

# RMAC 2004-NS3 PLC

(Incorporated in England and Wales with limited liability under Registered Number 5097589)

## MULTI-CURRENCY MORTGAGE BACKED FLOATING RATE NOTES

Notes	Initial Principal Amount	Interest Rate	Step-Up Interest Rate	Maturity Date	Issue Price to Investors
A1 Notes <sup>1</sup>	USD295,000,000	1 Month USD-LIBOR + 0.0% <sup>2</sup>	Not Applicable	March 2025	100%
A2a Notes	£170,000,000	Note LIBOR + 0.21%	Note LIBOR + 0.42%	December 2036	100%
A2c Notes	€168,000,000	Note EURIBOR + 0.20%	Note EURIBOR + 0.40%	December 2036	100%
M1 Notes	£22,500,000	Note LIBOR + 0.40%	Note LIBOR + 0.80%	December 2036	100%
M2 Notes	£20,000,000	Note LIBOR + 0.70%	Note LIBOR + 1.40%	December 2036	100%
B Notes	£7,500,000	Note LIBOR + 1.20%	Note LIBOR + 2.20%	December 2036	100%
C Notes	£8,600,000	Note LIBOR + 2.50%	Not Applicable	December 2036	100%

<sup>1</sup>The A1 Notes are intended to be "Eligible Securities" for purchase by money market funds under Rule 2a-7 under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). However, any determination as to such qualification and compliance with other aspects of Rule 2a-7 is solely the responsibility of each money market fund and its investment adviser. The A1 Notes will be sold subject to the A1 Note Mandatory Transfer Arrangements (as defined in "Summary Information – The A1 Note Mandatory Transfer Arrangements").

<sup>2</sup>The margin on the A1 Notes may vary on an annual basis in accordance with the A1 Note Mandatory Transfer Arrangements as referred to in Condition 5(l).

The Mortgage Backed Floating Rate Notes of RMAC 2004-NS3 Plc (the "Issuer") will comprise USD295,000,000 A1 Notes (the "A1 Notes" or the "USD Notes"), £170,000,000 A2a Notes (the "A2a Notes"), €168,000,000 A2c Notes (the "A2c Notes" or the "Euro Notes"), together with the A2a Notes, the "A2 Notes" and, together with the A1 Notes, the "A Notes"), £22,500,000 M1 Notes (the "M1 Notes"), £20,000,000 M2 Notes (the "M2 Notes" and, together with the M1 Notes, the "M Notes"), £7,500,000 B Notes (the "B Notes", together with the A Notes and the M Notes, the "Rated Notes") and £8,600,000 C Notes (the "C Notes" and, together with the A2a Notes, the M1 Notes, the M2 Notes and the B Notes, the "Sterling Notes" and the Sterling Notes, the USD Notes and the Euro Notes, together the "Notes"). The holders of the A1 Notes shall be defined as the "A1 Noteholders", the holders of the A2 Notes shall be defined as the "A2 Noteholders" and, together with the A1 Noteholders shall be defined as the "A Noteholders", the holders of the M1 Notes shall be defined as the "M1 Noteholders", the holders of the M2 Notes shall be defined as the "M2 Noteholders" and, together with the M1 Noteholders shall be defined as the "M Noteholders", the holders of the B Notes shall be defined as the "B Noteholders" and, the holders of the C Notes shall be defined as the "C Noteholders" and the holders of the Notes shall be defined as the "Noteholders".

Interest is payable on (a) the A1 Notes in arrear on the 12th day in each month beginning November 2004, unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date, an "A1 Payment Date") and (b) the A2 Notes, the M1 Notes, the M2 Notes, the B Notes and the C Notes beginning on 13 December 2004 and thereafter quarterly in arrear on the 12th day in March, June, September and December in each year, unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date, a "Quarterly Payment Date"). A "Payment Date" for determining the amount and date for payment of interest on the A1 Notes shall be each A1 Payment Date and otherwise shall be each Quarterly Payment Date. Interest on the A1 Notes shall accrue at an annual rate of the London Interbank Offered Rate ("LIBOR") for deposits in US dollars ("USD-LIBOR") for one month or, in the case of the first Interest Period (as defined below), at an annual rate obtained upon interpolation of USD-LIBOR for one month and USD-LIBOR for two months ("1 Month USD-LIBOR") per annum until the A1 Payment Date falling in September 2005 and thereafter 1 Month USD-LIBOR plus the Reset Margin as defined in "Summary Information – The A1 Note Mandatory Transfer Arrangements". Interest on the A2a Notes shall accrue at an annual rate of LIBOR for deposits in sterling for three months or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of LIBOR for two month sterling deposits and LIBOR for three month sterling deposits ("Note LIBOR") plus 0.21 per cent. per annum until the Quarterly Payment Date falling in September 2011 (the "Step-Up Date") and thereafter at an annual rate of Note LIBOR plus 0.42 per cent. per annum. Interest on the A2c Notes shall accrue at an annual rate of the Eurozone Interbank Offered Rate ("EURIBOR") for deposits in euro for three months or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of EURIBOR for two month euro deposits and EURIBOR for three month euro deposits ("Note EURIBOR") plus 0.20 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note EURIBOR plus 0.40 per cent. per annum. Interest on the M1 Notes shall accrue at an annual rate of Note LIBOR plus 0.40 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 0.80 per cent. per annum. Interest on the M2 Notes shall accrue at an annual rate of Note LIBOR plus 0.70 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 1.40 per cent. per annum. Interest on the B Notes shall accrue at an annual rate of Note LIBOR plus 1.20 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 2.20 per cent. per annum. Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 2.50 per cent. per annum. The Notes will be issued on or about 29 September 2004 (the "Issue Date").

