexures thereto (as from time to time amended in accordance with the practice of a Prudent Mortgage Lender or otherwise with the consent of, among others, the Seller).

#### Sub-Contracting and Delegation

The Programme Servicer is permitted in specified circumstances and with prior notification to the Seller, each of the Rating Agencies, the relevant Series AssetCo and the Series Security Trustee to sub-contract or delegate its obligations under the Programme Servicing Agreement.

Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Programme Servicing Agreement, the Programme Servicer will remain primarily responsible for its obligations under the Programme Servicing Agreement.

The relevant Series AssetCo and the Series Security Trustee shall not be responsible for any fee, cost or expense as a result of the Programme Servicer entering into a sub-contracting arrangement.

#### Termination of the Appointment of the Programme Servicer

The appointment of the Programme Servicer under the Programme Servicing Agreement may be terminated by a Series AssetCo (with the consent of the Series Security Trustee) if, among other things, any of the following events occur:

- (a) an insolvency event occurs in relation to the Programme Servicer; or
- (b) the Programme Servicer changes or threatens to change the nature or scope of its business, suspends or threatens to suspend a substantial part of the present business operations which it now conducts and the Series Security Trustee is of the opinion that the continuation of the appointment of the Series Servicer is reasonably likely to adversely affect its ability to observe or perform any of its obligations under the relevant transaction documents.

The appointment of the Programme Servicer will be terminated by a Series AssetCo (with the consent of the relevant Series AssetCo and the Series Security Trustee) on the occurrence of certain events of default, including non-performance of its obligations under the Programme Servicing Agreement.

The Programme Servicer may terminate its appointment upon three months' prior notice to the Seller and the relevant Series AssetCo and the Series Security Trustee, subject to certain conditions being met. No termination of the appointment of the Programme Servicer will be effective until a substitute programme servicer has been appointed.

On termination of the appointment of the Programme Servicer that Programme Servicer shall be entitled to receive all fees and other moneys accrued under the Programme Servicing Agreement p to the date of termination but shall not be entitled to any other moneys by way of compensation. Such moneys so receivable by that Programme Servicer shall be paid by each relevant Series AssetCo on the dates on which they would otherwise have fallen due under the Programme Servicing Agreement but payment of such moneys will be subordinated to the obligation of each relevant Series AssetCo to pay the fees of any substitute programme servicer which fall due on the same day.

#### Programme Servicing Fees

The Programme Servicing Agreement makes provision for fees to be paid to the Programme Servicer for services provided in respect of each Series Portfolio as well as for the reimbursement of certain costs and expenses incurred in connection therewith. Programme Servicer fees relating to the Series Portfolios acquired by the relevant Series AssetCo will be paid by the relevant Series AssetCo in accordance with the applicable Series Priorities of Payments as set out in the relevant Supplement.

The relevant Series AssetCo and the Series Security Trustee shall not be responsible for any fee, cost or expense as a result of the Series Servicer entering into a sub-contracting arrangement.

#### Services not exclusive

The Programme Servicer may provide services to other parties and may service Loans other than the Loans sold to the Seller and carry on business similar to or in competition with the business of the Seller.

#### Governing law

The Programme Servicing Agreement will be governed by English law.

#### **Special Servicing Agreement**

In respect of each Series Portfolio, the Seller and, *inter alios*, the Programme Servicer have entered into a special servicing agreement for the Programme (a "**Special Servicing Agreement**") on the 30 March 2007. On or about each Issue Date, the relevant Series AssetCo and the relevant Series Security Trustee will enter into accession letters to the Special Servicing Agreement (the "**Special Servicing Agreement Supplement**") pursuant to which each relevant Series AssetCo and the Series Security Trustee will accede to the Special Servicing Agreement and Topaz Finance PLC in its capacity as special servicer (the "**Special Servicer**") assumes the responsibility of the Programme Servicer under the Special Servicing Agreement. The Special Servicer will delegate certain of its functions to the Programme Servicer. Pursuant to such delegation, the Programme Servicer will provide advisory services in respect of, *inter alia*, regulatory, insurance and administrative services and oversight of the Special Servicer .

#### Services

Services to be provided by the Special Servicer (which may, if applicable, be delegated to a Series Servicer) include the following:

- (a) monitoring and checking the performance of any applicable Series Servicer of their obligations under the Programme Servicing Agreement;
- (b) administering the rights and obligations of the relevant Series AssetCo set out in the Programme Servicing Agreement;

- (c) making recommendations in respect of and managing the audit and other investigatory services that should be carried out in relation to any Series Servicer;
- (d) monitoring and reviewing the adequacy and appropriateness of the Insurance Policies; and
- (e) investigating, reviewing and reporting as to the financial condition, creditworthiness, status or nature of providers of the Insurance Policies or proposed providers of the Insurance Policies as relevant to the risk to be or being insured.

Termination of the Appointment of the Special Servicer

The appointment of the Special Servicer under the Special Servicing Agreement may be terminated by the relevant Series AssetCo (with the consent of the Series Security Trustee) if, among other things, any of the following events occur:

- (a) an insolvency event occurs in relation to the Special Servicer; or
- (b) the Special Servicer changes or threatens to change the nature or scope of its business, suspends or threatens to suspend a substantial part of the present business operations which it now conducts and the Series Security Trustee is of the opinion that the continuation of the appointment of the Special Servicer is reasonably likely to adversely affect its ability to observe or perform any of its obligations under the relevant transaction documents.

On termination of the appointment of the Special Servicer that Special Servicer shall be entitled to receive all fees and other moneys accrued under the Special Servicing Agreement up to the date of termination but shall not be entitled to any other moneys by way of compensation. Such moneys so receivable by that Special Servicer shall be paid by each relevant Series AssetCo on the dates on which they would otherwise have fallen due under the Special Servicing Agreement but payment of such moneys will be subordinated to the obligation of each relevant Series AssetCo to pay the fees of any substitute special servicer which fall due on the same day.

Special Servicing Fees

The Special Servicing Agreement will make provision for fees to be paid to the Special Servicer for services provided in respect of each Series Portfolio as well as for the reimbursement of certain costs and expenses incurred in connection therewith. Special Servicer fees relating to the Series Portfolios acquired by the relevant Series AssetCo will be paid by the relevant Series AssetCo in accordance with the applicable Series Priorities of Payments as set out in the relevant Supplement.

Services not exclusive

The Special Servicer may provide special services to other parties and may carry on business similar to or in competition with the business of the Seller.

Governing law

The Special Servicing Agreement will be governed by English law.

**Programme Bank Account Agreement**

Pursuant to the terms of a programme bank account agreement (the "**Programme Account Bank Agreement**") dated on or about the Programme Establishment Date between, *inter alios*, the Seller and HSBC Bank plc as the programme account bank (the "**Programme Account Bank**"), the Seller will open with the Programme Account Bank bank accounts in the name of the Seller for the purposes of the Programme (the "**Programme Collection Accounts**").

Payments by Borrowers in respect of amounts due under the Loans in respect of each Series Portfolio should be collected, in the majority of cases, by direct debit and credited, if the Seller is the Legal Titleholder, automatically into the relevant Programme Collection Account.

In respect of each Series Portfolio, the Programme Collection Accounts will be available for receipt of amounts in respect of the Loans of such Series Portfolio that are received by direct debit or non-direct

debit, if the Seller is the Legal Titleholder. Such amounts will be swept by the Programme Cash Manager on a daily basis from such Programme Collection Account into the relevant Series GIC Account in accordance with the relevant Series Cash Management Agreement. No other amounts will be deposited in a Programme Collection Account.

The Seller will agree to hold all payments from Borrowers in respect of the Loans in each Series Portfolio sold to the relevant Series AssetCo and received in a Programme Collection Account on trust for the relevant Series Security Trustee pursuant to a declaration of trust (the "**Declaration of Trust**"). The relevant Series Security Trustee's rights under the Declaration of Trust will be comprised in the AssetCo Security granted by the relevant Series AssetCo under the AssetCo Security Deed.

Prior to the Seller obtaining legal title of the Loans in any Series Portfolio, payments from Borrowers in respect of the Loans in each Series Portfolio will be made to the relevant Legal Titleholder and such amounts will be swept by the Programme Cash Manager on a daily basis from such account in the name of the relevant Legal Titleholder into the relevant Series GIC Account in accordance with the Series Cash Management Agreement.

The Programme Collection Account, as well as any other account opened by the Seller with the Programme Account Bank from time to time under the Programme Bank Account Agreement, will be operated in accordance with the Programme Bank Account Agreement.

The Programme Account Bank will provide the Seller, the Programme Cash Manager and the Series Security Trustee with account statements in respect of the Programme Collection Account.

In the event that the Programme Account Bank's short term unsecured debt rating is downgraded below P-1 by Moody's, A-1 by S&P's and F-1+ by Fitch, the Seller, the Programme Cash Manager and the Programme Account Bank shall each use their best endeavours to procure that the Programme Collection Account shall be transferred to a financial institution having a short term unsecured debt rating of P-1 by Moody's, A-1 by S&P's, F-1+ by Fitch pursuant to an agreement with such institution in substantially the form as the Programme Bank Account Agreement within a period not exceeding 30 days from the date on which such downgrade occurred.

#### Governing Law

The Programme Bank Account Agreement will be governed by English law.

#### Programme Cash Management Agreement

Pursuant to the terms of a cash management agreement (the "**Programme Cash Management Agreement**") dated on or about the Programme Establishment Date between, amongst others, ABN AMRO Bank N.V., London Branch (whose registered office is at 250 Bishopsgate, London EC2M 4AA) as the programme cash manager (the "**Programme Cash Manager**") and the Seller, the Programme Cash Manager will provide certain cash management services to the Seller.

#### Programme Services

The Programme Cash Manager's services in respect of the Programme include but are not limited to:

- (a) preparing and delivering to the Seller, the relevant Series AssetCo and the relevant Series Security Trustee quarterly reports in respect of the administration of the Programme Collection Account; and
- (b) maintaining a separate set of ledgers within the Programme Collection Account in respect of receipts from the applicable Series Portfolio.

#### Termination

In certain circumstances the Seller will have the right to terminate the appointment of the Programme Cash Manager and to appoint a substitute. Any substitute cash manager will have substantially the same rights and obligations as the Programme Cash Manager (although the fee payable to the substitute cash manager may be higher).

### Governing Law

The Programme Cash Management Agreement will be governed by English law.

## 2. SERIES TRANSACTION DOCUMENTS

Each of the below listed documents shall be referred to as the "**Series Transaction Documents**".

### Series Portfolio Purchase Agreements

Each Series AssetCo will from time to time purchase Series Portfolios (as described below) of residential Loans together with the Mortgages and Collateral Security for their repayment, including the relevant mortgages and standard securities from Topaz Finance PLC in its capacity as series portfolio seller (the "**Seller**") under a series portfolio purchase agreement in respect of each Series Portfolio (each a "**Series Portfolio Purchase Agreement**") dated the relevant Issue Date (each an "**Issue Date**") and entered into by the Seller, the relevant Series AssetCo and the Series Security Trustee. Each Series Portfolio Purchase Agreement will provide for the delivery of lists of the Loans and their Collateral Security which list the relevant Series Mortgage Pool being sold to the relevant Series AssetCo. Each Series Portfolio purchased will relate to a particular Series of Instruments issued on an Issue Date with the AssetCo Secured Creditors, the Series Priorities of Payments and Issuer Priorities of Payments in respect of such Series specified in the relevant Supplement.

### Series Portfolios

Each "**Series Portfolio**" will comprise:

- (a) a pool of residential loans which meet or will meet certain lending criteria (certain aspects of which will be summarised in the relevant Supplement (the "**Lending Criteria**") acquired on the relevant Issue Date and their Collateral Security (each a "**Series Mortgage Pool**");
- (b) any Substitute Loans (as defined below) acquired by the relevant Series AssetCo in accordance with the provisions of the relevant Series Portfolio Purchase Agreement;
- (c) any Further Advances (as defined below) acquired by the relevant Series AssetCo in accordance with the provisions of the relevant Series Portfolio Purchase Agreement; and
- (d) any advances made by the relevant Legal Titleholder to Borrowers that have redeemed their initial Loans and been granted new Loans on substantially the same commercial terms (such as new Loans, the "**Ported Loans**") and, after the satisfaction of certain conditions, funded by the relevant Series AssetCo and secured on the relevant Property in accordance with the provisions of the relevant Series Portfolio Purchase Agreement,

other than, in any such case, any Loans which have been repaid and discharged or in respect of which funds representing principal outstanding have otherwise been received in full, or which have been repurchased by the Seller pursuant to the relevant Series Portfolio Purchase Agreement or in respect of which enforcement procedures have been completed.

"**Loan**" means any of the following which is acquired by the Seller:

- (a) a loan or loans governed by English law (each an "**English Loan**", which together are secured by a charge by way of a first ranking legal mortgage "**English Mortgage**") over a freehold or long leasehold residential property in England or Wales (the "**English Property**");
- (b) a loan or loans governed by Northern Irish law (each a "**Northern Irish Loan**"), which together are secured by a charge by way of a first ranking legal mortgage or charge (which can also be called a charge in cases of title registered in the Land Registry of Northern Ireland) ("**Northern Irish Mortgage**") over a freehold or long leasehold residential property located in Northern Ireland (a "**Northern Irish Property**"); or
- (c) a loan or loans governed by Scots law (each a "**Scottish Loan**"), which together are secured by a first ranking standard security ("**Scottish Mortgage**") and together with an English Mortgage and a Northern Irish Mortgage, the "**Mortgages**") over a residential property held on such tenure as



replaced the feudal tenure system in terms of the 2000 Act or long leasehold residential property (having an unexpired term of at least 35 years longer than the mortgage term) located in Scotland (a "**Scottish Property**" and together with the English Property and the Northern Irish Property, the "**Property**" or "**Properties**").

"**Borrower**" means a borrower under a Loan.

A Series Portfolio sold to the relevant Series AssetCo under a Series Portfolio Purchase Agreement may consist of any kind of Loan, provided the Transfer Conditions (described below) are met on the relevant Issue Date. Each Series Portfolio acquired by the relevant Series AssetCo from the Seller will consist of Loans and their Collateral Security (other than any Loans and their Collateral Security which have been redeemed in full prior to the relevant "**Cut-off Date**" (as identified in the relevant Supplement) or which do not otherwise comply with the terms of a Series Portfolio Purchase Agreement as at the relevant Issue Date). The particulars of the Series Portfolio will be set out in the relevant Series Portfolio Purchase Agreement and may be delivered in connection therewith in a document stored upon electronic media (including, but not limited to, a CD-ROM), subject to the subsisting rights of redemption of borrowers and, subject to the terms of the applicable Series Portfolio Purchase Agreement, all rights, title, interest and benefit of the Seller, both present and future, in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, its right to receive arrears sums (bring principal or interest) on the Loans accruing relative to the relevant Cut-off Date) and other sums due or to become due in respect of such Loans and their Collateral Security after the related Issue Date including, without limitation, the right to demand, sue for, recover and give receipts for all principal moneys, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Loan;
- (b) the benefit of any Collateral Security for the repayment of the relevant Loans, the benefit of all consents to mortgage signed by occupiers of Properties, the benefit of all MHA Documentation or CP Documentation, the benefit of and the right to sue on all covenants and undertakings in favour of the Seller under such Loans, any guarantee and any deed of assignment of rent in respect of a Loan;
- (c) the right to exercise all the powers of the Seller in relation to each Loan in the Series Portfolio;
- (d) all the estate and interest in the Properties vested in the Seller, subject to redemption or cesser;
- (e) in the case of Northern Irish Loans all properties expressed to be mortgaged and granted or charged by their related Northern Irish Mortgages;
- (f) to the extent they are assignable, each Certificate of Title and valuation report and all causes and rights of action in favour of the Seller against any solicitor, licensed conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and their Collateral Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof, save that rights or causes of action which are known to have accrued at the relevant Issue Date are excluded from such assignment; and
- (g) all right, title and interest of the Seller (including, without limitation, the proceeds of an claims) to which the Seller is entitled under the Insurance Policies, so far as they relate to the Loans comprised in that portfolio of Loans and their Collateral Security, including the right to receive the proceeds of any claim.

#### Consideration

The consideration payable to the Seller by the relevant Series AssetCo for the sale of the relevant Series Portfolio, will be specified in the relevant Series Portfolio Purchase Agreement and will as specified in the relevant Supplement consist of:

- (a) a cash payment made by the relevant Series AssetCo from a drawing under the relevant Series Intercompany Loan and/or other sources of funding received from the relevant Series AssetCo (e.g., bank credit facilities) on the relevant Issue Date;

- (b) any MERCs and/or Residual Certificates issued to the Seller or as such Seller may direct, on which payments will be made on each Distribution Date in accordance with the terms of such MERCs and/or Residual Certificates and applicable Series Priorities of Payments (provided that there are available funds and after the making of any provisions in accordance with normal accounting practice); and/or
- (c) such other forms of payment obligations of the relevant Series AssetCo, as specified in the relevant Supplement.

**"Residual Certificates"** means residual certificates that may be issued on an Issue Date in connection with the purchase of a Series Portfolio by a relevant Series AssetCo. Each of the Residual Certificates bears an entitlement to receive payment in respect of residual amounts available for such purpose in accordance with the applicable Series Priorities of Payments.

**"MERCs"** means mortgage early repayment certificates that may be issued on an Issue Date in connection with the purchase of a Series Portfolio by a relevant Series AssetCo. Amounts received by the relevant Series AssetCo in respect of the obligations of Borrowers, in certain circumstances, to pay a Mortgage Early Repayment Charge in the event they repay all or any part of the relevant Loan in the related Series Portfolio relating to the MERCs, voluntarily or to the extent recovered following an enforcement event, at any time before the end of the mortgage term, will be paid to the relevant Series AssetCo and then by the relevant Series AssetCo to the relevant holder of a MERC.

**"Residual Certificate Holder"** means the holder of a Residual Certificate.

**"MERC Holder"** means the holder of a MERC.

#### Transfer Conditions

Each Mortgage is a mortgage of, or standard security over, a residential property in England, Wales, Scotland or Northern Ireland. All types of Loans are eligible for inclusion in a Series Portfolio subject to satisfaction of various conditions (the **"Transfer Conditions"**) on the relevant Issue Date as specified in a Series Portfolio Purchase Agreement. The Transfer Conditions will include the following conditions, subject to any amendment in the relevant Series Portfolio Purchase Agreement and the Supplement related to the Series Portfolio:

- (a) no Series Insolvency Event or Series Event of Default in respect of the applicable Series has occurred and is continuing as at the relevant Issue Date;
- (b) the required Series Transaction Documents will be entered into in connection with the purchase of the Series Portfolio and any other documentation required under that Series Portfolio Purchase Agreement will be entered into (e.g., an assignment of Insurance Policies, assignment of rent, assignment of Guarantees and/or a Scottish Declaration of Trust and/or a Supplemental Scottish Declaration of Trust and/or an Assignment of Scottish Declaration of Trust and/or an Assignment of Supplemental Scottish Declaration of Trust (each as applicable)); and
- (c) the desired ratings (if any) of the Series of Notes to be issued in connection with the purchase of the Series Portfolio have been obtained from the Rating Agencies.

The Transfer Conditions in a Series Portfolio Purchase Agreement may be waived or varied from time to time in connection with the sale of a particular Series Portfolio.

#### Prefunded Loans

The relevant Series AssetCo may deposit proceeds from the issue of Series of Instruments in the relevant Series GIC Account and such proceeds (the **"Prefunded Loan Amounts"**) will be applied in the future to acquire Loans (the **"Prefunded Loans"**) from the Seller that will be allocated to the relevant Series Portfolio as specified in the relevant Supplement. Prefunded Loan Amounts deposited in the relevant Series GIC Account will be recorded in the relevant ledger in relation to the Prefunded Loans (the **"Series Prefunding Ledger"**) in respect of that Series. Although no assurance can be given, it is intended that the purchase of the Prefunded Loans will require the application of substantially all of the Prefunded Loan Amounts standing to the credit of the relevant Series GIC Account. All amounts standing to the credit of the Series Prefunding Ledger on the Determination Date immediately prior to the first Distribution Date

which are not allocated for the purchase of Prefunded Loans on such Distribution Date will be transferred to the relevant Series Principal Ledger to be applied on such Distribution Date as Available Redemption Funds.

In connection with the deposit of Prefunded Loan Amounts in the relevant Series GIC Account, an interest shortfall amount may be held by the relevant Series Transaction Account (the "**Prefunded Loans Interest Shortfall**") to be applied to make up the difference in the amount of interest the relevant Series AssetCo would have received from and including the relevant Issue Date to the relevant Prefunding Acquisition Date had the relevant Series AssetCo owned the Prefunded Loans from the relevant Issue Date in respect of the applicable Series.

Prefunded Loans purchased by the relevant Series AssetCo will be required to comply with the same Transfer Conditions under the relevant Series Portfolio Purchase Agreement as would be applicable to Loans of that type under the relevant Series Portfolio Purchase Agreement.

"**Prefunding Acquisition Date**" means a date which falls on or before the first Distribution Date when Prefunded Loans in a Series Portfolio for a Series may be purchased by the relevant Series AssetCo from the Seller and included in the relevant Series Portfolio.

#### Converted Loans

The relevant Series AssetCo is not permitted to convert a Loan into any other type of mortgage product. To the extent the Programme Servicer receives a request from a Borrower to convert a Loan into another type of mortgage product, the Seller may approve the conversion of the Loan (a "**Converted Loan**") if the request complies with the Seller's standard policies and procedures and the applicable conditions set out in the relevant Supplement are satisfied. The Seller will be required under a Series Portfolio Purchase Agreement to repurchase any such Loan from the relevant Series AssetCo before it is converted. The repayment price payable in respect of the affected Loan is described below under "*Requirement to Repurchase*".

#### Further Advances

Further Advances made by the relevant Legal Titleholder are agreed to be purchased from the Seller by the relevant Series AssetCo upon notice in writing, by the Seller to the relevant Series AssetCo to request the relevant Series AssetCo and purchase and take a transfer and assignment or assignation of any Further Advance on a Distribution Date relating to that Series provided that the applicable conditions set out in the relevant Supplement are satisfied. The relevant Series AssetCo will fund the purchase of Further Advances out of Available Capital Funds in respect of a Series, as further described in the relevant Supplement. See "*Credit Structure — Series Permitted Withdrawals*".

"**Available Capital Funds**" means, in respect of a Series, on any day during a Determination Period (including on a Determination Date), an amount represented by the amount standing to the credit of the relevant Series Principal Ledger of the relevant Series AssetCo at the close of business on the preceding day, less if such day falls in the period between the last Business Day of the month preceding a Determination Date and the application of Available Redemption Funds (as defined in the relevant Supplement) in respect of such Series, (a) any commitments to purchase Substitute Loans on the immediately preceding Distribution Date and (b) the amount of the Available Redemption Funds calculated on the relevant Determination Date.

#### Ported Loans

The relevant Legal Titleholder may make advances to Borrowers in relation to the Ported Loans (the "**Ported Loan Advances**") and the relevant Series AssetCo may fund the Ported Loan Advances (thereby acquiring the beneficial title of such Ported Loans). Prior to the funding and purchase of such Ported Loans, the Special Servicer (on behalf of the relevant Series AssetCo), acting as a prudent residential mortgage lender and in accordance with the Lending Criteria, may agree to any request by the relevant Legal Titleholder to the making of a Ported Loan to a Borrower.

If the Special Servicer agrees to the relevant Series AssetCo funding and acquiring a Ported Loan, it shall promptly notify the relevant Series AssetCo, the relevant Series Cash Manager and the Programme Servicer. The Series Cash Manager may then credit any Principal Funds in respect of the initial Loan to which a Ported Loan relates (as identified by the Special Servicer) to the Series Ported Loan Ledger. In

addition, any Ported Mortgage Early Repayment Charges shall also be credited by the relevant Series Cash Manager to the Series Ported Loan Ledger pending payment to the relevant Borrower.

The Special Servicer will provide certain details to the Programme Cash Manager, the Series Cash Manager and the Programme Servicer including, the identity of the Loan which will be redeemed, the redemption date thereof, the amount of any Ported Mortgage Early Repayment Charge in connection therewith, whether the Ported Mortgage Early Repayment Charge will be waived or refunded (and, if so, as to the relevant amount and whether in whole or in part) and, if refunded, the date of such refund (as and when it is known), any decision by the Special Servicer not to make a Ported Loan and/or not to refund a Ported Mortgage Early Repayment Charge, whether there are sufficient amounts standing to the credit of the Series Ported Loan Ledger to make such advance (and the amount of any shortfall).

Prior to the making of such Ported Loan Advances, the Special Servicer (on behalf of the relevant Series AssetCo) will ensure the satisfaction of, the applicable conditions set out in the relevant Supplement.

#### Representations and Warranties

In connection with the sale of each Series Portfolio, the Seller will on the applicable Issue Date make certain representations and warranties set out in a Series Portfolio Purchase Agreement in respect of any Series.

No searches, enquiries or independent investigations have been or will be made by the relevant Series AssetCo or the Series Security Trustee, each of whom is relying upon the representations and warranties in a Series Portfolio Purchase Agreement. The representations and warranties may be waived or varied from time to time in connection with the sale of a particular Series Portfolio.

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

In the event of a breach of any of the representations and warranties in the relevant Series Portfolio Purchase Agreement that is either not remedied or not capable of being remedied (in the opinion of the Programme Servicer) which could have a material adverse effect on a Loan and its Collateral Security, the Seller, will have the obligation, *inter alia*, either:

- (a) ensure and procure the repurchase by it of the relevant Loan and its related Mortgage as described below under "*Transaction Documents — Series Portfolio Purchase Agreements — Requirement to Repurchase*"; or
- (b) transfer to the relevant Series AssetCo a Substitute Loan (as described below) in replacement of the relevant Loan affected by the breach of the relevant representations and warranties.

Performance of the obligation to repurchase will be in satisfaction of all of the Seller's liabilities in respect of the representations and warranties relating to that Loan and its Collateral Security.

#### Substitute Loans

The Seller will be entitled to transfer to the relevant Series AssetCo a replacement Loan (a "**Substitute Loan**") provided that the applicable conditions set out in the relevant Supplement are satisfied and the Substitute Loan is in relation to a breach of a Series Portfolio Warranty.

#### Requirement to Repurchase

In the event that the Seller is required to repurchase a Loan and its Collateral Security under a Series Portfolio Purchase Agreement in respect of any Series Portfolio, due to a Relevant Breach in relation to that Loan and its Collateral Security in respect of a Loan or repurchase a Converted Loan the repayment price payable in respect of the affected Loan and its Collateral Security will equal the balance of the

relevant Loan plus all other amounts due and unpaid under such Loan and accrued and unpaid (but not capitalised) interest (less interest not then accrued but paid in advance to the relevant Series AssetCo which the relevant Series AssetCo shall be entitled to retain).

**"Relevant Breach"** means, in relation to a Loan, a breach of Series Portfolio Warranty which, in the reasonable opinion of the Series Security Trustee, materially adversely affects either:

- (a) the value of that Loan; or
- (b) the value of the Property secured by the related Mortgage and therefore materially adversely affects the value of the Loan; or
- (c) the rights available to a mortgagee or heritable creditor in respect of the repayment of that Loan (including, without limitation, the enforceability of rights against third parties) and therefore materially adversely affects the value of the Loan; or
- (d) the amount likely to be received upon a sale or likely to be financed against the security of that Loan.

*Transfer of Title to the Loans to the relevant Series AssetCo*

The relevant Legal Titleholder will have legal title to, and beneficial interest in, each Loan on the relevant Issue Date, subject to completion of registration or recording of legal title as described herein. The holding of legal title to Mortgages only recently transferred to or originated by the relevant Legal Titleholder will be subject to completion of registration or recording (as applicable) at the Land Registry, the Registers of Scotland or the Northern Ireland Registries (being the Land Registry of Northern Ireland and Registry of Deeds in Northern Ireland), as appropriate.

English Loans and Northern Irish Loans will be sold by the relevant Legal Titleholder to the Seller and then from the Seller to the relevant Series AssetCo by way of equitable assignment. Scottish Loans will be sold by a Series Originator to the Seller and then from the Seller to the relevant series AssetCo on the relevant Issue Date by way of an assignation but then only in accordance with the provisions of the Series Portfolio Purchase Agreement. Pending the taking by the relevant Series AssetCo of an assignation of the Seller's interest in the Scottish Mortgages, the Scottish Loans secured by the Scottish Mortgages will be held in trust for the relevant Series AssetCo pursuant to a declaration of trust by the Seller. Such declaration of trust (as opposed to an assignation) cannot be registered in the Land Register or Sasine Register.

As a result, legal title to the Loans and their Collateral Security will remain with the relevant Legal Titleholder (subject to the completion of registration or recording in respect of the relevant Legal Titleholder's interest in the Mortgages as discussed above) until legal assignments or assignations (as appropriate) are delivered by the Seller to the relevant Series AssetCo and notice of the sale is given to the relevant Borrowers. Legal assignment or assignation (as appropriate) of the Loans and their Collateral Security (including, where appropriate, their registration or recording in the relevant property register) to the relevant Series AssetCo will be deferred and will only take place in the limited circumstances described below.

Legal assignment or assignation (as appropriate) of the Loans and their Collateral Security in a Series Portfolio to a relevant Series AssetCo will be completed in the event of any of the following:

- (a) following the occurrence of an Event of Default in respect of the relevant Series or a Series Insolvency Event and a Series Enforcement Notice, as applicable, has been served by the Trustee or the relevant Series Security Trustee; or
- (b) it is required by law, by an order of a court of competent jurisdiction or by a mandatory requirement of any regulatory authority; or
- (c) the Series Security Trustee considers that the AssetCo Security in respect of that Series or any part thereof is in jeopardy; or

- (d) the commencement of Insolvency Proceedings in relation to the relevant Legal Titleholder (in which case only the relevant party in respect of which Insolvency Proceedings have commenced may be requested to perform a Perfection Act).

**"Insolvency Proceedings"** means, in respect of a company, the winding-up, liquidation, dissolution or administration of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

**"Perfection Act"** means any acts required to perfect title in relevant Series Portfolio Purchase Agreement in relation to the Loans comprised in a Series Portfolio.

Pending completion of the transfer, the right of the relevant Series AssetCo to exercise the powers of the legal owner of, or (in Scotland) the heritable creditor under, the Mortgages will be secured and supported by an irrevocable power of attorney granted by the Seller in favour of the relevant Series AssetCo and the Series Security Trustee.

The Title Deeds relating to the Loans in each Series Portfolio will be held by or to the order of the relevant Series Originator or the Programme Servicer (including held to the order of the relevant Legal Titleholder by a Borrower's solicitor), as the case may be, or by solicitors or licensed conveyancers acting for the relevant Series Originator in connection with the creation of the Loans and their Collateral Security. The relevant Legal Titleholder or the Programme Servicer, as the case may be, will undertake that all the Title Deeds relating to the Loans in a Series Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Series Security Trustee or as the Series Security Trustee may direct.

*Seller will not retain Arrears*

Under the terms of each Series Portfolio Purchase Agreement, the Seller shall sell its respective rights to receive any sums due under the relevant Loans in respect of Arrears and its respective rights to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under such Loans or the unpaid part thereof and the interest due or to become due thereon and for any other sums due under such Loans. Any payments received by the relevant Series AssetCo in respect of those Arrears will comprise part of the relevant Series Portfolio.

*Governing law*

Each Series Portfolio Purchase Agreement will be governed by English law (other than certain aspects specific to Scottish Loans and Northern Irish Loans, which will be governed by Scots law and Northern Irish law respectively if Northern Irish Loans and Scottish Loans form part of the relevant Series Portfolio) and made by way of a deed.

**Series Intercompany Loans Agreement**

On each Issue Date of a Series, the relevant Series AssetCo will enter into an Intercompany Loans Agreement (a "**Series Intercompany Loans Agreement**") pursuant to which the Issuer will advance to the relevant Series AssetCo (subject to the satisfaction of certain conditions precedent) (i) a secured term loan facility designated with the same Series reference as the relevant Series of Instruments (excluding the Subordinated Notes of that Series) and (ii) a secured term loan facility designated with the same Series reference as the relevant Series of Subordinated Notes (a "**Series Subordinated Loan**"). Each Series Intercompany Loan will be advanced in Tranches (and Sub Tranches) and together the Tranches (and Sub Tranches) shall be known as a series intercompany loan (each a "**Series Intercompany Loan**").

The details of the Series Intercompany Loan advanced on an Issue Date (together with the details of the applicable Tranches and Sub Tranches thereof) will be as specified in the relevant Supplement published in connection with such Series.

The final repayment date of each Tranche of a Series Intercompany Loan (the "**Final Repayment Date**") will be the Final Maturity Date of the relevant underlying class of the corresponding Series of Instruments as specified in the applicable Supplement.

Conditions precedent to drawdown

The Issuer will not be obliged to make a Series Intercompany Loan available to the relevant Series AssetCo unless on the relevant Issue Date certain conditions have been met, including that:

- (a) a Series of Instruments have been issued and the proceeds have been received by or on behalf of the Issuer;
- (b) relevant Series AssetCo has entered into an AssetCo Security Deed so as to secure, *inter alia*, its obligations under such Series Intercompany Loan;
- (c) each of the other relevant necessary Transaction Documents have been executed by the relevant parties to those documents; and
- (d) the relevant Series AssetCo has delivered a solvency certificate to, *inter alios*, the Series Security Trustee substantially in the form set out in the relevant Series Intercompany Loan Agreement.

Use of Proceeds

The relevant Series AssetCo will apply an amount equal to the gross proceeds of the relevant Series Intercompany Loan received from the Issuer on an Issue Date to make a payment to the Seller in accordance with the terms of the Series Portfolio Purchase Agreement.

The drawdown of any Series Subordinated Loan by the relevant Series AssetCo will be financed by the issue of Subordinated Notes by the Issuer, and will only be permitted if certain conditions precedent are satisfied, including, *inter alia* that the proceeds of such Series Subordinated Loan is used by the relevant Series AssetCo to:

- (a) fund the Series Reserve Fund;
- (b) fund the Series Discount Reserve Fund;
- (c) meet any Prefunding Interest Shortfall Amounts; and
- (d) meet the costs and expenses arising in respect of the issue of the Instruments of the relevant Series, or incurred by the relevant Series AssetCo and/or the Issuer.

Payments of interest and fees on each Series Intercompany Loan

Interest on each Tranche (or, as applicable, Sub Tranche) of a Series Intercompany Loan will be payable in arrear and accrue at a floating rate of interest linked to the London interbank offered rate as further specified in the relevant Supplement.

Each Series Subordinated Loan will be repayable by the relevant Series AssetCo in accordance with the relevant Series Priorities of Payments. Interest on the Series Subordinated Loan will be payable in arrear and accrue at an interest rate specified in the relevant Supplement.

Upon the grant of the Series Intercompany Loan by the Issuer to relevant Series AssetCo, the relevant Series AssetCo will be required to pay an initial intercompany loan fee (a "**Series Intercompany Loan Initial Fee**") to the Issuer in consideration for the grant of such Series Intercompany Loan. The relevant Series AssetCo will finance the payment of such Series Intercompany Loan Initial Fee from part of the advancement by the Issuer under the Series Subordinated Loan of the relevant Series Intercompany Loans Agreement.

Payment of such interest and fees on each Series Intercompany Loan will be made into the relevant Issuer Accounts and only from and to the extent of distributions received by the relevant Series AssetCo in respect of the relevant Series Portfolios which are payable to the relevant Series AssetCo on the relevant Distribution Date, subject to and in accordance with the relevant Series Priorities of Payments.

Available funds to repay a Series Intercompany Loan

Repayment of principal in respect of a Series Intercompany Loan on any Distribution Date will be payable into the relevant Issuer Account of the Issuer and only from and to the extent of distributions

received by the relevant Series AssetCo in respect of the Series Portfolios on such Distribution Date subject to and in accordance with the relevant Series Priorities of Payments and the limited recourse provisions described below.

Representations, warranties and covenants

Under each Series Intercompany Loans Agreement, the relevant Series AssetCo will make standard representations and warranties to the Issuer, the Series Security Trustee and the Trustee.

In addition to standard covenants and except as provided or contemplated under the Transaction Documents, the relevant Series AssetCo will give the following undertakings:

- (a) it will not create or permit to subsist any security interest over or in respect of any of its assets (unless arising by operation of law);
- (b) it will not voluntarily or involuntarily sell, assign, transfer, lease or otherwise dispose of or grant any option over all or any of its assets, properties or undertakings or any interest, estate, right, title or benefit to or in such assets, properties or undertakings;
- (c) it will not enter into any amalgamation, demerger, merger or reconstruction, nor acquire any assets or business nor make any investments;
- (d) it will not incur any indebtedness in respect of any borrowed money or give any guarantee or indemnity to or for the benefit of any person in respect of any obligation of any other person or enter into any document under which it assumes any liability of any other person;
- (e) it will not declare or pay any dividend or make any other distribution in respect of any of its shares, or issue any new shares or alter any rights attaching to its issued shares as at the date of the relevant Series Intercompany Loans Agreement;
- (f) it will not carry on any business or engage in any activity which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the relevant Series AssetCo will engage; and
- (g) it will indemnify the Issuer in respect of Issuer Senior Expenses in the applicable Series Priorities of Payments.

Series Intercompany Loan Events of Default

Each Series Intercompany Loans Agreement will contain events of default (each, an "**Intercompany Loan Event of Default**") including, among others, the following events:

- (a) relevant Series AssetCo does not pay any amount payable under such Series Intercompany Loans Agreement within 5 Business Days of such amount becoming due and payable in accordance with the terms of such Series Intercompany Loans Agreement (subject always to the limited recourse provisions set out in such Series Intercompany Loans Agreement);
- (b) relevant Series AssetCo does not comply in any material respect with any of its obligations under the Transaction Documents (except for its payment obligations under such Series Intercompany Loans Agreement) and, if capable of remedy, such non-compliance is not remedied within 20 Business Days of the Issuer becoming aware of that non-compliance or of receiving notice from the Series Security Trustee requiring that non-compliance to be remedied;
- (c) a representation or warranty of the relevant Series AssetCo made or repeated in connection with any of the Transaction Documents and any other document delivered by relevant Series AssetCo is incorrect in any material respect when made or deemed to be made or repeated;
- (d) a Series Insolvency Event occurs in relation to the relevant Series AssetCo;
- (e) it is, or becomes, unlawful for the relevant Series AssetCo to perform its obligations under any of the Transaction Documents; and



- (f) the relevant AssetCo Security Deed is no longer binding or enforceable against the relevant Series AssetCo or is no longer effective to create the security intended to be created by it.

Upon the Series Security Trustee's receipt (i) from the Issuer and/or the Trustee of notice of the occurrence of an Intercompany Loan Event of Default which is continuing unremedied and/or has not been waived and/or (ii) from the Trustee of the occurrence of an Issuer Insolvency Event, the Series Security Trustee may by written notice to the relevant Series AssetCo (the "**Series Enforcement Notice**") declare:

- (a) the relevant Series Intercompany Loan to be immediately due and payable; and/or
- (b) the relevant Series Subordinated Loan to be immediately due and payable.

#### Assignment of a Series Intercompany Loan

None of the parties to a Series Intercompany Loans Agreement may assign its rights thereunder to any third party, except that the relevant Series AssetCo may assign to the Series Security Trustee by way of security its right, title and interest under a Series Intercompany Loans Agreement.

Following the enforcement of the Issuer Security in accordance with the terms of the Issuer Security Deed, the Trustee will be entitled to assign to a third party its or the Issuer's right, title and interest under the Series Intercompany Loans Agreements.

#### Limited recourse

The relevant Series AssetCo will only be obliged to pay amounts to the Issuer under each Series Intercompany Loan to the extent that it has funds to do so subject to, and in accordance with, the relevant Series Priorities of Payments.

If, on the Final Repayment Date of a Series Intercompany Loan, the relevant Series AssetCo is unable to pay all amounts then due under that Series Intercompany Loan having used all funds available to it in accordance with the relevant Series Priorities of Payments, the relevant Series AssetCo's obligation to pay any amounts left outstanding to the Issuer under that Series Intercompany Loans Agreement and any claim that the Issuer may have against the relevant Series AssetCo in respect of such outstanding amounts will be extinguished.

Following enforcement of the relevant AssetCo Security and distribution of the proceeds in accordance with the terms of the relevant AssetCo Security Deed all outstanding claims of the Issuer will be extinguished.

#### Governing Law

Each Series Intercompany Loans Agreement will be governed by English law.

#### Series Cash Management Agreement

Pursuant to the terms of a cash management agreement (the "**Series Cash Management Agreement**") dated on or about the relevant Issue Date between, among others, ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) as the Series Cash Manager (the "**Series Cash Manager**") the Issuer, the relevant Series AssetCo and the Series Security Trustee, the Series Cash Manager will provide certain cash management services to the Series AssetCo and the Issuer in respect of the relevant Series.

#### Series' Services

The Series Cash Manager's services in respect of each Series include but are not limited to:

- (a) administering the Series Priorities of Payments including calculating amounts payable by the relevant Series AssetCo thereunder (see "*Credit Structure — Series Priorities of Payments*");
- (b) maintaining a separate set of ledgers (as discussed below under "*Series Ledgers*") for each Series in respect of receipts from the applicable Series Assets and the administration of the applicable Series Priorities of Payments as specified in the relevant Supplement;

- (c) calculating amounts payable by and payable to the relevant Series AssetCo in respect of a Series under the relevant Transaction Documents, including amounts payable under any Series Intercompany Loans Agreement, Series Liquidity Facility Agreement or Series LOC Agreement (if any);
- (d) ensuring that the amounts standing to the credit of any MERCs Ledger which is payable by the relevant Series AssetCo to a MERC Holder in respect of a Series is paid on the relevant Distribution Date;
- (e) generally ensuring that each Series AssetCo complies with Regulation 11(2) of Securitisation Regulations (*The Payments Condition*) by virtue of carrying out and complying with its obligations;
- (f) in respect of a Series, calculating Available Revenue Funds and Available Redemption Funds as at each Determination Date;
- (g) preparing and delivering to the Seller, the relevant Series AssetCo, the Issuer, the relevant Series Security Trustee and the Rating Agencies the Series Performance Report; and
- (h) to perform such other services as specified in the relevant Series Cash Management Agreement and as may be described in the relevant Supplement.

#### Issuer's Services

The Series Cash Manager's Services in respect of each Series include but are not limited to:

- (a) administering the Issuer Priorities of Payments including calculating amounts payable by the Issuer thereunder (see "*Credit Structure — Issuer Priorities of Payments*");
- (b) operating and maintaining the Issuer Accounts in respect of the relevant Series; and
- (c) generally ensuring that the Issuer complies with Regulation 11(2) (*The Payments Condition*) of the Securitisation Regulations by virtue of carrying out and complying with its obligations.

#### Termination

In certain circumstances the Issuer, the Trustee, the relevant Series AssetCo and the Series Security Trustee will each have the right to terminate the appointment of the Series Cash Manager and to appoint a substitute (the identity of which will be subject to the Series Security Trustee's and the Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Series Cash Manager (although the fee payable to the substitute cash manager may be higher).

#### Authorised Investments

The Series Cash Manager may on a Distribution Date in respect of each Series either: (i) deposit some or all of the funds of the relevant Series AssetCo into the relevant Series GIC Account; and/or (ii) invest some or all of the funds of the relevant Series AssetCo (standing to the credit of the relevant Series GIC Account) in certain Authorised Investments.

#### Series Performance Report

The Series Cash Manager will prepare a quarterly performance report (each a "**Series Performance Report**") containing information on receipts from Series Assets as well as the administration of the Series Bank Accounts and the Series Priorities of Payments in respect of each Series. The Series Performance Report in respect of a Series will also contain certain information regarding the performance of the Series Portfolio related to that Series. The Series Performance Report will be made available to, *inter alia*, Noteholders on Bloomberg and/or any other website as specified in the relevant Supplement. The Series Cash Manager will deliver each Series Performance Report to the relevant Series AssetCo, the Issuer, the Series Security Trustee, the Trustee and the Rating Agencies.

### Series Ledgers

The Series Cash Manager will in respect of each Series create and maintain the following ledgers (the "**Series Ledgers**") on behalf of the relevant Series AssetCo:

- (a) a Series principal ledger (a "**Series Principal Ledger**") in respect of Available Redemption Funds (as defined in the relevant Supplement);
- (b) a Series Principal Deficiency Ledger in respect of each Series as described below;
- (c) a Series revenue ledger (a "**Series Revenue Ledger**") in respect of Available Revenue Funds (as defined in the relevant Supplement);
- (d) a Series Mortgage Early Repayment Charges ledger (the "**MERCs Ledger**") in respect of Mortgage Early Repayment Charges received in connection with Loans in the related Series Portfolio;
- (e) a Series Ported Loans ledger (the "**Series Ported Loans Ledger**") in respect of Ported Mortgage Early Repayment Charges received in connection with Loans in the related Series Portfolio;
- (f) a Series ledger in respect of tax amounts provided for under the relevant Series Priorities of Payments in respect of the tax liabilities of the Series AssetCo (the "**Series Tax Ledger**");
- (g) if a Series Reserve Fund is specified in the relevant Supplement, a Series ledger in respect of all amounts credited to the relevant Series Reserve Fund (the "**Series Reserve Ledger**");
- (h) if a Series Discount Reserve is specified in the relevant Supplement, a Series ledger in respect of the Series Discount Reserve (the "**Series Discount Reserve Ledger**");
- (i) if a Series Liquidity Facility Agreement is specified in the relevant Supplement, a Series ledger in respect of the Series Liquidity Facility (the "**Series Liquidity Ledger**");
- (j) if a Bullet Cap Agreement is specified in the relevant Supplement, a Series ledger in respect of the Bullet Cap Amount (the "**Series Bullet Cap Proceeds Reserve Ledger**");
- (k) a Series ledger in respect of Committed Further Advances (as defined in the relevant Supplement) (the "**Series Further Advances Ledger**"); and
- (l) as specified in the applicable Supplement, any other ledgers required to be maintained by the Series Cash Manager on behalf of the relevant Series AssetCo.

The above ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited in the manner described in the Series Priorities of Payment set out in the relevant Supplement.

### Series Principal Deficiency Ledger

A principal deficiency ledger in respect of each Series (a "**Series Principal Deficiency Ledger**") comprising sub-ledgers as specified in the relevant Supplement (the "**Series Principal Deficiency Sub Ledgers**"), will be established in order to record any principal deficiencies as they occur. A Series Principal Deficiency will be recorded on the relevant Series Principal Deficiency Sub-Ledger in respect of any amount of principal which remains outstanding under any Loan after completion by the Programme Servicer of the arrears and default procedures. Amounts allocated to the Series Principal Deficiency Sub-Ledger shall be reduced to the extent of relevant Available Revenue Funds in respect of a Series available therefore on any relevant Distribution Date in accordance with the applicable Series Priorities of Payments.

### Governing Law

The Series Cash Management Agreement will be governed by English law.

### **Series LOC Agreement**

Each relevant Series AssetCo may (subject to certain conditions, as set out in the relevant Series LOC Agreement) request a Series LOC under the relevant Series LOC Agreement on any Distribution Date in order to meet certain shortfalls of other funds to maintain specified ratings. See "*Credit Structure - Series LOC Agreements*".

### **Series Liquidity Facility Agreement**

Each relevant Series AssetCo may (subject to certain conditions, as set out in the relevant Series Liquidity Facility Agreement) make drawings under the relevant Series Liquidity Facility on any Distribution Date in order to meet certain shortfalls on interest payments due under the Notes. See "*Credit Structure – Series Liquidity Facility Agreements*".

### **Series Hedge Agreements**

The Series Hedge Transactions entered into by the relevant Series AssetCo may comprise one or more of a Bullet Cap Transaction, Fixed/Floating Swap Transaction, BBR Swap Transaction, LIBOR Basis Swap Transaction and/or Currency Swap Transaction (each as defined below), or any other transaction identified in the relevant Supplement. Each Series Hedge Transaction will be subject to an ISDA Master Agreement together with schedules and any credit support annexes thereto (each such ISDA Master Agreement together with all Series Hedge Transactions subject to the ISDA Master Agreement being a "**Series Hedge Agreement**" and collectively referred to as the "**Series Hedge Agreements**"). The particular Series Hedge Transactions to be entered into between the relevant Series AssetCo and the relevant Series Hedge Providers shall be specified in the relevant Supplement for each Series Portfolio.

In the event that the ratings of a Series Hedge Provider (or its credit support provider) are downgraded below the ratings specified in the relevant Series Hedge Agreement, the relevant Series Hedge Provider will be required to take certain remedial measures which may include providing collateral for its obligations under the relevant Series Hedge Agreement, arranging for its obligations under the relevant Series Hedge Agreement to be transferred to an entity with ratings required by the relevant Rating Agencies, procuring another entity with ratings required by the relevant Rating Agency to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Series Hedge Agreement, or taking such other action as it may agree with the relevant Rating Agency.

A Series Hedge Provider will have recourse only to the Series Assets of the Series in respect of which the Series Hedge Agreement was entered into. There will be no cross-defaults, cross-termination events or netting of payments across Series Hedge Agreements in respect of a different Series.

A Series Hedge Agreement may contain provisions which allow it to be terminated in accordance with certain termination events and events of default as specified more particularly in the relevant Series Hedge Agreement, and these may include:

- (a) if there is a failure to pay;
- (b) if certain insolvency events occur;
- (c) if there is a redemption of the Notes; and
- (d) if there is a withholding tax affecting the Series Hedge Agreement.

In the event that a Series Hedge Agreement terminates prior to its scheduled maturity date, a termination payment may be payable from one party to the other. In such case, the relevant Series AssetCo may be liable to make a swap termination payment to the relevant Series Hedge Provider.

Any amounts received by the relevant Series AssetCo from the relevant Series Hedge Provider under any Series Hedge Agreement other than (i) any amounts received by the relevant Series AssetCo from the such Series Hedge Provider in respect of transferred collateral under the relevant Series Hedge Agreement, (other than collateral amounts applied in satisfaction of termination payments due to the relevant Series AssetCo following the designation of an early termination date under the relevant Series Hedge Agreement), and any interest earned on all transferred collateral, (ii) any termination payment paid by such Series Hedge Provider to the relevant Series AssetCo (to the extent such termination payment is

paid to a suitably rated replacement hedge counterparty in consideration for such replacement hedge counterparty entering into a suitable replacement transaction with the relevant Series AssetCo at that time) and (iii) principal exchange amounts due to the relevant Series Hedge Provider under any Currency Swap Transaction shall form part of the Available Revenue Fund to be applied in accordance with the Series Pre-Enforcement Revenue Priority of Payments as set out in the relevant Supplement.

Each Series Hedge Agreement will be governed by English law.

#### Fixed/Floating Swap Agreement

The Fixed Rate Loans are subject to a fixed rate of interest, but the rates of interest payable on the Notes as set out in the relevant Supplement may be subject to variations. As such, the relevant Series AssetCo's ability to pay interest under the relevant Series Intercompany Loan and the Issuer's ability to pay interest on the Notes might be adversely affected as LIBOR increases. In order to mitigate the relevant Series AssetCo's exposure to such an increase in LIBOR, the relevant Series AssetCo may enter into a swap agreement (a "**Fixed/Floating Swap Agreement**") and a fixed/floating swap transaction thereunder (a "**Fixed/Floating Swap Transaction**") with a Series Hedge Provider.

#### BBR Swap Agreement

The BBR Linked Loans are subject to a rate of interest determined by reference to Loan BBR, but the rates of interest payable on the relevant Series Intercompany Loan, the relevant Series Subordinated Loan (if any) and the Notes will be calculated as set out in the relevant Supplement. In order to mitigate the relevant Series AssetCo's exposure to a discrepancy in Loan BBR and the interest rate applicable to the Notes, the relevant Series AssetCo may enter into a swap agreement (a "**BBR Swap Agreement**") and a BBR swap transaction thereunder (a "**BBR Swap Transaction**") with a Series Hedge Provider.

#### LIBOR Basis Swap Agreement

The LIBOR Linked Loans are subject to a rate of interest determined by reference to Loan LIBOR, but the rates of interest payable on the relevant Series Intercompany Loan, the relevant Series Subordinated Loan (if any) and the Notes will be calculated as set out in the relevant Supplement. In order to mitigate exposure of the relevant Series AssetCo or the Issuer to possible discrepancies in Loan LIBOR calculated at different rates, the relevant Series AssetCo may enter into a LIBOR basis swap agreement (a "**LIBOR Basis Swap Agreement**") and a LIBOR basis swap transaction thereunder (a "**LIBOR Basis Swap Transaction**") with a Series Hedge Provider.

#### Bullet Cap Agreement

The interest rate payable under the LIBOR Linked Loans is calculated by reference to Loan LIBOR and interest rate payable under the BBR Linked Loans is calculated by reference to Loan BBR, in each case, which may be subject to variations. The relevant Series AssetCo could be subject to a higher risk of default in payment by a Borrower under a LIBOR Linked Loan or a BBR Linked Loan as a result of an increase in Loan LIBOR or Loan BBR (as applicable). In order to mitigate the relevant Series AssetCo's exposure to such potential default on a Series Portfolio, the relevant Series AssetCo may enter into an interest rate cap agreement (a "**Bullet Cap Agreement**") and an interest rate cap transaction thereunder (a "**Bullet Cap Transaction**") with a Series Hedge Provider.

#### Currency Swap Arrangements

The USD Notes (if any) in respect of any Series will be denominated in U.S. dollars and the Euro Notes (if any) in respect of any Series will be denominated in euros and the Issuer will pay interest and principal on the USD Notes in U.S. dollars and on the Euro Notes in euros. However, payments of interest and principal by Borrowers under the Loans in respect of the relevant Series Portfolio will be made in Sterling. In order to protect the Issuer against currency exchange rate exposure (and any related interest rate exposure in connection with such currency exchange rate exposure) in respect of payments of principal and interest on the USD Notes and Euro Notes relating to any Series, the relevant Series AssetCo may enter into a currency swap agreement (a "**Currency Swap Agreement**") and a currency swap transactions thereunder (a "**Currency Swap Transaction**") with a Series Hedge Provider.

### **Series Bank Account Agreements**

Unless otherwise specified in the relevant Supplement, the Series account bank in respect of each Series will be ABN AMRO Bank N.V., London Branch (acting through its office at 82 Bishopsgate, London EC2N 4BN) (the "**Series Account Bank**").

#### **Series Bank Accounts**

In respect of each Series and Series Portfolio, the relevant Series AssetCo will pursuant to the terms of a Series Bank Account Agreement entered into on or about the relevant Issue Date open with the Series Account Bank a bank account in the name of the relevant Series AssetCo for the relevant Series (each a "**Series Transaction Account**").

The relevant Series AssetCo will use each Series Transaction Account as its operational account in respect of each Series and Series Portfolio and as the account from which it will make its payments in respect of the relevant Series. Amounts from the relevant Series GIC Account will be automatically credited to the related Series Transaction Account to ensure the relevant Series AssetCo always has sufficient funds in the relevant Series Transaction Account to make its payments subject to sufficient funds being available to the relevant Series AssetCo in the relevant Series GIC Account.

#### **Series GIC Accounts**

Amounts standing to the credit of the Programme Collection Account will be transferred on a daily basis into an account in the name of the relevant Series AssetCo maintained with the Series GIC Provider (each such account, a "**Series GIC Account**").

The Series GIC Provider will, in respect of each Series GIC Account, contract to pay a specific rate of interest on funds on deposit in the relevant Series GIC Account pursuant to a guaranteed investment contract (a "**Series Guaranteed Investment Contract**") in respect of each Series. The following amounts, amongst other amounts, will be deposited in each Series GIC Account in respect of each Series Portfolio: (i) from time to time, all amounts received from the Borrowers in respect of a Series Portfolio will be transferred daily from the Programme Collection Account to the relevant Series GIC Account; (ii) on the Issue Date and from time to time, amounts credited to the relevant Series Reserve Ledger; and (iii) from time to time, amounts credited (if any) to the relevant Series Liquidity Ledger or the relevant Series Further Advances Ledger.

Each of the Series Bank Accounts, as well as any other account opened by the relevant Series AssetCo with the Series Account Bank from time to time under a Series Bank Account Agreement, will be operated in accordance with the Series Bank Account Agreement, the Series Cash Management Agreement and the AssetCo Security Deed.

Each Series Account Bank will maintain, and the Series Cash Manager will on behalf of the relevant Series AssetCo operate, each Series Account on a segregated basis. Only amounts received in respect of a particular Series and the related Series Assets will be deposited in the relevant Series Bank Accounts. Amounts standing to the credit of the Series Bank Accounts of a particular Series may only be withdrawn in accordance with the applicable Series Priorities of Payments set out in the relevant Supplement.

The relevant Series Account Bank will provide the relevant Series AssetCo, the Series Cash Manager and the Series Security Trustee with account statements in respect of the relevant Series Bank Accounts upon request.

In the event that a Series Account Bank's short term unsecured debt rating is downgraded below the required Short Term Rating as set out in the relevant Supplement, the relevant Series AssetCo, the Series Cash Manager and that Series Account Bank shall each use their best endeavours to procure that the relevant Series Transaction Account and the relevant Series Bank Account shall be transferred to a financial institution having the required Short Term Rating as set out in the relevant Supplement.

### AssetCo Security Deed

Pursuant to the terms of a security deed (the "**AssetCo Security Deed**") dated on or about the first Issue Date on or following the Programme Establishment Date between, *inter alia*, the relevant Series AssetCo and the Series Security Trustee and each supplement to the AssetCo Security Deed dated on or about an Issue Date (the "**Series Security Deed Supplement**") the obligations of the relevant Series AssetCo under the Transaction Documents to which it is a party are secured by, *inter alia*, the following security (the "**AssetCo Security**") over the following property, assets and rights (the "**AssetCo Charged Property**") in favour of the Series Security Trustee on behalf of all of the relevant Series AssetCo's secured creditors (comprising the Series Security Trustee, the Issuer, the Series Cash Manager, the Programme Servicer, any Series Servicer, the Special Servicer, the Series Liquidity Facility Provider (if any), the Series LOC Facility Provider (if any), the Series Account Bank, the Series GIC Provider (if any), the Corporate Services Provider in respect of the relevant Series AssetCo, any MERC Holder, any Residual Certificate Holder and any Series Hedge Providers (collectively, the "**AssetCo Secured Creditors**")):

- (a) a first fixed charge (which may take effect as a floating charge) over the relevant Series AssetCo's interest in the English Loans and the Northern Irish Loans (if any) and their Collateral Security and other related rights comprised in the relevant Series Portfolio;
- (b) an assignation in security of the relevant Series AssetCo's interest in the Scottish Loans (if any) and their Collateral Security (comprising the Seller's beneficial interest under the trusts declared by the Seller pursuant to the relevant Scottish Declarations of Trust);
- (c) an equitable assignment of the relevant Series AssetCo's present and future interests in and to the Insurance Policies;
- (d) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the relevant Series AssetCo in the relevant Programme Collection Account, the Series Bank Accounts and any other account of the relevant Series AssetCo and all amounts standing to the credit of such Programme Collection Account, the Series Bank Accounts and such other accounts;
- (e) an assignment by way of first fixed security over all of the relevant Series AssetCo's interests, rights and entitlements under and in respect of any Transaction Document (other than the AssetCo Security Deed and, in relation to any Series Hedge Agreements, such assignment shall be subject to any netting and set-off provisions contained therein) to which it is a party;
- (f) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the relevant Series AssetCo in respect of all Authorised Investments purchased from time to time from amounts standing to the credit of the Series Bank Accounts and any other account of the relevant Series AssetCo; and
- (g) a first floating charge over (i) all the assets and undertaking of the relevant Series AssetCo governed by English law or Northern Irish law (if Northern Irish Loans are included in the relevant Series AssetCo) and not, from time to time, subject to any fixed charge in favour of the Series Security Trustee pursuant to the AssetCo Security Deed and (ii) all the assets and undertaking of the relevant Series AssetCo located in or governed by the law of Scotland, if Scottish Loans are included in the relevant Series Portfolio (whether or not subject to any fixed or floating charge in favour of the Series Security Trustee as aforesaid).

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security and a further floating charge will be created over such property, rights and assets sold to the Seller after the Programme Establishment Date by means of Scottish Supplemental Charges pursuant to the AssetCo Security Deed.

"**Collateral Security**" means, in relation to any Loan in a Series Portfolio:

- (a) the benefit of all Deeds of Consent and MHA Documentation or CP Documentation (including any priority conferred by them);
- (b) all Insurance Contracts (including all benefits in respect thereof, all returns of premia thereunder and all rights and claims to which the relevant Series AssetCo may be or become entitled in

relation to the proceeds of any such insurance) insofar as they relate to any Property the subject of any Mortgage or Loan;

- (c) all Life Policies (if any);
- (d) to the extent assignable without the consent of the relevant counterparty, all causes and rights of action of the relevant Series AssetCo (whether assigned to the relevant Series AssetCo or otherwise) against any valuer, licensed or qualified conveyancer, solicitor, H.M. Land Registry or the Registers of Scotland or the Land Registers of Northern Ireland and/or any person in connection with any report (including each report on title), valuation (including any valuation report), opinion, certificate, consent or other statement of fact or opinion given in connection with any Loan or Mortgage or its collateral security;
- (e) the right to exercise all the powers of the Seller in relation to each Loan, Mortgage or its other collateral security;
- (f) any standard security executed by a relevant Borrower;
- (g) any other security (in addition to the Mortgage) securing such Loan, including without limited, any guarantee, any policies in respect of which the Seller may be given effect to by way of co-insurance or the notifying of the Seller's interest and any other assignment, assignment, notification or deposit which may be effected with the securing of the relevant Loan and any bond proceeds thereon;
- (h) any Mortgage with respect to such Loan.

**"Mortgage"** means the legal charge, mortgage or standard security securing a Loan.

**"Series Assets"** means the assets of the relevant Series AssetCo charged or assigned by way of security pursuant to the AssetCo Security Deed.

The AssetCo Security Deed provides that the Series Security Trustee will (except in relation to certain reserved matters affecting the Series Security Trustee) act in accordance with the instructions of the Trustee.

#### Release of Security

In the event of the repurchase of a Loan and its Collateral Security by the Seller pursuant to and in accordance with the Transaction Documents in respect of any Series, the Series Security Trustee will release that Loan and its Collateral Security from the Security created by and pursuant to the AssetCo Security Deed and/or applicable Series Security Deed Supplement (if any) on the date of the repurchase. Any release shall be at the cost of the Seller and any necessary documentation shall be provided by the Seller.

#### Enforcement

Upon the occurrence of the following events (each a **"Series Event of Default"**):

- (a) default being made for a period of ten Business Days or more in the payment of the principal of or any interest on any Loan Tranche when and as the same ought to be paid in accordance with the relevant Series Intercompany Loans Agreement; or
- (b) the relevant Series AssetCo failing duly to perform or observe any other obligation binding upon it under the relevant Series Intercompany Loans Agreement or the relevant Series AssetCo or the Programme Servicer failing duly to perform or observe any obligation binding on it under the Programme Servicing Agreement or the AssetCo Security Deed and, in any such case (except where the Series Security Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required such failure is continuing for a period of 30 days following the service by the Series Security Trustee on the relevant Series AssetCo or the Programme Servicer (as the case may require) of notice requiring the same to be remedied; or



- (c) the relevant Series AssetCo, other than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (d) below, ceasing or, through an official action of the Board of Directors of the relevant Series AssetCo, threatening to cease to carry on business or being unable to pay its debts as and when they fall due within the meaning of Section 123(2) of the Insolvency Act 1986 (as amended); or
- (d) an order being made or an effective resolution being passed for the winding up of the relevant Series AssetCo 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 Series Security Trustee in writing; or
- (e) an Event of Default occurs in relation to the relevant Series of Instruments;
- (f) proceedings being otherwise initiated against the relevant Series AssetCo under (i) any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for the appointment of an administrator or liquidator) and such proceedings are not, in the opinion of the Series Security Trustee, being disputed in good faith with a reasonable prospect of success, or (ii) an administrator being appointed, or (iii) a receiver, liquidator or other similar official being appointed in relation to the relevant Series AssetCo or in relation to the whole or any substantial part of the undertaking or assets of the relevant Series AssetCo, or (iv) an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the relevant Series AssetCo, or (v) a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the relevant Series AssetCo and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or (vi) the relevant Series AssetCo initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally (a "**Series Insolvency Event**"),

the Trustee may direct (or, if certain conditions are met, must direct) the Series Security Trustee to deliver an enforcement notice (each a "**Series Enforcement Notice**") to the relevant Series AssetCo in respect of that Series in which case the AssetCo Security over the Series Assets will become enforceable by the Series Security Trustee and the relevant Series Intercompany Loan and the relevant Series Subordinated Loan shall be immediately due and repayable.

In the event of enforcement of AssetCo Security following a Series Event of Default, enforcement proceeds in respect of the applicable Series Assets will be applied towards the satisfaction of amounts due to the related AssetCo Secured Creditors, including the Issuer.

Following enforcement of the AssetCo Security, amounts received in respect of those Series Assets will be applied in accordance with the Series Post-Enforcement Priority of Payments set out in the relevant Supplement.

The AssetCo Security Deed will provide that, in the event that the Series Security Trustee appoints an administrative receiver in respect of the relevant Series AssetCo under the AssetCo Security Deed by reason of it having actual notice of (i) an application for the appointment of an administrator in respect of the relevant Series AssetCo, (ii) the giving of a notice of intention to appoint an administrator in respect of the relevant Series AssetCo or (iii) the filing of a notice of appointment of an administrator in respect of the relevant Series AssetCo with the court, the relevant Series AssetCo shall waive any claims against the Series Security Trustee in respect of the action of the appointment of the administrative receiver.

The AssetCo Security Deed will contain a covenant by the relevant Series AssetCo that it will indemnify and hold the Series Security Trustee and its directors, officers, agents and employees (collectively, the "**Indemnified Parties**") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("**Losses**") that may be imposed on, incurred by, or asserted against, the Indemnified Parties or any of them for following any instruction or other direction upon which the Series Security Trustee is authorised to rely pursuant to the terms of the AssetCo Security Deed. In addition, the relevant Series AssetCo will also covenant to indemnify and

hold the Indemnified Parties and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnified Parties or any of them in connection with or arising out of the Series Security Trustee's Performance under the AssetCo Security Deed provided the Series Security Trustee has not acted with gross negligence or engaged in wilful misconduct.

#### Termination of AssetCo Security Deed

The AssetCo Security Deed will terminate on the date on which all the relevant Series Secured Liabilities have been unconditionally and irrevocably paid and discharged in full.

"**Series Secured Liabilities**" means all present and future obligations and liabilities (whether actual or contingent and whether owned jointly or severally or in any other capacity) of the Relevant Series AssetCo to the AssetCo Secured Creditors of such Series, in their capacity as the same under the Series Transaction Documents in respect of a Series.

#### Governing Law

The AssetCo Security Deed will be governed by English law (other than any aspects of the AssetCo Security Deed relating to Northern Irish Loans and their Collateral Security which will be governed by Northern Irish law and other than the assignation in security referred to in paragraph (b) above and any Scottish Supplemental Charge granted after the Programme Establishment Date pursuant and supplemental to the AssetCo Security Deed which will be governed by Scots law).

### 3. ISSUER TRANSACTION DOCUMENTS

Each of the below listed documents shall be referred to as the "**Issuer Transaction Documents**".

#### Corporate Services Agreements

Pursuant to each corporate services agreement to be dated on or about the Programme Establishment Date, the Corporate Services Provider will agree to provide certain administrative services to each of the Issuer ("**Issuer Corporate Services Agreement**"), UK Holdings ("**UK Holdings Corporate Services Agreement**"), the OptionCo ("**OptionCo Corporate Services Agreement**") and each Series AssetCo. Each of the Issuer, UK Holdings, OptionCo and each Series AssetCo will pay a fee to the Corporate Services Provider for the provision of such services.

#### Post Enforcement Call Option

Pursuant to the terms of the post enforcement call option agreement (the "**Post Enforcement Call Option Agreement**"), the Trustee will, on or about the Programme Establishment Date, grant to the OptionCo an option (the "**Post Enforcement Call Option**") to acquire, without the prior approval of the Instrumentholders, all (but not some only) of the Instruments (plus accrued interest thereon) for a consideration of one euro cent per Euro Note outstanding, one penny per Sterling Note outstanding and one cent per USD Note outstanding (and for these purposes, each Global Instrument will be one Instrument) following any enforcement of the Issuer Security (as described in Condition 2 (*Status, Security and Administration*)) for the Instrument, after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims in accordance with Condition 2 (*Status, Security and Administration*).

The Post Enforcement Call Option shall be granted with respect to any particular Series of Instruments upon the execution of a confirmation letter on each Issue Date ("**Series Option Confirmation Letter**"). The Instrumentholders of a Series will be bound by, and the relevant Instruments will be issued subject to, the terms of the Post Enforcement Call Option granted to the OptionCo pursuant to the terms and conditions of the Trust Deed and by Condition 7 (*Redemption and Post Enforcement Call Option*) and the Trustee will be irrevocably authorised to enter into the Post Enforcement Call Option Agreement and any Series Option Confirmation Letter with the OptionCo on behalf of the Instrumentholders.

#### Issuer Bank Account Agreement

Pursuant to the terms of an account bank agreement dated on each Issue Date (the "**Issuer Bank Account Agreement**") between the Issuer, the Series Cash Manager, the Trustee and the Issuer Account Bank, the

Issuer Account Bank will open the accounts in the name of the Issuer as set out in the relevant Supplement (the "**Issuer Accounts**").

The Issuer's interests in the Issuer Accounts are secured for the benefit of the Issuer Secured Creditors pursuant to the terms of the Issuer Security Deed.

If the short term, unguaranteed and unsubordinated ratings of the Issuer Account Bank cease to be rated A-1 by S&P, P-1 by Moody's and F-1+ by Fitch, then the Issuer Accounts will be closed and similar accounts will be opened with a bank approved in writing by the Trustee that has the requisite ratings.

### **Trust Deed**

The Issuer and the Trustee will enter into a trust deed on or about the Programme Establishment Date (a "**Trust Deed**") pursuant to which the Instruments of the Series issued on the first Issue Date will be constituted. The Issuer and the Trustee will enter into a supplemental trust deed on or about the relevant Issue Date (a "**Supplemental Trust Deed**") pursuant to which the Instruments of the relevant Series issued on a particular Issue Date will be constituted. The Trust Deed will include the form of the Instruments and contain a covenant from the Issuer to the Trustee to pay all amounts due under the Instruments. The Trustee will hold the benefit of that covenant (and certain other covenants of the Issuer) on trust for itself and the Instrumentholders.

The Trustee has power to give an Enforcement Notice in the circumstances provided in and subject to the terms of Condition 10 (*Events of Default*) and to enforce the Issuer Security as provided in and subject to the terms of Condition 11 (*Enforcement of the Notes*) and Subnote Condition 10 (*Events of Default*). The Trust Deed also permits the Trustee to agree to modifications, consents and waivers in respect of the Note Conditions and Issuer Transaction Documents and the holding of meetings of Instrumentholders, in each case as further described in Condition 12 (*Meetings of Noteholders, Modification, Consent and Waiver*) and Subnote Condition 12 (*Meetings of Subordinated Noteholders, Modifications, Consent and Waiver*).

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders as further described in Condition 2 (*Status, Security and Administration*) and to the interests of the Subordinated Noteholder as further described in Subnote Condition 12 (*Meetings of Subordinated Noteholders, Modifications, Consent and Waiver*).

The Trust Deed provides that, notwithstanding anything to the contrary in the Transaction Documents, the Trustee shall not have any liability to any other person for any matter or thing done or omitted to be done in any way in connection with or in relation to the Transaction Documents which would otherwise attach to it save in respect of its own gross negligence or wilful default.

The Trust Deed will contain a covenant by the Issuer that it will indemnify and hold the Trustee and its directors, officers, agents and employees (collectively, the "**Indemnified Parties**") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("**Losses**") that may be imposed on, incurred by, or asserted against, the Indemnified Parties or any of them for following any instruction or other direction upon which the Trustee is authorised to rely pursuant to the terms of the Trust Deed. In addition, the Issuer will also covenant to indemnify and hold the Indemnified Parties and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnified Parties or any of them in connection with or arising out of such Indemnified Party's performance under the Transaction Documents to which the Trustee is a party provided such Indemnified Party has not acted with gross negligence or engaged in wilful misconduct.

Where outstanding Notes belong to more than one Class in the relevant Series, the Trust Deed provides for the following provisions in respect of meetings of Noteholders:

- (a) business which in the opinion of the Trustee affects the Notes of only one Class of the relevant Notes shall be transacted at a separate Meeting of the Noteholders of such Class;
- (b) business which in the opinion of the Trustee affects the Notes of more than one Class of the relevant Series but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of the same

Series of Notes shall be transacted either at separate meetings of the Noteholders of each such Class of Notes or at a single meeting of the Noteholders of all such Classes of Notes as the Trustee shall determine in its absolute discretion;

- (c) business which in the opinion of the Trustee affects the Noteholders of more than one Class of the relevant Series of the Notes and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of the same Series of the Notes shall be transacted at separate meetings of the Noteholders of each such Class;
- (d) the preceding paragraphs above shall be applied as if references to the Notes and the Noteholders were to the Notes of the relevant Class of the relevant Series of the Notes and to the Noteholders of such Notes; and
- (e) in this paragraph "business" includes (without limitation) the passing or rejection of any resolution.

Where two or more Classes of Notes rank *pari passu* in the Issuer Post-Enforcement Priority of Payments, the Trustee shall be entitled to assume without enquiry that no actual or potential conflict of interest exist between Noteholders of such Classes.

Where business involves Notes of two or more Series, the Trust Deed contains provisions for business to be conducted at a single meeting or at separate meetings. The Trust Deed also provides further for the indemnification and exoneration of the Trustee in particular circumstances as further described in Condition 13 (*Indemnification and Exoneration of the Trustee*) and Subnote Condition 13 (*Indemnification and Exoneration of the Trustee*).

The Trustee may retire at any time on giving at least three months' written notice to the Issuer without giving any reason and without being responsible for any costs occasioned by such retirement and the Instrumentholders of the relevant Series may by Extraordinary Resolution remove the Trustee in respect of that Series provided that the retirement or removal of a sole trust corporation shall not be effective until a trust corporation is appointed as successor Trustee. The Issuer will undertake in the Trust Deed that, if a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal the Issuer shall use all reasonable endeavours to procure that another trust corporation be appointed as Trustee.

The Trust Deed provides that the power of appointing a new Trustee shall be vested in the Issuer but no person shall be appointed who shall not have been previously approved by an Extraordinary Resolution of the Instrumentholders of the relevant Series.

#### Governing Law

The Trust Deed will be governed by English law.

#### Issuer Security Deed

To secure its obligations to the holders of any Instruments, the Trustee, the Issuer Account Bank, each Paying Agent, the Agent Bank, the Registrar, each Transfer Agent, the Programme Servicer, any Series Servicer the Special Servicer, the Series Cash Manager and the Corporate Services Provider, (together, the "**Issuer Secured Creditors**"), the Issuer: (a) on the Programme Establishment Date, will enter into the Issuer security deed (the "**Issuer Security Deed**"); and (b) on each Issue Date, will enter into an Issuer security deed supplement with, *inter alios*, the Trustee (the "**Issuer Security Deed Supplement**").

Pursuant to the terms of the Issuer Security Deed and each Issuer Security Deed Supplement, the Issuer has granted and will grant, *inter alia*, the following security interest to the Trustee for the benefit of itself and the other Issuer Secured Creditors in relation to each Series:

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit in and to the related Series Intercompany Loan, the Series Subordinated Loan (if any) and any AssetCo Security granted in favour of the Issuer by the relevant Series AssetCo for that Series under the relevant Series Intercompany Loans Agreement and relevant AssetCo Security Deed;

- (b) an assignment by way of first fixed security of all of the Issuer's right, title, interest and benefit in, to and under the Transaction Documents in so far as they relate to the relevant Series to which it is a party;
- (c) a first fixed charge over all of the Issuer's right, title, interest and benefit in and to all moneys now or at any time hereafter standing to the credit of the relevant Issuer Accounts and any other account of the Issuer as set out in the applicable Supplement from time to time, and all amounts standing to the credit of such accounts (including all interest accruing thereon from time to time) (which security may however take effect as a floating charge);
- (d) a first fixed charge over all of the Issuer's right, title, interest and benefit in and to all authorised investments made by or on behalf of the Issuer in respect of the applicable Series (including all moneys, income, other distributions and proceeds payable in respect of such authorised investments from time to time in respect of the applicable Series) (which security may however take effect as a floating charge); and
- (e) a first floating charge over any of the Issuer's property, assets and rights which are expressed to be subject to any of the charges or assignments referred to above but which are not effectively, for any reason, charged by way of fixed charge or assigned by way of security executed in relation to any Series of Instruments thereby,

together, the "**Issuer Security**" in respect of the applicable Series.

In addition to the Issuer Security specific to each Series, in the Issuer Security Deed, the Issuer has charged by way of floating charge all of its undertakings and all of its property, assets and rights present and future (other than monies representing the subscription monies for the issued share capital of the Issuer and any fees paid to the Issuer for agreeing to issue any Series of Instruments) provided that such floating charge shall rank in point of security behind and shall be subject to any fixed or floating charge or by any security created pursuant to any security document executed in relation to any Series of Instruments to the Trustee.

#### Enforcement

An Issuer Insolvency Event will constitute an Event of Default in respect of each Series. Upon the occurrence of an Issuer Insolvency Event, the Trustee of each Series may direct the Series Security Trustee to deliver to the relevant Series AssetCo a Series Enforcement Notice in respect of the relevant Series with the same consequences as described in "*Series Security Deed - Enforcement*".

After a Series Enforcement Notice in respect of each Series outstanding has been delivered to the relevant Series AssetCo, a Series Enforcement Notice will be deemed to have been delivered to the relevant Series AssetCo and the AssetCo Security over the Series Assets will be enforceable by the Series Security Trustee.

Neither the Trustee nor the Series Security Trustee shall not be liable for any failure to appoint an administrative receiver in respect of the relevant Series AssetCo, save in the case of its own negligence, wilful default or fraud and, for the avoidance of doubt, neither the Trustee nor the Series Security Trustee shall have no obligation to indemnify any administrative receiver appointed by it, except to the extent of (and from) the cash and assets comprising the AssetCo Security held by the Series Security Trustee at such time.

There is no cross-default between Series and the occurrence of an Event of Default in respect of one Series does not of itself constitute an Event of Default under any other Series.

#### Governing Law

The Issuer Security Deed and any Issuer Security Deed Supplement will be governed by English law.

#### Agency Agreement

Upon and subject to the terms of the Agency Agreement, between, *inter alios*, the Issuer, the Principal Paying Agent, the Irish Paying Agent, the Agent Bank, the Paying Agents and the Trustee, each of the Issuer and the Trustee will appoint the Principal Paying Agent and the other Paying Agents (including the

Irish Paying Agent), the Transfer Agent and the Registrar as its agent in relation to the Instruments for the purpose, *inter alia*, of making payments at its Specified Office in respect of the Instruments in accordance with the Agency Agreement, the Conditions, the Subnote Conditions and the Trust Deed, and for performing such other duties as are reasonably incidental thereto as may be requested by the Issuer or the Trustee.

Where ISDA Determination is specified in the applicable Supplement as the manner in which the Rate of Interest is to be determined, the Agent Bank may act as Calculation Agent pursuant to Condition 4b (*Interest on Floating Rate Notes*) and Subnote Condition 4b (*Interest of Floating Rate Subordinated Notes*).

If at any time a successor Agent is appointed under the Agency Agreement, its obligations and those of each other Agent under the Agency Agreement shall be several and not joint.

The Issuer may with the prior approval of the Trustee (which approval shall not be unreasonably withheld or delayed) forthwith terminate without notice the appointment of such Agent if at any time:

- (a) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of any Agent;
- (b) any Agent admits in writing its insolvency or inability to pay its debts as they fall due;
- (c) an administrator or liquidator of any Agent of the whole or any part of the undertaking, assets and revenues of any Agent is appointed (or application for any such appointment is made);
- (d) any Agent takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness;
- (e) an order is made or an effective resolution is passed for the winding up of any Agent; any event occurs which has an analogous effect to any of the foregoing; or
- (f) such Agent becomes incapable of acting.

The remaining Agents and the Issuer (or the Trustee, as applicable) shall give notice thereof to the Trustee, the remaining Agents and the relevant Instrumentholders in accordance with the applicable Conditions and the Subnote Conditions.

Each of the Agents (which shall include the Agent Bank in its capacity as Calculation Agent pursuant to Condition 4b (*Interest on Floating Rate Notes*) and Subnote Condition 4b (*Interest of Floating Rate Subordinated Notes*)) will be entitled to resign upon giving 30 days' written notice in accordance with the terms of the Agency Agreement. Any such termination of appointment or retirement shall not become effective unless a successor agent is appointed.

The Issuer will indemnify the Agents against any costs, claims, loss, expense (including legal fees) or liability of whatever nature and in whichever jurisdiction incurred under the Agency Agreement, except to the extent caused by the negligence, fraud, bad faith or wilful default of the relevant Agent.

#### Governing law

The Agency Agreement will be governed by English law.

#### 4. TRANSACTION DOCUMENTS

The Programme Transaction Documents, the Series Transaction Documents and the Issuer Transaction Documents shall be collectively referred to as the "**Transaction Documents**".

## FORM OF SUPPLEMENT

*Supplement dated [date of Supplement]*

# UROPA SECURITIES PLC

*(Incorporated with limited liability in England and Wales with, registered number 6169704)*

## MORTGAGE BACKED SECURITIES PROGRAMME

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

[Capital Structure of the [Notes] [Subordinated Notes] to be inserted]

This supplement (the "**Supplement**") to the Base Prospectus (the "**Base Prospectus**") dated [*date of Base Prospectus*] which comprises a Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and is prepared in connection with the Mortgage Backed Securities Programme (the "**Programme**") established by Uropa Securities PLC (the "**Issuer**").