The period from (and including) a Quarterly Payment Date (or, in the case of the A1 Notes, an A1 Payment Date) (or the Issue Date) to (but excluding) the next (or first) Quarterly Payment Date (or, in the case of the A1 Notes, an A1 Payment Date) is an "Interest Period". The rate of interest payable from time to time (the "Rate of Interest") in respect of each class of the Notes will be determined on each Quarterly Payment Date (or, in the case of the A1 Notes, two Business Days prior to each A1 Payment Date or, in the case of the A2c Notes, two Business Days prior to each Quarterly Payment Date) or, in the case of the first Interest Period, the Issue Date (each an "Interest Determination Date").

All references herein to "Notes" and "Noteholders" are references to the specified Notes and the holders thereof unless otherwise specified.

Prior to redemption on the A1 Payment Date falling in March 2025 for the A1 Notes (the "A1 Final Payment Date") and prior to redemption on the Quarterly Payment Date falling in December 2036 for the A2 Notes, the M1 Notes, the M2 Notes, the B Notes and the C Notes (the "Final Payment Date"), the Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase any Notes. See "Terms and Conditions of the Notes – Condition 5".

As a condition to the issue of the A Notes, the A Notes are to be rated Aaa by Moody's Investors Services Ltd ("Moody's"), AAA by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and AAA by Fitch Ratings Ltd ("Fitch") and, together with Moody's and S&P, the "Rating Agencies"). The A1 Notes are also expected to be rated short-term A-1+, P-1 and F1+ by S&P, Moody's and Fitch respectively. The M1 Notes are each to be rated AA by S&P, Aa3 by Moody's and AA by Fitch. The M2 Notes are each to be rated A by S&P, A3 by Moody's and A by Fitch. The B Notes are each to be rated BBB by S&P, Baa3 by Moody's, and BBB by Fitch. The issue of the C Notes is not conditional upon a rating and the Issuer has not requested any rating of the C Notes.

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

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

Application has been made to the Financial Services Authority in its capacity as the competent authority for listing in the United Kingdom (the "UK Listing Authority") for the Notes to be admitted to the Official List of the UK Listing Authority (the "Official List"). Application has been made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. A copy of this document, which comprises approved listing particulars with regard to the Issuer and the Notes, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 83 of the Financial Services and Markets Act 2000 (the "FSM Act"). Application has been made for the Notes to be designated for quotation on the Private Offerings, Resales and Trading through Automated Linkages Market, commonly referred to as the PORTAL Market System of the National Association of Securities Dealers, Inc. ("PORTAL").

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

BARCLAYS CAPITAL

GMAC RFC Securities Europe

DEUTSCHE BANK

MERRILL LYNCH & CO.

CREDIT SUISSE FIRST BOSTON

BEAR STEARNS

HSBC

THE ROYAL BANK OF SCOTLAND

The date of this Offering Circular is 23 September 2004.

The A1 Notes are intended to be “**Eligible Securities**” for purchase by money market funds under Rule 2a-7 under the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”). However, any determination as to such qualification and compliance with other aspects of Rule 2a-7 is solely the responsibility of each money market fund and its investment adviser. The A1 Notes will also be sold subject to the A1 Note Mandatory Transfer Arrangements (as defined in “**Summary Information – the A1 Note Mandatory Transfer Arrangements**”). The Notes of each class sold in reliance on Rule 144A (“**Rule 144A**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”), will initially be represented by global notes in bearer form for each such class of Note (each a “**Rule 144A Global Note**”).