This Supplement should be read in conjunction with, the Base Prospectus [and the supplements] dated [*date of relevant Supplement*] and [*date of relevant Supplement*] to the Base Prospectus] and relating to the Series Portfolio described herein. Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. Certain Series specific capitalised terms used in this Supplement shall have the meaning set out in this Supplement.

To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

This Supplement has been prepared for the purpose of giving information about the issue of [*insert title of issue*] (the "**Notes**"), [and/or] [*insert relevant Subordinated Notes*] (the "**Subordinated Notes**"), by the Issuer. [Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.]

**An investment in the Notes involves certain risks. For a discussion of these risks see "*Risk Factors*" in the Base Prospectus and "*Risk Factors*" in this Supplement.**

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

Neither the Programme Arranger, the Dealers in respect of the Series nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers in respect of the Series or the Trustee as to the accuracy or completeness of the information contained in this Supplement or any other information provided by the Issuer in connection with the Programme. Neither the Arranger, the Dealers in respect of the Series, nor the Trustee accepts any liability in relation to the information contained in this Supplement or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer, the Arranger, any of the Dealers in respect of the Series or the Trustee to give any information or to make any representation not contained in or not consistent with this Supplement or any other information supplied in connection with the Programme or the [Notes and Subordinated Notes] and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Programme Arranger, any of the Dealers in respect of the Series or the Trustee.

Neither this Supplement nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Seller, the Programme Arranger, any of the Dealers in respect of the

Series or the Trustee that any recipient of this Supplement or any other information supplied in connection with the Programme or any [Notes and Subordinated Notes] should purchase any [Notes and Subordinated Notes]. Each investor contemplating purchasing any [Notes and Subordinated Notes] should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Supplement nor any other information supplied in connection with the Programme or the issue of any [Notes and Subordinated Notes] constitutes an offer or invitation by or on behalf of the Issuer, the Seller, the Programme Arranger, any of the Dealers in respect of the Series or the Trustee to any person to subscribe for or to purchase any [Notes and Subordinated Notes].

This Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the [Notes, and Subordinated Notes] or the distribution of this Supplement in any jurisdiction where such action is required.

The [Notes and Subordinated Notes] have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold, directly or indirectly, in the United States or to, or for the benefit of, U.S. persons unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The [Notes and Subordinated Notes] may be offered and sold outside the United States to non-U.S. persons pursuant to the requirements of Regulation S under the Securities Act or within the United States in reliance on Rule 144A under the Securities Act ("**Rule 144A**") to qualified institutional buyers as defined therein ("**Qualified Institutional Buyers**" or "**QIBs**").

## 5. **ADDITIONAL INFORMATION ABOUT CERTAIN TRANSACTION PARTIES**

The information contained in this section headed "*Additional Information about Certain Transaction Parties*" relates to and has been obtained respectively from each of the persons to which the information relates. The delivery of the Transaction Documents shall not create any implication that there has been no change in the affairs of those persons since the date of this Supplement or that the information contained or referred to in this section is correct as of any time subsequent to the date of this Supplement.

## 6. **ADDITIONAL PARTICULAR RISK FACTORS**

The following is a summary of certain aspects relating to the Instruments by way of supplement to the aspects summarised in the section entitled "*Risk Factor*" in the Base Prospectus.

[Description to be inserted]

### **NOTE SPECIFIC CONDITIONS**

The following are the Note Specific Conditions relating to the Series [•] Instruments and form part of the Conditions as applied to the Instruments (but solely with respect to this Issue) by the Trust Deed and constitute the final terms of the Notes for the purposes of Article 5.4 of the Prospectus Directive in relation to this issue of Notes:

#### **PART A: ISSUE OF THE SERIES NOTES**

- |     |                           |   |
|-----|---------------------------|---|
| 1.  | Issuer:                   | Uropa Securities PLC  |
| 2.  | 2.1 Series                | [•]   |
|     | 2.2 Tranche               | [•]   |
|     |                           | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i> |
| 2.3 | Further Tranche Permitted | [Not] Applicable  |



2.4	Further Tranche Conditions	[Not] Applicable
3.	Description of the Notes	[•]
4.	Ratings ([S&P's]/ [Moody's]/ [Fitch])	
4.1	Class [•] Notes	[[•]/[•]/[•]]
5.	Note Initial Principal Amount	
5.1	Class	[•]
5.2	Tranche	[•]
6.	6.1 Issue Price	[•] per cent of the Note Initial Principal Amount [plus accrued interest from <i>interest date</i> ] ( <i>in the case of fungible issues only, if applicable</i> )
	6.2 Net proceeds	[•]
7.	Interest Payment Date	Beginning on [•] and thereafter quarterly on the [•] day of [•],[•],[•] and [•] each year
8.	Issue Date	[•]
9.	Subscription Agreement	[•]
10.	Distribution	[•]
	10.1 Lead Manager(s)	[•]
	10.2 Stabilising Manager	[•]
	10.3 Co-Managers	[•]
11.	Manager Fees	[•]
12.	Dealer(s)	[•]
13.	Governing Law	English Law
14.	Note Notices Newspaper	[•]

**PART B: FORM AND HOLDINGS OF THE SERIES NOTES**

15.	Specified denominations	In respect of the [•] Notes £[•]; In respect of the [•] Notes €[•]; In respect of the [•] Notes \$[•].
16.	Specified Currencies	[•]
17.	Clearing Systems	[Euroclear]/[Clearstream]/[DTC]

18.	ISIN / CUSIP/ Common Codes	ISIN Code	Common Code
	18.1 Class [•]	[•]	[•]
19.	Delivery	[Against payment/ free of payment]	
20.	Listing	[Ireland/other (specify)/none]	
21.	Admission to trading	It is expected that the listing of the Notes on the official list of the [•] Stock Exchange will be granted on or about [•].	
22.	Additional selling restrictions	[Not applicable/ give details]	
23.	Method of distribution	[Syndicated/ Non-syndicated]	
24.	Authorised holding	Global Note registered in the name of [a nominee of Euroclear/ Clearstream, Luxembourg]	
25.	Financial Centre(s) or other special provisions relating to Distribution Dates	[Not applicable/ give details]	
26.	Redenomination applicable	[Not] Applicable. [The provisions in [•] apply.]	

**PART C: INTEREST ON THE SERIES NOTES**

27.	Interest Commencement Date	[•]
28.	Deferral of Interest	
	28.1 Class [•] Notes	[Not] Applicable
29.	Change of Interest Basis or Redemption/Payment Basis	[Specify details of any provision for the convertibility of Notes into another Interest Basis or Redemption/Payment Basis]
30.	Step-Up Date	[Not] Applicable
31.	Margin after Step-Up Date	[Not] Applicable
32.	Yield	[•], calculated as [explain] [Fixed Rate Notes only]
		Not Applicable
		[Other Notes]
		<i>(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex Xii to the Prospectus Directive Regulation will apply)</i>
33.	Fixed Rate Note Provisions	[Not] Applicable
	33.1 Rate(s) of Interest	[•] per cent. per annum [payable [annually/semi-annually]quarterly/monthly]in arrears]
		<i>[If payable other than annually, consider amending</i>

*Condition 4 (Interest)*

- 33.2 Note Payment [On each Interest Payment Date]/ [●] in each year up to and including the [Final Maturity Date]/[specify other] [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"] /not adjusted.
- 33.3 Fixed Coupon Amount(s) [●] per [●] in nominal amount
- 33.4 Day Count Fraction [Euro]/[Sterling]/[USD] Notes [30/360/365/Actual/Actual (ISMA)/ specify other]
- 33.5 Determination Dates [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)  
  
*(NB: Only relevant where Day Count Fraction is Actual/ Actual (ISMA))*
- 33.6 Other terms relating to the method of calculating interest for Fixed Rate Notes [Not applicable/give details]
34. Floating Rate Note Provisions
- 34.1 Specified Distribution Dates [●]
- 34.2 Business Day Convention [Modified Following/ Floating Rate/ Folio wing/ Preceding/] Business Day Convention [specify other]
- 34.3 Business Centre(s) [●]
- 34.4 Manner in which the Rate of Interest and the Interest Amount is to be determined [Screen Rate/ ISDA] Determination [specify other]
- 34.5 Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent) [●]
- 34.6 Screen rate determination
- 34.6.1 Reference Rate [●] LIBOR/EURIBOR or other  
  
*(additional information is required if other - including amendment to fallback provisions in the Agency Agreement)*
- 34.6.2 Interest Determination Date(s) [●]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

- 34.6.3 Relevant Screen Page [•]
- 34.7 ISDA Determination
- 34.7.1 Floating Rate Option [•]
- 34.7.2 Designated Maturity [•]
- 34.7.3 Reset Date [•]
- 34.8 Margin(s) [+/-][•] per cent. per annum
- 34.9 Minimum Rate of Interest [•] per cent. per annum
- 34.10 Maximum Rate of Interest [•] per cent. per annum
- 34.11 Day Count Fraction [Euro]/[Sterling]/[USD] Notes [30/360/365/Actual/Actual (ISMA)/ *specify other*]
- 34.12 Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions [Not Applicable/Applicable]
35. Zero Coupon Note provisions [Not] Applicable (*if not applicable delete the remaining sub-paragraph of this paragraph*)
- 35.1 Accrual Yield [•] per cent. per annum
36. Reference Price [•]
37. Any other formula/basis of determining amount payable [•]
38. Day Count Fraction in relation to Early Repayment Amounts and late payment [Conditions [Redemption and Purchase - Early Repayment Amounts] and [Late Payment on Zero Coupon Notes] apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)

**PART D: REPAYMENT OF THE SERIES NOTES**

39. Redemption/ Payment basis [Redemption at par]  
[*specify other*]
40. Final Maturity Date
41. Principal Repayment Scheduled Date [•]

42. Principal Repayment Final Maturity Date [•]
43. Final Redemption Amount of each Note [[•] per Note of [•] Specified Denomination/ specify other/see Appendix]
- (N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
44. Mandatory Redemption in part [Applicable/ Not Applicable]
45. Optional Redemption [Applicable/ Not Applicable]
46. Optional Redemption for Tax Reasons [Applicable/ Not Applicable]
47. Optional Redemption (Maximum Amount Outstanding) [Applicable/ Not Applicable]
48. Maximum Amount Outstanding [•] *[If Optional Redemption (Maximum Amount Outstanding is applicable]*
49. Optional Redemption Amount [Applicable/ Not Applicable]
50. Call Date [Applicable/ Not Applicable]
51. Early Repayment Amount of each Note [Applicable/ Not Applicable]
52. Additional Series Event of Default [Applicable/ Not Applicable]
53. Deferral of Principal [Applicable/ Not Applicable]
54. Other [•]

#### **PART E: LISTING AND ADMISSION TO TRADING APPLICATION**

This Supplement comprises the terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Mortgage Backed Securities Programme of Uropa Securities PLC.

#### **PART F: EXPENSES RELATING TO ADMISSION TO TRADING ON REGULATED MARKET**

The Issuer estimates that the total expenses incurred or to be incurred by the Issuer in relation to the admission of the Notes to trading on the Irish Stock Exchange will be approximately GBP [•].

#### **PART G: USE OF PROCEEDS**

The gross proceeds from the issue of the Notes on the Issue Date will be GBP [•].

The net proceeds of the issue of (i) the Notes (excluding the Subordinated Notes) on the Issue Date (after payment to the Co-Managers of their management and underwriting fees and selling commission, being part of the expenses of the issue of the Notes) are expected to amount to approximately GBP [•] and (ii) the Subordinated Notes are expected to amount to approximately GBP [•] (the "**Net Proceeds**") and will be used by the Issuer to advance the equivalent amount of the Net Proceeds to the Series AssetCo pursuant to the Series Intercompany Loans Agreement on the Issue Date.

#### **SERIES SPECIFIC PARTICULARS**

**[Series AssetCo]**

*[Description to be inserted]*

**[Series Originator]**

*[Description of any Series Originator who will originate 10% or more of the Series Portfolio.]*

**[Legal Titleholder]**

*[Description to be inserted]*

**PART A: SERIES FEES AND EXPENSES**

*[To the extent material, provide aggregated fees and corporate expenses. Itemize servicing fees and underwriting fees. Identify the source of fees (e.g., specific account) and how they will be paid (e.g., quarterly, up-front).]*

**PART B: SERIES PORTFOLIO**

**[Cut-Off Date]**

*[Description to be inserted]*

**[English Loans]**

*[Description to be inserted, if applicable]*

**[Scottish Loans]**

*[Description to be inserted, if applicable]*

**[Northern Irish Loans]**

*[Description to be inserted, if applicable]*

**[Corporate Loans]**

*[Description to be inserted, if applicable]*

**[Corporate Borrower Jurisdiction]**

*[Description to be inserted, if applicable]*

**[Non-Conforming Loans]**

*[Description to be inserted, if applicable]*

**[Self-certified Loans]**

*[Description to be inserted, if applicable]*

**[Owner Occupied Loans]**

*[Description to be inserted, if applicable]*

**[Investment Home Loans]**

*[Description to be inserted, if applicable]*

**[Right To Buy Loans]**

*[Description to be inserted, if applicable]*

**[Repayment Loans]**

*[Description to be inserted, if applicable]*

**[Interest-Only Loans]**

*[Description to be inserted, if applicable]*

**[Partial Interest/Repayment Loans]**

*[Description to be inserted, if applicable]*

**[Mortgage Early Repayment Charges]**

*[Description to be inserted, if applicable]*

**[Variable Rate Loans]**

*[Description to be inserted, if applicable]*

**[Restricted Rate Loans]**

*[Description to be inserted, if applicable]*

**[Fixed Rate Loans]**

*[Description to be inserted, if applicable]*

**[Capped Rate Loans]**

*[Description to be inserted, if applicable]*

**[Tracker Rate Loans]**

*[Description to be inserted, if applicable]*

**[Tracker Rates]**

*[Description to be inserted]*

**[Discount Rate Loans]**

*[Description to be inserted, if applicable]*

**[Substitute Loans]**

*[Description to be inserted, if applicable]*

**[Substitute Loan Conditions]**

*[Description to be inserted, if applicable]*

**[Arrears Loans]**

*[Description to be inserted, if applicable]*

**[Ported Loans]**

*[Description to be inserted, if applicable]*

**[Ported Loan Conditions]**

*[Description to be inserted, if applicable]*

**[Converted Loans]**

*[Description to be inserted, if applicable]*

**[Converted Loan Conditions]**

*[Description to be inserted, if applicable]*

**[Block Buildings Policies]**

*[Description to be inserted, if applicable]*

**[Third Party Policies]**

*[Description to be inserted, if applicable]*

**[Life Policies]**

*[Description to be inserted, if applicable]*

**[ASU Policies]**

*[Description to be inserted, if applicable]*

**[All Other Policy Cover]**

*[Description to be inserted, if applicable]*

**[Further Advances]**

*[Description to be inserted, if applicable]*

**[Further Advance Conditions]**

*[Description to be inserted, if applicable]*

**[Prefunded Loans]**

*[Description to be inserted, if applicable]*

**[Prefunded Loan Amounts]**

*[Description to be inserted, if applicable]*

**[Flexible Loans]**

*[Description to be inserted, if applicable]*

**[Flexible Mortgage Commitment Fee]**

*[Description to be inserted, if applicable]*

**[Flexible Drawing Available Amount]**

*[Description to be inserted, if applicable]*

**[Flexible Mortgage Commitment Fee Minimum Rate]**

*[Description to be inserted, if applicable]*

**[Common Requirements for Loan Changes]**

*[Description to be inserted, if applicable]*



**[Representations and Warranties]**

*[Description to be inserted]*

**PART C: SERIES PORTFOLIO SERVICES ASPECTS**

**[Series Servicer]**

*[Description to be inserted]*

**[Series Services Agreement]**

*[Description to be inserted]*

**[Series Servicer Fees]**

*[Description to be inserted]*

**[Series Standby Servicer]**

*[Description to be inserted]*

**[Series Standby Services Agreement]**

*[Description to be inserted]*

**[Series Standby Servicer Fee]**

*[Description to be inserted]*

**[Series Standby Additional Services]**

*[Description to be inserted]*

**PART D: SERIES ACCOUNT SERVICES ASPECTS**

**[Series Account Bank]**

*[Description to be inserted]*

**[Series Account Bank Agreement]**

*[Description to be inserted]*

**[Series Transaction Account]**

*[Description to be inserted]*

**[Series Guaranteed Investment Contact Account Provider]**

*[Description to be inserted]*

**[Series Guaranteed Investment Contract]**

*[Description to be inserted]*

**[Series GIC Account]**

*[Description to be inserted]*

**[Series Other Accounts]**

*[Description to be inserted]*

**[Authorised Investments]**

*[Description to be inserted]*

**[Authorised Investments Standard Minimum Ratings]**

*[Description to be inserted]*

**[PART E: SERIES PORTFOLIO PURCHASE AGREEMENT]**

*[If applicable, insert description of additional or amended Transfer Conditions, Representations and Warranties or any other relevant terms of the Series Portfolio Purchase Agreement]*

**[Scottish Mortgage Trust Deed]**

*[Description to be inserted]*

**[Series Portfolio Purchase Initial Consideration]**

*[Description to be inserted]*

**[Series Portfolio Purchase Deferred Consideration]**

*[Description to be inserted]*

**[PART F: SERIES INTERCOMPANY LOANS AGREEMENT]**

On the Issue Date, pursuant to the terms of an Intercompany Loans Agreement dated on or about the Issue Date between the Issuer, Series AssetCo, the Series Security Trustee and the Trustee (the "**Series Intercompany Loans Agreement**"), the Issuer will advance to Series AssetCo (subject to the satisfaction of certain conditions precedent) a secured term loan facility (the "**Series Intercompany Loan**"). On the Issue Date, pursuant to the Series Intercompany Loans Agreement, the Issuer will advance to Series AssetCo (subject to the satisfaction of certain Conditions Precedent) a senior term loan facility subordinated to the Series Intercompany Loan (the "**Series Subordinated Loan**").

The Series Intercompany Loan and the Series Subordinated Loan will be split into tranches (see below) and will match the payment characteristics of the Classes of the Notes. However, payment by the Series AssetCo of any amount in respect of any tranche of the Series Intercompany Loan will be applied in accordance with the relevant Series Priorities of Payments and thus not necessarily to pay the corresponding class of the Notes. See in the Base Prospectus "*Risk Factors – Enforcement*".

The Series AssetCo will apply an amount equal to the gross proceeds of the Series Intercompany Loan to pay to the Seller an amount equal to purchase price for the sale of the Series Portfolio pursuant to the terms of the Series Portfolio Purchase Agreement. *[List other forms of payment obligations, if any.]*

Loan Tranches:	[•]
Issue Date:	[•]
First Payment Date:	[•]
Final Repayment Date:	[•]
Margin:	[•]
Step-up Margin:	[•]
Step-up Date:	[•]
Series Intercompany Loan Initial Fee:	[•]

## **[PART G: SERIES SECURITY DEED SUPPLEMENT]**

### **AssetCo Secured Creditors**

*[List.]*

## **PART H: SERIES CREDIT STRUCTURE**

### **Series Priorities of Payments**

*[Note: Identify applicable Series Permitted Withdrawals and provide any amended definition of Revenue Receipts and Principal Receipts.]*

#### ***Series Pre-Enforcement Revenue Priority of Payments***

On each Distribution Date prior to the service of a Series Enforcement Notice in respect of Series, Available Revenue Receipts standing to the credit of the Series Transaction Account will be applied by or on behalf of the Series AssetCo in making the following payments and provisions (the "**Series Pre-Enforcement Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

*[Payments and provisions to be inserted.]*

#### ***Series Pre-Enforcement Principal Priority of Payments***

On each Distribution Date prior to the service of a Series Enforcement Notice in respect of Series, Available Principal Receipts standing to the credit of the Series Transaction Account will be applied by or on behalf of the Series AssetCo in making the following payments and provisions (the "**Series Pre-Enforcement Principal Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

*[Payments and provisions to be inserted. Describe mandatory redemption in part.]*

#### ***Series Post-Enforcement Priority of Payments***

Following service of a Series Enforcement Notice in respect of Series, all moneys received or recovered by the Series Security Trustee (or a receiver appointed on its behalf) in respect of such Series under the AssetCo Security Deed will be applied following the enforcement of the AssetCo Security in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

*[Payments and provisions to be inserted.]*

### **[Additional Series Events of Default in respect of Series]**

*[List, if applicable.]*

### **[Insert any other topics of credit structure]**

*[Description to be inserted]*

## **PART I: SERIES ADDITIONAL CREDIT FEATURES**

### **[Series Reserve Funds]**

*[Description to be inserted]*

### **[Series Reserve Fund Determination Date]**

*[To be inserted]*

### **[Series Initial Reserve Fund Amount]**

GBP [•]

**[Series Reserve Fund Required Amount]**

GBP [•]

**[Series Reserve Fund Maximum Percentage]**

*[To be inserted]*

**[Series Discount Reserve Funds]**

*[Description to be inserted]*

**[Series Prefunding Interest Shortfall Amount]**

*[Description to be inserted]*

**PART J: SERIES LIQUIDITY FACILITY**

**[Series Liquidity Facility Provider]**

*[Description to be inserted]*

**[Series Liquidity Facility Agreement]**

*[Description to be inserted]*

**[Series Liquidity Facility Amount]**

*[Description to be inserted]*

**[Series Liquidity Maximum Amount]**

*[Description to be inserted]*

**[Series Liquidity Permitted Purposes]**

*[Description to be inserted]*

**[Series Liquidity Provider Minimum Ratings Protection]**

*[Description to be inserted]*

**[Series Liquidity Facility Period Provisions]**

*[Description to be inserted]*

**[Series Liquidity Facility Event Of Default]**

*[Description to be inserted]*

**PART K: SERIES HEDGE AGREEMENTS**

**[Bullet Cap Agreements]**

*[Description to be inserted]*

**[Bullet Cap Provider]**

*[Description to be inserted]*

**[Bullet Cap Summary]**

*[Description to be inserted]*

**[Bullet Cap Rates]**

*[Description to be inserted]*

**[LIBOR Basis Swap Agreement]**

*[Description to be inserted]*

**[BBR Swap Agreement]**

*[Description to be inserted]*

**[Fixed Floating Swap Agreement]**

*[Description to be inserted]*

**[Series Basis Hedge Periods]**

*[Description to be inserted]*

**[Currency Hedge Agreements]**

*[Description to be inserted]*

**[Currency Hedge Provider]**

*[Description to be inserted]*

**[Currency Hedge Summary]**

*[Description to be inserted]*

**[Currency Hedge Exchange Rates]**

*[Description to be inserted]*

**[Currency Hedge Periods]**

*[Description to be inserted]*

**[Series Hedge Credit Support Document]**

*[Description to be inserted]*

**[Series Hedge Credit Support Provider]**

*[Description to be inserted]*

**PART L: SERIES LOC AGREEMENT**

**[Series LOC Agreement]**

*[Description to be inserted, if applicable]*

**[Series LOC Provider]**

*[Description to be inserted, if applicable]*

**[Series LOC Amount]**

*[Description to be inserted, if applicable]*

**[Series LOC Permitted Purposes]**

*[Description to be inserted, if applicable]*

**[Series LOC Repayment Provisions]**

*[Description to be inserted, if applicable]*

**7. ISSUER SPECIFIC PROVISIONS**

**PART A: SECURITY**

**Trustee**

*[To be inserted]*

**Trustee Specified Office**

*[To be inserted]*

**Issuer Security Deed**

The Issuer Security Deed dated on or about the Programme Establishment Date between the Issuer and the Trustee.

**Trustee Fee**

The Issuer will pay a fee to the Trustee at the rate and on the terms specified in the [Issuer Security Deed].

**Issuer Security Supplemental Deed**

*[Description to be inserted, if applicable]*

**PART B: ISSUER ACCOUNTS**

**Issuer Account Bank**

*[Description to be inserted]*

**Issuer Account Bank Agreement**

*[Description to be inserted]*

**Issuer Accounts**

*[Description to be inserted]*

**PART C: DISTRIBUTION SCHEME**

**Issuer Pre-Enforcement Revenue Priority of Payments**

*[Description to be inserted]*

**Issuer Pre-Enforcement Principal Priority of Payments**

*[Description to be inserted]*

**Issuer Post-Enforcement Priority of Payments**

*[Description to be inserted]*

**8. ADDITIONAL INFORMATION ABOUT THE SERIES PORTFOLIO**

The information contained in this section headed "*Additional Information about the Series Portfolio*" relates to and has been obtained from [•] in relation to [•]. The delivery of the Transaction Documents shall not create any implication that there has been no change in such information since the date of this Supplement, or that the information contained or referred to in this section is correct as of any time subsequent to the date of this Supplement.

The following is a summary of certain aspects relating to the Series by way of supplement to the aspects summarised in the section entitled "*The Series Portfolio*" in the Base Prospectus.

**Origination and underwriting of Series Portfolio**

*[Description to be inserted]*

**Lending criteria used in origination of Series Portfolio**

*[Description to be inserted]*

**Mortgage term**

*[Description to be inserted]*

**Age of Borrower**

*[Description to be inserted]*

**Mortgage Property types**

*[Description to be inserted]*

**Maximum LTV**

*[Description to be inserted]*

**Income multiples**

*[Description to be inserted]*

**Credit history**

*[Description to be inserted]*

**Valuation**

*[Description to be inserted]*

**Buildings Insurance**

*[Description to be inserted]*

**Warranties in relation to the Series Portfolio**

The following are further details of the Series Portfolio Warranties in relation to the Series Portfolio by way of supplement to the information set out in the Section entitled "*Transaction Documents - Series Transaction Documents - Series Portfolio Purchase Agreements - Representations and Warranties*" in the Base Prospectus. *[Include details of any interest rate setting in relation to certain Series Portfolios.]*

*[Description to be inserted]*

**SERIES PORTFOLIO SELECT SUMMARY DATA**

The tables in this section give further information about the Series Portfolio at [•] (the "**Cut-Off Date**"). In those tables all percentages have been taken to either one or two decimal places (as indicated), the "**Current Balance**" includes all sums owing by a Borrower under a Loan including:

- (a) the outstanding principal balance,
- (b) all arrears of interest which have become due and payable but which remained unpaid, and
- (c) all fees and expenses which have been added to the Borrower's account,

and "**Non-Status History**" means Borrowers who have been or are subject to one or more CCJs, bankruptcy orders and/or IVAs. There has been no revaluation of any of the Properties for the purposes of the issue of the Notes and the details of valuations of the Properties indicated below are as at the date of the original initial Loan origination.

The aggregate Current Balance of all Loans in the Series Portfolios as at the Issue Date in relation to the Series is expected to be approximately GBP [•].

### Summary table of Series Portfolio

Aggregate Current Balance .....	£[•]	Remortgage.....	[•]%
Number of Borrowers.....	[•]	Investment Home Loan .....	[•]%
Number of Loans .....	[•]	Owner Occupied Right To Buy Loan.....	[•]%
Average Loan size .....	£[•]	Self certified.....	[•]%
Largest principal balance.....	£[•]	Borrowers with bankruptcy orders .....	[•]%
Repayment Loans .....	[•]%	Borrowers with CCJs.....	[•]%
Interest-Only Loans .....	[•]%	Borrowers with IVAs .....	[•]%
Part Interest/Repayment Loans.....	[•]%		
Right To Buy Loans .....	[•]%	First charge .....	[100.0]%
Weighted average current interest rate.....	[•]%	Second charge.....	[0.0]%
Weighted average stabilised margin (over relevant index) .....	[•]%		
Weighted average original LTV .....	[•]%	Weighted average remaining term to maturity.....	[•]months
Weighted average current LTV .....	[•]%		
Weighted average seasoning .....	[•]months		

### Distribution of Loans by Origination Value LTV

Origination value LTV range	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>0% <=30% .....	[•]	[•]%	[•]	[•]%
>30% <=40% .....	[•]	[•]%	[•]	[•]%
>40% <=50% .....	[•]	[•]%	[•]	[•]%
>50% <=60% .....	[•]	[•]%	[•]	[•]%
>60% <=70% .....	[•]	[•]%	[•]	[•]%
>70% <=80% .....	[•]	[•]%	[•]	[•]%
>80% <=90% .....	[•]	[•]%	[•]	[•]%
>90% <=100% .....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Current LTV

Current LTV range	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>0% <=30% .....	[•]	[•]%	[•]	[•]%
>30% <=40% .....	[•]	[•]%	[•]	[•]%
>40% <=50% .....	[•]	[•]%	[•]	[•]%
>50% <=60% .....	[•]	[•]%	[•]	[•]%
>60% <=70% .....	[•]	[•]%	[•]	[•]%
>70% <=80% .....	[•]	[•]%	[•]	[•]%
>80% <=90% .....	[•]	[•]%	[•]	[•]%
>90% <=100% .....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>



### Distribution of Loans by Current Balance

Current Balance range	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>£0 <=£20,000.....	[•]	[•]%	[•]	[•]%
>£20,000 <=£40,000.....	[•]	[•]%	[•]	[•]%
>£40,000 <=£60,000.....	[•]	[•]%	[•]	[•]%
>£60,000 <=£80,000.....	[•]	[•]%	[•]	[•]%
>£80,000 <=£100,000.....	[•]	[•]%	[•]	[•]%
>£100,000 <=£120,000.....	[•]	[•]%	[•]	[•]%
>£120,000 <=£140,000.....	[•]	[•]%	[•]	[•]%
>£140,000 <=£160,000.....	[•]	[•]%	[•]	[•]%
>£160,000 <=£180,000.....	[•]	[•]%	[•]	[•]%
>£180,000 <=£250,000.....	[•]	[•]%	[•]	[•]%
>£250,000 <=£300,000.....	[•]	[•]%	[•]	[•]%
>£300,000 <=£500,000.....	[•]	[•]%	[•]	[•]%
>£500,000 <=£1,500,000.....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Current Interest Rate

Current interest rate range	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>0.0% <=1.0%.....	[•]	[•]%	[•]	[•]%
>1.0% <=2.0%.....	[•]	[•]%	[•]	[•]%
>2.0% <=3.0%.....	[•]	[•]%	[•]	[•]%
>3.0% <=4.0%.....	[•]	[•]%	[•]	[•]%
>4.0% <=5.0%.....	[•]	[•]%	[•]	[•]%
>5.0% <=6.0%.....	[•]	[•]%	[•]	[•]%
>6.0% <=7.0%.....	[•]	[•]%	[•]	[•]%
>7.0% <=8.0%.....	[•]	[•]%	[•]	[•]%
>8.0% <=9.0%.....	[•]	[•]%	[•]	[•]%
>9.0%.....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Stabilised Margin (over relevant index)

Stabilised margin range	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>0.0% <=0.5%.....	[•]	[•]%	[•]	[•]%
>0.5% <=1.0%.....	[•]	[•]%	[•]	[•]%
>1.0% <=1.5%.....	[•]	[•]%	[•]	[•]%
>1.5% <=2.0%.....	[•]	[•]%	[•]	[•]%
>2.0% <=2.5%.....	[•]	[•]%	[•]	[•]%
>2.5% <=3.0%.....	[•]	[•]%	[•]	[•]%
>3.0% <=3.5%.....	[•]	[•]%	[•]	[•]%
>3.5% <=4.0%.....	[•]	[•]%	[•]	[•]%
>4.0% <=4.5%.....	[•]	[•]%	[•]	[•]%
>5.0%.....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Current Rate Type

Rate Type	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
Discounted.....	[•]	[•]%	[•]	[•]%
No discount.....	[•]	[•]%	[•]	[•]%
Fixed.....	[•]	[•]%	[•]	[•]%
<b>Total.....</b>	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Method of Amortisation

<u>Method of amortisation</u>	<u>Number of Loans</u>	<u>% of Total</u>	<u>Aggregate Current Balance (£)</u>	<u>% of Total</u>
Amortising .....	[•]	[•]%	[•]	[•]%
Non-Amortising .....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Income Verification

<u>Income verification</u>	<u>Number of Loans</u>	<u>% of Total</u>	<u>Aggregate Current Balance (£)</u>	<u>% of Total</u>
Fully verified .....	[•]	[•]%	[•]	[•]%
Self certified .....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Loan Purpose

<u>Mortgage purpose</u>	<u>Number of Loans</u>	<u>% of Total</u>	<u>Aggregate Current Balance (£)</u>	<u>% of Total</u>
Purchase .....	[•]	[•]%	[•]	[•]%
Remortgage .....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Priority

<u>Mortgage priority</u>	<u>Number of Loans</u>	<u>% of Total</u>	<u>Aggregate Current Balance (£)</u>	<u>% of Total</u>
First charge .....	[•]	[•]%	[•]	[•]%
Second charge .....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Region

<u>Region</u>	<u>Number of Loans</u>	<u>% of Total</u>	<u>Aggregate Current Balance (£)</u>	<u>% of Total</u>
East Anglia .....	[•]	[•]%	[•]	[•]%
East Midlands .....	[•]	[•]%	[•]	[•]%
Greater London .....	[•]	[•]%	[•]	[•]%
North West .....	[•]	[•]%	[•]	[•]%
North .....	[•]	[•]%	[•]	[•]%
Northern Ireland .....	[•]	[•]%	[•]	[•]%
Outer London .....	[•]	[•]%	[•]	[•]%
South East .....	[•]	[•]%	[•]	[•]%
Scotland .....	[•]	[•]%	[•]	[•]%
South West .....	[•]	[•]%	[•]	[•]%
Wales .....	[•]	[•]%	[•]	[•]%
West Midlands .....	[•]	[•]%	[•]	[•]%
Yorkshire and Humberside .....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### Distribution of Loans by Property Type

Property type	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
Detached bungalow .....	[.]	[.]%	[.]	[.]%
Detached house .....	[.]	[.]%	[.]	[.]%
Flat/maisonette.....	[.]	[.]%	[.]	[.]%
Converted flat .....	[.]	[.]%	[.]	[.]%
Flat .....	[.]	[.]%	[.]	[.]%
Purpose build flat.....	[.]	[.]%	[.]	[.]%
Maisonette.....	[.]	[.]%	[.]	[.]%
Semi-house .....	[.]	[.]%	[.]	[.]%
Semi-bungalow .....	[.]	[.]%	[.]	[.]%
Terraced house.....	[.]	[.]%	[.]	[.]%
Terraced bungalow .....	[.]	[.]%	[.]	[.]%
<b>Total .....</b>	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Loans by Occupancy Type

Occupancy type	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
Owner Occupied .....	[.]	[.]%	[.]	[.]%
Investment Home.....	[.]	[.]%	[.]	[.]%
<b>Total .....</b>	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Loans by Number of Months in Arrears

Number of months in arrears	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
0.....	[.]	[.]%	[.]	[.]%
>0<=1.....	[.]	[.]%	[.]	[.]%
>1<=2.....	[.]	[.]%	[.]	[.]%
>2<=3.....	[.]	[.]%	[.]	[.]%
>3<=4.....	[.]	[.]%	[.]	[.]%
>4<=5.....	[.]	[.]%	[.]	[.]%
>=5.....	[.]	[.]%	[.]	[.]%
<b>Total .....</b>	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Borrowers with county court judgments

Number of county court judgments	Number of Borrowers	% of Total	Aggregate Current Balance (£)	% of Total
0.....	[.]	[.]%	[.]	[.]%
1.....	[.]	[.]%	[.]	[.]%
2.....	[.]	[.]%	[.]	[.]%
3 or more.....	[.]	[.]%	[.]	[.]%
<b>Total .....</b>	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Loans by Bankruptcy Orders and Individual Voluntary Arrangements

Existence of bankruptcy orders and individual voluntary arrangements	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
0.....	[.]	[.]%	[.]	[.]%

<b>Existence of bankruptcy orders and individual voluntary arrangements</b>	<b>Number of Loans</b>	<b>% of Total</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>
1 or more.....	[.]	[.]%	[.]	[.]%
<b>Total</b> .....	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Loans by Seasoning

<b>Seasoning in months</b>	<b>Number of Borrowers</b>	<b>% of Total</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>
>0 <=5.....	[.]	[.]%	[.]	[.]%
>5 <=6.....	[.]	[.]%	[.]	[.]%
>6 <=7.....	[.]	[.]%	[.]	[.]%
>7 <=8.....	[.]	[.]%	[.]	[.]%
>8 <=9.....	[.]	[.]%	[.]	[.]%
>9 <=10.....	[.]	[.]%	[.]	[.]%
>10 <=11.....	[.]	[.]%	[.]	[.]%
>11 <=12.....	[.]	[.]%	[.]	[.]%
>12 <=13.....	[.]	[.]%	[.]	[.]%
>13 <=14.....	[.]	[.]%	[.]	[.]%
>14 <=15.....	[.]	[.]%	[.]	[.]%
>15 .....	[.]	[.]%	[.]	[.]%
<b>Total</b> .....	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

### Distribution of Loans by Remaining Maturity

<b>Remaining maturity in months</b>	<b>Number of Loans</b>	<b>% of Total</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>
>0 <=30.....	[.]	[.]%	[.]	[.]%
>30 <=60.....	[.]	[.]%	[.]	[.]%
>60 <=90.....	[.]	[.]%	[.]	[.]%
>90 <=120.....	[.]	[.]%	[.]	[.]%
>120 <=150.....	[.]	[.]%	[.]	[.]%
>150 <=180.....	[.]	[.]%	[.]	[.]%
>180 <=210.....	[.]	[.]%	[.]	[.]%
>210 <=240.....	[.]	[.]%	[.]	[.]%
>240 <=270.....	[.]	[.]%	[.]	[.]%
>270 <=300.....	[.]	[.]%	[.]	[.]%
>300 <=330.....	[.]	[.]%	[.]	[.]%
>330 <=360.....	[.]	[.]%	[.]	[.]%
>360 <=480.....	[.]	[.]%	[.]	[.]%
<b>Total</b> .....	<b>[.]</b>	<b>100.0%</b>	<b>[.]</b>	<b>100.0%</b>

## Distribution of Loans by Remaining Term to Reversion

Remaining term to reversion in months	Number of Loans	% of Total	Aggregate Current Balance (£)	% of Total
>0 <=1.....	[•]	[•]%	[•]	[•]%
>1 <=5.....	[•]	[•]%	[•]	[•]%
>5 <=10.....	[•]	[•]%	[•]	[•]%
>10 <=15.....	[•]	[•]%	[•]	[•]%
>15 <=20.....	[•]	[•]%	[•]	[•]%
>20 <=25.....	[•]	[•]%	[•]	[•]%
>25 <=30.....	[•]	[•]%	[•]	[•]%
>30.....	[•]	[•]%	[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>[•]</b>	<b>100.0%</b>

### 9. WEIGHTED AVERAGE LIVES OF THE NOTES

[Description to be inserted]

### 10. GENERAL INFORMATION

It is expected that each Tranche of Notes which is to be admitted to the Official List of the Irish Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note initially representing the Notes of such Tranche. The approval of the Programme in respect of the Notes was granted on [date of listing].

The issue of the Instruments was authorised by a resolution of the Board of Directors of the Issue Dated [date of Board resolution].

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the previous 12 months a significant effect on the financial position or profitability of the Issuer.

Save as disclosed in this Supplement, there has been no material adverse change in the financial position or prospects of the Issuer since [the date of its incorporation/the date of its last published audited financial statements/ [Programme Establishment Date] being the date of the Base Prospectus],

The Instruments have been accepted for clearance through [Euroclear, Clearstream, Luxembourg] under Common Code [Common Code number]/CUSW [CUSIP number].

From the date hereof and for so long as the Instruments are outstanding, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Series Paying Agents for the time being in London and in Dublin:

- (a) this Supplement;
- (b) the Series Portfolio Purchase Agreement;
- (c) the Series Bank Account Agreement;
- (d) the Scottish Declaration of Trust and/or a Supplemental Scottish Declaration of Trust and/or an Assignment of Scottish Declaration of Trust and/or an Assignment of Supplemental Scottish Declaration of Trust (if applicable) in respect of Series [Series number];
- (e) [each Series Hedge Agreement];
- (f) the Series Liquidity Facility Agreement;
- (g) the Series Guaranteed Investment Contract;
- (h) the Series LOC Agreement;

- (i) the forms of the Global Instruments, (as applicable); and
- (j) [*any other documents*].

11. **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Supplement.

Signed on and behalf of the Issuer:

By:  
*Duly authorised*

## THE SELLER AND SPECIAL SERVICER

Topaz Finance PLC ("**Topaz**") is a public limited company incorporated in England and Wales on 26 September 2006, under the Companies Acts 1985 and 1989. It has its registered office at 10 Upper Bank Street, London E14 5JJ. The issued share capital of Topaz comprises 7,000,000 ordinary shares of £1.00, of which 6,999,999 are held by ABN AMRO Holdings (UK) Limited ("**ABN Holdings**") and one is held by Blydenstien Nominees Limited, as nominee for ABN Holdings under the terms a share trust. Topaz is a wholly owned subsidiary within the ABN AMRO Group. Topaz has no subsidiaries.

Topaz is regulated by the Financial Services Authority and holds the required authorisations and permissions to carry out regulated activities under the Financial Services and Markets Act 2000 enabling it to act as the Special Servicer.

The principal objectives of Topaz are set out in Clause 4 of its memorandum of association and permit Topaz, among other things, to invest in, acquire, manage and administer mortgage loans, to lend money and give credit, secured or unsecured, and to acquire an interest in trust property.

Topaz has been established specifically to acquire portfolios of residential Loans originated by various Series Originators (each as further described in the relevant Supplement), such acquisitions are financed by a committed sterling revolving credit facility with one or more financing providers initially including ABN AMRO Bank N.V., London Branch.

## THE ISSUER

### Introduction

Uropa Securities PLC (the "**Issuer**") was incorporated in England and Wales on 19 March 2007, under the name of Spanglesquare PLC, with registered number 6169704 and as a public company with limited liability under the Companies Act 1985 (as amended). The name of the Issuer was changed to Uropa Securities PLC by a special resolution dated 10 May 2007. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP (Tel: +44 (0)20 7398 6300). The Issuer's authorised share capital comprises 50,000 ordinary shares of £1 each. The Issuer's issued share capital comprises 50,000 ordinary shares of £1 each (of which £12,501.50 is paid up). All of the Issuer's issued share capital is held by Uropa Holdings Limited except for one share held by SFM Nominees Limited (the "**Share Trustee**"). The one share held by the Share Trustee is held in accordance with the terms of a trust established under English law pursuant to the terms of a declaration of trust (the "**Share Trust Deed**") dated 15 May 2007, with Uropa Holdings Limited having the beneficial interest in the Share Trust Deed. The Seller does not own directly or indirectly any of the share capital of the Issuer.

### Principal Activities

The principal objects of the Issuer are set out in its Memorandum of Association and permit the Issuer, amongst other things, to raise capital, to make long term investments and to grant security over its property for the performance of its obligations.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue from time to time of Series of Instruments and to use an amount equal to the proceeds of each such issuance to provide Series Intercompany Loans and/or Series Subordinated Loans in accordance with and pursuant to the terms of a Series Intercompany Loans Agreement.

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

The Issuer's ongoing activities will principally comprise of the issue of Series of Instruments and providing Series Intercompany Loans and/or Series Subordinated Loans in accordance with and pursuant to the terms of a Series Intercompany Loans Agreement, the entering into of all Transaction Documents to which it is expressed to be a party and the exercise of related rights and powers and other activities referred to in this Base Prospectus and/or Supplement or those reasonably incidental to those activities

### Directors and secretary

The following sets out the directors of the Issuer and their business addresses and principal activities. The Issuer is organised as a special purpose company and will engage only in the types of transactions described in this Base Prospectus. The Issuer will be managed and controlled by its directors in England and Wales, however, it is expected that, once the company is conducting business, it will only require a small amount of active management.

<b>Name</b>	<b>Nationality</b>	<b>Business address</b>	<b>Principal activities</b>
SFM Directors Limited	English	35 Great St. Helen's, London EC3A 6AP	Acting as corporate directors of special purpose companies
SFM Directors (No.2) Limited	English	35 Great St. Helen's, London EC3A 6AP	Acting as corporate directors of special purpose companies

The directors of the Issuer do not have a specific term of office but each may be removed by a resolution passed at a shareholders' meeting.

The company secretary of the Issuer and its business address is:



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

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their principal activities or business occupations are:

<b>Name</b>	<b>Business address</b>	<b>Principal activities</b>
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Managing Director, Structured Finance Management Limited
James Macdonald	35 Great St Helen's, London EC3A 6AP	Director, Structured Finance Management Limited
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director, Structured Finance Management Limited
Claudia Wallace (alternate director)	35 Great St Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Management Limited
Cane Pickersgill (alternate director)	35 Great St Helen's, London EC3A 6AP	Legal & Transaction Manager, Structured Finance Management Limited
Helena Whitaker (alternate director)	35 Great St Helen's, London EC3A 6AP	Head of Operations, Structured Finance Management Limited
Annika Goodwille (alternate director)	35 Great St Helen's, London EC3A 6AP	Chartered Secretary
John Paul Nowacki (alternate director)	35 Great St Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Management Limited

You should be aware that each of the directors of the Issuer potentially has a number of other directorships and private interests. It is the Issuer's belief that there are no potential or actual conflicts of interest posed as a result of such positions or interests.

#### **Issuer corporate services agreement**

Pursuant to the terms of a corporate services agreement to be dated on or about the Programme Establishment Date (the "**Issuer Corporate Services Agreement**"), the Corporate Services Provider will provide certain directors to the Issuer.

The terms of the Issuer Corporate Services Agreement provide that either party may terminate the Issuer Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Issuer Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party, or, following the delivery of an Enforcement Notice, the Trustee, may terminate the Issuer Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. Any such termination of appointment shall not become effective until a successor corporate services provider is appointed. The Issuer Corporate Services Agreement contains provisions for the appointment of a successor corporate services provider.

#### **Capitalisation and indebtedness**

The unaudited capitalisation and indebtedness of the Issuer as at the date of this Base Prospectus is as follows:

<b>Share capital</b> .....	<b>£50,000</b>
Total authorised share capital.....	£50,000
(Ordinary shares of £1 each).....	£12,501.50
Total paid up share capital.....	
(50,000 ordinary shares of £1 each, two fully paid up and 49,998 partly paid up to 25%).....	

**Loan capital**..... £0

There are no outstanding loans or subscriptions, allotments or options in respect of the Issuer. There are no guarantees or contingent liabilities in respect of the Issuer.

The capitalisation and indebtedness of the Issuer as set out above is correct as of the date of this Base Prospectus, however, the capitalisation and indebtedness of the Issuer will change as new Series of Instruments are issued from time to time. Each Supplement will contain information regarding all Series of Instruments issued under the Programme then outstanding.

There is no goodwill in the balance sheet of the Issuer, nor will any goodwill need to be written off upon the issue of any notes.

**Results of operations**

Since its date of incorporation and as at the date of this Base Prospectus, the Issuer has not commenced operations and no financial statements have been prepared. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2007. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

**Litigation**

There are no, nor since the Issuer's incorporation on 19 March 2007 have there been, any legal or arbitration proceedings which may have, or have had, a significant effect on the Issuer's financial position. The Issuer is not aware that any such proceedings are pending or threatened.

**Financial position**

The Issuer has not traded since its incorporation on 19 March 2007. There has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation. There has been no significant change in the financial or trading position of the Issuer since its date of incorporation.

## OPTIONCO

### Introduction

Uropa Options Limited ("**OptionCo**") was incorporated in England and Wales on 2 April 2007, under the name of Conkerstream Limited, with registered number 6198154 and as a private company with limited liability under the Companies Act 1985 (as amended). The name of OptionCo was changed to Uropa Options Limited by a written resolution dated 10 May 2007. The registered office of OptionCo is at 35 Great St. Helen's, London EC3A 6AP. OptionCo's authorised share capital comprises 100 ordinary shares of £1 each. OptionCo's issued share capital comprises 1 ordinary share of £1 (which is fully paid up).

All of OptionCo's issued share capital is held by UK Holdings (the "**OptionCo Share Trustee**").

The Seller does not own directly or indirectly any of the share capital of OptionCo.

### Principal Activities

The principal objects of OptionCo are as set out in its Memorandum of Association and are, amongst other things, to acquire and hold, by way of investments the shares, stocks, debenture stocks, debentures or other interests of or in any company (including the Issuer).

OptionCo is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of UK Holdings has not engaged in any other activities. OptionCo has no employees.

The current financial period of OptionCo will end on 31 December 2007. OptionCo will not prepare interim financial statements. The financial year of OptionCo ends on 31 December each year.

### Directors and secretary

The following sets out the directors of OptionCo and their business addresses and principal activities. OptionCo is organised as a special purpose company and will be largely passive, engaging only in the types of transactions described in this Base Prospectus. OptionCo will be managed and controlled by its directors in the United Kingdom, however, it is expected that, once the company is conducting business, it will only require a small amount of active management.

<u>Name</u>	<u>Nationality</u>	<u>Business Address</u>	<u>Principal Activities</u>
SFM Directors Limited	England & Wales	35 Great St. Helen's, London EC3A 6AP	Acting as corporate company directors of special purpose companies
SFM Directors (No.2) Limited	England & Wales	35 Great St. Helen's, London EC3A 6AP	Acting as corporate company directors of special purpose companies

The directors of SFM Directors Limited and SFM Directors (No.2) Limited are Jonathan Keighley, James Macdonald and Robert Berry. Their principal activities include the provision of directors and corporate management services to structured finance transactions as directors on the boards of SFM Directors Limited and SFM Directors (No.2) Limited.

The directors of OptionCo do not have a specific term of office but each may be removed by a resolution passed at a shareholders' meeting.

Prospective Noteholders should be aware that each of the directors of OptionCo has a number of other directorships and private interests. There are no potential or actual conflicts of interest posed as a result of such positions or interests.

The company secretary of OptionCo and its business address is:

**Name****Business Address**

SFM Corporate Services Limited

35 Great St. Helen's,  
London EC3A 6AP**Litigation**

There are no, nor since OptionCo, incorporation on 2 April 2007 have there been any, legal or arbitration proceedings which may have, or have had, a significant effect on OptionCo's financial position. OptionCo is not aware that any such proceedings are pending or threatened.

**OptionCo's Corporate Services Agreement**

Pursuant to the terms of a corporate services agreement to be dated on or about the Programme Establishment Date (the "**OptionCo Corporate Services Agreement**"), the Corporate Services Provider will provide certain directors to OptionCo and also provide other corporate services to OptionCo.

## UK HOLDINGS

### Introduction

Uropa Holdings Limited ("**UK Holdings**") was incorporated in England and Wales on 2 April 2007, under the name of Conkerclose Limited, with registered number 6198306 and as a private company with limited liability under the Companies Act 1985 (as amended). The name of UK Holdings was changed to Uropa Holdings Limited by a written resolution dated 10 May 2007. The registered office of UK Holdings is at 35 Great St. Helen's, London EC3A 6AP. UK Holdings' authorised share capital comprises 100 ordinary shares of £1 each. UK Holdings' issued share capital comprises 1 ordinary share of £1 (which is fully paid up).

All of UK Holdings' issued share capital is held by SFM Corporate Services Limited (the "**UK Holdings Share Trustee**"). The shares held by the UK Holdings Share Trustee are held in accordance with the terms of a trust established under English law pursuant to the terms of a declaration of trust (the "**UK Holdings Share Trust**") dated 15 May 2007, for the benefit of any trust, foundation, institution or other organisation established exclusively for charitable purposes under the laws of England and Wales.

The Seller does not own directly or indirectly any of the share capital of UK Holdings.

### Principal Activities

The principal objects of UK Holdings are as set out in its Memorandum of Association and are, amongst other things, to acquire and hold, by way of investments the shares, stocks, debenture stocks, debentures or other interests of or in any company (including the Issuer).

UK Holdings is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of the Issuer, UK Holdings has not engaged in any other activities. UK Holdings has no employees.

The current financial period of UK Holdings will end on 31 December 2007. UK Holdings will not prepare interim financial statements. The financial year of UK Holdings ends on 31 December each year.

### Directors and secretary

The following sets out the directors of UK Holdings and their business addresses and principal activities. UK Holdings is organised as a special purpose company and will be largely passive, engaging only in the types of transactions described in this Base Prospectus. UK Holdings will be managed and controlled by its directors in the United Kingdom, however, it is expected that, once the company is conducting business, it will only require a small amount of active management.

<u>Name</u>	<u>Nationality</u>	<u>Business Address</u>	<u>Principal Activities</u>
SFM Directors Limited	England & Wales	35 Great St. Helen's, London EC3A 6AP	Acting as corporate company directors of special purpose companies
SFM Directors (No.2) Limited	England & Wales	35 Great St. Helen's, London EC3A 6AP	Acting as corporate company directors of special purpose companies

The directors of SFM Directors Limited and SFM Directors (No.2) Limited are Jonathan Keighley, James Macdonald and Robert Berry. Their principal activities include the provision of directors and corporate management services to structured finance transactions as directors on the boards of SFM Directors Limited and SFM Directors (No.2) Limited.

The directors of UK Holdings do not have a specific term of office but each may be removed by a resolution passed at a shareholders' meeting.

Prospective Noteholders should be aware that each of the directors of UK Holdings has a number of other directorships and private interests. There are no potential or actual conflicts of interest posed as a result of such positions or interests.

The company secretary of UK Holdings and its business address is:

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

### **Litigation**

There are no, nor since UK Holdings, incorporation on 2 April 2007 have there been any, legal or arbitration proceedings which may have, or have had, a significant effect on UK Holdings' financial position. UK Holdings is not aware that any such proceedings are pending or threatened.

### **UK Holdings Corporate Services Agreement**

Pursuant to the terms of a corporate services agreement to be dated on or about the Programme Establishment Date (the "**UK Holdings Corporate Services Agreement**"), the Corporate Services Provider will provide certain directors to UK Holdings and also provide other corporate services to UK Holdings.

## **THE PROGRAMME SERVICER**

Specialist Mortgages Services Limited, operating as Scarborough Mortgage Services, ("**SMS**") will, in relation to the Programme, be the Programme Servicer.

SMS is a wholly owned subsidiary of Scarborough Building Society. SMS is a limited company incorporated under the Companies Act 1985 under company number 2466320. The registered office of Specialist Mortgage Services Limited is at Prospect House, PO Box 6, Lake View Eastfield, Scarborough, North Yorkshire YO11 3WZ. It is regulated by the Financial Services Authority (FSA Ref No 303216) and holds the required authorisations and permissions to carry out regulation activities under the Financial Services and Markets Act 2000 enabling it to act as the Programme Servicer. It is based in Scarborough and has been administering mortgages for third parties since 1990 and is currently servicing approximately £3,000,000,000 of mortgage assets.

SMS has acted as servicer/administrator for five Mortgages plc securitisations, Basinghall Finance Limited (Clavis 06-1 and Clavis 07-1) securitisation, Eurosail 2006-4NP PLC and Eurosail-UK 2007-2NP PLC securitisations, as well as acting as Series Standby Servicer on Landmark Mortgage Securities No.2 PLC, Marble Arch Residential Securitisation No. 4 PLC issue and seven Kensington Mortgage Company Limited issues (RMS 9 to 15). SMS has the following servicer ratings from Fitch in respect of its residential primary and special servicer ratings: "**RPS2-(minus)(Prime)(UK)**", "**RPS2-(minus)(sub-prime)(UK)**" and "**RSS3+UK**".

## THE PROGRAMME ACCOUNT BANK

HSBC Bank plc (the "**Programme Account Bank**") and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December, 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December, 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 10,000 offices in 82 countries and territories in five geographical regions: Europe; Hong Kong; Rest of Asia-Pacific, including the Middle East and Africa; North America and Latin America. Its total assets at 31 December 2006 were £948 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are currently rated P-1 by Moody's, A-1+ by S&P and F-1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa1 by Moody's, AA by S&P and AA by Fitch.



## **THE PROGRAMME CASH MANAGER, THE SERIES CASH MANAGER AND THE ISSUER ACCOUNT BANK**

ABN AMRO Holding N.V. ("**Holding**") is incorporated as a limited liability company under Dutch law by deed of 30 May 1990 as the holding company of ABN AMRO Bank, N.V.. Holding's main purpose is to own ABN AMRO Bank, N.V. and its subsidiaries. Holding owns 100 per cent. of the shares of ABN AMRO Bank, N.V. and is jointly and severally liable for all liabilities of ABN AMRO Bank, N.V.. ABN AMRO Bank, N.V. is registered in the Commercial Register of Amsterdam under number 33002587. The registered office of ABN AMRO Bank, N.V. is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

The ABN AMRO group ("**ABN AMRO Group**"), which consists of Holding and its subsidiaries (including ABN AMRO Bank N.V.), is a prominent international banking group offering a wide range of banking products and financial services on a global basis through its network of more than 4,500 offices and branches in 53 countries as of year-end 2006.

ABN AMRO Group is one of the largest banking groups in the world, with total consolidated assets of €1,055 billion as at 31 March 2007. ABN AMRO Group is the largest banking group in The Netherlands and it has a substantial presence in Brazil and the MidWestern United States. ABN AMRO Bank N.V. is listed on Euronext and the New York Stock Exchange.

The long-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank N.V. are currently rated "AA-" by S&P, "Aa2" by Moody's and "AA-" by Fitch. The short-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank N.V. are currently rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch.

Any press releases issued by ABN AMRO can be obtained from the ABN AMRO website at <http://www.abnamro.com/pressroom>.

## **THE TRUSTEE**

ABN AMRO Trustees Limited will be appointed as Series Security Trustee pursuant to the AssetCo Security Deed and as Trustee pursuant to the Trust Deed.

ABN AMRO Trustees Limited is a limited liability company incorporated in England and Wales, with registered number 2379632, whose registered office is located at 82 Bishopsgate, London EC2N 4BN. It is a wholly owned subsidiary company within the ABN AMRO Bank N.V. group of companies.

### **THIRD PARTY INFORMATION**

The information contained in this document with respect to the Seller, the Programme Cash Manager, the Series Cash Manager, the Programme Servicer, any Series Servicer, the Special Servicer, the Legal Titleholder, the Programme Account Bank, the Series Liquidity Facility Provider, the Series GIC Provider, the Series LOC Provider, the Issuer Account Bank, the Series Account Bank, the Series Security Trustee and the Trustee relates to and has been obtained from each of them, someone on behalf of them or is publicly available information and the Issuer accepts responsibility for the accurate reproduction of this information. As far as the Issuer is aware, and has been able to ascertain from information published by each such party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The delivery of this Base Prospectus shall not create any implication that there has been no change in the affairs of the Seller, the Programme Cash Manager, the Series Cash Manager, the Programme Servicer, any Series Servicer, the Special Servicer, the Legal Titleholder, the Programme Account Bank, the Series Liquidity Facility Provider, the Series GIC Provider, the Series LOC Provider, the Issuer Account Bank, the Series Account Bank, the Series Security Trustee and the Trustee, since the date stated in respect of the relevant information in this document, or that the information contained or referred to in this document is correct as of any time subsequent to its date. None of the Instrumentholders will have any right to proceed directly against either of the Seller, the Programme Cash Manager, the Series Cash Manager, the Programme Servicer, the Special Servicer, any Series Servicer the Legal Titleholder, the Programme Account Bank, the Series Liquidity Facility Provider, the Series GIC Provider, the Series LOC Provider, the Issuer Account Bank, the Series Account Bank, the Series Security Trustee and the Trustee, in respect of their respective obligations under any of the agreements to which they are a party.

## THE SERIES PORTFOLIOS

*The section below describes in summary the Series Portfolios. Prospective purchasers of Notes should consider carefully all the information contained in this document, including the considerations set out below, before making any decision. Such summary should be read in conjunction with the information appearing elsewhere in this Base Prospectus and the relevant Supplement.*

### **Composition of Series Portfolios**

A Series Portfolio sold to the relevant Series AssetCo under a Series Portfolio Purchase Agreement may consist of any kind of Loan, provided the Transfer Conditions discussed below under "*Transaction Documents—Series Portfolio Purchase Agreements—Transfer Conditions*" are met. Each Mortgage in respect of a Loan is a mortgage of, or standard security over, a residential property in England, Wales, Scotland or Northern Ireland.

The following is a summary of the general legal background which applies to Loans secured over properties in each relevant jurisdiction and of the Loan types that the Seller may sell to any Series AssetCo from time to time. However, this summary is not intended to be exhaustive and as mentioned above additional or new loan types and loans originated by parties other than the Seller may also be included in a Series Portfolio.

### **English Loans**

#### General

There are two parties to a mortgage. The first party is the mortgagor, who is the borrower and homeowner. The mortgagor grants the mortgage over its property. The second party is the mortgagee, who is the lender. Each English loan (other than Right to Buy Loans (as defined below)) will be secured by a mortgage which has a first ranking priority over all other mortgages secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent mortgage or other secured interest over the relevant property without the consent of the seller, though such other mortgage or interest will rank below the seller's mortgage in priority.

#### Nature of Property as Security

There are two forms of title to land in England and Wales: registered and unregistered. Both systems of title can include both freehold and leasehold land.

Freehold constitutes absolute ownership of land. Leasehold constitutes ownership of land (normally for a fixed period) subject to an annual payment of a ground rent to the owner of the freehold. A flying freehold exists when one part of a property extends over, or under, a neighbouring property.

#### Registered Title

Title to registered land is registered at the Land Registry. Each parcel of land is given a unique title number. Prior to 13 October, 2003 title to the land was established by a land or (in the case of land which is subject to a mortgage or charge) charge certificate containing official copies of the entries on the register relating to that land, however, pursuant to the Land Registration Act 2002 which came into force on 13 October, 2003 the provision of land certificates and charge certificates has now been abolished. Title to land is now established by reference to entries on the registers held by the Land Registry.

There are four classes of registered title. The most common is title absolute. A person registered with title absolute owns the land free from all interests other than those entered on the register and those classified as unregistered interests which override first registration and unregistered interests which override registered dispositions.

Title information documents provided by the Land Registry will reveal the present owner of the land, together with any legal charges and other interests affecting the land. However, the Land Registration Act 2002 provides that some interests in the land will bind the land even though they are not capable of registration at the Land Registry such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The title information documents will also

contain a plan indicating the location of the land. However, this plan is not conclusive as to matters such as the location of boundaries.

### Unregistered Title

All land in England and Wales is now subject to compulsory registration on the happening of any of a number of trigger events, which includes the granting of a first legal mortgage. However, a small proportion of land in England and Wales (typically where the land has been in the same ownership for a number of years) is still unregistered. Title to unregistered land is proved by establishing a chain of documentary evidence to title going back at least 15 years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights would have to be registered at the Central Land Charges Registry in order to be effective against a subsequent purchaser of the land.

### Taking Security Over Land

Where land is registered, a mortgagee must register its mortgage at the Land Registry in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage. If the mortgagee submits a proper application for registration during this period, its interest will take priority over any application for registration of another interest which is received by the Land Registry during this priority period.

In the system of unregistered land, the mortgagee protects its interest by retaining possession of the title deeds to the property. Without the title deeds to the property, the borrower is unable to establish the necessary chain of ownership, and is therefore effectively prevented from dealing with its land without the consent of the mortgagee. Priority of mortgages over unregistered land is governed first by the possession of title deeds, and in relation to subsequent mortgages by the registration of a land charge.

### The Seller as Mortgagee

The sale of the English Loans by the Seller to the relevant Series AssetCo will take effect in equity only. The relevant Series AssetCo will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English Loans. The consequences of this are explained in the section "*Risk Factors—The AssetCo does not have legal title to the Loans in the Series Portfolio on the relevant Issue Date*".

### Enforcement of Mortgages

If a borrower defaults under a loan, the English mortgage conditions provide that all monies under the loan will become immediately due and payable. A Series Originator or its successors or assigns would then be entitled to recover all outstanding principal, interest and fees under the covenant of the borrower contained in the English mortgage conditions to pay or repay those amounts. In addition, a Series Originator or its successors or assigns may enforce its mortgage in relation to the defaulted loan. Enforcement may occur in a number of ways, including the following:

- (a) the mortgagee may enter into possession of the property. If it does so, it does so in its own right and not as agent of the mortgagor, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property;
- (b) the mortgagee may lease the property to third parties;
- (c) the mortgagee may foreclose on the property. Under foreclosure procedures, the mortgagor's title to the property is extinguished so that the mortgagee becomes the owner of the property. This remedy is, because of procedural constraints, rarely used;
- (d) the mortgagee may sell the property, subject to various duties to ensure that the mortgagee exercises proper care in relation to the sale. This power of sale arises under the Law of Property Act 1925. The purchaser of a property sold pursuant to a mortgagee's power of sale becomes the owner of the property; or

- (e) a court order under the CCA is necessary to enforce a land mortgage in certain circumstances as described under "*Risk Factors*".

## **Scottish Loans**

### *General*

A standard security is the only means of creating a fixed charge over heritable or long leasehold property in Scotland. Its form must comply with the requirements of the Conveyancing and Feudal Reform (Scotland) Act 1970 (the "**1970 Act**"). There are generally two parties to a standard security. The first party is the grantor, who is the borrower and homeowner. The grantor grants the standard security over its property (and is, save for any consentor thereto or any guarantor thereof, generally the only party to execute the standard security). The second party is the grantee of the standard security, who is the lender and is called the heritable creditor. Each Scottish loan will be secured by a standard security (assuming it has been validly executed and registered or recorded, as the case may be, in the Register of Scotland and assuming that there are no prior ranking standard securities) which has a first ranking priority over all other standard securities secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent standard security over the relevant property without the consent of the Seller. Upon intimation to the Seller (in its capacity as trustee for the relevant Series AssetCo pursuant to the relevant Scottish Declaration of Trust) of any subsequent standard security the prior ranking of the Seller's standard security shall be restricted to security for advances made prior to such intimation, and interest and expenses in respect thereof.

The 1970 Act automatically imports a statutory set of "**Standard Conditions**" into all standard securities, although the majority of these may be varied by agreement between the parties. The relevant Series Originator, along with most major lenders in the residential mortgage market in Scotland, may have elected to vary the Standard Conditions by means of its own set of Scottish mortgage conditions, the terms of which are in turn imported into each standard security. The main provisions of the Standard Conditions which cannot be varied by agreement relate to redemption and enforcement, and in particular the notice and other procedures that are required to be carried out prior to the exercise of the heritable creditor's rights on a default by the borrower.

### *Nature of Property as Security*

There are currently two registers operating in Scotland, the Land Register and Sasine Register. Both systems include both heritable (the Scottish equivalent to freehold) and long leasehold land. Heritable title constitutes absolute ownership of land. Long leasehold constitutes possession of land (for a period exceeding twenty years) subject to a periodic payment of a ground rent to the owner of the heritable title. Since 1974 it has not been possible to create new long leaseholds over residential property in Scotland.

### *Land Register*

This system of registration was established by the Land Registration (Scotland) Act 1979 and now applies to the whole of Scotland. Any sale of land for value (including a long leasehold interest in land) the title to which has not been registered in the Land Register or the occurrence of certain other events in relation thereto (but not the granting of a standard security alone) triggers a first registration in the Land Register, when it is given a unique title number. Title to the land is established by a land certificate containing official copies of the entries on the Land Register relating to that land. The holder of any standard security over the land in question receives a charge certificate containing official copies of the entries relating to that security. A person registered in the Land Register holds the land free from all interests other than those entered on the Register, those classified as overriding interests and any other interests implied by law.

The land certificate will reveal the heritable proprietors of the land except in the case of long leasehold where the land certificate will reveal the proprietors' interest as tenant, together with any standard securities and other interests (other than certain overriding interests) affecting the land or, in the case of long leasehold, affecting the proprietors' interest as tenant. The land certificate will also contain a plan indicating the location and extent of the land. While this plan is not in all circumstances conclusive as to the extent of the land, it cannot be amended if this would be to the prejudice of a proprietor in possession of the land, unless the statutory indemnity in respect of such amendments has been expressly excluded in the land certificate itself.

### Sasine Register

Title documents to land in Scotland where no event has yet occurred to trigger registration in the Land Register are recorded in the General Register of Sasines. The Sasine Register is a register of documents and not land. Therefore, title to such land must be proved by establishing a chain of documentary evidence of title going back at least ten years and commencing from the first recorded title in excess of 10 years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights (including standard securities) would have to be recorded in the Sasine Register in order to be effective against a subsequent purchaser of the land.

### Taking Security over Land

A heritable creditor must register its standard security in the Land Register or the Sasine Register (as applicable) in order to perfect its security and secure priority over any subsequent standard security. Until such registration occurs, a standard security will not be effective against a subsequent purchaser or the heritable creditor under another standard security over the property. Priority of standard securities is (subject to express agreement to the contrary between the security holders) governed by their date of registration rather than their date of execution. There is no equivalent in Scotland to the priority period system which operates in relation to registered land in England and Wales.

### The Seller as Heritable Creditor

The sale of the Scottish Mortgages by the Seller to the relevant Series AssetCo on each Issue Date will be given effect by an assignation but that only in accordance with the provisions of the Series Portfolio Purchase Agreement. Pending the taking by the Issuer of an assignation of the Seller's interest in the Scottish Mortgages, the Scottish Loans secured by the Scottish Mortgages will be held in trust for the relevant Series AssetCo pursuant to a declaration of trust by the Seller or to an assignation by the Seller of a declaration of trust by a Series Originator other than the Seller. Such Declarations of Trust or assignations thereof (as opposed to an assignation of the Scottish Mortgages) cannot be registered in the Land Register or Sasine Register. The consequences of this are explained in "*Risk Factors – The Issuer does not have legal title to the Loans in the Series Portfolios on the relevant Issue Date*" above.

### Enforcement of Mortgages

Whilst there are a number of procedural options available in Scotland, the preferred enforcement procedure of the Seller is the service of a "**calling up notice**". This is used where the borrower breaches the Scottish Mortgage conditions and the lender requires repayment of all sums due and to become due under the Scottish Mortgage. The borrower has two months to comply with the calling up notice, failing which the lender may enforce its rights under the standard security, by sale or the other remedies provided by statute (court application only being necessary when the borrower fails to vacate the property and unconditionally deliver the keys to the lender).

Whilst there are number of remedies available to a lender, the Seller's preferred remedy is seek decree against the borrower and to sell the security subjects for the best price that can reasonably be obtained.

Where a borrower has failed to comply with the calling up notice, the courts are bound (subject to the terms of the Mortgage Rights (Scotland) Act 2001) to grant the enforcement remedies sought by the lender. The Mortgage Rights (Scotland) Act 2001 came into force on 3 December 2001. The principal effect of this legislation is to confer on the court a discretion, on the application (within certain time limits) of any of (1) the debtor in the standard security or the proprietor of the security subjects (where the proprietor is not the debtor), (2) the non-entitled spouse of the debtor or of the proprietor, where the security subjects (in whole or in part) are a matrimonial home, (3) a person living with the debtor or the proprietor as husband or wife or in a relationship which has the characteristics of such a relationship, or (4) a person who has lived with the debtor or the proprietor in the security subjects (but the security subjects has since ceased to be the sole or main residence of the debtor or the proprietor), if the security subjects (in whole or in part) are the sole or main residence of that person and, in respect of (3) above only, of a child (including stepchild) under the age of 16 who is a child of or brought up and treated as a child of that person and of the debtor or the proprietor, to suspend the exercise of the lender's enforcement remedies for such period, to such extent and subject to such conditions as the court considers reasonable

in the circumstances, having regard, amongst other factors, to the nature of and reasons for the default, the applicant's ability to remedy it and the availability of reasonable alternative accommodation.

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

### *Borrower's Right of Redemption*

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

### **Northern Irish Loans**

There are two parties to a mortgage. The first party is the mortgagor, who is the borrower and homeowner. The mortgagor grants the mortgage over its property (and is generally the only party to execute the mortgage). The second party is the mortgagee, who is the lender. Each Northern Irish Loan will be secured by a Northern Irish Mortgage (assuming it has been properly executed and registered and that there are no prior Northern Irish Mortgages) which has a first ranking priority over all other Northern Irish Mortgages secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent Northern Irish Mortgage or other secured interest over the relevant property without the consent of the lender, though such other Northern Irish Mortgage or interest will rank below the lender's mortgage in priority but only to the extent of advances made by the lender prior to receipt of notice of the other mortgage together with interest and expenses in respect thereof.

In cases of default by a Borrower in relation to a Northern Irish Mortgage secured over Northern Irish Property, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement.

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981 an order charging land (i.e., a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

### *Nature of Property as Security*

There are two forms of title to land in Northern Ireland: registered title (i.e., land which is registered in the Land Registry of Northern Ireland) and unregistered title (i.e., title to which is unregistered but in respect of which a memorial (i.e., a precis) of the deed is filed in the Registry of Deeds). Both systems of title can include both freehold (including fee farm grants) and leasehold land.

Freehold constitutes absolute ownership of land. Lands held under Fee Farm Grant are held in fee simple subject to the payment of a perpetual yearly rent. Leasehold constitutes ownership of land (normally for a fixed period) subject to an annual payment of a ground rent to the owner of the freehold

### *Registered Title*

Title to registered land is registered at the Land Registry of Northern Ireland. Each parcel of land is given a unique Folio number. Title to the land is evidenced by a land certificate containing details of all entries on the register including charges relating to that land. Further in relation to the charge document charging the land, a certificate of charge will also be endorsed thereon.

There are four classes of registered title. The most common is title absolute. A person registered with title absolute owns the land free from all interests other than those entered on the register and those classified as unregistered interests which override first registration and unregistered interests which override registered dispositions.

The Land Certificate or a copy of the Folio provided by the Land Registry of Northern Ireland will reveal the present owner of the land, together with any charges, burdens, appurtenances and other interests



affecting the land. However, the Land Registration Act (Northern Ireland) 1970 provides that some interests in the land will bind the land even though they are not capable of registration at the Land Registry of Northern Ireland such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The Land Registry of Northern Ireland can also produce a map of the relevant folio number indicating the location of the land. However, this plan is not conclusive as to matters such as the location of boundaries.

#### Unregistered Title

From 1<sup>st</sup> May 2003, all land in Northern Ireland is subject to compulsory registration on the sale of a property (whether by conveyance, assignment or lease). Transactions not subject to compulsory first registration are transactions where no money consideration is paid (eg gifts, assents), mortgages and charging orders, leases for under 21 years, surrenders of leases. As a result, portions of land in Northern Ireland (typically where the land has been in the same ownership for a number of years) are still unregistered. Title to unregistered land is proved by establishing a chain of documentary evidence to title going back at least 40 years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights would have to be registered at the Registry of Deeds in Northern Ireland in order to be effective against a subsequent purchaser of the land.

#### Taking Security Over Land

Where land is registered, a mortgagee must register its mortgage at the Land Registry of Northern Ireland in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage. If the mortgagee submits a proper application for registration during this period, its interest will take priority over any application for registration of another interest which is received by the Land Registry of Northern Ireland during this priority period.

In the system of unregistered land, the mortgagee protects its interest by retaining possession of the title deeds to the property and registering a memorial of the mortgage in the Registry of Deeds. Without the title deeds to the property, the borrower is unable to establish the necessary chain of ownership, and is therefore effectively prevented from dealing with its land without the consent of the mortgagee. Priority of mortgages over unregistered land will generally be governed by date of registration at the Registry of Deeds. However equity will not allow a statute to be used as an instrument of fraud and a subsequent mortgage will not gain priority by registering first where the subsequent mortgagee has actual notice of the prior mortgage.

In cases of default by a Borrower in relation to a Northern Irish Mortgage secured over Northern Irish Property, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981 an order charging land (i.e., a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

#### The Seller as Mortgagee

The sale of the Northern Irish Mortgages by the Seller to the relevant Series AssetCo will take effect in equity only. The relevant Series AssetCo will not apply to the Land Registry of Northern Ireland or the Registry of Deeds to register or record its equitable interest in the Northern Irish Mortgages. The consequences of this are explained in the section "*Risk Factors—The relevant Series AssetCo nor the Issuer has legal title to the Loans in the Series Portfolio on the relevant Issue Date*".

#### **Characteristics of the Loans**

The Loan included in a Series Portfolio may, except to the extent indicated in the applicable Supplement, have one or more of the following characteristics.

### Origination of the Loans and the Composition of the Series Portfolios

The Loans related to each Series Portfolio will be originated by a Series Originator, sold to the Seller and then onsold to the relevant Series AssetCo under a Series Portfolio Purchase Agreement.

The pool of Loans in respect of each Series Portfolio owned by the relevant Series AssetCo from time to time will comprise:

- (a) the pool of Initial Loans purchased by the relevant Series AssetCo on the Issue Date;
- (b) Retentions (as defined below) made in accordance with the provisions of the relevant Series Portfolio Purchase Agreement;
- (c) Converted Loans, if any, if the conditions for Converted Loans as set out in the relevant Supplement have been met and the Seller has approved the conversion of a Loan;
- (d) Ported Loans, if any, if the relevant Ported Loan Advance has been funded by the relevant Series AssetCo and the conditions for Ported Loans as set out in the relevant Supplement have been met; and
- (e) Substitute Loans acquired by the relevant Series AssetCo in replacement of Loans affected by the breach of the relevant representations and warranties in accordance with the provisions of the relevant Series Portfolio Purchase Agreement;

other than, in any such case, Loans in respect of the relevant Series Portfolio 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 the Seller pursuant to the relevant Series Portfolio Purchase Agreement or in respect of which Enforcement Procedures have been completed.

Each provisional mortgage pool, in respect of each Series Portfolio, will comprise Loans originated by the relevant Series Originator, sold to the Seller and then onsold to the relevant Series AssetCo under a Series Portfolio Purchase Agreement (each a "**Series Mortgage Pool**"). The Loans in respect of each Series Portfolio will comprise the Loans selected by the Seller from the Series Mortgage Pool by excluding, prior to the Issue Date in respect of the relevant Series and all other Loans in respect of the relevant Series Portfolio (a) those which are fully redeemed or (b) those which do not comply in a material respect with the Lending Criteria or with the Warranties to be given in respect of the Loans in the relevant Series Portfolio Purchase Agreement.

Each Series Mortgage Pool in respect of each Series will have the characteristics specified in the relevant Supplement in relation to the aggregate balance, number of loans, weighted average current balance, weighted average original loan to value ratio and weighted average remaining term to maturity.

### Mortgage Conditions

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

### Repayment Terms

Repayment terms under each type of Loan differ according to the repayment type. The following repayment types may be included in each Series Mortgage Pool:

- (a) Loans under the terms of which monthly instalments covering both interest and principal are payable until the Loan is fully repaid by its maturity ("**Repayment Loans**"). Supporting life assurance cover is not always required to be charged by way of security but may be in some cases;
- (b) Loans in relation to which the principal amount is not repayable before maturity and which have no collateral as security other than the relevant Property ("**Interest Only Loans**"); and

- (c) Loans under the terms of which a Borrower is allowed to effect (at its option) a separation of the repayable amounts into two portions, one in respect of which the Borrower will only pay interest until the date of the Loan's maturity (the "**Interest-only portion**") and the other in respect of which the Borrower will make payments incorporating both interest and principal components (the Repayment Portion) (the "**Part Interest/Repayment Loans**").

#### Interest Rate Features

The manner in which interest is calculated and payable in respect of Loans in a Series Portfolio will be identified in the Supplement related to the relevant Series Portfolio. Below is a description of the various methods in which interest is calculated and payable in respect of Loans originated by a Series Originator. If any future methods should vary from these, the manner in which interest is calculated and payable in respect of the Loans sold by the Seller to the relevant Series AssetCo will be disclosed in the relevant Supplement.

- (a) Loans under the terms of which interest is payable at relevant Series Originator's standard variable rate being a variable rate of interest which is determined by reference to the Bank of England's base rate ("**Bank Base Rate**") plus available margin ("**Standard Variable Rate**") ("**Standard Variable Rate Loan**");
- (b) Loans under the terms of which interest accrues at a fixed rate of interest and is payable during an agreed period during which period the interest is not capable of being reset ("**Fixed Rate Loan**"). The period during which the rate is fixed is known as the "**Fixed Rate Period**";
- (c) Loans under the terms of which interest accrues at a rate which is variable but which may not exceed a specified cap rate of interest during an agreed period ("**Capped Rate Loan**");
- (d) Loans under the terms of which the interest rate accrues at a fixed margin over a specified reference rate set out in the relevant Supplement as determined periodically in accordance with the relevant Mortgage Conditions ("**Tracker Rate Loan**" and together with the Fixed Rate Loan and Capped Rate Loan, the "**Restricted Rate Loans**");
- (e) Loans under the terms of which the interest rate payable is linked to the Bank Base Rate plus a margin and is reset in accordance with changes in the Bank Base Rate ("**BBR Loans**" and, together with the Standard Variable Rate Loans, the "**Variable Rate Loans**"); and
- (f) Loans under the terms of which the interest rate payable is discounted from the Standard Variable Rate or the Bank Base Rate for a specified period ("**Discount Rate Loans**"). The period during which the discount exists for each Loan is known as a "**Discount Period**". At the end of the Discount Period, the interest rate payable on such loans by a Borrower shall change to being another type of Restricted Rate Loan.

#### Mortgage Early Repayment Charges

The Loans provide that the Borrowers may prepay principal at any time without prior notice. The relevant Series Portfolio may include some Loans in respect of which, for a specified period, such a prepayment of principal gives rise to an obligation to pay an additional sum (a "**Mortgage Early Repayment Charge**") and such period and the size of that additional sum are specified in the relevant Mortgage Conditions.

A wide range of factors will affect the Mortgage Early Repayment Charges received by the relevant Series AssetCo, including the date of origination of each Loan comprised in a Series Portfolio, 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.

#### Enforcement Procedures

Each Series Originator will have established procedures that it is required to adhere to for managing Loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing.

These same procedures, as from time to time varied in accordance with the practice of a Prudent Mortgage Lender as dictated by the Programme Servicer, will continue to be applied in respect of arrears arising on the Loans. In this context, all elements of the Enforcement Procedures will be operated by the Programme Servicer.

#### Arrears Loans

The relevant Series Portfolio may include "**Arrears Loans**" in respect of which the Borrowers are in arrears and the relevant Supplement will include some further information regarding the level of arrears.

#### Types of Borrowers

- (a) Generally, the Loans in the Series Portfolio will be "**Individual Loans**" where the relevant Borrowers in respect of the Loans are individuals. The Loans may also include the following:
- (b) "**Corporate Loans**" where the Borrowers are limited liability companies incorporated in a jurisdiction and with further details as set out in the relevant Supplement;
- (c) "**Non-Conforming Loans**" which were underwritten in accordance with the Lending Criteria on terms generally consistent with those used by residential mortgage lenders lending to borrowers who do not satisfy the requirements of building societies or high street banks (including Loans made to Borrowers who may previously have been subject to a county court judgement or the Scottish or Northern Irish equivalent ("**CCJ**" which expression shall, in relation to Northern Irish Loans, include judgments of the High Court and a County Court), individual voluntary arrangement ("**IVA**") or bankruptcy order (or the Scottish equivalent), Borrowers who may previously have been in arrears under a mortgage loan, and Borrowers who were, at the time of application for their Loan, self-employed and Borrowers who were at the time of application for their Loan otherwise considered by bank and building society lenders to be non standard borrowers; and
- (d) "**Self-Certified Loans**" where the Borrower's income was accepted as stated by the prospective borrower without further verification once positive identification of the Borrower was provided and the Borrower had passed the relevant Series Originator's credit assessment.

#### Use of Properties

The relevant Series Portfolio may include:

- (a) "**Owner Occupied Loans**" which relate to a Property purchased by the Borrower to be occupied as the primary residence of such Borrower; or
- (b) "**Investment Home Loans**" (also known as "**Buy to Let Loans**") which relate to a Property purchased by the Borrower to be occupied by tenants for residential purposes or by the Borrower himself (but other than as an Owner Occupied Loan). It will normally be the intention that these Properties in respect of Investment Home Loans will be let under an assured shorthold tenancy (or, in respect of Scottish Loans, a short assured tenancy, or, in respect of Northern Irish Loans, an agreement which confers similar rights as an assured shorthold tenancy on the landlord and tenant) and in all cases that the occupier will have no statutory security of tenure. However, if the occupier's tenancy has been approved by the lender, the lender will not be able to sell with vacant possession if it wishes to enforce its security, until such time as the tenancy comes to an end.

#### Governing Law

Each Loan in a Series Portfolio will be governed by the law (and also subject to the jurisdiction of the courts) expressed in each such document to be the governing law of that Loan. The governing law of the Loans will be either English law, Northern Irish law or Scots law.

#### Lending Criteria

The "**Lending Criteria**" in respect of the Loans comprising a Series Mortgage Pool (including those Loans where Retentions are expected to apply) will be as further set out in the relevant Supplement.

### Loan Amount

The Loan at the time of completion must be at least £25,001 (or, for credit agreements made before 1 May 1998, over the financial limit then in force under the Consumer Credit Act).

### Right to Buy

Certain of the Loans have been made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under Section 156 of the Housing Act 1985 or Part III of the Housing (Scotland) Act 1987 as amended by Chapter 2 of the Housing (Scotland) Act 2001 or under the Northern Ireland Housing Executive House Sales Scheme as provided for by the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Orders 1986 and 1992 and the Housing (Northern Ireland) Order 2003, as the case may be ("**Right to Buy Loans**").

Properties sold under the Right to Buy scheme of the Housing Act 1985 are sold by the local authority at a discount to market value calculated in accordance with the Housing Act 1985. A purchaser under this scheme must, if he sells the property within three years (or in cases where the right to buy was exercised in relation to properties in England and Wales after 18 January 2005, five years), repay a proportion of the discount received or the resale price to the Local Authority. The Local Authority obtains a statutory charge over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. This statutory charge ranks senior to other charges including that of any mortgage lenders, unless (a) the mortgage lender is an approved lending institution for the purposes of the Housing Act 1985 and has extended the Loan to the purchaser for the purpose of enabling him to exercise the right to buy or (b) the relevant Local Authority issues a deed of postponement postponing its statutory charge to that of a mortgage lender. Amendments to the Housing Act 1985 introduced by the Housing Act 2004 give the relevant Local Authority (or other landlord) a right of first refusal should the relevant property be disposed of within the first ten years following the exercise of the right to buy (where the right to buy is exercised after 18 January, 2005). The consideration payable by the relevant Local Authority (or other landlord) is the value of the property determined in the absence of agreement between the Local Authority (or other landlord) and the owner, by the district valuer. This right of first refusal may add to the time it takes to dispose of a property where the security is enforced and the district valuer may determine that the value of the property is lower than the lender believes is available in the market.

Properties sold under the Right to Buy provisions of the Housing (Scotland) Act 1987 as amended by Chapter 2 of the Housing (Scotland) Act 2001 are sold by a local authority or other landlord to which the provisions apply at a discount to market value calculated in accordance with the Housing (Scotland) Act 1987 (as amended). A person who has purchased a property in exercise of a right to buy and who, subject to certain exceptions, before the expiry of the discount period sells or otherwise disposes of the property is liable to repay 100 per cent. of the discount where the disposal occurs within the first year after the date of service of notice, 66 per cent. where it occurs in the second such year and 33 per cent. where it occurs in the third such year. Where the local authority or other landlord to which the provisions apply secures the liability to make repayment of the discount, this security will have priority immediately after (a) any standard security granted in security of a loan either for the purchase or for the improvement of the house and any interest, present or future due thereon (including any such interest which has accrued or may accrue) and any expenses or outlays (including interest thereon) which may be, or may have been, reasonably incurred in the exercise of any power conferred on the lender by the deed expressing the said standard security and (b) if the local authority or other landlord to which the provisions apply consents, a standard security over the house granted in security of any other loan and in relation thereto any such interest, expenses or outlays as aforesaid.

In Northern Ireland, a similar Right to Buy scheme operates through the Northern Ireland Housing Executive (the "**NIHE**"), although certain differences apply regarding repayment of discount. In particular, a purchaser must repay the entirety of the discount if he sells the property at any time within five years of acquiring it. Furthermore, the NIHE acquires an option to purchase the property from the owner for the time being in the event of the owner wishing to sell the property within 10 years of the date of acquisition. The deed transferring the property to the first owner charges the property with payment of any sums due under the discount covenant and with any damages which may become due from the owner in respect of any breach of the obligations imposed by the option to purchase.

The discount covenant charge and the charge over damages for breach of the obligations imposed by the option to purchase which are created under the standard terms of the NIHE scheme take priority

immediately after any mortgage securing any amount left outstanding by the purchaser and advanced to him by a lending institution for the purpose of buying his house or further advanced to him.

In relation to any subsequent charge granted to any lending institution other than that which provided the initial loan to buy the house, NIHE has a discretion to postpone its charge to this subsequent charge. Such a subsequent charge would include a charge in favour of a new or subsequent lender if the purchaser were to transfer his initial mortgage to a new or subsequent lender within a period of five years after purchase of the house (being the period during which NIHE may recoup discount pursuant to the discount covenant charge). This discretion is rarely exercised by NIHE.

Considerations in respect of application of the money for approved purposes do not apply in Northern Ireland.

unless otherwise indicated in the relevant Supplement, the Seller shall represent and warrant in the relevant Series Portfolio Purchase Agreement that, in relation to each Right to Buy Loan:

- (a) the relevant Series Originator of such Loan is an approved lending institution under the relevant legislation and has obtained a deed of postponement from the relevant Local Authority postponing the Local Authority's charge arising under the Housing Act (1985) or from the Northern Ireland Housing Executive postponing its charge under The Housing (Northern Ireland) Order 1983 (as amended), as the case may be, or, in Scotland, has priority, whether in terms of the Housing (Scotland) Act 1987 (as amended) or any discount standard security securing the liability to make repayment of the discount or by a ranking agreement, ahead of the relevant Local Authority or other relevant landlord's discount standard security under the Housing (Scotland) Act 1987;
- (b) the original advance was made to the person exercising the right to buy; and
- (c) the relevant advance was made for the purpose of enabling the recipient to purchase the relevant Property and certain home improvements.

#### Changes to Lending Criteria

Subject to obtaining any relevant consents, the Seller may vary the Lending Criteria from time to time in the manner of a reasonably prudent mortgage lender lending to borrowers in England, Wales, Northern Ireland and Scotland who include the recently self employed, independent contractors, temporary employees 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 (a "**Prudent Mortgage Lender**").

#### Flexible Loans

The relevant Series Portfolio may include "**Flexible Loans**" where, except to the extent indicated otherwise in the relevant Supplement, Borrowers have the right to make principal overpayments and, as described below, in certain circumstances to obtain from time to time Flexible Drawing Advances. If Flexible Loans are included in a Series Portfolio, the relevant Supplement will contain further information and data relating to them.

In relation to a Flexible Loan the Borrower has in certain circumstances, the right to obtain Flexible Drawing Advances up to then "**Flexible Drawing Available Amount**", being the amount (if any) by which the then Flexible Mortgage Maximum Balance exceeds the actual balance then outstanding in respect of the relevant Flexible Mortgage. For these purposes, the "**Flexible Mortgage Maximum Balance**" at any time is the principal balance which would have been outstanding at such time in respect of the relevant Flexible Loan if the relevant Borrower had only paid each minimum monthly payment as and when due. In the case of a Repayment Loan, the Flexible Mortgage Maximum Balance will reduce over the period of repayment of the advance secured by the Flexible Loan by the amount of each scheduled principal repayment comprised in the applicable minimum monthly payment. In the case of an Interest Only Loan or Part Interest/Repayment Loan, the Flexible Mortgage Maximum Balance will usually be the full principal amount initially advanced secured by the Loan until repayment by the Borrower at the scheduled maturity date. Accordingly, there will be a Flexible Drawing Available Amount during each period when the total payments made by the relevant Borrower into his Flexible Mortgage account exceed the aggregate of (i) the total minimum monthly payments that have fallen due

and payable in respect of the relevant Flexible Loan and (ii) the total amount of Flexible Drawing Cash Advances which the Borrower has obtained.

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

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

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

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

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

Under the terms of some Flexible Mortgages the Borrower may be obliged to pay a monthly commitment fee (the "**Flexible Mortgage Commitment Fee**") being calculated by multiplying a predetermined rate by the amount (if any) by which the Flexible Drawing Available Amount exceeds the Flexible Drawing Scheduled Available Amount. For these purposes the "**Flexible Drawing Scheduled Available Amount**" is, on the relevant date, a predetermined percentage (not exceeding as at the relevant Issue Date the "**Flexible Drawing Scheduled Available Amount**", being the rate specified under the heading Flexible Drawing Scheduled Available Amount in the relevant Supplement) of the then Flexible Mortgage Maximum Balance.

### **Further Advances and Retentions**

#### *Further Advances*

Further Advances in respect of any Series Portfolio, will be governed by the Lending Criteria and, together with the initial advances, must not exceed the maximum loan amount permitted by the relevant Lending Criteria. Generally, the Borrower must not be in arrears in relation to the existing Loan in respect of the relevant Series Portfolio, and should not have been in arrears for any significant period of time.

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

Further Advances may be funded by the relevant Series AssetCo in respect of any Loan as set out in the relevant Supplement and if the following are satisfied:

- (a) the Lending Criteria so far as applicable are satisfied at the relevant time subject to such waivers as might be within the discretion of a Prudent Mortgage Lender, all as will be provided in the Series Portfolio Services Agreement;

- (b) the applicable "**Further Advance Requirements**" (if any) specified in the relevant Supplement are satisfied; and
- (c) an amount sufficient to fund the relevant Further Advance is then standing to the credit of the Series Principal Ledger relating to the relevant Series or, where such funds are insufficient, the proceeds of any Series Subordinated Loan is made available under the relevant Series Intercompany Loans Agreement for such purpose.

#### Retentions

In cases where a property valuer determines that there is a need for additional remedial (or, in respect of new construction, completion) work to be performed on a Property, a Series Originator usually retains, in full or in part, certain amounts which would otherwise have been extended to the Borrower under the relevant Loan on the initial drawdown date until such time as the work deemed necessary is successfully completed. Accordingly, upon the satisfactory completion of such work, the Borrower is entitled to receive such retained funds under the Loan from a Series Originator. Retentions will only be released by a Series Originator to a Borrower when the required work is completed to a satisfactory standard, the relevant Property has been re-inspected and the relevant Series Originator confirms to the Seller that the Retention is due to the Borrower under the relevant Loan.

The increase in the Balance of a Loan associated with the release of a Retention to a Borrower will be purchased by the Issuer from a Series Originator subject to the following conditions:

- (a) the conditions relating to the release of that Retention under the relevant Loan have been fulfilled;
- (b) that Series Originator has delivered to the Seller a certificate confirming compliance with paragraph (a) above; and
- (c) the provisions of the FSMA, the CCA and the regulation promulgated thereunder, the Financial Services (Distance Marketing) Regulations 2004 and all other relevant laws, regulations, authorisation and permissions have been complied with to the extent that they apply to any such Retention; and
- (d) no Series Enforcement Notice has been given by the Series Security Trustee which remains in effect.

Unless otherwise specified in the relevant Supplement, the relevant Series AssetCo will fund the purchase of the increase in the Balance of a Loan following the release of a Retention as a Series Permitted Withdrawal (and paid outside of the relevant Series Priorities of Payments) from principal payments received on the Loans in a Series Portfolio and standing to the credit of the relevant Series Principal Ledger during the relevant Determination Period in which Retention is to be paid pursuant to the terms of the relevant Loan. See "*Credit Structure – Series Permitted Withdrawals*" below.

#### Insurance Contracts

##### Buildings Insurance

Except to the extent indicated otherwise in the relevant Supplement, under the relevant Mortgage Conditions each Borrower is required to insure the relevant Property under the Block Buildings Policy or with a third party insurer (a "**Third Party Policy**"). Third Party Policies are generally subject to underwriting and approval of individual Loans by the relevant insurers.

The Lending Criteria may require that either the relevant Property is insured under a block buildings policy (a "**Block Buildings Policy**") in the name of the relevant Series Originator or that that the Borrower has insured the Property under a buildings insurance policy.

The Seller will warrant in the relevant Series Portfolio Purchase Agreement that:

- (a) at the time the relevant Loan was completed, each related Property was either insured (i) under a Block Buildings Policy in the name of, *inter alios*, that Series Originator or (ii) under a buildings policy which the Borrower is required to take out in accordance with the relevant Series Originator's terms and conditions of the Loan, against fire and other commercial risks and for an



amount not less than the full reinstatement value determined by a valuer approved by that Series Originator other than in the case of leasehold properties where the landlord arranges insurance; and

- (b) each Block Buildings Policy is in full force and effect, all premiums have been paid as at the Issue Date and that that Series Originator is not aware of any grounds for the avoidance or termination of any of fee Block Buildings Policies so far, in each case, as they relate to the Properties.

#### Life Policies

The relevant Series AssetCo may have the benefit of the rights or interests of a Series Originator, if any, in certain life assurance policies ("**Life Policies**") provided as security in respect of certain of the Loans comprised in a Series Portfolio. However, in relation to all Loans, applicants may not be required to obtain life cover. The Life Policies generally provide that there is payable an amount which is expected, at the time of completion of the related Mortgage, to be sufficient to pay off the amount outstanding from time to time of the Loan (excluding any administration or other fee added to the Loan) in the event of the death of the Borrower (other than a Life Policy in the name of joint Borrowers where the policy monies are payable on the death of the first to die).

Where such policies are in place, the relevant Series Originator may not have taken any security or charge over such policies although where a Borrower has entered into a life policy and deposited such a policy with that Series Originator, it will be held to the order of the Seller who will in turn hold the benefit of such policies (if any) on behalf of the relevant Series AssetCo and the Series Security Trustee. No assurance can be given that the relevant Series AssetCo or the Series Security Trustee will receive any benefit of any claims made under any applicable life or endowment policies. If applicable, the relevant Supplement will provide the details of any Life Policies in respect of the Loans in the Series Portfolio.

#### ASU Policies

Certain Borrowers may have the benefit of accident, sickness and unemployment insurance ("**ASU Policies**"). These policies typically provide up to twelve months' cover in respect of mortgage interest payments. Payments under such policies are generally made directly to the lender but the lender is not generally expressed as an insured party under them. If applicable, the relevant Supplement will provide the details of any ASU Policies in respect of the Loans in the Series Portfolio.

## TITLE TO THE SERIES PORTFOLIOS

All of the Loans will be originated by a Series Originator and sold from that Series Originator to the Seller.

The sale of the Loans from a Series Originator to the Seller and their related English Mortgages and Northern Irish Mortgages may take effect in one of two ways: (1) equity only or, in the case of their related Scottish Mortgages (if any), by means of an assignment (but that only in accordance with the provisions of the relevant Series Portfolio Purchase Agreement) ("**Equitable Sale**") or (2) transfer of legal title ("**Legal Sale**").

### **Equitable Sale**

Save as provided for in the relevant Series Portfolio Purchase Agreement, in respect of an Equitable Sale, the Seller will not effect any registration at the Land Registries to protect the sale of the relevant Loans and the relevant Collateral Security by a Series Originator to the Seller nor, save as provided for therein, will the Seller be entitled to obtain possession of the title deeds to English Properties, Northern Irish Properties or Scottish Properties or the Loans and their related English Mortgages, Northern Irish Mortgages or Scottish Mortgages.

Save as provided for in the relevant Series Portfolio Purchase Agreement, notice of the assignment or assignment by a Series Originator to the Seller will not be given to the Borrowers unless the sale of the Loans was a Legal Sale.

Under the relevant Series Portfolio Purchase Agreement, the Seller will only be entitled to effect such registrations and recordings and give such notices as it considers necessary to protect and perfect its interests under the relevant Series Portfolio Purchase Agreement (as purchaser) in the Loans and the Security, *inter alia*, where (i) it is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority or (ii) an Enforcement Notice or, as applicable, a Series Enforcement Notice has been given. These rights are supported by an irrevocable power of attorney which may be given by a Series Originator.

The effect of (i) the sale of the relevant Loans and their Collateral Security by a Series Originator to the Seller taking effect in equity only (or, in the case of their related Scottish Mortgages (if any), no assignment being granted except in accordance with the provisions of the relevant Series Portfolio Purchase Agreement), and (ii) not giving notice to the Borrowers of such sale, is that the rights of the Seller may be, or may become, subject to equities (not applicable to properties in Scotland) as well as to the interests of third parties who perfect a legal interest or title prior to the Seller acquiring and perfecting a legal interest or title (such as, in the case of English Mortgages or Northern Irish Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Seller's interests or, in the case of English Mortgages or Northern Irish Mortgages over registered land (whether at any of the Land Registries), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Seller's interests).

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

### **Legal Sale**

The sale of the Loans from a Series Originator to the Seller and their related English Mortgages and Northern Irish Mortgages may take effect by Legal Sale. In such circumstances, application will be made to the Land Registry and the Northern Ireland Registries to transfer the Mortgages from the relevant Series Originator to the Seller and upon such transfers being complete, the Seller will be the legal owner of such Mortgages. It typically takes between 2 and 4 months in England and Wales (6 to 9 months in Northern Ireland) for the registration of the transfer of a Mortgage to be completed. Once the registration or recording of the transfers of the Mortgages to the Seller is complete, the Seller will be the legal owner of such Mortgages and the Seller will have legal to and the beneficial interest in each Loan.

### **Sale from Seller to relevant Series AssetCo**

The Loans comprising the relevant Series Portfolio and the Collateral Security will be sold by the Seller to the relevant Series AssetCo on or about the Issue Date, Prefunding Acquisition Date or any Transfer Date (as may be applicable).

The sale of the relevant Loans from the Seller to the relevant Series AssetCo and their related English Mortgages and Northern Irish Mortgages will take effect in equity only or, in the case of their related Scottish Mortgages (if any), by means of an assignment (but that only in accordance with the provisions of the relevant Series Portfolio Purchase Agreement), save as mentioned below. The relevant Series AssetCo will grant a first fixed equitable charge (or, in the case of Scottish Mortgages, an assignment in security) in favour of the Series Security Trustee over its interests in the relevant Loans and the relevant Collateral Security. The Life Policies (as defined in "*The Series Portfolios – Insurance Contracts – Life Policies*") will not be sold to the relevant Series AssetCo. However, the Seller will, so far as it is able and has the right to do so, agree under the relevant Series Portfolio Purchase Agreement that any right, benefit or interest that the Seller may have in the Life Policies in respect of the Loans, will be transferred to the relevant Series AssetCo. However, no assurances can be given, that the relevant Series AssetCo will receive any benefit of any claims made under the Life Policies in respect of the Loans.

The Programme Servicer is required under the terms of the Programme Servicing Agreement to ensure the safe custody of title deeds. The Programme Servicer will have custody of all title deeds in respect of the relevant Loans and the relevant Collateral Security as agent of the relevant Series AssetCo, or, where such title deeds are held by a third party, will ensure that they are held to the Programme Servicer's order.

Save as mentioned below, neither the Seller nor the Issuer nor the Series Security Trustee will effect any registration at any of the Land Registries to protect the sale of the relevant Loans and the Collateral Security by respectively, the relevant Legal Titleholder to the Seller and by the Seller to the relevant Series AssetCo, or the charge of them by the relevant Series AssetCo in favour of the Series Security Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to English Properties, Northern Irish Properties or Scottish Properties or the Loans and their related English Mortgages, Northern Irish Mortgages or Scottish Mortgages.

Save as mentioned below, notice of the assignment or assignment by a Series Originator to the Seller and by the Seller to the relevant Series AssetCo and the equitable charge in favour of the Series Security Trustee will not be given to the Borrowers.

Under the relevant Series Portfolio Purchase Agreement and the Security Deed, the relevant Series AssetCo (with the consent of the Series Security Trustee) or the Series Security Trustee will each be entitled to effect such registrations and recordings and give such notices as it considers necessary to protect and perfect the interests of the relevant Series AssetCo under the relevant Series Portfolio Purchase Agreement (as purchaser) and the Series Security Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, 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 or, as applicable, a Series Enforcement Notice has been given; (iii) the Series Security Trustee considers that the AssetCo Charged Property or any part thereof is in jeopardy (including the possible insolvency of a Series Originator); or (iv) any action is taken for the winding-up, dissolution, administration or reorganisation of a Series Originator. These rights are supported by irrevocable powers of attorney given, *inter alios*, by the relevant Series AssetCo and a Series Originator.

The effect of: (i) the sale of the relevant Loans and their Collateral Security by the Seller to the relevant Series AssetCo taking effect in equity only (or, in the case of their related Scottish Mortgages (if any), no assignment being granted except in accordance with the provisions of the relevant Portfolio Purchase Agreement); (ii) not giving notice to the Borrowers of the sale of the relevant Loans and their Collateral Security by a Series Originator to the Seller and by the Seller to the relevant Series AssetCo and the charging of the relevant Series AssetCo's interest in the Loans and their Collateral Security to the Series Security Trustee; and (iii) the charge of the relevant Series AssetCo's rights thereto in favour of the Series Security Trustee pursuant to the Security Deed taking effect in equity (or in respect of the Series Security Trustee's beneficial interest) only, is that the rights of the Seller, the relevant Series AssetCo and the Series Security Trustee may be, or may become, subject to equities (not applicable to properties in Scotland) as well as to the interests of third parties who perfect a legal interest or title prior to the Seller or the relevant Series AssetCo or the Series Security Trustee acquiring and perfecting a legal interest or title

(such as, in the case of English Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the relevant Series AssetCo's or the Series Security Trustee's interests or, in the case of Mortgages over registered land (whether at any of the Land Registries), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Seller's, relevant Series AssetCo's or the Series Security Trustee's interests).

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

## REGULATION OF THE UK RESIDENTIAL MORTGAGE MARKET

### Introduction

The following summary of certain regulatory considerations does not discuss all aspects of applicable legislation and other authorities which may be important to prospective investors.

#### Self-regulation under the Mortgage Code

Until 31 October 2004, residential mortgage business in the United Kingdom was self-regulated under the mortgage code (the "**Mortgage Code**") sponsored by the Council of Mortgage Lenders (the "**CML**") and policed by the Mortgage Code Compliance Board (the "**MCCB**"). Membership of the CML and compliance with the Mortgage Code were voluntary. The Mortgage Code set out a minimum standard of good mortgage business practice. Since 30 April 1998, lender-subscribers to the Mortgage Code were not able to accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on or after 1 November 2000 until 31 October 2004) the MCCB. The Mortgage Code ceased to apply on 31 October 2004 and the MCCB ceased its regulatory operations.

#### Financial Services and Markets Act 2000

On and after 31 October 2004 (the date known as N(M)), most first-charge residential mortgage business in the United Kingdom is regulated by the Financial Services Authority (the "**FSA**") under the Financial Services and Markets Act 2000 (the "**FSMA**") and subordinate legislation and brought within the jurisdiction of the Financial Ombudsman Service (the "**Ombudsman**").

The statutory regime applies to any "regulated mortgage contract" entered into or varied on or after N(M), which is a contract where, at the time the contract is entered into on or after N(M) (or varied sufficiently to amount to a new contract): (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first ranking legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with any dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

Entering into, advising on, administering and arranging regulated mortgage contracts (including arranging and advising on variations to such contracts) are regulated activities under the FSMA (together with agreeing to do any of these things).

Any person carrying out a regulated activity, unless an exemption is available, must be authorised by the FSA, with specific permission required from the FSA to engage in the activity. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a regulated mortgage contract will be unenforceable against the borrower except with the approval of a court.

In particular, an unauthorised person may arrange for an authorised person to administer its regulated mortgage contracts but, if that arrangement comes to an end, that unauthorised person may commit an offence if it administers the contracts for more than one month beginning with the day on which that arrangement comes to an end, although this will not render the contracts unenforceable against the borrower.

The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005. This order, which amends sections 82 and 146 of the CCA, is intended to remove the possibility that a mortgage agreement could fall to be regulated in certain circumstances under both FSMA and the CCA.

The FSA Mortgages: Conduct of Business Sourcebook (the "**MCOB**") sets out FSA rules in respect of regulated mortgage activities. These rules cover, *inter alia*, pre-contract disclosure, start-of-contract disclosure, post-sale disclosure (annual statements), rules on contract changes, charges, arrears and repossessions and certain pre-origination matters, such as financial promotions and pre-application illustrations. MCOB came into force on N(M). The FSA wrote in November 2005 to a number of mortgage providers to ask for explanations, to be provided before the end of 2005, of their calculations of

the amounts of early redemption charges that are contractually applicable in the event of an early redemption.

Prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities came into force on N(M), together with rules covering the extension of the appointed representatives regime (which previously applied to investment business) to mortgages.

Under Section 150 of the FSMA, a borrower is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule. In the case of such contravention by an originator, a borrower may claim such damages against the originator, or set off the amount of such claim against the amount owing by the borrower under the loan agreement or any other loan agreement that the borrower has taken from the originator. Any such set-off may adversely affect the ability of the Issuer to make payments to Instrumentholders.

So as to avoid dual regulation, it is intended that regulated mortgage contracts will not be regulated by the CCA. This exemption only affects credit agreements made on or after N(M), and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) constitutes a regulated mortgage contract. A court order is necessary, however, to enforce a land mortgage or heritable security securing a regulated mortgage contract to the extent that it would otherwise be regulated by the CCA or treated as such.

On and after N(M), no variation has been or will be made to the Loans, and nothing has been or will be done in relation to the Loans, where it will result in the Issuer or the Trustee entering into, advising on, administering or arranging a regulated mortgage contract (including arranging or advising on variation to such contract), or agreeing to do any of these things, if it would have been or would be required to be authorised under the FSMA to do so.

#### Office of Fair Trading

The Office of Fair Trading (the "**OFT**") has responsibility for the issue of licences under the CCA and the monitoring of activities of licence-holders. If the OFT feels that a licence-holder is no longer fit to hold his licence, the OFT can commence formal proceedings for the revocation of the licence. In the event that a consumer credit licence is revoked, the former licence-holder will no longer be able to carry on activities licensable under the CCA. The OFT may review businesses and operations, provide guidelines to follow, and take action when necessary with regard to the mortgage market in the United Kingdom.

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

The Non-Status Lending Guidelines for Lenders and Brokers (the "**Guidelines**") issued by the OFT in July 1997 and revised in November 1997 apply to all secured loans made to "**non-status borrowers**", defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating or who might otherwise find it difficult generally to obtain finance from traditional sources on normal terms and conditions. Most of the Borrowers would be so regarded.

The Guidelines are not legislation. They set out certain "principles" to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question.

The Guidelines provide guidance as to the activities of lenders and brokers in the non-status secured lending market in areas such as advertising and marketing, loan documentation and contract terms, selling methods, underwriting, dual interest rates, flat interest rates and early redemption payments. The Guidelines are designed to promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanations of all fees and charges payable by the borrower in connection with the mortgage.

According to the Guidelines, advertising and other promotional material must be clear and easily legible and should not be misleading, and the Guidelines prohibit unfair sales tactics.

The relationship between lenders and brokers is also addressed by the Guidelines. Brokers are obliged to disclose at the outset of the transaction their status with regard to the borrower and the lender, together with details of any fee or commission payable to them as broker or if they are tied to a particular lender.

Lenders must take all reasonable steps to ensure that brokers and other intermediaries regularly marketing their products do not engage in unfair business practices or act unlawfully, that they serve the best interests of the borrowers and explain clearly the documentation and consequences of any breach or early repayment by the borrowers.

The actions of any broker or other intermediary involved in marketing a 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 require that lenders carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to pay, taking into account all relevant circumstances, such as the purpose of the loan, the borrower's income, outgoings, employment and previous credit history. Lenders must take all reasonable steps to verify the accuracy of information provided by borrowers in respect of or in support of the loan application, and all underwriting staff must be properly trained and supervised.

The Guidelines emphasise prompt notification to borrowers of any changes in the terms and conditions of the mortgage. For example, the lender may not change the borrower's monthly payment date unilaterally unless at least two months' written notice has been given, and the borrower must be given written notice of any increase in interest rates at least fourteen days before the date on which the relevant payment falls due.

Charges payable on any early redemption (in whole or in part) are also dealt with in the Guidelines. Essentially, partial repayments must be permitted and any early repayment charges must do no more than cover the costs reasonably incurred by the lender in processing the payments and cover reasonable losses arising from the prepayment. The Guidelines state that lenders should discontinue the use of the "Rule of 78" in non-status loans unregulated by the CCA on the basis that it can be unfair and oppressive and should not apply it rigidly to existing loan agreements without a cap to ensure that payments on early redemption are not excessive. The "Rule of 78" was a method of apportioning interest in a way that front-loaded interest payments to the detriment of borrowers making early repayments.

The Guidelines also state that inclusion of an annual flat interest rate, in cases where the amount of interest component of the payment made by the borrower on each payment date under the loan is calculated on the basis of the full amount drawn under the loan, rather than the principal amount outstanding from time to time under the loan, should be avoided.

In addition, the Guidelines discourage lenders from charging a higher interest rate on default on the basis that it is unfair and oppressive. Any administrative charges incurred on default (or as a result of a partial repayment of principal) must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation.

Arrears must be dealt with sympathetically and positively and monitored closely, with repossession taking place only as a last resort. Additionally, the requisite court proceedings should not be instituted unless all other avenues have failed.

Lenders regulated by the FSMA are subject to "**responsible lending**" requirements. They are obliged to take account of the borrower's ability to repay before deciding to enter into a regulated mortgage contract (or to make further advances on such a contract). They must also put in place, and operate in accordance with, a written responsible lending policy.

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

The Unfair Terms in Consumer Contracts Regulations 1999 (the "**1999 Regulations**") and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**Regulations**") apply to agreements made on or after 1 July 1995 and apply to all or almost all of the Loans.

The Regulations provide that: (a) a consumer may challenge a standard term in an agreement on the basis that it is "**unfair**" within the Regulations and therefore not binding on the consumer; and (b) the OFT, the FSA and any other "**qualifying body**" (as defined in the 1999 Regulations) may seek to enjoin (or, in

Scotland, interdict) a business against relying on unfair terms, although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term.

This will not generally affect core terms, which set out the main subject matter of the contract (for example, the borrower's obligation to repay the principal), provided that these terms are written in plain and intelligible language and given sufficient prominence, but may affect terms deemed to be ancillary terms, which may include the ability to impose an early repayment charge and other terms the application of which are in the lender's discretion.

For example, if a term permitting the lender to vary the interest rate is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that he 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 such claim against the amount owing by the borrower under the loan agreement or under any other loan agreement that the borrower has taken with the lender. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Instrumentholders.

In February 2000, the OFT issued a guidance note (the "**Guidance Note**") on what the OFT considered to be "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and the Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR Linked Loans and the BBR Linked Loans are made on terms that provide for the mortgage rate to be at a fixed margin above the Loan LIBOR or Loan BBR (as applicable) and include an explanation of when and how the tracking will take effect.

Other interest variation terms (which are not related to such external rates) are likely to be regarded as being "unfair" by the OFT or the Consumers' Association unless: (a) the lender notifies each affected borrower in writing at least 30 days before the change in rate; and (b) the borrower is able to repay the whole loan within three months after the change without incurring an early repayment charge. The Guidance Note has been withdrawn from the OFT website and is currently under review by the OFT and the FSA. The FSA has agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is addressed to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides, *inter alia*, guidance relating to contracts that "**lock-in**" consumers (being contracts where, in order to withdraw from the contract, the consumer is required to give advance notice or to pay a cost or to give up a benefit). Firms are warned to take care to ensure that interest rate variation terms that apply to locked-in customers are fair. Firms may also consider drafting the contract to permit a change to be made only where any lock-in term is not exercised.

Under a concordat agreed between the FSA and the OFT with effect from 31 July 2006, all complaints referred to either the FSA or the OFT will be subject to determining which is best placed to consider the matter. In doing so, consideration will be given to matters such as which body will have responsibility for most of the contract or the particular terms of the provision complained about. It should be noted that the OFT on 5 April 2006, publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges, shall apply (or are likely to apply) also to analogous default charges in other agreements including those for mortgages.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission published a Joint Consultation Paper proposing changes to the 1999 Regulations, including harmonising provisions of the 1999 Regulations and the Unfair Contract Terms Act 1977. 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 business to show that the



term is fair and reasonable. It is too early to predict what effect the proposals, if enacted, would have on the Loans.

#### FSA Statement of Good Practice: standard variable rates of interest

As referred to above, in May 2006, the FSA published a statement of good practice that it expects lenders to follow in relation to their standard variable rate(s) of interest and practices associated with making changes to such rates. The FSA statement emphasised the need for fairness and transparency when making changes. The principles underlying the Regulations have informed the FSA's thinking in writing this statement.

#### Mortgage Exit Administration Charges

In 2006, the FSA investigated the early repayment charges policies and practices of a number of mortgage lenders. In January 2007, the FSA published a paper on best practices in relation to mortgage exit administration charges. It advised lenders to behave reasonably and in accordance with FSA's statement of best practice.

The FSA has the power to investigate practices in the residential lending market. As demonstrated above, it is willing to do so and to make statements to influence lenders.

#### 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 the CCA 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 under the CCA. Where the Credit Agreement is regulated by the FSA under the FSMA it is an exempt agreement under the CCA. There are no Loans comprised in the Provisional Mortgage Pool which are regulated by the CCA.

#### Financial Services (Distance Marketing) Regulations 2004

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication, (i.e., without any substantive simultaneous physical presence of the lender and the borrower). Regulated mortgage contracts under the FSMA will not be cancellable under these regulations, if originated by a United Kingdom lender from an establishment in the United Kingdom. Certain other credit agreements will indeed be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations or the rules of the FSA, the borrower may send notice of cancellation at any time before the end of the fourteenth day after the day on which the cancellable agreement is made if all prescribed information has been received or, if later, the borrower receives the last of prescribed information.

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

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

#### Financial Ombudsman Service

Under the FSMA, the Ombudsman is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis,

with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman may order a money award to the borrower. Any such award may adversely affect the ability of the Issuer to make payments to Noteholders.

### **Potential for Regulatory Changes**

In addition to the ongoing process of reform to the CCA set out above, the following developments may affect or lead to reform of the regulatory framework, legislation or rules applicable to mortgage lending.

#### *Professor Miles' Report on the UK Mortgage Market*

It was announced in the Budget statement made by the Chancellor of the Exchequer in April 2003, that Professor David Miles of Imperial College, London would review the UK mortgage market in order to (a) analyse the supply and demand side factors limiting the developments of the longer term fixed mortgage market in the United Kingdom to establish why the share of longer term fixed rate mortgages is so low compared to the United States and other EU countries; (b) consult with key stakeholders to establish views and inform analysis; (c) examine whether there has been any market failure that has held back the market for longer term fixed rate mortgages and consider associated opportunities, risks and potential costs. On 9 December 2003, the Interim Report of Professor Miles' review (the "**Interim Report**") was published and on 12 March 2004, the final report and recommendations (the "**Final Report**") was published.

The Final Report analyses why long-term fixed rate mortgages currently only account for a small proportion of the UK mortgage market. It confirms the findings of the Interim Report and concludes that the low take-up of these products is due principally to the fact that: (a) borrowers attach greater weight to the level of initial monthly repayments than to the overall cost of borrowing; (b) many borrowers have a poor understanding of risks involved with different mortgages; and (c) many mortgage lenders offer short-term fixed rate or discounted deals to new customers, which are subsidised by existing customers, and which make longer-term fixed rate mortgages look more expensive as a result.

Professor Miles made the following recommendations:

- (a) the FSA should require mortgage advice to better take account of consumer attitudes to risk and the risk characteristics of different mortgage products;
- (b) the FSA should require additional pre-sale disclosure to be made in relation to the variability of rates;
- (c) increased emphasis should be placed on improving the financial capability of consumers, particularly in relation to the risks associated with mortgage borrowing and resources should be raised from levies placed on the financial services industry;
- (d) the FSA should remove barriers to switching by requiring all products to be available to all borrowers such that incentivised rates offered only to new customers should be prevented and should improve consumer awareness of the process involved in remortgaging; and
- (e) awareness of the FSA comparative tables on mortgages should be improved by mandatory disclosure in customer documentation and that leaflets disclosing rates on all products offered by a lender should be distributed with annual statements to borrowers.

Professor Miles additionally made a number of recommendations in relation to the funding for lenders of long-term lending products.

It is possible that these recommendations may be accepted and may result in changes to regulatory requirements. No assurance can be given that any recommendations, if adopted, will not have an adverse effect on the Loans, the Series Originators, the Issuer, the Programme Servicer, any Series Servicer and the Special Servicer and their respective businesses and operations.

### Second Revised Proposal for a new Consumer Credit Directive

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 surety agreements entered into by consumers. In its original form, the proposal prescribes requirements for, *inter alia*, further drawings and further advances made in relation to existing agreements and new agreements, and provides that Loans which do not comply with these requirements may be unenforceable.

There was significant opposition from the European Parliament to the original form of the proposed directive, and there are differences of opinion as to the extent to which it should apply to Loans. In October 2004, the European Commission published an amended form of the proposed directive. In this amended form, the proposed directive would have applied to any loan secured by a mortgage on land that includes an equity release element and is not over €100,000, but it was unclear whether it would apply to further drawings and further advances made in relation to agreements existing before national implementing legislation comes into force.

In February 2005 the DTI published a consultation paper on the European Commission's amended form of the proposed directive, and in June 2005 a summary of responses to this consultation. The European Commission published on 19 July 2005 a green paper on mortgage credit in the EU launching a consultation lasting until 30 November 2005.

In October 2005, the European Commission published a second revised proposal for the directive. Under this second revised proposal the regulated agreement regime would be restricted to consumer credit of up to €50,000 and a stand-alone category for credit contracts of up to €300 each. The DTI published a secondary consultation on the European Commission's second revised text in March 2006 and a Government response to that consultation was published in November 2006.

The proposed directive is potentially to be discussed at a meeting of the Competitiveness (Internal Market, Industry and Research) Council in May 2007. It is not known when (if at all) the directive will then come into force, and Member States will then have a further two years in which to bring national implementing legislation into force. 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 Series Originators, the Issuer, the Programme Servicer, any Series Servicer or the Special Servicer and their respective businesses and operations. No assurance can be given that the finalised directive and the United Kingdom implementing legislation will not adversely affect the ability of the Issuer to make payments to Instrumentholders.

### Unfair Commercial Practices Directive 2005

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive will affect all contracts entered into with persons who are natural persons and acting for purposes outside their trade, business, craft or profession. Although the Unfair Practices Directive is not concerned solely with financial services, it may have some impact in relation to the residential mortgage market.

Under the Unfair Practices Directive, a commercial practice is to be regarded as unfair if it is: (a) contrary to the requirements of professional diligence; and (b) materially distorts or is likely to distort the economic behaviour of the average consumer who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group). In addition to the general prohibition on unfair commercial practices, the Unfair Practices Directive contains provisions aimed at aggressive and misleading practices and a list of practices which will in all cases be considered unfair.

The Unfair Practices Directive is a maximum harmonisation measure which means that Member States will be prevented from retaining consumer protection measures which go beyond it within its scope. However, in relation to financial services, member states are permitted to retain protections which go beyond the requirements of the Unfair Practices Directive. Therefore, in the context of financial services, the Unfair Practices Directive will potentially place additional obligations on mortgage lenders where there currently are no specific rules applying.

The Unfair Practices Directive is due to be implemented by Member States by 12 June 2007 and the implementing provisions are to come into force by 12 December 2007, subject to a transitional period until 12 June 2013. In December 2005, the DTI published a consultation paper on the proposed implementation of the Unfair Practices Directive in the UK. A second consultation was issued by the DTI in December 2006. Whilst the consultation papers indicate that the Government has decided to repeal much existing domestic legislation which overlaps with, and is replicated by, the Unfair Practices Directive, the DTI expects the regulations implementing the directive to become the main law regulating fair trade in the UK. Until the final details of the United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the Unfair Practices Directive would have on the Loans, the Series Originators, the Issuer, the Programme Servicer, any Series Servicer, the Special Servicer and the Programme Cash Manager and their respective businesses and operations. No assurance can be given that the United Kingdom's implementation of the Unfair Practices Directive will not adversely affect the ability of the Issuer to make payments to Instrumentholders.

## **USE OF PROCEEDS**

The net proceeds from each issue of the Notes (excluding the Subordinated Notes (if any)) will primarily be applied by the Issuer to provide to the relevant Series AssetCo on each Issue Date a Series Intercompany Loan to enable the relevant Series AssetCo to purchase a Series Portfolio. In respect of the Subordinated Notes (if any) of a Series the proceeds will be used to provide the relevant Series AssetCo on each Issue Date a Series Subordinated Loan to enable the relevant Series AssetCo to fund its Series Reserve Account and to meet the cost and expenses arising in respect of the issue of the Notes of the relevant Series, or incurred by the relevant Series AssetCo and advanced by the Issuer to the relevant Series AssetCo.

## DESCRIPTION OF THE INSTRUMENTS

### General

The issue of the Instruments will be the subject of a trust deed dated the Programme Establishment Date (as amended or supplemented from time to time, the "**Trust Deed**") and made between the Issuer and ABN AMRO Trustees Limited (the "**Trustee**", which expression includes any further or other trustee of the Trust Deed) as trustee for, among others, the holders for the time being of (i) the Notes (the "**Noteholders**"), and (ii) the Subordinated Notes (the "**Subordinated Noteholders**" and together with the Noteholders the "**Instrumentholders**"). Under the terms of the agency agreement dated on or about the Programme Establishment Date (the "**Agency Agreement**", which expression includes any modification thereto) and made between, among others, the Issuer, the Trustee, ABN AMRO Bank N.V., London Branch as agent bank (in such capacity, the "**Agent Bank**", which expression includes any other agent bank appointed in respect of the Instruments), as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the Instruments), NCB Stockbrokers Limited as Irish paying agent (the "**Irish Paying Agent**" and together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any other Irish paying agent appointed in respect of the Instruments), and ABN AMRO Bank N.V., London Branch as registrar for the Instruments (the "**Registrar**" which expression includes any other registrar appointed in respect of the Instruments) and as transfer agent in respect of the Instruments (together with any successor or additional transfer agent appointed from time to time in respect of the Instruments, the "**Transfer Agents**", provision is made for the payment of principal and interest in respect of the Instruments. The statements in the Note Conditions and the Subnote Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Issuer Security Deed.

Copies of the Issuer Transaction Documents are available for inspection by the Instrumentholders upon reasonable notice during normal business hours at the principal office for the time being of the Trustee, being at the Programme Establishment Date at 82 Bishopsgate, London EC2N 4BN and at the specified offices for the time being 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 each Issuer Transaction Document.

### Global Instruments

#### *Representation of Notes*

The Notes (a) which are Reg S Notes and will be represented by a global certificate in fully registered form (the "**Reg S Global Note**") and (b) which are Rule 144A Notes will be represented by a global certificate in fully registered form (the "**Rule 144A Global Note**" and together with the Reg S Global Note, the "**Global Notes**") each of which shall be issued on each Issue Date.

#### *Representation of Subordinated Notes*

The Subordinated Notes will be represented by a global certificate in fully registered form (the "**Global Subordinated Note**" and together with the Global Notes, the "**Global Instruments**") which shall be issued on the relevant Issue Date as specified in the relevant Supplement.

#### *Deposit of Global Notes*

The Rule 144A Global Notes will be deposited on behalf of the subscribers of such Notes with LaSalle Bank National Association as custodian (the "**Custodian**") for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee on the date of issue of the Notes (the "**Issue Date**").

The Global Instruments will be deposited on behalf of the subscribers of such Instruments with ABN AMRO GSTS Nominees Limited as nominee for ABN AMRO Bank N.V., London Branch as common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on the relevant Issue Date. Reference to Euroclear or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Trustee.

## **Transfers and Transfer Restrictions**

Title to the Global Instruments and any definitive instruments issued in respect thereof will pass by transfer and registration. No Global Instrument will be exchangeable for Definitive Notes or Definitive Subordinated Note Certificates, as the case may be, except in the limited circumstances described below. Each of the persons appearing from time to time in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of an Instrument will be entitled to receive any payment so made in respect of that Instrument in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC as appropriate.

For so long as Instruments are represented by a Global Instrument, and such Global Instrument is held through Euroclear, Clearstream, Luxembourg or DTC as appropriate, such Instruments will be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC as appropriate. See "*Clearance and Settlement*" below.

The Rule 144A Global Notes will bear a legend substantially identical to that appearing under "*Transfer Restrictions*", and neither such Rule 144A Global Notes nor any book-entry interest therein may be transferred except in compliance with the transfer restrictions set forth in such legend and the regulations referred to in Condition 1 (*Form, Denomination and Title*). Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the corresponding Reg S Global Note, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Trust Deed) to the effect that among other things, such transfer is being made outside the United States to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of 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.

A beneficial interest in a Reg S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the corresponding Rule 144A Global Note only upon receipt by the Registrar of a written certificate from the transferor (in the form provided in the Trust Deed) to the effect that, among other things, such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer.

Any beneficial interest in a Reg S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the corresponding Rule 144A Global Note will, upon transfer, cease to be represented by a beneficial interest in such Reg S Global Note and will become represented by a beneficial interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such Rule 144A Global Note. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a corresponding Reg S Global Note will, upon transfer, cease to be represented by a beneficial interest in such Rule 144A Global Note and will become represented by a beneficial interest in such Reg S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such Reg S Global Note.

A person acquiring a beneficial interest in a Rule 144A Global Note shall be deemed to have agreed to be bound by the transfer restrictions applicable to such Note and may be requested to agree in writing to be so bound. These transfer restrictions are set forth in the section entitled "*Transfer Restrictions*".

## **Clearance and Settlement**

Ownership of beneficial interests in the Global Instruments will be limited to persons that have accounts with Euroclear, Clearstream, Luxembourg or DTC ("**participants**") or persons that hold interests in the Global Notes through participants ("indirect participants"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC either directly or indirectly. Indirect participants shall also include persons that hold beneficial interests through such indirect participants. Euroclear, Clearstream, Luxembourg and DTC as applicable, will credit the participants' accounts with the respective amount of Instruments beneficially owned by such participants on each of their respective book-entry registration and transfer systems. Beneficial interests in the Global Instruments will be shown on, and transfers of

book-entry interests or the interest therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their indirect participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge book-entry interests.

Except as set forth below under "*Issue of Instruments in Definitive Form*", 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 registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a beneficial interest in the Global Instruments must rely on the rules and procedures of Euroclear, or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participants or indirect participants through which such person owns its interest in the relevant Global Instruments, to exercise any rights and obligations of an Instrumentholder under the Trust Deed.

Unless beneficial interests in the Global Notes are exchanged for Notes in definitive form ("**Definitive Notes**") or beneficial interests in the Subordinated Note Certificates are exchanged for Subordinated Note Certificates in definitive form ("**Definitive Subordinated Note Certificates**", and together with the Definitive Notes, the "**Definitive Instruments**"), the Global Instruments registered in the name of the Common Depositary for Euroclear and Clearstream, Luxembourg, as the case may be, may not be transferred except (a) to reduce the Principal Amount Outstanding of a Global Instrument of one class and to increase the Principal Amount Outstanding of the corresponding Global Instrument of the same class as provided in the regulations concerning transfers of (i) Notes set out in Condition 1 (*Form, Denomination and Title*) and (ii) Subordinated Notes set out in Subnote Condition 1 (*Form, Denomination and Title*) and (b) as a whole (i) in the case of the Rule 144A Global Notes, 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, and (ii) in the case of the Reg S Global Notes and the Global Subordinated Notes, by Euroclear or Clearstream, Luxembourg to the Common Depositary or by the Common Depositary to Euroclear or Clearstream, Luxembourg, or another nominee of Euroclear and Clearstream, Luxembourg or by Euroclear and Clearstream, Luxembourg or any such nominee to a successor of Euroclear or Clearstream, Luxembourg, as the case may be, or a nominee of such successor.

Investors may hold beneficial interests in respect of the Rule 144A Global Notes directly through DTC (if they are participants in such system), or indirectly through organisations which are participants in such system. All beneficial interests in the Rule 144A Global Notes will be subject to the procedures and requirements of DTC. Investors may hold beneficial interests in respect of the Reg S Global Notes and the Global Subordinated Notes directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. After the expiration of the Distribution Compliance Period (as defined below) but not earlier investors may also hold such beneficial interests through organisations, other than Euroclear or Clearstream, Luxembourg, that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold beneficial interests in each Global Note and Global Subordinated Note on behalf of their account holders through securities accounts in the respective account holders' name on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer system.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in the Global Instruments 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.

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

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

- (a) *DTC - DTC* is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "**clearing corporation**" within the meaning of the New York Uniform



Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC 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 representative) own DTC.

- (b) *Euroclear and Clearstream, Luxembourg* - Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities. Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other. Account holders in both Euroclear and Clearstream, Luxembourg are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if either the Issuer or the Trustee requests any action of owners of beneficial interests in Global Instruments or if an owner of a beneficial interest in a Global Instrument desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream, Luxembourg or DTC, as the case may be, would authorise the participants owning the relevant beneficial interest in the Global Instrument 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.

### **Payments**

Principal and interest on the Instruments represented by a Global Instrument will be payable to the registered owner thereof and such registered owner will be the only person entitled to receive payments in respect of such Global Instrument and the Issuer will be discharged by payment to, or to the order of the registered owner of such Global Instruments in respect of each amount so paid. No person other than the registered owner of the Notes represented by a Global Instrument shall have any claim against the Issuer in respect of any payment due on such Global Instrument.

All amounts payable to DTC or its nominee as registered holder of the Rule 144A Global Notes shall be paid by transfer to the sterling account or euro account or dollar account of the Exchange Agent (as applicable) on behalf of DTC or its nominee for conversion into and payment in U.S. dollars or in the currency of the relevant Rule 144A Global Note, as applicable, in accordance with the provisions of the Paying Agency Agreement.

Members of, or participants in, DTC, Euroclear and Clearstream, Luxembourg as well as any other persons on whose behalf such participants may act will have no rights under the Trust Deed with respect to the Rule 144A Global Notes, Reg S Global Notes and the Global Subordinated Note held on their behalf by the Custodian (with respect to the Rule 144A Global Notes) and the Common Depository for Euroclear and Clearstream, Luxembourg (with respect to the Reg S Global Notes). The Common Depository for Euroclear and Clearstream, Luxembourg or their nominees, may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the holder of such Rule 144A Global Notes, Reg S Global Notes or Global Subordinated Note as the case may be, for the purposes of payment.

The Issuer expects that 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 in respect of a Reg S Global Note or Global Subordinated Note held by the Common Depository for Euroclear and Clearstream, Luxembourg, the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Note and Global Subordinated Note as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that in the case of DTC, upon receipt of any payment in respect of a Rule 144A Global Note, DTC will promptly credit its participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Rule 144A Global Note as shown on the records of DTC. The Issuer expects that payments by participants to owners of beneficial interests in a Global Instrument held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in the names of nominees for such customers (with respect to the Global Instruments). Such payments will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee or any of their respective agents 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 beneficial interests in such Global Instruments or for maintaining, supervising or reviewing any records relating to a participant's ownership of beneficial interests in such Global Instruments.

#### **Issue of Instruments in Definitive Form**

If (a) the Notes or Subordinated Notes become due and repayable pursuant to Condition 10(a) (*Events of Default*) or Subnote Condition 10 (*Events of Default*) or (b) in the case of a Reg S Global Note and Global Subordinated Note, 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 has in fact done so and no successor clearing system acceptable to the Trustee is available, or (c) in the case of the Rule 144A Global Notes, DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to the Rule 144A Global Notes, or is at any time unwilling or unable to continue as, or ceases to be a clearing agency 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 (d) as a result of any amendment to, or change in (i) the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or (ii) the interpretation or administration of such laws or regulations, which becomes effective on or after the relevant Issue Date, the Issuer or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Instruments which would not be required were the Instruments in definitive form, then the Issuer will, within 30 days of the occurrence of the relevant event, issue serially numbered Instruments, as applicable, in definitive form in exchange for the whole outstanding interest in (A) the Reg S Global Notes (with respect to item (a), (b), and (d) above) and (B) the Rule 144A Global Notes (with respect to item (a), (c) and (d) above); provided that in no event will the Instruments be issued in definitive bearer form.

Any notice to Instrumentholders shall be deemed to have been duly given if published in accordance with Condition 14 (Notice to Noteholders) and Subnote Condition 16 (*Notice to Subordinated Noteholders*).

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions which, subject to completion and as supplemented, amended and/or replaced in accordance with the provisions of the relevant Supplemental Trust Deed and as reflected in the relevant Supplement, will be endorsed on or attached to each Global Note and each Definitive Note (if and to the extent applicable) and (subject to the provisions thereof) will apply to each such Notes. The applicable Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The applicable Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and Definitive Note. Reference should be made to "Form of Supplement" for a description of the content of Supplement which will specify which of such terms are to apply in relation to the relevant Tranche of Notes.

- (a) *Programme:* Uropa Securities PLC (the "**Issuer**") has established a mortgage backed securities programme (the "**Programme**") for the issuance of up to £15,000,000,000 in aggregate principal amount of Instruments (the "**Instruments**"). The Notes are constituted by a trust deed dated on or about the Programme Establishment Date (the "**Trust Deed**") between the Issuer and ABN AMRO Trustees Limited, (the "**Trustee**", which expression includes the trustee or trustees for the time being of the Trust Deed) and a supplement to the Trust Deed (the "**Supplemental Trust Deed**") in respect of Notes issued in each Series. References to the Trust Deed include references to the relevant Supplemental Trust Deed where the context admits.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**") and the Trustee shall exercise the duties, power, trusts, authorities and discretions vested in accordance with the provisions of the Trust Deed.

- (b) *Supplement:* Notes issued under the Programme are issued in Series (each a "**Series**") and each Series may comprise, *inter alios*, one or more classes of Notes as set out in the applicable Supplement. Each Series is the subject of a supplement to the Base Prospectus (the "**Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Series are these Conditions as supplemented, amended and/or replaced by the relevant Supplement and/or pursuant to the relevant Supplemental Trust Deed. In the event of any inconsistency between these Conditions and the relevant Supplement, the relevant Supplement shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an agency agreement dated on or about the Programme Establishment Date (the "**Agency Agreement**") between (*inter alios*) the Issuer, ABN AMRO Bank N.V., London Branch as principal paying agent (the "**Principal Paying Agent**"), as agent bank (the "**Agent Bank**"), as transfer agent (the "**Transfer Agent**") and as registrar (the "**Registrar**") and NCB Stockbrokers Limited as Irish paying agent (the "**Irish Paying Agent**", together with the Principal Paying Agent, the "**Paying Agents**"). In each case, the expression "**Principal Paying Agent**", "**Agent Bank**", "**Transfer Agent**", "**Registrar**" and "**Irish Paying Agent**" includes any successor to such person in such capacity in accordance with the Agency Agreement.
- (d) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Supplement. Copies of the relevant Supplement are available for inspection by the Noteholders during normal business hours and upon reasonable notice at the Specified Office of the Principal Paying Agent.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Supplemental Trust Deed, the Supplement and the Agency Agreement applicable to them. Copies of the Trust Deed, the Supplement and the Agency Agreement are available for inspection by Noteholders during normal business hours and upon reasonable notice at the specified office of the Principal Paying Agent.
- (f) *Capitalised Terms:* In these Conditions, capitalised words and expressions shall, unless otherwise defined herein, have the same meanings as those given in the Incorporated Terms Memoradums

(the "**Incorporated Terms Memorandums**") dated the Programme Establishment Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

### **Condition 1: Form, Denomination and Title**

The Notes will be represented by a global note in registered form (the "**Global Note**") which, in aggregate, will represent the aggregate principal amount of the outstanding Notes.

Title to the Global Notes will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**").

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

The Class of Note specified in the relevant Supplement may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Supplement.

#### Issuance of Definitive Notes

If Notes in definitive form are issued pursuant to Condition 15 (*Definitive Notes*), Definitive Notes in an aggregate principal amount equal to the relevant Principal Amount Outstanding (as defined in Condition 7(c) of the Global Note ("**Definitive Notes**") will be issued in registered form in the denomination of €50,000 and increments of €1,000 in excess thereof (an "**Specified Denomination**").

#### Title to Global Notes and Definitive Notes

Title to the Global Notes and the Definitive Notes will pass by and upon registration in the Register. The registered holder of the Global Note and each 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 the Global Note or Definitive Note, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than, in the case of a Definitive Note, a duly executed transfer of such Definitive Note in the form endorsed thereon. Each Definitive Note will be serially numbered.

For so long as the Notes are represented by the Global Note, the Issuer and the Trustee may (but shall not be obliged to) (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of the particular principal amount of Notes (each, an "**Accountholder**") as the holder of such principal amount of Notes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on the Global Note, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the Global Note in accordance with and subject to the terms of the Trust Deed.

#### Transfers of Notes

Transfers and exchanges of beneficial interests in the Global Note will be effected subject to and in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg, and DTC as appropriate. All transfers of Definitive Notes and entries on the Register in the case of any Definitive Notes will be made subject to any restrictions on transfers set forth on such Definitive Notes and the detailed regulations concerning transfers of such Definitive Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Definitive Note who so requests.

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

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

Registration of Definitive Notes 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, levy, duty, imports or other governmental charges which may be imposed in relation to it.

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

#### Reg S Notes

Notes offered, sold or delivered within the United States in reliance on Regulation S will be represented by a Global Note registered in the name of a nominee for, and deposited with, the Common Depositary. Prior to the expiry of the applicable Distribution Compliance Period (as defined below) required by Regulation S, beneficial interests in a Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in the Agency Agreement and such Global Note will bear a legend regarding such restrictions on transfer.

In this Condition, the "**Distribution Compliance Period**" means the period that ends 40 days after the later of the commencement of the offering of the Notes of the relevant Series and the Issue Date.

#### Rule 144A Notes

Notes offered, sold or delivered within the United States or to, or the the account or benefit of, U.S. persons (as such term is defined in Regulation S) will be evidenced by a Rule 144A Global Note, without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, the Depositary Trust Company ("**DTC**") on the Issue Date and will be offered, sold or delivered only to QIBs in private transactions exempt from the registration requirements of the Securities Act.

For so long as the DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes except to the extent that in accordance with DTC's published rules and procedures any ownership right may be exercised by its participants or beneficial owners through participants.

### **Condition 2: Status, Ranking and Security**

#### (a) ***Status and Ranking of the Notes***

The Notes constitute direct, secured and, subject, where applicable, as provided in Condition 5 (*Deferral of Interest and Principal*), unconditional obligations of the Issuer. The Notes of each Class rank *pari passu* without preference or priority amongst themselves and, in relation to other Classes of Notes of the same Series, rank as provided in the Issuer Priorities of Payments set out in the applicable Supplement.

The Trust Deed and each Supplemental Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all Classes of Notes comprised in a Series equally as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee with respect to such Series (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class or, as the case may be, Classes of Noteholders ranking most or more senior in the Issuer Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Issuer Post-Enforcement Priority of Payments set out in the applicable Supplement (where more than one *pari passu* Class of Notes ranks senior treating such Notes as a single Class for this purpose) if, in the Trustee's opinion, there is a conflict between the interests of the holders of any Classes of Notes comprised in a Series and to have regard only to the interests of the holders of the relevant Class or Classes of Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the holders of any Class or Classes of Notes and the holders of any Instruments other than Notes.

(b) ***Security***

The Issuer Security constituted by or pursuant to the Issuer Security Deed and/or any Issuer Security Deed Supplement in respect of each Series is granted to the Trustee, on trust for the Noteholders of such Series and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Issuer Security Deed and/or any Issuer Security Deed Supplement.

The Noteholders will share in the benefit of the Issuer Security constituted by or pursuant to the Issuer Security Deed and/or any Issuer Security Deed Supplement, upon and subject to the terms and conditions of the Issuer Security Deed and/or any Issuer Security Deed Supplement.

(c) ***Issuer Pre-Enforcement Priority of Payments***

Prior to enforcement of the Issuer Security by the Trustee, the Series Cash Manager, on behalf of the Issuer, is required to apply payments from the relevant Series AssetCo under the applicable Series Intercompany Loans Agreement in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priority of Payments (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Interest Payment Date in the manner specified in the relevant Supplement.

(d) ***Issuer Post-Enforcement Priority of Payments***

After enforcement of the Issuer Security by the Trustee, the Trustee shall apply all funds received by or on behalf of the Issuer and from the proceeds of enforcement of the Issuer Security to make payments in accordance with the Issuer Post-Enforcement Priority of Payments in a manner specified in the relevant Supplement and pursuant to, in accordance with and as set out in the Issuer Security Deed Supplement of the relevant Series.

The Issuer Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the relevant Issuer Security Deed Supplement and/or the Series Cash Management Agreement in respect of such Series to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liability of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the relevant Issuer Security Deed Supplement and/or the Series Cash Management Agreement in respect of such Series to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by an Extraordinary Resolution of the holders of the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments (where more than one Class of *pari passu* Notes ranks senior treating such Notes as a single Class for this purpose) set out in the relevant Supplement, having been indemnified and/or secured to its satisfaction.

**Condition 3: Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any Notes remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking except where the same is given pursuant to the Issuer Security Deed or in connection with the issue of a Series, but so that assets which are subject to a

fixed charge in connection with one Series may not be subject to a fixed charge in connection with another Series;

(b) ***Restrictions on Activities***

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) open any account whatsoever with any bank or other financial institution, save in connection with the issue of a Series where such account is immediately charged in favour of the Trustee and if so charged, the Issuer will obtain confirmation from such bank or financial institution that it will not exercise any right of set-off against the Issuer;
- (iii) have any subsidiaries or employees or premises; or
- (iv) act as a director of any company;

(c) ***Dividends or Distributions***

save as required in order to enable UK Holdings to meet its obligations under the Holdings Term Loan Agreement of the relevant Series, pay any dividend or make any other distribution to its shareholders or issue any further shares;

(d) ***Borrowings***

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person except where the same is incurred or given in connection with the issue of a Series;

(e) ***Merger***

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

(f) ***Disposal of Assets***

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein provided that the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein that forms part of the Series Assets of such Series where the proceeds of the same are applied, *inter alia*, in or towards redemption of such Series in accordance with the Conditions of such Series and the terms of the Transaction Documents relating to such Series;

(g) ***Tax Grouping***

become a member of a group of companies for the purposes of value added tax;

(h) ***Other***

permit any of the Transaction Documents specified in the applicable Supplement, the insurance contracts relating to the Loans owned by the relevant Series AssetCo or the priority of the security interest created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto, or permit any party to any of the Transaction Documents specified in the applicable Supplement or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents specified in the applicable Supplement.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents specified in the

applicable Supplement or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

#### **Condition 4: Interest**

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Supplement, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) a Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 4:

- (i) if "Actual/Actual (ISMA)" is specified in the applicable Supplement:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Supplement) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of



days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**"Interest Period"** means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

**"Interest Determination Date"** shall have the meaning given to it in the relevant Supplement;

**"Interest Commencement Date"** shall have the meaning given to it in the relevant Supplement;

**"Rate of Interest"** means the Minimum Rate of Interest or the Maximum Rate of Interest, each as defined in the relevant Supplement;

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) ***Interest on Floating Rate Notes***

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Supplement, each date (each such date, together with each Specified Interest Payment Date, a **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) a Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Supplement and (x) if there is no numerically corresponding day on the calendar month in which a Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4 (b)(i)(B) (*Interest*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls

the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

- (C) 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 any Additional Business Centre specified in the applicable Supplement; and
- (D) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "**TARGET System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Supplement.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant "**ISDA Rate**" plus or minus (as indicated in the applicable Supplement) the margin (if any). For the purposes of this sub-paragraph (A), ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent Bank under an interest rate swap transaction if the Agent Bank were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions (or any replacement thereof), as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and as amended and updated as at the Issue Date of the first Tranche of the Notes and under which:

- (1) the Floating Rate Option is as specified in the applicable Supplement;
- (2) the Designated Maturity is a period specified in the applicable Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the interest Determination Date in question plus or minus (as indicated in the applicable Supplement) the margin (if any), all as determined by the Agent Bank. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Supplement.

For the purposes of this sub-paragraph (B), "**Relevant Screen Page**" has the meaning given to it in the relevant Supplement.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Agent Bank will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent Bank will calculate the amount of interest (the "**Interest Amount**") payable in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (A) if "Actual/365" or "Actual/Actual" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365;
- (C) if "Actual/365 (Sterling)" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of a Interest Payment Date falling in a leap year, 366;
- (D) if "Actual/360" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 360;
- (E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if "30E/360" or "Eurobond Basis" is specified in the applicable Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and interest Amounts

The Agent Bank will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notice to Noteholders*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Trustee, each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday

or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Determination and/or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (A) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (B) calculate the Interest Amount in the manner specified in paragraph (iv) above, and any such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent or other person specified in the applicable Supplement as the party responsible for calculating the Rate of Interest and Interest Amount.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) (*Interest—Interest on Floating Rate Notes*) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the other Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Trustee or the Noteholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused or default is otherwise made in respect thereof. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) seven days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Trustee and to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*),

except to the extent that there is any subsequent default in payment. Any interest shortfall shall accrue interest during each Interest Period during which it remains outstanding in accordance with paragraph 7(d) below.

**Condition 5: Deferral of Interest and Principal**

- (a) Interest on the Notes shall be payable in accordance with Condition 4 (*Interest*), Condition 6 (*Payments*) and the applicable Supplement, except that if deferral of interest is indicated in the applicable Supplement in respect of a Class of Notes (except the Class of Notes ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement):

- (i) in the event that the aggregate funds (if any) calculated in accordance with the Series Priorities of Payments set out in the relevant Supplement as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest on such Class of Notes which is, due on such Interest Payment Date (such aggregate available funds being referred to in this Condition 5 as the Relevant Residual Amount) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 5, due on such Class of Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each Note of such Class, a *pro rata* share of the Relevant Residual Amount; and

- (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of the Relevant Residual Amount or, as the case may be, nothing is paid to Noteholders of any Class in accordance with such provisions, the Issuer (or the Series Cash Manager on its behalf) shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on such Class of Notes on any Interest Payment Date in accordance with this Condition 5 falls short of the aggregate amount of interest otherwise payable on such Class of Notes on that date pursuant to the provisions of Condition 4 (*Interest*) and the applicable Supplement. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable rate for such Class of Notes for such Interest Period. The amount of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of Condition 4 (*Interest*) as if it were, interest due, subject to this Condition 5, on such Class of Notes on the next succeeding Interest Payment Date.
- (b) Principal on the Notes shall be payable in accordance with Condition 6 (*Payments*) and Condition 7 (*Redemption and Post-Enforcement Call Option*) and the applicable Supplement, except that if deferral of principal is indicated in the applicable Supplement in respect of a Class of Notes (except the Class of Notes ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement):
  - (i) in the event that the aggregate funds (if any) calculated in accordance with the Issuer Post-Enforcement Priority of Payments set out in the applicable Supplement as being available to the Issuer on any Interest Payment Date for application in or towards the payment of principal on such Class of Notes which is, subject to this Condition 5, due on such Interest Payment Date (such aggregate available funds being referred to in this Condition 5 as the "**Principal Residual Amount**") are not sufficient to satisfy in full the aggregate amount of principal which is, subject to this Condition 5, due on such Class of Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of principal on each Note of such Class, a *pro rata*-share of the Principal Residual Amount; and
  - (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of the Principal Residual Amount or, as the case may be, nothing is paid to Noteholders of a Class in accordance with such provisions, the Issuer (or the Series Cash Manager on its behalf) shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on such Class of Notes on any Interest Payment Date in accordance with this Condition 5 falls short of the aggregate amount of principal otherwise payable on such Class of Notes on that date pursuant to the provisions of Condition 6 (*Payments*), Condition 7 (*Redemption and Post-Enforcement Call Option*) and the applicable Supplement. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable rate for such Class of Notes for such Interest Period and shall be payable together with such accrued interest on the following Interest Payment Dates subject to the provisions of Condition 5 (in the case of such accrued interest) and this Condition 5 (in the case of such shortfall of principal).
- (c) Any amounts of principal or interest in respect of a Class of Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 5, together with accrued interest thereon, shall in any event become payable on the Interest Payment Date falling on the Final Maturity Date indicated in the applicable Supplement or on such earlier date as the relevant Class of Notes become subject to redemption in accordance with Condition 7 (*Redemption and Post-Enforcement Call Option*) subject to the applicable Supplement or as the relevant Class of Notes become immediately due and repayable under Condition 10 (*Events of Default*).
- (d) As soon as practicable after becoming aware that any part of a payment of interest or principal on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 5, the Issuer will give notice thereof to the Trustee and the relevant Class of Noteholders in accordance with Condition 14 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 5 will not constitute an Event of Default.

## Condition 6: Payments

### (a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

### (b) *Payments in respect of Notes*

Payments of principal in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note on redemption will be made in the same manner as payment of the principal amount of such Note.

Holders of Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

All amounts payable to DTC or its nominee as holder of a Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the

Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(c) ***General provisions applicable to payments***

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

(d) ***Payment Day***

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) is:

- (i) 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:
  - (A) the relevant place of presentation;
  - (B) London; and
  - (C) any Additional Business Centre specified in the applicable Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(e) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Repayment Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes; and
- (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes as specified in the applicable Supplement.

(f) ***Indemnity***

If, on any due date, payment of the due amount of principal or interest is improperly withheld or refused on or in respect of any Global Instrument or part thereof by any Agent, the Issuer will indemnify the affected Noteholders by paying to such Noteholders a sum calculated as the



amount so withheld or refused plus an amount calculated as equal to the amount of interest which would have accrued in accordance with Condition 4 (*Interest*) if payment of such amount had been paid by the Issuer to the Noteholders on the relevant due date (as well after as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of such Global Note up to that day are received by the relevant Noteholder, payment under such indemnity to be due without demand from the relevant due date.

#### **Condition 7: Redemption and Post Enforcement Call Option**

(a) ***Redemption at maturity***

Unless previously redeemed, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Supplement in the relevant Specified Currency on the Final Maturity Date specified in the applicable Supplement.

The Issuer may not redeem Notes in whole or in part prior to their Final Maturity Date except as provided in this Condition but without prejudice to Condition 10 (*Events of Default*).

(b) ***Mandatory redemption in part***

In relation to any Class of Notes, on each Interest Payment Date, other than the Interest Payment Date on which the Notes of such Class are to be redeemed under paragraphs (a) above or (d) or (e) below, the Issuer shall make redemptions of the Notes of such Class in accordance with the Issuer Pre-Enforcement Principal Priority of Payments set out in the applicable Supplement.

The Series Cash Manager is responsible, pursuant to the relevant Series Cash Management Agreement, for determining the amount of the Available Redemption Funds as at any Determination Date and each determination so made shall (in the absence of gross negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Trustee and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee or (in such absence as aforesaid) the Series Cash Manager in connection therewith.

(c) ***Note Principal Payments, Principal Amount Outstanding and Pool Factor***

The principal amount redeemable in respect of each Note of any Class (the "**Note Principal Payment**") on any Interest Payment Date under paragraph (b) above shall be the amount of the Available Redemption Funds on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of the Notes of such Class (in the case of Notes not denominated in Sterling, converted into Sterling by reference to the relevant Currency Swap Rate under the relevant Series Currency Swap Agreement) multiplied by the Principal Amount Outstanding of a Note of such Class and divided by the aggregate Principal Amount Outstanding of the Notes of such Class outstanding on the relevant Interest Payment Date (rounded down to the nearest sub-unit of the relevant Specified Currency); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

With respect to the Notes of each Class (on or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Programme Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Determination Date, (ii) the Principal Amount Outstanding of each Note of such Class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Note of such Class (as referred to in (ii) above) and the denominator is the denomination of a Note of such Class. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amounts Outstanding of a Note and the Pool Factor shall in each case (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each Class of Notes, the Issuer will provide written notice (or cause the Series Cash Manager to provide written notice) to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes of such Class are listed on one or more stock exchanges) of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor, and

will immediately cause notice of each such determination to be given in accordance with Condition 14 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders of such Class.

If the Issuer does not at any time for any reason determine (or cause the Series Cash Manager to determine) with respect to each Class of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor (as the case may be) in accordance with the preceding provisions of this Condition 6(c), such determination may be made by the Trustee in accordance with the preceding provisions of this Condition 6(c) and each such determination or calculation shall be deemed to have been made by the Issuer.

The "**Principal Amount Outstanding**" means, in respect of a Note, the principal amount of that Note on the relevant Issue Date thereof less principal amounts received by the relevant Noteholder in respect thereof, provided that all Note Principal Payments that have become due and unpaid on or prior to such date shall also be taken into account as forming part of such Principal Amount Outstanding.

(d) ***Redemption for Tax reasons***

If immediately prior to giving the notice referred to below on or after the Issue Date, the Issuer (acting reasonably) satisfies the Trustee that either:

- (i) on the next Interest Payment Date the Issuer would be required by reason of a change in law, or the interpretation, application or administration thereof, to deduct or withhold from any payment of principal or interest on the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein, or
- (ii) the total amount payable in respect of interest in relation to any of the Loans during an Interest Period ceases or would cease to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, or where the Issuer is treated as receiving amounts in relation to interest on the Loans which are not in fact received) by the Issuer during such Interest Period,

then the Series Cash Manager may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 14 (*Notice to Noteholders*), the Noteholders (which notice shall be irrevocable), require the Issuer to redeem and following the giving of such notice, the Issuer shall be required to redeem, all (but not some only) of the Notes, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), **provided that**, prior to giving such notice, the Issuer shall have provided to the Trustee (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Notes and pay all amounts ranking in priority thereto as aforesaid and (b) if appropriate, in the opinion of the Trustee 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, application or administration thereof).

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Notes redeemed pursuant to this Condition 7 (*Redemption and Series Post-Enforcement Call Option—Redemption for Tax reasons*) will be redeemed at the Early Repayment Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) ***Optional Redemption***

- (i) If Optional Redemption (Maximum Amount Outstanding) is specified in the applicable Supplement and subject as provided in the Supplement and paragraph (ii) below, the Series Cash Manager may after the Principal Amount Outstanding of the Notes falls below the Maximum Amount Outstanding as specified in the relevant Supplement, having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) (which notices shall be irrevocable and shall specify the date fixed for redemption), require the Issuer to redeem and, following the giving of such notice, the Issuer shall be obliged to redeem, all (but not some only) of the Notes of such Series then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Supplement together with interest accrued to (but excluding) the relevant Optional Redemption Date.
- (ii) If Optional Redemption is specified in the applicable Supplement and subject as provided in the Supplement, then on any Interest Payment Date falling on or after the Call Date (as specified in the applicable Supplement) and upon giving not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders (in accordance with Condition 14 (*Notice to Noteholders*)), the Issuer may redeem all (but not some only) of the Notes of such Series then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Supplement together with interest accrued to (but excluding) the relevant Optional Redemption Date.
- (iii) Prior to giving any such notice under paragraphs (i) and (ii) above, 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 and to pay or make provision for all amounts ranking in priority thereto in accordance with the relevant Series Priorities of Payments.
- (iv) The Trustee shall be entitled to accept such certificate as sufficient evidence of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders.

(f) ***Early Repayment Amounts***

For the purpose of paragraph (d) above and Condition 10 (*Events of Default*), each Note will be redeemed at its Early Repayment Amount specified in, or calculated in the manner specified in, the applicable Supplement.

(g) ***Purchases***

The Issuer shall not purchase any Notes at any time.

(h) ***Cancellation***

All Notes which are redeemed in full will forthwith be cancelled and may not be resold or re-issued.

(i) ***Series Post-Enforcement Call Option***

All of the Noteholders of any Class in a Series will, at the request of the Trustee, sell all (but not some only) of their holdings of the Notes of such Class to PECO Holder pursuant to the option granted to PECO Holder by the Trustee (as agent for the Noteholders) to acquire all (but not some only) of the Notes of such Class (plus accrued interest thereon), for the consideration of one penny per Note of such Class outstanding, in the event that the Issuer Security for the Notes is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking higher in priority to the Notes and *pro rata* payment of all claims ranking in equal priority to the Notes and after the application of any such proceeds to the Notes under the Issuer Security Deed or any Issuer

Security Deed Supplement, to pay any further principal and interest and any other amounts whatsoever due in respect of the Notes.

Furthermore, each of the Noteholders of such Class grants to the Trustee and acknowledges that the Trustee has the authority and the power to bind the Noteholders of such Class in accordance with their terms and conditions set out in Post-Enforcement Call Option Agreement and each Noteholder of such Class by subscribing for or purchasing the relevant Note(s) agrees to be so bound and ratifies the Trustee's entry into the Post-Enforcement Call Option Agreement on its behalf.

#### **Condition 8: Prescription**

Claims for principal and interest shall become void unless presented for payment of principal within a period of 10 years from the Relevant Date in respect thereof and five years in respect of payment of interest. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "Relevant Date" in respect of a Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

#### **Condition 9: Taxation**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Principal Paying Agent, any other Paying Agent, the Seller, the Issuer nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

#### **Condition 10: Events of Default**

- (a) The Trustee at its absolute discretion may, and if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement (where two or more Classes of *pari passu* ranking Notes rank most senior, treating such Notes as a single Class for this purpose) shall, (subject, in each case, to the Trustee and the Series Security Trustee being indemnified and/or secured to the Trustee's satisfaction) (but, in the case of the happening of any of the events described in sub-paragraph (ii), only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interest of the holders of the Class or Classes of Notes ranking most senior in the Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement), give notice (an "**Enforcement Notice**") to the Issuer declaring the Issuer Security over the Issuer Assets relating to this Series to be enforceable and all Classes of the Notes of this Series (where two or more Classes Notes rank *pari passu* treating such Classes of Notes as a single Class for such purpose) to be due and repayable at their Principal Amount Outstanding, together with their accrued interest, if any of any of the following events (each an "**Event of Default**") has occurred and is continuing:
- (i) default being made for a period of ten Business Days or more in the payment of the principal of or any interest on any Note of the Class or, as the case may be, any of the Classes referred to above, when and as the same ought to be paid in accordance with these Conditions provided that a deferral of interest in accordance with Condition 5(c) shall not constitute a default in the payment of such interest for the purposes of this Condition 10; or
  - (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed or the Issuer failing duly to perform or observe any

obligation binding on it under the Issuer Security Deed and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee or the Issuer (as the case may require) of notice requiring the same to be remedied; or

- (iii) the Issuer, other than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or a substantial part of its business other than in relation to the Issuer Assets relating to another Series; or
- (iv) an order being made or an effective resolution being passed for the winding up of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement (or, where two or more Classes of *pari passu* ranking Notes rank most senior, any of such Classes of Notes then outstanding); or
- (v) the occurrence of an Issuer Insolvency Event

*provided* that, in the case of each of the events described in sub-paragraphs (ii), (iii) or (v) to this paragraph (a), the Trustee has certified to the Issuer that such event is, in its sole opinion, materially prejudicial to the interests of the Noteholders, or an Extraordinary Resolution by the holders the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement (or, where two or more Classes of *pari passu* ranking Notes rank most senior, any of such Classes of Notes then outstanding) has directed the Trustee to certify that such event is materially prejudicial to their interests and, if required to do so by the Trustee, having indemnified and secured the Trustee to its satisfaction, provided that in such event the Trustee shall have no liability to any Noteholder or any other person in respect of such direction.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes of this Series are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.
- (c) So long as any part of the Notes of this Series remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to the Trustee and the Series Cash Manager.

**"Issuer Insolvency Event"** means any corporate action, legal proceedings, formal application or other procedure or step taken in relation to or with a view to:

- (a) a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of or in relation to the Issuer other than in relation to a solvent liquidation or reorganisation of the Issuer on terms previously approved in writing by the Security Trustee acting in accordance with the Issuer Security Deed or any Issuer Security Deed Supplement; or
- (b) the appointment of a liquidator (other than in respect of a solvent liquidation of the Issuer on terms previously approved in writing by the Security Trustee acting in accordance with the Issuer Security Deed or any Issuer Security Deed Supplement), receiver (other than the appointment of a receiver in respect of some but not all of the Issuer's assets), administrator (or the making of any, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator), administrative receiver, compulsory manager or other similar officer in respect of the Issuer or any of its assets other than in relation to the Issuer Assets relating to some but not all of the outstanding Series; or
- (c) any expropriation, attachment, sequestration, distress, execution or diligence affects any asset of the Issuer and is not discharged within 30 Business Days (or such other period previously

approved in writing by the Security Trustee acting in accordance with the Issuer Security Deed or any Issuer Security Deed Supplement).

For the avoidance of doubt:

- (a) the occurrence of an Event of Default in relation to any Series (other than an Issuer Insolvency Event); or
- (b) the occurrence of any breach of any Transaction Document relating to any Series; or
- (c) the Issuer Security over the Issuer Assets relating to any Series becoming enforceable (other than in relation to an Issuer Insolvency Event); or
- (d) any action being taken to realise and/or enforce the Issuer Security over the Issuer Assets relating to any Series (other than in relation to an Issuer Insolvency Event),

shall not:

- (a) constitute an Event of Default in relation to any other Series;
- (b) entitle any action to be taken under this Condition 10 or Condition 11 (*Enforcement of Notes*) in respect of any other Series;
- (c) cause the Notes of any other Series to become due and repayable; or
- (d) cause the Issuer Security over the Issuer Assets relating to any other Series to become enforceable.

"**Issuer Assets**" means the assets of the Issuer allocated to each Series pursuant to the Issuer Security Deed or any Issuer Security Deed Supplement.

#### **Condition 11: Enforcement of Notes**

At any time after the Notes have become due and repayable or at any time after an Event of Default, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the Notes, together with accrued interest and/or to enforce the Security. The Trustee shall not be bound to take any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement (where two or more Classes of *pari passu* ranking Notes rank most senior, treating such Notes as a single Class for this purpose) and (y) it and the Series Security Trustee shall have been indemnified and/or secured to its satisfaction. No Noteholder may take any action against the Issuer to enforce its rights in respect of the Notes or to enforce all or any of the security constituted by the Issuer Security Deed or any Issuer Security Deed Supplement otherwise than through the Trustee.

#### **Condition 12: Meetings of Noteholders, Modifications, Consents and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders, to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant Class of any modification of the Notes of the relevant class (including these Conditions as they relate to the Notes of such relevant Class, as the case may be) or the provisions of any of the Transaction Documents, provided that no modification of certain terms by the Noteholders of any class including, *inter alia*, the date of maturity of the Notes of the relevant Class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes or any alteration of the priority of such Notes (any such modification in respect of any such Class of Notes being referred to below as a "**Basic Terms Modification**") shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Noteholders of any class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding, or, at any adjourned

meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding, except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding provided that any meeting or any adjourned meeting which is convened in respect of the Notes. The quorum at any meeting of the Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than ten per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant class or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding so held provided that any meeting or any adjourned meeting which is convened in respect of the Notes.

For so long as the Notes of any class are held by one person, such person and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Noteholders.

An Extraordinary Resolution of the holders of any Class of Notes of any Series shall be binding on the holders of all other Classes of Notes of such Series ranking junior to, in the Series Post-Enforcement Priorities of Payments set out in the applicable Supplement, such Class of Notes and on the holders of all other Instruments of such Series, except in the case of an Extraordinary Resolution to sanction a Basic Terms Modification which shall not be binding unless the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of the junior ranking Classes of Notes and other Instruments referred to above or it is sanctioned by Extraordinary Resolutions of the holders each of the junior ranking Classes of Notes and other Instruments referred to above.

An Extraordinary Resolution of the holders of any Class of Notes or other Instruments of any Series shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of other Classes of Notes of such Series ranking *pari passu* with, or senior to, in the Issuer Post-Enforcement Priority of Payments set out in the applicable Supplement, such Class of Notes or, in the case of an Extraordinary Resolution of the holders of Instruments other than the Notes, the interests of the holders of all Classes of Notes of such Series or it is sanctioned by Extraordinary Resolutions of the holders of all such other Classes of Notes or, in the case of an Extraordinary Resolution of the holders of Instruments other than Notes, Extraordinary Resolutions of the holders of all Classes of Notes of such Series (except in the case of an Extraordinary Resolution directing the Trustee to give an Enforcement Notice under Condition 10 (*Events of Default*), as to which the provisions of Condition 12 (*Meetings of Noteholders, Modifications, Consents and Waivers*) shall apply or to take any proceedings as referred to in this Condition 10 (*Events of Default*), as to which of the provisions of this Condition 12 (*Meetings of Noteholders, Modifications, Consents and Waivers*) shall apply). An Extraordinary Resolution passed at any meeting of the Noteholders of any Class shall be binding on all Noteholders of the relevant Class, whether or not they are present at the meeting.

Any resolution or direction of any class of Noteholders that would have the effect of modifying or waiving any provision of any of the Issuer Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Noteholders (such right of each class of Noteholders, the "**Noteholders Entrenched Rights**").

An Extraordinary Resolution passed at any meeting of the Noteholders of any class of Notes shall be binding on all Noteholders of the relevant class, whether or not they are present at the meeting. 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.

Subject to the succeeding paragraph, the Trustee may agree or may instruct the Series Security Trustee to agree, without the consent of the Noteholders of any class, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes of such class (including these Conditions) or any of the Transaction Documents specified in the applicable supplement, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (b) to any modification of the Notes of such class (including these Conditions) or any of the Transaction Documents specified in the applicable supplement, which in the Trustee's opinion is to

correct a manifest error or is of a formal, minor or technical nature. In respect of each class of Notes, the Trustee may also, without the consent of the Noteholders of such class, determine that any Event of Default or Series 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 or Series Event of Default shall not, subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or Series Event of Default or any such waiver or authorisation of any such breach or proposed breach of the Notes (including the Conditions) or any of the Transaction Documents specified in the applicable supplement in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 or 10). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each such class and, unless the Trustee agrees otherwise, any such modification shall be notified to such Noteholders in accordance with Condition 13 as soon as practicable thereafter.

The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents specified in the applicable supplement, that such exercise will not be materially prejudicial to the interests of any Noteholders if the Rating Agencies have confirmed that the current ratings of the relevant Notes would not be adversely affected by such exercise.

#### **Condition 13: Indemnification and Exoneration of the Trustee**

- (a) The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and/or related companies of any of them, without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Issuer Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Series Cash Manager or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.
- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- (d) The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 13.

#### **Condition 14: Notice to Noteholders**

Any notice to the Noteholders shall be validly given if either published in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Dublin or published on the Relevant Screen. Any such notice shall be deemed to have been given to the Noteholders and they shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any class of them if, in its opinion, such other method is reasonable having regard to market practice then



prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

#### **Condition 15: Definitive Notes**

Definitive Notes will only be issued if 40 days or more after the Issue Date any of the following apply:

- (a) either Euroclear, Clearstream, or DTC is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

If Definitive Notes are issued, the beneficial interests represented by the Global Note shall be exchanged in whole (but not in part) by the Issuer for Definitive Notes in the aggregate amount equal to the Principal Amount Outstanding of the Global Note, subject to and in accordance with the detailed provisions of the Agency Agreement, the Trust Deed and the Global Note.

#### **Condition 16: Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

#### **Condition 17: Non Petition**

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed, any Issuer Security Deed Supplement and/or these Conditions):

- (a) to direct the Trustee to enforce the Issuer Security other than when expressly permitted to do so under Condition 11 (*Enforcement of Notes*); or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Issuer Priorities of Payments not being observed.

#### **Condition 18: Provision of Information**

For so long as any Rule 144A Notes remain outstanding and are "restricted securities" (as defined in Rule 144A(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or beneficial owner of an interest in, such Rule 144A Notes and to a prospective purchaser designated by such holder or beneficial owner, in connection with any resale thereof, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

#### **Condition 19: Rights of Third Parties**

No rights are conferred on any third person (except the Noteholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

#### **Condition 20: European Economic and Monetary Union**

- (a) The Issuer may, without the consent of the Noteholders on giving at least 30 days' prior notice to the Trustee and the Paying Agents designate a date (the "**Redenomination Date**"), being an Interest Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
  - (i) the Sterling Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Sterling Note equal to the Principal Amount Outstanding of that Sterling Note in sterling converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of securities denominated in sterling is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Sterling Notes are then listed and the Paying Agents of such deemed amendments;
  - (ii) if the Sterling Notes have been issued in definitive form:
    - (A) the payment obligations contained in all Sterling Notes will become void on the euro exchange date but all other obligations of the Issuer thereunder (including the obligation to exchange such Sterling Notes in accordance with this Condition 17), shall remain in full force and effect; and
    - (B) new Sterling Notes denominated in euro will be issued in exchange for Sterling Notes denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the euro exchange notice;
  - (iii) all payments in respect of the Notes denominated in euro (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
  - (iv) a Note may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 19, "**business day**" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of Sterling Notes pursuant to this Condition 19:
  - (i) where such Sterling Notes have been issued in definitive form, the amount of interest due in respect of the Sterling Notes will be calculated by reference to the principal amount then outstanding of the Sterling Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
  - (ii) the amount of interest payable in respect of each such Note on each Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount then outstanding of such Sterling Notes, dividing the product by four and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines that the

market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Sterling Notes are then listed and the Paying Agents of such deemed amendment.

(d) In this Condition 19:

"**EMU**" means European Economic and Monetary Union;

"**euro**" means the single currency introduced on 1 January 1999 at the start of the third stage of EMU pursuant to the Treaty;

"**Participating Member State**" means a Member State of the European Communities which has adopted the euro as its lawful currency in accordance with the Treaty; and the "**Treaty**" means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

**Condition 21: Governing Law**

The Transaction Documents and the Notes are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

## TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the Subordinated Notes Conditions which, subject to completion and as supplemented, amended and/or replaced in accordance with the provisions of the relevant Supplemental Trust Deed and as reflected in the relevant Supplement, will be endorsed on or attached to each Global Subordinated Note and each Definitive Subordinated Note (if and to the extent applicable) and (subject to the provisions thereof) will apply to each such Subordinated Notes. The applicable Supplement in relation to any issue of Subordinated Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Subnote Conditions, replace or modify the following Subnote Conditions for the purpose of such Subordinated Notes. The applicable Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Subordinated Note and Definitive Subordinated Note. Reference should be made to "Form of Supplement" for a description of the content of Supplement which will specify which of such terms are to apply in relation to the relevant issue of Subordinated Notes.

- (a) *Programme:* Uropa Securities PLC (the "**Issuer**") has established a mortgage backed securities programme (the "**Programme**") for the issuance of up to £15,000,000,000 in aggregate principal amount of Instruments (the "**Instruments**"). The Subordinated Notes are constituted by a trust deed dated on or about the Programme Establishment Date (the "**Trust Deed**") between the Issuer and ABN AMRO Trustees Limited, (the "**Trustee**", which expression includes the trustee or trustees for the time being of the Trust Deed) and a supplement to the Trust Deed (the "**Supplemental Trust Deed**") in respect of Subordinated Notes issued in each Series. References to the Trust Deed include references to the relevant Supplemental Trust Deed where the context admits.

The Trustee acts for the benefit of the holders for the time being of the Subordinated Notes (the "**Subordinated Noteholders**") and the Trustee shall exercise the duties, power, trusts, authorities and discretions vested in accordance with the provisions of the Trust Deed.

- (b) *Supplement:* Subordinated Notes issued under the Programme are issued in Series (each a "**Series**") and each Series is the subject of a supplement to the Base Prospectus (the "**Supplement**"), which supplements these terms and conditions (the "**Subnote Conditions**"). The terms and conditions applicable to any particular Series are these Subnote Conditions as supplemented, amended and/or replaced by the relevant Supplement and/or pursuant to the relevant Supplemental Trust Deed. In the event of any inconsistency between these Subnote Conditions and the relevant Supplement, the relevant Supplement shall prevail.
- (c) *Agency Agreement:* The Subordinated Notes are the subject of an agency agreement dated on or about the Programme Establishment Date (the "**Agency Agreement**") between (*inter alios*) the Issuer, ABN AMRO Bank N.V., London Branch as principal paying agent (the "**Principal Paying Agent**"), as agent bank (the "**Agent Bank**"), as transfer agent (the "**Transfer Agent**") and as registrar (the "**Registrar**") and NCB Stockbrokers Limited as Irish paying agent (the "**Irish Paying Agent**", together with the Principal Paying Agent, the "**Paying Agents**"). In each case, the expression "**Principal Paying Agent**", "**Agent Bank**", "**Transfer Agent**", "**Registrar**" and "**Irish Paying Agent**" includes any successor to such person in such capacity in accordance with the Agency Agreement.
- (d) *The Subordinated Notes:* All subsequent references in these Subnote Conditions to "Subordinated Notes" are to the Subordinated Notes which are the subject of the relevant Supplement. Copies of the relevant Supplement are available for inspection by the Subordinated Noteholders during normal business hours and upon reasonable notice at the Specified Office of the Principal Paying Agent.
- (e) *Summaries:* Certain provisions of these Subnote Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Subordinated Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Supplemental Trust Deed, the Supplement and the Agency Agreement applicable to them. Copies of the Trust Deed, the Supplement and the Agency Agreement are available for inspection by Subordinated Noteholders during normal business hours and upon reasonable notice at the specified office of the Principal Paying Agent.

- (f) *Capitalised Terms*: In these Subnote Conditions, capitalised words and expressions shall, unless otherwise defined herein, have the same meanings as those given in the Incorporated Terms Memorandums (the "**Incorporated Terms Memorandums**") dated the Programme Establishment Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

### **Condition 1: Form, Denomination and Title**

The Subordinated Notes will be represented by a global note in registered form (the "**Global Subordinated Note**") which, in aggregate, will represent the aggregate principal amount of the outstanding Subordinated Notes.

Title to the Global Subordinated Notes will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**").

Transfers and exchanges of beneficial interests in Global Subordinated Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules of Euroclear and Clearstream, Luxembourg (as the case may be).

#### *Issuance of Definitive Subordinated Notes*

If Subordinated Notes in definitive form are issued pursuant to Subnote Condition 14 (*Definitive Subordinated Notes*), Definitive Subordinated Notes in an aggregate principal amount equal to the relevant Principal Amount Outstanding (as defined in Subnote Condition 7(c)) of the Global Subordinated Note ("**Definitive Subordinated Notes**") will be issued in registered form in the denomination of £50,000 and increments of £10 in excess thereof (an "**Specified Denomination**").

#### *Title to Global Subordinated Notes and Definitive Subordinated Notes*

Title to the Global Subordinated Notes and the Definitive Subordinated Notes will pass by and upon registration in the Register. The registered holder of the Global Subordinated Note and each Definitive Subordinated 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 the Global Subordinated Note or Definitive Subordinated Note, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than, in the case of a Definitive Subordinated Note, a duly executed transfer of such Definitive Subordinated Note in the form endorsed thereon. Each Definitive Subordinated Note will be serially numbered.

For so long as the Subordinated Notes are represented by the Global Subordinated Note, the Issuer and the Trustee may (but shall not be obliged to) (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of the particular principal amount of Subordinated Notes (each, an "**Accountholder**") as the holder of such principal amount of Subordinated Notes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Subordinated Noteholders), other than for the purposes of payment of principal and interest on the Global Subordinated Note, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the Global Subordinated Note in accordance with and subject to the terms of the Trust Deed.

#### *Transfers of Subordinated Notes*

Transfers and exchanges of beneficial interests in the Global Subordinated Note will be effected subject to and in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as appropriate. All transfers of Definitive Subordinated Notes and entries on the Register in the case of any Definitive Subordinated Notes will be made subject to any restrictions on transfers set forth on such Definitive Subordinated Notes and the detailed regulations concerning transfers of such Definitive Subordinated Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Definitive Subordinated Note who so requests.

A Definitive Subordinated Note may be transferred in whole or in part in an Specified Denomination upon the surrender of the relevant Definitive Subordinated Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a

transfer of part only of a Definitive Subordinated Note, a new Definitive Subordinated Note in respect of the balance not transferred will be issued to the transferor provided that neither the part transferred nor the balance not transferred may be less than a Specified Denomination.

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

Registration of Definitive Subordinated Notes 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, levy, duty, imports or other governmental charges which may be imposed in relation to it.

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

## **Condition 2: Status, Ranking and Security**

### **(a) *Status and ranking of the Subordinated Notes***

The Subordinated Notes constitute direct, secured (as more particularly described in the Issuer Security Deed) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.

The Issuer Security Deed contains provisions to the effect that, so long as any of the senior Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons (other than Noteholders in accordance with the Trust Deed) having the benefit of the security constituted by the Issuer Security Deed and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

### **(b) *Security***

The Issuer Security constituted by or pursuant to the Issuer Security Deed and/or any Issuer Security Deed Supplement in respect of each Series is granted to the Trustee, on trust for the Subordinated Noteholders of each Series and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Issuer Security Deed and/or any Issuer Security Deed Supplement.

The Subordinated Noteholders will share in the benefit of the Issuer Security constituted by or pursuant to the Issuer Security Deed and/or any Issuer Security Deed Supplement, upon and subject to the terms and conditions of the Issuer Security Deed and/or any Issuer Security Deed Supplement.

### **(c) *Issuer Pre-Enforcement Priority of Payments***

Prior to enforcement of the Issuer Security by the Trustee, the Series Cash Manager, on behalf of the Issuer, is required to apply payments from the relevant Series AssetCo under the applicable Series Intercompany Loans Agreement in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priority of Payments (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Interest Payment Date in the manner specified in the relevant Supplement.

### **(d) *Issuer Post-Enforcement Priority of Payments***

After enforcement of the Issuer Security by the Trustee, the Trustee shall apply all funds received by or on behalf of the Issuer and from the proceeds of enforcement of the Issuer Security to make payments in accordance with the Issuer Post-Enforcement Priority of Payments in a manner specified in the relevant Supplement and pursuant to, in accordance with and as set out in the Issuer Security Deed Supplement of the relevant Series.

The Issuer Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Subordinated Noteholders and any amounts required under the Issuer Security Deed and/or the relevant Issuer Security Deed Supplement and/or Series Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Subordinated Noteholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liability of the Issuer, to discharge in full in due course all amounts owing to the Subordinated Noteholders and any amounts required under the Issuer Security Deed and/or the relevant Issuer Security Deed Supplement and/or the Series Cash Management to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by Extraordinary Resolution of the holders of the Class of Notes then outstanding ranking most senior in the applicable Issuer Post-Enforcement Priority of Payments set out in the relevant Supplement (where two or more Classes of *pari passu* ranking Notes rank most senior treating such Notes as a single Class for this purpose) set out in the relevant Supplement, having been indemnified and/or secured to its satisfaction.

### **Condition 3: Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any Subordinated Notes remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking except where the same is given pursuant to the Issuer Security Deed or in connection with the issue of a Series;

(b) ***Restrictions on Activities***

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

(c) ***Dividends or Distributions***

save as required in order to enable UK Holdings to meet its obligations under the Trust Term Loan Agreement of the relevant Series, pay any dividend or make any other distribution to its shareholders or issue any further shares;

(d) ***Borrowings***

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person except where the same is incurred or given in connection with the issue of a Series;

(e) ***Merger***

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

(f) ***Disposal of Assets***

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein, provided that the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein that forms part of the Series Assets of such Series where the proceeds of the same are applied, *inter alia*, in or towards redemption of such Series in accordance with the Subnote Conditions of such Series and the terms of the Transaction Documents relating to such Series;

(g) ***Tax Grouping***

- (i) become a member of a group of companies for the purposes of value added tax; or
- (ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IX of Part X of the Income and Corporation Taxes Act 1988.

(h) ***Other***

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

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents specified in the applicable Supplement or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Subordinated Noteholders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

**Condition 4: Interest**

(a) ***Interest on Fixed Rate Subordinated Notes***

Each Fixed Rate Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Supplement, amount to the Broken Amount so specified.

As used in these Subnote Conditions, "**Fixed Interest Period**" means the period from (and including) a Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.



If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest, in accordance with this Subnote Condition 4:

- (i) if "Actual/Actual (ISMA)" is specified in the applicable Supplement:
  - (A) in the case of Subordinated Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Supplement) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Subnote Conditions:

**"Interest Period"** means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

**"Interest Determination Date"** shall have the meaning as given to it in the relevant Supplement;

**"Interest Commencement Date"** shall have the meaning given to it in the relevant Supplement;

**"Rate of Interest"** means either the Minimum Rate of Interest or the Maximum Rate of Interest, each as defined in the relevant Supplement; and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) ***Interest on Floating Rate Subordinated Notes***

(i) Interest Payment Dates

Each Floating Rate Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Supplement, each date (each such date, together with each Specified Interest Payment Date, a "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) a Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Supplement and (x) if there is no numerically corresponding day on the calendar month in which a Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Subnote Condition 4 (b)(i)(B) (*Interest*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Subnote Conditions, "**Business Day**" means a day which is both:

- (A) 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 any Additional Business Centre specified in the applicable Supplement; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "**TARGET System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Subordinated Notes will be determined in the manner specified in the applicable Supplement.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant "**ISDA Rate**" plus or minus (as indicated in the applicable Supplement) the margin (if any). For the purposes of this sub-paragraph (A), ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent Bank under an interest rate swap transaction if the Agent Bank were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions (or any replacement therefore), as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and as amended and updated as at the Issue Date of the first Tranche of the Notes and under which:

- (1) the Floating Rate Option is as specified in the applicable Supplement;
- (2) the Designated Maturity is a period specified in the applicable Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the interest Determination Date in question plus or minus (as indicated in the applicable Supplement) the margin (if any), all as determined by the Agent Bank. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest

quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Supplement.

For the purposes of this sub-paragraph (B), "**Relevant Screen Page**" has the meaning given to it in the relevant Supplement.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Agent Bank will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent Bank will calculate the amount of interest (the "**Interest Amount**") payable in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (A) if "Actual/365" or "Actual/Actual" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365;

- (C) if "Actual/365 (Sterling)" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of a Interest Payment Date falling in a leap year, 366;
- (D) if "Actual/360" is specified in the applicable Supplement, the actual number of days in the Interest Period divided by 360;
- (E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if "30E/360" or "Eurobond Basis" is specified in the applicable Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and interest Amounts

The Agent Bank will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, the Trustee and any stock exchange on which the relevant Floating Rate Subordinated Notes are for the time being listed and notice thereof to be published in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Trustee, each stock exchange on which the relevant Floating Rate Subordinated Notes are for the time being listed and to the Subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Determination and/or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (A) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (B) calculate the Interest Amount in the manner specified in paragraph (iv) above, and any such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent or other person specified in the applicable Supplement as the party responsible for calculating the Rate of Interest and Interest Amount.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) (*Interest—Interest on Floating Rate Notes*) shall (in the absence of wilful

default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the other Agents and all Subordinated Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Trustee or the Subordinated Noteholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of interest***

Each Subordinated Note (or in the case of the redemption of part only of a Subordinated Note, that part only of such Subordinated Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused or default is otherwise made in respect thereof. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Subordinated Note have been paid; and
- (ii) seven days after the date on which the full amount of the moneys payable in respect of such Subordinated Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Trustee and to the Subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*),

except to the extent that there is any subsequent default in payment. Any interest shortfall shall accrue interest during each Interest Period during which it remains outstanding in accordance with paragraph 7(d) below.

**Condition 5: Deferral of Interest and Principal**

- (a) Interest on the Subordinated Notes shall be payable in accordance with Condition 4 (*Interest*), Condition 6 (*Payments*) and the applicable Supplement, except that if deferral of interest is indicated in the applicable Supplement in respect of the Subordinated Notes.
  - (i) in the event that the aggregate funds (if any) calculated in accordance with the Series Priorities of Payments set out in the relevant Supplement as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest on the Subordinated Notes which is, due on such Interest Payment Date (such aggregate available funds being referred to in this Subnote Condition 5 as the Relevant Residual Amount) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Subnote Condition 5, due on the Subordinated Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each Subordinated Note, a *pro rata* share of the Relevant Residual Amount; and
  - (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of the Relevant Residual Amount or, as the case may be, nothing is paid to Subordinated Noteholders in accordance with such provisions, the Issuer (or the Series Cash Manager on its behalf) shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on Subordinated Notes on any Interest Payment Date in accordance with this Subnote Condition 5 falls short of the aggregate amount of interest otherwise payable on Subordinated Notes on that date pursuant to the provisions of Subnote Condition 4 (*Interest*) and the applicable Supplement. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable rate for the Subordinated Notes for such Interest Period. The amount of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of Subnote Condition 4 (*Interest*) as if it were, interest due, subject to this Subnote Condition 5, on Subordinated Notes on the next succeeding Interest Payment Date.
- (b) Principal on the Notes shall be payable in accordance with Subnote Condition 6 (*Payments*) and Subnote Condition 7 (*Redemption and Post-Enforcement Call Option*) and the applicable

Supplement, except that if deferral of principal is indicated in the applicable Supplement in respect of a the Subordinated Notes:

- (i) in the event that the aggregate funds (if any) calculated in accordance with the Issuer Post-Enforcement Priority of Payments set out in the applicable Supplement as being available to the Issuer on any Interest Payment Date for application in or towards the payment of principal on the Subordinated Notes which is, subject to this Subnote Condition 5, due on such Interest Payment Date (such aggregate available funds being referred to in this Subnote Condition 5 as the "**Principal Residual Amount**") are not sufficient to satisfy in full the aggregate amount of principal which is, subject to this Subnote Condition 5, due on the Subordinated Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of principal on each Subordinated Note, a *pro rata*-share of the Principal Residual Amount; and
  - (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of the Principal Residual Amount or, as the case may be, nothing is paid to Subordinated Noteholders of a Class in accordance with such Provisions, the Issuer (or the Series Cash Manager on its behalf) shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on the Subordinated Notes on any Interest Payment Date in accordance with this Subnote Condition 5 falls short of the aggregate amount of principal otherwise payable on the Subordinated Notes on that date pursuant to the provisions of Subnote Condition 6 (*Payments*), Subnote Condition 7 (*Redemption and Post-Enforcement Call Option*) and the applicable Supplement. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable rate for Subordinated Notes for such Interest Period and shall be payable together with such accrued interest on the following Interest Payment Dates subject to the provisions of Subnote Condition 5 (in the case of such accrued interest) and this Subnote Condition 5 (in the case of such shortfall of principal).
- (c) Any amounts of principal or interest in respect of the Subordinated Notes otherwise payable under these Subnote Conditions which are not paid by virtue of this Subnote Condition 5, together with accrued interest thereon, shall in any event become payable on the Interest Payment Date falling on the Final Maturity Date indicated in the applicable Supplement or on such earlier date as the Subordinated Notes become subject to redemption in accordance with Subnote Condition 7 (*Redemption and Post-Enforcement Call Option*) subject to the applicable Supplement or as the Subordinated Notes become immediately due and repayable under Subnote Condition 10 (*Events of Default*).
- (d) As soon as practicable after becoming aware that any part of a payment of interest or principal on the Subordinated Notes will be deferred or that a payment previously deferred will be made in accordance with this Subnote Condition 5, the Issuer will give notice thereof to the Trustee and the subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*). Any deferral of interest in accordance with this Subnote Condition 7 will not constitute an Event of Default.

#### **Condition 6: Payments**

(a) ***Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Subnote Condition 9 (*Taxation*).

(b) ***Payments in respect of Subordinated Notes***

Payments of principal in respect of each the Subordinated Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Subordinated Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Subordinated Note appearing in the register of holders of the Subordinated Notes maintained by the Registrar (the **Register**) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Subordinated Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Subordinated Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Subordinated Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Subordinated Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Subordinated Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Subordinated Note on redemption will be made in the same manner as payment of the principal amount of such Subordinated Note.

Holders of Subordinated Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Subordinated Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Subordinated Notes.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Subordinated Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(c) ***General provisions applicable to payments***

The holder of a Global Subordinated Note shall be the only person entitled to receive payments in respect of Subordinated Notes represented by such Global Subordinated Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Subordinated Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Subordinated Note must look solely to Euroclear, or Clearstream,



Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Subordinated Note.

(d) ***Payment Day***

If the date for payment of any amount in respect of any Subordinated Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Subnote Condition 8 (*Prescription*)) is:

- (i) 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:
  - (A) the relevant place of presentation;
  - (B) London; and
  - (C) any Additional Business Centre specified in the applicable Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(e) ***Interpretation of principal and interest***

Any reference in these Subnote Conditions to principal in respect of the Subordinated Notes shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Subordinated Notes;
- (ii) the Early Repayment Amount of the Subordinated Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Subordinated Notes; and
- (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Subordinated Notes as specified in the applicable Supplement.

(f) ***Indemnity***

If, on any due date, payment of the due amount of principal or interest is improperly withheld or refused on or in respect of any Global Instrument or part thereof by any Agent, the Issuer will indemnify the affected Subordinated Noteholders by paying to such Subordinated Noteholders a sum calculated as the amount so withheld or refused plus an amount calculated as equal to the amount of interest which would have accrued in accordance with Subnote Condition 4 (*Interest*) if payment of such amount had been paid by the Issuer to the Subordinated Noteholders on the relevant due date (as well after as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of such Global Note up to that day are received by the relevant Noteholder, payment under such indemnity to be due without demand from the relevant due date.

**Condition 7: Redemption and Post Enforcement Call Option**

(a) ***Redemption at maturity***

Unless previously redeemed, each Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable

Supplement in the relevant Specified Currency on the Final Maturity Date specified in the applicable Supplement.

The Issuer may not redeem Subordinated Notes in whole or in part prior to their Final Maturity Date except as provided in this Condition but without prejudice to Subnote Condition 10 (*Events of Default*).

(b) ***Mandatory redemption in part***

In relation to any the Subordinated Notes, on each Interest Payment Date, other than the Interest Payment Date on which the Subordinated Notes are to be redeemed under paragraphs (a) above or (d) or (e) below, the Issuer shall make redemptions of the Subordinated Notes in accordance with the Issuer Pre-Enforcement Priority of Payments set out in the applicable Supplement.

The Series Cash Manager is responsible, pursuant to the relevant Series Cash Management Agreement, for determining the amount of the Available Redemption Funds as at any Determination Date and each determination so made shall (in the absence of gross negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Trustee and all Subordinated Noteholders and no liability to the Subordinated Noteholders shall attach to the Issuer, the Trustee or (in such absence as aforesaid) the Series Cash Manager in connection therewith.

(c) ***Subordinated Note Principal Payments, Principal Amount Outstanding and Pool Factor***

The principal amount redeemable in respect of each Subordinated Note (the "**Subordinated Note Principal Payment**") on any Interest Payment Date under paragraph (b) above shall be the amount of the Available Redemption Funds on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of the Subordinated Notes (in the case of Notes not denominated in Sterling, converted into Sterling by reference to the relevant Currency Swap Rate under the relevant Series Currency Swap Agreement) multiplied by the Principal Amount Outstanding of a Subordinated Note and divided by the aggregate Principal Amount Outstanding of the Subordinated Notes outstanding on the relevant Interest Payment Date (rounded down to the nearest sub-unit of the relevant Specified Currency); provided always that no such Subordinated Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Subordinated Note.

With respect to the Subordinated Notes (on or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Series Cash Manager to determine) (i) the amount of any Subordinated Note Principal Payment due on the Interest Payment Date next following such Determination Date, (ii) the Principal Amount Outstanding of each Subordinated Note on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Subordinated Note (as referred to in (ii) above) and the denominator is the denomination of a Subordinated Note. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amounts Outstanding of a Subordinated Note and the Pool Factor shall in each case (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to the Subordinated Notes, the Issuer will provide written notice (or cause the Series Cash Manager to provide written notice) to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Subordinated Notes are listed on one or more stock exchanges) of each determination of a Subordinated Note Principal Payment, Principal Amount Outstanding and Pool Factor, and will immediately cause notice of each such determination to be given in accordance with Subnote Condition 16 (*Notice to the Subordinated Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no Subordinated Note Principal Payment is due to be made on the Subordinated Notes on any Interest Payment Date a notice to this effect will be given to the Subordinated Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Series Cash Manager to determine) with respect to the Subordinated Notes, a Subordinated Note Principal Payment, the

Principal Amount Outstanding or the Pool Factor (as the case may be) in accordance with the preceding provisions of this Subnote Condition 6(c), such determination may be made by the Trustee in accordance with the preceding provisions of this Subnote Condition 6(c) and each such determination or calculation shall be deemed to have been made by the Issuer.

The "**Principal Amount Outstanding**" means, in respect of a Subordinated Note, the principal amount of that Subordinated Note on the relevant Issue Date thereof less principal amounts received by the relevant Subordinated Noteholder in respect thereof, provided that all Note Principal Payments that have become due and unpaid on or prior to such date shall also be taken into account as forming part of such Principal Amount Outstanding.

(d) ***Redemption for Tax reasons***

If immediately prior to giving the notice referred to below on or after the Issue Date, the Issuer (acting reasonably) satisfies the Trustee that either:

- (i) on the next Interest Payment Date the Issuer would be required by reason of a change in law, or the interpretation, application or administration thereof, to deduct or withhold from any payment of principal or interest on the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein, or
- (ii) the total amount payable in respect of interest in relation to any of the Loans during an Interest Period ceases or would cease to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, or where the Issuer is treated as receiving amounts in relation to interest on the Loans which are not in fact received) by the Issuer during such Interest Period,

then the Series Cash Manager may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*), the Subordinated Noteholders (which notice shall be irrevocable), require the Issuer to redeem and following the giving of such notice, the Issuer shall be required to redeem, all (but not some only) of the Subordinated Notes, at any time (if this Subordinated Note is not a Floating Rate Subordinated Note) or on any Interest Payment Date (if this Subordinated Note is a Floating Rate Subordinated Note), **provided that**, prior to giving such notice, the Issuer shall have provided to the Trustee (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 Subordinated Notes and pay all amounts ranking in priority thereto as aforesaid and (b) if appropriate, in the opinion of the Trustee 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, application or administration thereof).

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Subordinated Noteholders.

Notes redeemed pursuant to this Subnote Condition 7(d) (*Redemption and Series Post-Enforcement Call Option–Redemption for Tax reasons*) will be redeemed at the Early Repayment Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) ***Optional Redemption***

- (i) If Optional Redemption (Maximum Amount Outstanding) is specified in the applicable Supplement and subject as provided in the Supplement and paragraph (ii) below, the Series Cash Manager may after the Principal Amount Outstanding of the Subordinated Notes falls below the Maximum Amount Outstanding as specified in the relevant Supplement, having given not less than 30 nor more than 60 days' notice to the Trustee and to the Subordinated Noteholders in accordance with Condition 16 (*Notice to Subordinated Noteholders*) (which notices shall be irrevocable and shall specify the date

fixed for redemption), require the Issuer to redeem and, following the giving of such notice, the Issuer shall be obliged to redeem, all (but not some only) of the Subordinated Notes of such Series then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Supplement together with interest accrued to (but excluding) the relevant Optional Redemption Date.

- (ii) If Optional Redemption is specified in the applicable Supplement and subject as provided in the Supplement, then on any Interest Payment Date falling on or after the relevant Call Date (as specified in the applicable Supplement) and upon giving not more than 60 nor less than 30 days' prior written notice to the Trustee and the Subordinated Noteholders (in accordance with Condition 16 (*Notice to Subordinated Noteholders*)), the Issuer may redeem all (but not some only) of the Subordinated Notes of such Series then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Supplement together with interest accrued to (but excluding) the relevant Optional Redemption Date.
- (iii) Prior to giving any such notice under paragraph (i) and (ii) above, 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 and to pay or make provision for all amounts ranking in priority thereto in accordance with the relevant Series Priorities of Payments.
- (iv) The Trustee shall be entitled to accept such certificate as sufficient evidence of the circumstances set out above, in which event it shall be conclusive and binding on the Subordinated Noteholders.

(f) ***Early Repayment Amounts***

For the purpose of paragraph (d) above and Subnote Condition 10 (*Events of Default*), each Subordinated Note will be redeemed at its Early Repayment Amount specified in, or calculated in the manner specified in, the applicable Supplement.

(g) ***Purchases***

The Issuer shall not purchase any Notes at any time.

(h) ***Cancellation***

All Subordinated Notes which are redeemed in full will forthwith be cancelled and may not be resold or re-issued.

(i) ***Post-Enforcement Call Option***

All of the Subordinated Noteholders in a Series will, at the request of the Trustee, sell all (but not some only) of their holdings of the Subordinated Notes to PECO Holder pursuant to the option granted to PECO Holder by the Trustee (as agent for the Noteholders) to acquire all (but not some only) of the Subordinated Notes (plus accrued interest thereon), for the consideration of one penny per Subordinated Note outstanding, in the event that the Issuer Security for the Subordinated Notes is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking higher in priority to the Subordinated Notes and *pro rata* payment of all claims ranking in equal priority to the Subordinated Notes and after the application of any such proceeds to the Subordinated Notes under the Issuer Security Deed or any Issuer Security Deed Supplement, to pay any further principal and interest and any other amounts whatsoever due in respect of the Subordinated Notes.

Furthermore, each of the Subordinated Noteholders grants to the Trustee and acknowledges that the Trustee has the authority and the power to bind the Subordinated Noteholders in accordance with their terms and conditions set out in Post-Enforcement Call Option Agreement and each Subordinated Noteholder by subscribing for or purchasing the relevant Note(s) agrees to be so

bound and ratifies the Trustee's entry into the Post-Enforcement Call Option Agreement on its behalf.

#### **Condition 8: Prescription**

Claims for principal and interest in respect of the Global Subordinated Note shall become void unless presented for payment of principal within a period of 10 years from the Relevant Date in respect thereof and five years in respect of payment of interest. Claims for principal and interest in respect of Definitive Subordinated Notes shall become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate Relevant Date. After the date on which a Subordinated Note becomes void in its entirety, no claim may be made in respect thereof. In this Subordinated Note Condition, the "**Relevant Date**" in respect of a Subordinated Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Subordinated Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect is duly given to the Subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*).

#### **Condition 9: Taxation**

All payments in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Subordinated Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Principal Paying Agent, any other Paying Agent, the Seller, the Issuer nor any other person will be obliged to make any additional payments to holders of Subordinated Notes in respect of such withholding or deduction.

#### **Condition 10: Events of Default**

- (a) Upon the Trustee serving an Enforcement Notice in accordance with Condition 10 of the Notes that the Notes are due and payable (an "**Event of Default**") (subject to the Trustee and the Series Security Trustee being indemnified and/or secured to the Trustee's satisfaction), the Trustee shall give notice (an "**Enforcement Notice**") to the Issuer declaring the Subordinated Notes to be due and repayable.
- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Subordinated Notes are due and repayable at their Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed, the Subordinated Notes shall immediately become due and repayable in an amount equal to amounts (if any) remaining to the credit of the Series Reserve Ledger of the applicable Series to the extent such amounts are available for this purpose.
- (c) So long as any part of the Subordinated Notes remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to the Trustee, the Series Cash Manager and each Series Hedge Provider.

#### **Condition 11: Enforcement of Subordinated Notes**

At any time after the Subordinated Notes have become due and repayable or at any time after an Event of Default, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Subordinated Notes together with accrued interest. The Trustee shall not be bound to take any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the Subordinated Noteholders and (y) it and the Series Security Trustee shall have been indemnified and/or secured to its satisfaction. No Subordinated Noteholder may take any action against the Issuer to enforce its rights in respect of the Subordinated Notes or to enforce all or any of the Issuer Security constituted by the Issuer Security Deed or any Issuer Security Deed Supplement otherwise than through the Trustee.

## **Condition 12: Meetings of Subordinated Noteholders, Modifications, Consents, Waiver**

The Trust Deed contains provisions for convening meetings of Subordinated Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Subordinated Noteholders of any modification of the Subordinated Notes (including these Subordinated Note Conditions as they relate to the Subordinated Notes, as the case may be) or the provisions of any of the Transaction Documents, provided that no modification of certain terms by the Subordinated Noteholders including, *inter alia*, the date of maturity of the Subordinated Notes or a modification which would have the effect of postponing any day for payment of interest in respect of the Subordinated Notes, the reduction or cancellation of the amount of principal payable in respect of the Subordinated Notes or any alteration of the priority of such Subordinated Notes (any such modification in respect of Subordinated Notes being referred to below as a "**Basic Terms Modification**") shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Subordinated Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding, or, at any adjourned meeting, two or more persons being or representing the Subordinated Noteholders, whatever the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding, except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding. The quorum at any meeting of the Subordinated Noteholders for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than ten per cent. of the aggregate Principal Amount Outstanding of the Subordinated Notes or, at any adjourned meeting, two or more persons being or representing the Subordinated Noteholders, whatever the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding so held.

For so long as the Subordinated Notes (whether being Definitive Subordinated Notes or represented by Global Subordinated Notes) of any class are held by one party, such party and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Subordinated Noteholders.

Other than in relation to Instrumentholder Entrenched Rights, in respect of the interests of the Subordinated Noteholders, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Subordinated Noteholders as regards all powers, trusts, authorities, duties and directions of the Trustee. The Trustee may only be directed by the Subordinated Noteholders and any Extraordinary Resolution of the Subordinated Noteholders will only be effective if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any or all of the Noteholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders.

An Extraordinary Resolution of the Subordinated Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of any class of the Noteholders or it is sanctioned by an Extraordinary Resolution of the holders of each class of Notes.

Any resolution or direction of the Subordinated Noteholders that would have the effect of modifying or waiving any provision of any of the Issuer Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of the Instrumentholders (such right of the Subordinated Noteholders, the "**Subordinated Noteholder Entrenched Rights**").

An Extraordinary Resolution passed at any meeting of the Subordinated Noteholders shall be binding on all Subordinated Noteholders, whether or not they are present at the meeting. 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.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the Subordinated Noteholders, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Subordinated Notes (including these Subordinated Note Conditions) or any of the Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Subordinated Noteholders or (b) to any modification of the

Subordinated Notes (including these Subordinated Note Conditions) or any of the Transaction Documents, which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. Any such modification, waiver, authorisation or determination shall be binding on the Subordinated Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to such Subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*) as soon as practicable thereafter.

**Condition 13: Indemnification and Exoneration of the Trustee**

- (a) The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and/or related companies of any of them, without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Issuer Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Series Cash Manager or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.
- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Agency Agreement and in connection with the Subordinated Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Subordinated Noteholders.
- (d) The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Subordinated Noteholders in accordance with Subnote Condition 16 (*Notice to Subordinated Noteholders*).

**Condition 14: Definitive Subordinated Notes**

Definitive Subordinated Notes will only be issued if 40 days or more after the Issue Date any of the following apply:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the Subordinated Notes which would not be required if the Subordinated Notes were in definitive form.

If Definitive Subordinated Notes are issued, the beneficial interests represented by the Global Subordinated Note shall be exchanged in whole (but not in part) by the Issuer for Definitive Subordinated Notes in the aggregate amount equal to the Principal Amount Outstanding of the Global Subordinated Note, subject to and in accordance with the detailed provisions of the Agency Agreement, the Trust Deed and the Global Subordinated Note.

### **Condition 15: Replacement of Global Subordinated Notes and Definitive Subordinated Notes**

If any Global Subordinated Note or Definitive Subordinated Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Subordinated Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Global Subordinated Notes or Definitive Subordinated Notes must be surrendered before new ones will be issued.

### **Condition 16: Notice to Subordinated Noteholders**

Any notice to the Subordinated Noteholders shall be validly given if either published in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Dublin or published on the Relevant Screen. Any such notice shall be deemed to have been given to the Subordinated Noteholders and they shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Subordinated Noteholders or any class of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Subordinated Notes are then listed and provided that notice of such other method is given to the Subordinated Noteholders in such manner as the Trustee shall require.

For so long as the Subordinated Notes are represented by a Global Subordinated Note, notices to Subordinated Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication to the relative Accountholders rather than by publication as required by this Subnote Condition 16.

### **Condition 17: Non Petition**

The Subordinated Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed, any Issuer Security Deed Supplement and/or these Subnote Conditions):

- (a) to direct the Trustee to enforce the Issuer Security other than when expressly permitted to do so under Subnote Condition 11 (*Enforcement of Subordinated Notes*); or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Issuer Priorities of Payments not being observed.

### **Condition 18: Rights of Third Parties**

No rights are conferred on any third person (except the Subordinated Noteholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Subordinated Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

### **Condition 19: European Economic and Monetary Union**

- (a) The Issuer may, without the consent of the Subordinated Noteholders on giving at least 30 days' prior notice to the Trustee and the Paying Agents designate a date (the "**Redenomination Date**"), being an Interest Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.



- (b) Notwithstanding the other provisions of these Subnote Conditions, with effect from the Redenomination Date:
- (i) the Sterling Subordinated Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Sterling Subordinated Note equal to the Principal Amount Outstanding of that Sterling Subordinated Note in sterling converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of securities denominated in sterling is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Subordinated Noteholders, each stock exchange (if any) on which the Subordinated Notes are then listed and the Paying Agents of such deemed amendments;
  - (ii) if the Sterling Subordinated Notes have been issued in definitive form:
    - (A) the payment obligations contained in all Sterling Subordinated Notes will become void on the euro exchange date but all other obligations of the Issuer thereunder (including the obligation to exchange such Sterling Subordinated Notes in accordance with this Subnote Condition 19), shall remain in full force and effect; and
    - (B) new Sterling Subordinated Notes denominated in euro will be issued in exchange for Subordinated Notes denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Subordinated Noteholders in the euro exchange notice;
  - (iii) all payments in respect of the Sterling Subordinated Notes denominated in euro (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
  - (iv) a Sterling Subordinated Note may only be presented for payment on a day which is a business day in the place of presentation. In this Subnote Condition 19, "**business day**" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of Sterling Subordinated Notes pursuant to this Subnote Condition 19:
- (i) where such Sterling Subordinated Notes have been issued in definitive form, the amount of interest due in respect of the Sterling Subordinated Notes will be calculated by reference to the principal amount then outstanding of the Sterling Subordinated Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
  - (ii) the amount of interest payable in respect of each such Sterling Subordinated Notes on each Payment Date shall be calculated by applying the Rate of Interest to the principal amount then outstanding of such Sterling Subordinated Notes and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines that the market practice in respect of internationally offered euro denominated securities is

different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Subordinated Noteholders, each stock exchange (if any) on which the Sterling Subordinated Notes are then listed and the Paying Agents of such deemed amendment.

(d) In this Subnote Condition 19:

"**EMU**" means European Economic and Monetary Union;

"**euro**" means the single currency introduced on 1 January 1999 at the start of the third stage of EMU pursuant to the Treaty;

"**Participating Member State**" means a Member State of the European Communities which has adopted the euro as its lawful currency in accordance with the Treaty; and the "**Treaty**" means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

**Condition 20: Governing Law**

The Transaction Documents and the Subordinated Notes are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

## UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of the law and practice in the United Kingdom as at the date of this Base Prospectus in relation to the United Kingdom withholding taxation treatment of payments of principal and interest in respect of the Notes only (and, for the avoidance of doubt, not the Instruments). The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons, such as dealers or certain professional advisers.

The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to tax in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### 1. **United Kingdom withholding tax**

- 1.1 Each series of Notes 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 HM Revenue and Customs' 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. The United Kingdom Finance Bill 2007 includes a new statutory meaning of the term "listed on a recognised stock exchange". If the draft legislation is enacted in its current form, from the date on which the Finance Bill 2007 receives Royal Assent securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
- 1.2 Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and does not form part of a scheme or arrangement under which the borrowing is for a period of 365 days or more.
- 1.3 In all other cases, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available including under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

### 2. **Provision of information**

- 2.1 Noteholders should note that where any interest on the Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or

deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom tax purposes. In certain circumstances, the details provided to HM Revenue and Customs may be passed by HM Revenue and Customs to the tax authorities of certain other jurisdictions.

- 2.2 With effect from 6 April 2008, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

3. **Other points relating to United Kingdom withholding tax**

- 3.1 Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in paragraph 1 above, but may be subject to reporting requirements as outlined in paragraph 2 above.

- 3.2 Where interest has been paid under deduction of United Kingdom income tax, noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

- 3.3 Where the Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, 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.

- 3.4 The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the notes or any related documentation.

4. **EU Savings Directive**

- 4.1 Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

- 4.2 A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

## UNITED STATES TAXATION

**To ensure compliance with requirements imposed by the U.S. Internal Revenue Service, we inform you that any tax discussion herein was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding U.S. federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Notes to be issued pursuant to this document. Prospective purchasers of the U.S. Offered Notes (as defined below) should consult their own tax advisers as to the particular U.S. federal income tax consequences to them of the purchase, ownership and disposition of the U.S. Offered Notes as well as the applicability and effect of any state, local, foreign or other tax laws.**

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder (defined below) that may be relevant with respect to the purchase, ownership and disposition of the Rule 144A Notes (the "**U.S. Offered Notes**"). The following summary applies only to a U.S. Holder that acquires a U.S. Offered Note on original issue at its "issue price" (the first price at which a substantial amount of U.S. Offered Notes is sold for money, excluding sales to bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers) and holds such U.S. Offered Note as a "capital asset" (generally, property held for investment). In addition, the following summary does not discuss aspects of U.S. Federal income tax law that may be applicable to a U.S. Holder in light of its particular situation, including, among others, a U.S. holder that is an insurance company, a tax-exempt organisation, a bank, a dealer in securities or currencies, a securities dealer that elects the mark-to-market treatment, a U.S. Holder that holds a U.S. Offered Note as part of a "straddle," "hedge" or "conversion transaction" for U.S. federal income tax purposes, a U.S. Holder entering into "constructive transactions" with respect to such U.S. Offered Note, a U.S. Holder whose functional currency is not the U.S. dollar, or an expatriate. Further, this discussion does not address any tax consequences applicable to holders of equity interests in a U.S. Holder.

The following summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), applicable Treasury Regulations, judicial authority and administrative rulings and practices, in effect as of the date of this offering, any of which may be appealed, revoked or otherwise altered with retroactive effect, thereby changing the U.S. federal income tax consequences discussed below. There is no assurance that the U.S. Internal Revenue Service (the "**IRS**") will not take a contrary view, and no ruling from the IRS has been or will be sought.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a U.S. Offered Note that is for U.S. Federal income tax purposes:

- (a) a citizen or resident of the United States,
- (b) a corporation created or organised under the laws of the United States or any State or the District of Columbia,
- (c) an estate whose income is subject to U.S. federal income taxation regardless of its source,
- (d) a trust, if both
  - (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust, and
  - (ii) one or more United States persons have the authority to control all substantial decisions of the trust, or
- (e) a trust in existence on 20 August 1996, and treated as a United States person prior to such date, that has elected to continue to be treated as a United States person.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds a U.S. Offered Note, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the activities of the partnership and the status of the partner. Therefore, partners in a partnership holding a U.S. Offered Note should consult their own tax advisers regarding the U.S. federal income tax consequences to such partners of the acquisition, ownership and disposition of the U.S. Offered Note by such partnership.

### *Treatment of U.S. Offered Notes*

The applicable Supplement will indicate whether the Issuer will treat the U.S. Offered Notes as equity in the Issuer or as debt for U.S. federal income tax purposes. Each U.S. Holder of a U.S. Offered Note, by acceptance of such U.S. Offered Note, will agree to treat such U.S. Offered Note as either equity in the Issuer or debt for U.S. federal income tax purposes, as applicable. If the applicable Supplement indicates that the Issuer will treat one or more classes of U.S. Offered Notes as equity for U.S. federal income tax purposes, then the applicable Supplement will describe the U.S. federal income tax consequences of such treatment.

If the applicable Supplement indicates that the U.S. Offered Notes will be treated as debt for U.S. federal income tax purposes, then, although there is no authority addressing the characterisation of securities with terms similar to the U.S. Offered Notes under current law, and while not free from doubt, Clifford Chance LLP ("**U.S. Tax Counsel**"), will render an opinion that such U.S. Offered Notes will be treated as debt for U.S. federal income tax purposes. The opinion of U.S. Tax Counsel is not binding on the IRS, and no assurance can be given that the characterisation of the U.S. Offered Notes as debt would prevail if the issue were challenged by the IRS. Prospective U.S. Holders should consult with their tax advisers as to the effect of a recharacterisation of the U.S. Offered Notes as equity interests in the Issuer. The remainder of this discussion assumes the U.S. Offered Notes will be treated as debt for U.S. federal income tax purposes.

The U.S. Offered Notes will not be qualifying real property loans in the hands of domestic building and loan associations, real estate investment trusts, or REMICs under Section 7701(a)(19)(C), 856(c)(5)(B) or 860G(a)(3) of the Code, respectively.

### **Interest and Original Issue Discount on the U.S. Offered Notes**

In general, stated interest on a U.S. Offered Note that is considered "**qualified stated interest**" will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. "Qualified stated interest" is interest that is unconditionally payable at least annually at a single fixed or qualified floating rate. Interest on a U.S. Offered Note that is not "qualified stated interest" must be accrued by a U.S. Holder as original issue discount ("**OID**") on a yield to maturity basis, regardless of such U.S. Holder's regular method of tax accounting. If stated interest is treated as qualified stated interest, the U.S. Offered Notes will nonetheless still be treated as issued with OID if it is issued at a discount. However, discount on the U.S. Offered Notes attributable to the issuance of the U.S. Offered Notes at less than par will only be required to be accrued under Treasury Regulations governing the treatment of OID (the "**OID Regulations**") if such discount exceeds a statutorily defined *de minimis* amount. Any *de minimis* OID on the U.S. Offered Notes will be includible in the income of a U.S. Holder on a *pro rata* basis as principal payments are made on the U.S. Offered Notes. It is not expected that the U.S. Offered Notes will be issued with more than a *de minimis* amount of OID.

If interest on the U.S. Offered Notes is unconditionally payable at a qualified floating rate, it will be treated as "qualified stated interest" and taxed under a U.S. Holder's regular method of accounting. If stated interest on the U.S. Offered Notes is subject to deferral in certain limited circumstances, it is possible that stated interest thereon may not be treated as qualified stated interest because such interest is not unconditionally payable. The applicable Supplement will state whether interest payable on the U.S. Offered Notes is unconditionally payable or subject to deferral. Subject to the discussion of prepayment assumptions below, if stated interest on the U.S. Offered Notes subject to deferral in certain limited circumstances is not treated as qualified stated interest, the U.S. Offered Notes in question will be treated as issued with OID and taxed in the manner described above. Prospective investors considering the purchase of the U.S. Offered Notes should consult their own tax advisers as to the computation of OID on the U.S. Offered Notes.

Under the Code and applicable legislative history, if payments on a debt instrument are subject to acceleration by reason of prepayments of other obligations securing such debt instrument, then OID must be calculated and accrued using the prepayment assumptions that were used to price the debt instrument. The applicable Supplement will specify the prepayment assumption that will be used in determining the rate of accrual of OID, market discount and premium, if any, for U.S. federal income tax purposes. No representation is made that the Loans in the Mortgage Pool will pay on the basis of such prepayment assumption or in accordance with any other prepayment scenario.

As an alternative to the above treatment, U.S. Holders may elect to include in gross income all interest with respect to the U.S. Offered Notes, including stated interest and *de minimis* OID, subject to certain adjustments, on the yield to maturity basis described above.

Interest and OID, if any, on a U.S. Offered Note will be treated as arising from foreign sources for foreign tax credit purposes. The rules relating to foreign tax credits and the timing thereof are complex. U.S. Holders should consult their own tax advisers regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular circumstances.

#### **Sale, Retirement or Other Taxable Disposition**

In general, a U.S. Holder will recognise gain or loss upon the sale, retirement or other taxable disposition of a U.S. Offered Note in an amount equal to the difference between the amount of cash and the fair market value of the property received in exchange for the U.S. Offered Note (except to the extent attributable to the payment of accrued interest, if any, not previously taken into income, which generally will be taxable to the U.S. Holder as ordinary income) and the U.S. Holder's adjusted tax basis in the U.S. Offered Note. A U.S. Holder's tax basis in a U.S. Offered Note generally will equal the acquisition cost of the Note, reduced for any amounts received by the U.S. Holder from the Issuer in respect of the U.S. Offered Note other than qualified stated interest. In addition, to the extent that any U.S. Offered Note is issued with OID, the U.S. Holder will increase the U.S. Holder's tax basis in the U.S. Offered Note by the amount included in income as OID. Gain or loss realised on the sale, retirement or other taxable disposition of a U.S. Offered Note will be long-term capital gain or loss if the U.S. Holder has held the U.S. Offered Note for more than one year at the time of the sale, retirement or other taxable disposition of the U.S. Offered Note. Gain or loss realised by a U.S. Holder on the sale, retirement or other taxable disposition of a U.S. Offered Note generally will be U.S. source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

#### **Foreign Currency Gain or Loss with respect to Interest**

The applicable Supplement will indicate whether the U.S. Offered Notes are denominated in U.S. dollars, pounds sterling or euro. The following discussion applies to U.S. Holders of U.S. Offered Notes in currencies other than U.S. dollars ("**U.S. Offered Foreign Currency Notes**") whether or not the U.S. Holders receive payments in pounds sterling or euro, as the case may be.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of interest on a U.S. Offered Foreign Currency Note will be required to include in income the U.S. dollar value of the payment in pounds sterling or euro (determined by reference to the spot rate in effect on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in the pounds sterling or euro amount.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes, or that otherwise is required to accrue interest prior to receipt, generally will be required to include in income the U.S. dollar value of the amount of interest income that has accrued or is otherwise required to be taken into account with respect to a U.S. Offered Foreign Currency Note during the relevant accrual period. The U.S. dollar value of such accrued 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. A U.S. Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss will equal the difference, if any, between the U.S. dollar value of the payment in pounds sterling or euro received (determined on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above). Such U.S. Holder may elect to determine the U.S. dollar value of the interest by reference to the spot rate in effect 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). If the last day of the interest accrual period is within five business days of the receipt of the payment, the electing U.S. Holder may translate interest at the spot rate on the date of the receipt. This election will apply to all debt instruments held by a U.S. Holder at the beginning of the first taxable year to which the election applies (or thereafter acquired by the U.S. Holder) and will be irrevocable without the consent of the IRS.

Any exchange gain or loss resulting from the disposition of the pounds sterling or euro amount subsequent to the receipt by the U.S. Holder will be treated as ordinary income or loss. Any exchange gain or loss generally will be treated as U.S. source income or loss for foreign tax credit purposes.

To the extent that a U.S. Offered Foreign Currency Note is issued with OID, the U.S. Holder of such note must accrue OID in the same manner as an accrual method U.S. Holder above, regardless of the U.S. Holder's method of accounting.

### **Foreign Currency Gain or Loss on Sale, Retirement or Other Taxable Disposition of the U.S. Offered Foreign Currency Notes**

The following discussion applies to U.S. Holders of the U.S. Offered Foreign Currency Notes whether or not the U.S. Holders receive payments in pounds sterling or euro.

Generally, the amount realised upon the sale, retirement or other taxable disposition of a U.S. Offered Foreign Currency Note will equal the U.S. dollar value of the pounds sterling or euro amount received as determined using the spot rate on the date of such sale, retirement or other taxable disposition. To the extent the amount realised upon the sale, retirement or other taxable disposition of a U.S. Offered Foreign Currency Note represents accrued but unpaid interest or OID, such amounts must be taken into account as interest income, with exchange gain or loss computed as described above. While the U.S. Offered Foreign Currency Notes are traded on a qualifying established securities market, a cash basis U.S. Holder (or an accrual basis U.S. Holder that elects to be treated as a cash basis taxpayer pursuant to the applicable Treasury Regulations) that sells a U.S. Offered Foreign Currency Note and receives pounds sterling or euro will have an amount realised equal to the U.S. dollar value of the pounds sterling or euro amount received, determined using the spot rate on the settlement date of the sale. An accrual basis U.S. Holder that does not make the cash basis election and that receives pounds sterling or euro will have an amount realised equal to the U.S. dollar value of the pounds sterling or euro amount received, determined using the spot rate on the date of sale. Any gain or loss realised upon the sale, retirement or other taxable disposition of a U.S. Offered Foreign Currency Note that is attributable to fluctuations in exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss in the period between the purchase of the U.S. Offered Foreign Currency Notes and the sale of the U.S. Offered Foreign Currency Notes attributable to fluctuations in currency exchange rates will equal the difference between the U.S. dollar value of the principal amount of those Notes in pounds sterling or euro, determined on the date such payment is received or the U.S. Offered Foreign Currency Notes is disposed of, and the U.S. dollar value of the principal amount of the U.S. Offered Foreign Currency Notes in pounds sterling or euro, determined on the date the U.S. Holder purchased the U.S. Offered Foreign Currency Notes. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, retirement or other taxable disposition of the U.S. Offered Foreign Currency Notes.

Any exchange gain or loss resulting from the disposition of the pounds sterling or euro amount subsequent to the receipt by the U.S. Holder will be treated as ordinary income or loss. Any exchange gain or loss generally will be treated as U.S. source income or loss for foreign tax credit purposes.

### **Tax Shelter Reporting Requirements**

If a U.S. Holder realises a loss upon the disposition or deemed disposition of the U.S. Offered Notes in an amount that exceeds a certain threshold, or if a U.S. Holder realises a foreign currency loss in an amount that exceeds a certain threshold, it is possible that the provisions of U.S. Treasury Regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards "tax shelters," they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, a significant penalty is imposed on taxpayers that participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally \$10,000 for natural persons and \$50,000 for other persons (increased to \$100,000 and \$200,000, respectively, if the reportable transaction is a "listed" transaction as defined in applicable regulations). U.S. Holders should consult their own tax advisers concerning any possible disclosure obligation with respect to the U.S. Offered Notes.



## **Foreign Tax Credits**

To the extent that payments to a U.S. Holder of interest on, or proceeds from the sale, redemption or other taxable disposition of, the U.S. Offered Notes are subject to a United Kingdom income or withholding tax, it may be possible for the U.S. Holder to reduce or eliminate such United Kingdom income or withholding tax under the United States-United Kingdom income tax treaty. To the extent that the United States-United Kingdom income tax treaty does not reduce or eliminate such United Kingdom income or withholding tax, the U.S. Holder may use such amounts as a credit against its U.S. federal income tax liability in respect of any such payments that are treated as foreign source income, or as a deduction to reduce its taxable income, in each case subject to certain limitations.

## **Information Reporting and Backup Withholding**

A U.S. Holder that is an "exempt recipient" will not be subject to information reporting requirements with respect to principal of, interest on, and proceeds from the sale, retirement or other taxable disposition of, a U.S. Offered Note. A U.S. Holder that is not an exempt recipient may be subject to information reporting requirements. Such U.S. Holder can satisfy these requirements by providing the Issuer or its paying agent with a duly completed and executed copy of IRS Form W-9 or a substantially similar form. In general, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

If a U.S. Holder subject to the information reporting requirement fails to provide the Issuer or its paying agent with a duly completed and executed copy of IRS Form W-9 or a substantially similar form, or the information on such form, including the U.S. Holder's U.S. taxpayer identification number, is incorrect or incomplete, or the IRS notifies the Issuer or its paying agent that the U.S. Holder has failed to report or under-reported payments of interest or dividends, the Issuer or its paying agent will be required to withhold a portion of all payments it makes to the U.S. Holder and pay to the IRS as a backup against the U.S. Holder's potential U.S. federal income tax liability. Backup withholding is not an additional tax and may be credited against the U.S. Holder's U.S. federal income tax liability or refunded to the U.S. Holder, provided that the holder timely files a tax return with the IRS. **Prospective purchasers should consult their own tax advisers regarding the applicability of the information reporting and backup withholding rules to them.**

**The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to U.S. Holders of their acquisition, ownership and disposition of the U.S. Offered Notes. U.S. Holders should consult their own tax advisers concerning the tax consequences to them of the acquisition, ownership and disposition of the U.S. Offered Notes in light of their particular circumstances under the U.S. federal, state, local, foreign and other laws.**

## SUBSCRIPTION AND SALE

Pursuant to a Programme Dealer Agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Dealer Agreement**") dated on or about the date of this document, the Programme Arranger and the Issuer have agreed a basis upon which Dealers in respect of a Series (as specified in the relevant Supplement) may agree to subscribe Notes of a Series. Any such agreement for any particular purchase by a Dealer will extend to these matters stated under "*Terms and Conditions of the Notes*" above.

The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Notes. In the Programme Dealer Agreement, the Issuer has agreed to reimburse and indemnify the Programme Arranger and the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Notes under the Programme, as applicable. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to purchase Notes under the Programme Dealer Agreement in certain circumstances prior to payment to the Issuer. Any Subordinated Notes will be sold directly to the Seller or any other party identified in the relevant Supplement and will not be subject to the arrangements under the Programme Dealer Agreement.

Set out below is a summary of the principal restrictions on the offer and sale of the Notes and the distribution of documents relating to the Notes.

### **United States of America**

Each Dealer appointed under the Programme Dealer Agreement will be required to acknowledge, that the Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be offered and sold only outside the United States to non-U.S. persons in offshore transactions in compliance with Rule 903 or 904 of Regulation S.

In connection with sales outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, each Dealer has represented and agreed, and each further Dealer appointed under the Programme Dealer Agreement will be required to reciprocate and agree that it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**Distribution Compliance Period**"), in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act including the prohibition on directed selling efforts in the United States under Rule 903(a)(2) of Regulation S.

Each Dealer has further agreed, and each further Dealer appointed under the Programme Dealer Agreement will be required to agree that it will send to each dealer to which it sells any Note during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been and will not be registered under the U.S. Securities Act, and the Notes may not be offered and sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except in either case in accordance with Regulation S or pursuant to an exemption from the registration requirements of the U.S. Securities Act. Terms used above have the meanings given to them by Regulation S".

In addition, until the end of the Distribution Compliance Period, the offer or sale of any Notes 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.

The Programme Dealer Agreement will provide that each Dealer, through its U.S. registered broker-dealer affiliates, may arrange for the offer and resale of the Rule 144A Notes in the United States to persons that are Qualified Institutional Buyers in transactions made in compliance with Rule 144A under the Securities Act. Each of the Dealers under the Programme Dealer 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 Rule 144A Notes in the United States.

### **United Kingdom**

Each Dealer appointed under the Programme Dealer Agreement will be required to represent to and agree with the Issuer that:

- (a) in relation to any Notes which have a maturity of less than one year :
  - (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 any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or
    - (B) 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 Notes 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 them in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (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 Notes in, from or otherwise involving the United Kingdom.

### **Ireland**

Each Dealer appointed under the Programme Dealer Agreement will be required to represent and agree that:

- (a) in respect of local offer (within the meaning of Section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland) of the Notes in Ireland, it has complied and will comply with section 49 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland;
- (b) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Dealer acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) and, in the case of a Dealer acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March 2000 (as amended or extended), it has complied with any codes of conduct or practice made under Section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and
- (c) in connection with offers or sales of Notes, it 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.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer appointed under the Programme Dealer Agreement will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### General

Each Dealer appointed under the Programme Dealer Agreement will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the relevant Series AssetCo, the Seller, the Legal Titleholder, the Series Security Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the relevant Series AssetCo, the Seller, the Legal Titleholder, the Series Security Trustee or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Additionally, with regard to each Series, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Supplement.

## TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Instruments.

The Instruments have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below and each purchaser will be deemed to have agreed.

### Legend

UNLESS DETERMINED OTHERWISE BY THE ISSUER IN ACCORDANCE WITH APPLICABLE LAW AND SO LONG AS ANY CLASS OF NOTES IS OUTSTANDING, A REG S GLOBAL NOTE WILL BEAR A LEGEND SUBSTANTIALLY AS SET FORTH BELOW:

NEITHER THIS INSTRUMENT NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION 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, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR SUCH OTHER LAWS OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT OR SUCH OTHER LAWS IS AVAILABLE.

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 AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE INSTRUMENT THAT IF IT SHOULD DECIDE TO DISPOSE OF THE INSTRUMENTS REPRESENTED BY THIS GLOBAL INSTRUMENT PRIOR TO THE TERMINATION OF THE 40 DAY 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 DIRECTLY OR INDIRECTLY ONLY IF REQUIRED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE OF THE UNITED STATES. ACCORDINGLY, ANY TRANSFER OF THE INSTRUMENTS PRIOR TO THE TERMINATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE: (A) TO THE ISSUER, (B) TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S) IN A TRANSACTION PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (C), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED BE REPRESENTED BY AN INTEREST IN THE RULE 144A GLOBAL NOTES (AS DEFINED IN THE TRUST DEED) AND (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE TRUST DEED AND IS AVAILABLE FROM THE REGISTRAR).

EACH PURCHASER AND TRANSFEREE OF THIS INSTRUMENT OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT THERETO OR A "PLAN" DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (II) ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL,

STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), (III) AN ENTITY DEEMED TO BE USING THE ASSETS OF OR ACTING ON BEHALF OF SUCH AN EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR PLAN SUBJECT TO SECTION 4975 OF THE CODE, 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 EMPLOYEE BENEFIT PLAN, PLAN OR OTHER BENEFIT PLAN, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR, AS APPLICABLE, A VIOLATION OF ANY SIMILAR LAW.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any class of Notes is outstanding, a Rule 144A Global Note will bear a legend substantially set forth below and each purchaser will be deemed to have agreed:

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) WILL HOLD AT LEAST THE MINIMUM DENOMINATION OF \$100,000, (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL THE PRECEDING REQUIREMENTS AND (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REG S GLOBAL NOTES (AS DEFINED IN THE TRUST DEED) AND (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE TRUST DEED AND IS AVAILABLE FROM THE REGISTRAR).

THE PURCHASER 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.

EACH PURCHASER AND TRANSFEREE OF THIS INSTRUMENT OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH INSTRUMENT, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT THERETO OR A "PLAN" AS DEFINED IN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (II) ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), (III) AN ENTITY DEEMED TO BE USING THE ASSETS OF OR ACTING ON BEHALF OF SUCH AN EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE PLAN ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR

OTHER BENEFIT PLAN, OR (B) ITS PURCHASE AND HOLDING OF THIS INSTRUMENT OR ANY INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR, AS APPLICABLE, A VIOLATION OF ANY SIMILAR LAW.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE INSTRUMENTS MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

**Initial Investors and Transferees of Interests in the Notes (excluding the Subordinated Notes)**

Each Purchaser of the Notes (excluding the Subordinated Notes) will be deemed to have represented and agreed as follows:

(a) *Purchaser Requirements*

The Purchaser:

- (i) (A) is a Qualified Institutional Buyer (as defined in Rule 144A under the Securities Act), (B) will hold at least the minimum denomination of \$100,000, (C) will provide notice of applicable transfer restrictions to any subsequent transferee, and (D) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (C), or
- (ii) is not a U.S. person and is acquiring the Notes pursuant to Rule 903 or 904 of Regulation S.

The Purchaser 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.

(b) *Notice of Transfer Restrictions*

Each Purchaser acknowledges and agrees that (1) the Notes have not been and will not be registered under the Securities Act, (2) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth above and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.

(c) *Legends on Rule 144A Global Notes and the Reg S Global Notes*

Each Purchaser acknowledges that the Rule 144A Global Notes and the Reg S Global Notes will bear legends substantially to the effect set forth above under "*Legend*".

(d) *Rule 144A Information*

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 registration requirements 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.

(e) *Regulation S Transfers during the Distribution Compliance Period*

If the Purchaser has acquired the Notes 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 Notes to or for the account or benefit of any U.S. person other than to a person meeting the requirements set forth above and in the legend set forth above under "*Legend*" appearing on the Reg S Global Notes.

(f) *ERISA*

Unless otherwise stated in the relevant Supplement, each purchaser and transferee of an interest in the Notes (excluding the Subordinated Notes), shall be deemed to represent, warrant and agree that either (a) it is not and for so long as it holds any Note or any interest therein will not be (i) an Employee Benefit Plan as defined in and subject to ERISA, or a "plan" defined in and subject to Section 4975 of the Code, (ii) another employee benefit plan subject to any federal, state or local 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 an Employee Benefit Plan or Plan subject to Section 4975 of the Code, or (iv) an entity whose underlying assets are deemed for purposes of ERISA, Section 4975 of the Code of any Similar Law to include plan assets of any such Employee Benefit Plan or other employee benefit plan, or (b) its purchase and holding of any Note will not result in a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or, as applicable, a violation of any Similar Law.

**Initial Investors and Transferees of Interests in the Subordinated Notes**

Each purchaser of the Subordinated Notes will be deemed to have represented and agreed as follows:

(a) *Purchaser Requirements*

The Purchaser is not a U.S. person and is acquiring the Instruments in a transaction meeting the requirements of Rule 903 or 904 of Regulation S. The Purchaser 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.

(b) *Notice of Transfer Restrictions*

Each Purchaser acknowledges and agrees that (1) the Instruments have not been and will not be registered under the Securities Act, (2) neither the Instruments nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred to a U.S. Person at any time and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Instruments of such transfer restrictions.

(c) *Regulation S Transfers*

The Purchaser agrees that it will not offer, resell, pledge or otherwise transfer such Instruments to or for the account or benefit of any U.S. person at any time.

(d) *ERISA*

Each purchaser and Transferee of an interest in the Instruments, shall be deemed to represent, warrant and agree that it is not and for so long as it holds any Note or interest therein will not be (i) an "Employee Benefit Plan" as defined in Section 3(3) of ERISA and subject thereto or a Plan as defined in and subject to Section 4975 of the Code, an entity using the assets of or acting on behalf of such an Employee Benefit Plan or Plan, or an entity whose underlying assets are deemed to include plan assets of any such Employee Benefit Plan or Plan and (ii) if it will be an employee benefit plan that is not subject to ERISA but is subject to Similar Law, the purchase and holding of the Instrument do not and will not violate any Similar Law. Any purported purchase or transfer of the Instruments that does not comply with the foregoing shall be null and void *ab initio*.



## CERTAIN ERISA CONSIDERATIONS

Subject to the considerations discussed below, the Instruments (excluding the Subordinated Notes) and any interests in an Instrument (excluding the Subordinated Notes) are eligible for purchase by employee benefit plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Code. Section 406 of ERISA and/or Section 4975 of the Code, prohibits a pension, profit-sharing or other employee benefit plan, as well as individual retirement accounts and certain types of Keogh Plans subject to ERISA or Section 4975 of the Code (each, a "**Benefit Plan**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons. Title I of ERISA also requires that fiduciaries of a Benefit Plan subject to ERISA make investments that are consistent with their fiduciary responsibilities thereunder, including but not limited to, investments which are prudent, diversified and in accordance with governing plan documents.

Certain transactions involving the purchase, holding or transfer of the Instruments or any interest in any Instrument might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under Section 3(42) of ERISA and a regulation issued by the United States Department of Labor (collectively, the "**Plan Assets Regulation**"), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest for purposes of the Plan Assets Regulation is an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little pertinent authority on how this definition applies, the Issuer is proceeding on the basis that the Instruments will not be treated as "equity interests" in the Issuer for the purposes of the Plan Assets Regulation. This treatment is based in part upon the traditional debt features of such Instruments, the reasonable expectation that such Instruments will be repaid when due (as evidenced by the ratings assigned to such Instruments by the Rating Agencies) and the absence of conversion rights, warrants or other similar equity features. Although there is no guidance on the issue, it is possible that changes in the capitalisation of the Issuer, including as a result of losses relating to the Issuer, could affect the characterisation of such Instruments as not being equity interests under the Plan Assets Regulation. The risk of recharacterization is greater for the more subordinate classes of such Instruments. The Issuer is treating the Subordinated Notes as classes of equity interests in the Issuer for purposes of the Plan Assets Regulation. If the underlying assets of the Issuer are deemed to be Benefit Plan assets, the obligations and other responsibilities of Benefit Plan sponsors, Benefit Plan fiduciaries and Benefit Plan administrators, and of "parties in interest" and "disqualified persons" (as defined under ERISA and the Code), 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 entity, and any other parties with authority or control with respect to the entity, could be deemed to be Benefit Plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

Regardless of whether the assets of the Issuer are deemed to be Benefit Plan assets, prohibited transactions could arise in connection with the purchase and holding of a Note or any interest therein by a Benefit Plan. Such investment may, however, be subject to a statutory or administrative exemption, including certain Prohibited Transaction Class Exemptions. Such exemptions may not, however, apply to all of the transactions that could be deemed to be prohibited transactions in connection with an investment in the Instruments by a Benefit Plan.

Unless otherwise stated in the relevant supplement, each purchaser and Transferee of an Instrument (excluding the Subordinated Notes) or any interest 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 any interest therein will not be (i) a Benefit Plan subject to ERISA or Section 4975 of the Code, (ii) another employee benefit plan subject to any federal, state or local 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 subject to Section 4975 of the Code, 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 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, Section 4975 of the Code or, as applicable, a violation of any Similar Law.

The Subordinated Notes are not eligible for purchase by Benefit Plans and each purchaser and Transferee thereof will be deemed to have represented and agreed that (a) it is not and for so long as it is a holder thereof will not be a Benefit Plan or any other entity deemed to hold assets of a Benefit Plan or (b) if it is not and will not be a Benefit Plan or any other entity deemed to hold assets of a Benefit Plan but is a plan subject to Similar Law, the purchase and holding of any such Subordinated Notes will not violate any such Similar Law. Any purported purchase or transfer of the Subordinated Notes does not comply with the forgoing shall be null and void *ab initio*.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), non-U.S. and certain other plans are not subject to ERISA requirements, but may be subject to other requirements applicable to employee benefit plans.

PRIOR TO MAKING AN INVESTMENT IN INSTRUMENTS, PROSPECTIVE EMPLOYEE BENEFIT PLAN INVESTORS (WHETHER OR NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE) SHOULD CONSULT WITH THEIR LEGAL AND OTHER ADVISORS CONCERNING THE IMPACT OF ERISA AND THE CODE (AND, PARTICULARLY IN THE CASE OF NON-ERISA PLANS AND ARRANGEMENTS, ANY OTHER U.S. STATE AND LOCAL, AND NON-U.S., LAW CONSIDERATIONS), AS APPLICABLE, AND THE POTENTIAL CONSEQUENCES IN THEIR SPECIFIC CIRCUMSTANCES OF AN INVESTMENT IN INSTRUMENTS.

## GENERAL INFORMATION

1. The establishment of the Programme has been authorised by resolution of the Board of Directors of the Issuer passed on 13 July 2007.
2. It is expected that each Tranche of Notes which is to be admitted to the Official List of the Irish Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Certificate, initially representing the Notes of such Tranche. The listing of the Notes of such Tranche will be cancelled if the Global Certificate is not issued. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the day of the transaction. The estimated cost of the applications for admission to the Official List and admission to trading on the Irish Stock Exchange's market for listed securities is EUR5,500. Application has been made to the Irish Financial Services Regulatory Authority for Notes issued under the Programme to be admitted to trading on the Irish Stock Exchange's market for listed securities. The approval of the Programme in respect of Notes is expected to be granted on or about 18 July 2007.
3. The Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Supplement. In addition, the Issuer may make an application for any Global Notes to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Notes cleared through DTC will be specified in the applicable Supplement. Euroclear and Clearstream, Luxembourg are the entities in charge of keeping the records, as applicable. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041-0099.
4. The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since its date of incorporation a significant effect on its financial position.
5. The financial year end of the Issuer is 31 December 2007. Since the date of incorporation, the Issuer has not commenced operation and no financial statements have been made up as at the date of this document. The first statutory financial statements of the Issuer will be prepared for the period ended 31 December 2007.
6. Since 19 March 2007 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.
7. The auditors of the Issuer are, as at the date of this Base Prospectus, KPMG Audit Plc, who are regulated by a number of authorities, but primarily by The Institute of Chartered Accountants in England & Wales, of which they are members, in respect of the audit. In addition, KPMG Audit Plc is authorised and regulated by the Financial Services Authority in respect of activities regulated by the FSMA.
8. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.
9. For a period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available and may be inspected in physical or electronic form during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Issuer and at the specified office of the Irish Paying Agent in Ireland for so long as the Notes are listed on the Irish Stock Exchange:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) a copy of this Base Prospectus;
- (c) each Programme Transaction Document; and
- (d) any future offering circulars, prospectuses, information memoranda and supplements including the Supplement (save that a Supplement relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

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**ISSUER**

**Uropa Securities PLC**  
35 Great St. Helen's  
London  
EC3A 6AP

**TRUSTEE**

**ABN AMRO Trustees Limited**  
82 Bishopsgate  
London EC2N 4BN

**PRINCIPAL PAYING AGENT, AGENT  
BANK AND EXCHANGE AGENT**

**ABN AMRO BANK N.V., London Branch**  
82 Bishopsgate  
London EC2N 4BN

**IRISH PAYING AGENT**

**NCB Stockbrokers Limited**  
3 George's Dock  
International Financial Services Centre  
Dublin 1, Ireland

**REGISTRAR AND TRANSFER AGENT**

**ABN AMRO BANK N.V., London Branch**  
82 Bishopsgate  
London EC2N 4BN

**ARRANGER**

**ABN AMRO BANK N.V., London Branch**  
250 Bishopsgate  
London EC2M 4AA

**LEGAL ADVISERS**

*To the Arranger, Bookrunner and Lead Manager as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
Canary Wharf  
London E14 5JJ

*To the Trustee as to English law*

**Simmons & Simmons**  
City Point  
One Ropemaker Street  
London EC2Y 9SS

*To the Issuer as to Scots law*

**Maclay Murray & Spens LLP**  
151 St Vincent Street  
Glasgow  
G2 5NJ

*To the Issuer as to Northern Irish law*

**Cleaver Fulton Rankin Solicitors**  
50 Bedford Street  
Belfast  
BT2 7FW

**AUDITORS TO THE ISSUER**

**KPMG Audit Plc**  
8 Salisbury Square  
London EC4Y 8BB

**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2,  
Ireland