The Notes of each class sold in reliance on Regulation S under the Securities Act (“**Regulation S**”) will initially be represented by global notes in bearer form for each such class of Note (each a “**Reg S Global Note**”). The Reg S Global Notes and the Rule 144A Global Notes (collectively, the “**Global Notes**”) will be deposited with or to the order of JPMorgan Chase Bank, New York office, as the book-entry depository (in such capacity, the “**Depository**”) on or about the Issue Date pursuant to a depository agreement (the “**Depository Agreement**”) expected to be dated on or about the Issue Date between the Issuer, the Depository and J.P. Morgan Corporate Trustee Services Limited, in its capacity as Trustee.

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

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “**COMMISSION**”), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OR ACCOUNT OF, US PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

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

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

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

The Notes will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, GMAC-RFC Limited (“**GMAC-RFC**”), Barclays Bank PLC acting through its investment banking division or Credit Suisse First Boston (Europe) Limited (together with Barclays Bank PLC, the “**Lead Managers**”), RFSC International Limited, Bear, Stearns International Limited, Deutsche Bank AG, London, HSBC Bank plc, Merrill Lynch International or The Royal Bank of Scotland plc (together with the Lead Managers, the “**Managers**”), SFM Corporate Services Limited (the “**Corporate Services Provider**” and the “**Share Trustee**”),

Barclays Bank PLC (the “**Currency Swap Counterparty**”), Barclays Bank PLC (in its capacity as account bank, the “**Account Bank**”, in its capacity as liquidity facility provider, the “**Liquidity Facility Provider**”, in its capacity as GIC provider, the “**GIC Provider**” and in its capacity as remarketing agent under the A1 Note Mandatory Transfer Arrangements (as defined below), the “**Remarketing Agent**”), HSBC Bank plc in its capacity as cap provider, the “**Cap Provider**”, Sheffield Receivables Corporation as conditional purchaser of the A1 Notes (the “**A1 Note Conditional Purchaser**”) or J.P. Morgan Corporate Trustee Services Limited as trustee (in such capacity, the “**Trustee**”).

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

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

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

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

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

The Cap Provider accepts responsibility for the information contained in “**The Cap Provider**”. No representations, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cap Provider as to the accuracy or completeness of any information contained in this Offering Circular (other than the information mentioned above) or any other information supplied in connection with the Notes or their distribution.

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

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

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

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

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts therefor.

References in this Offering Circular to “£”, “Pounds”, “sterling” or “Sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this Offering Circular to “€”, “euro” or “Euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam. References to “USD”, “US dollars” or “\$” are to the lawful currency for the time being of the United States of America.

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

#### NOTICE TO US INVESTORS

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

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

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

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

#### AVAILABLE INFORMATION

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

Information regarding the Notes and the performance of the Mortgage Pool is intended to be made available to Noteholders on the internet at [www.rmacinvestors.com](http://www.rmacinvestors.com).

#### ENFORCEABILITY OF JUDGMENTS

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

#### NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### FORWARD-LOOKING STATEMENTS

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

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## SUMMARY INFORMATION

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

### The Issuer

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

### The Mortgage Pool

#### *Sale of Mortgage Pool*

The Issuer has been established:

- (a) to acquire on the Issue Date a pool (the "**Completion Mortgage Pool**") of residential mortgage loans together with the related security for their repayment, including the relevant mortgages and standard securities (the "**Related Security**") (each such mortgage loan, a "**Mortgage Loan**", and each such mortgage and standard security, a "**Mortgage**");
- (b) to make further advances pursuant to the Administration Agreement in respect of these Mortgage Loans ("**Further Advances**"); and
- (c) to acquire Substitute Mortgage Loans (as defined under "*Administration of the Mortgage Pool – Further Advances and Substitution*").

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

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

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

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

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

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

### *Mortgage Administration and Servicing*

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

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

The Administrator has entered into an agreement with Homeloan Management Limited ("**HML**") regarding the sub-contracting out of administration services in relation to the mortgage loans the Administrator owns or administers on behalf of others, including the Mortgage Loans. See "*Administration of the Mortgage Pool*".

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

### ***The Trustee***

The Trustee, which is J.P. Morgan Corporate Trustee Services Limited (with registered office at 125 London Wall, London EC2Y 5AJ and head office at Trinity Tower, 9 Thomas More Street, London E1W 1YT), will be appointed pursuant to a trust deed (the “**Trust Deed**”) to be entered into on or prior to the Issue Date between the Issuer and the Trustee to represent the interests of the Noteholders and the other secured parties. The Trustee will hold for the benefit of, *inter alios*, the Noteholders the security granted by the Issuer under the Deed of Charge. See “**Security for the Notes**” below.

### ***The Notes***

The USD295,000,000 A1 Mortgage Backed Floating Rate Notes due March 2025, the £170,000,000 A2a Mortgage Backed Floating Rate Notes due December 2036, the €168,000,000 A2c Mortgage Backed Floating Rate Notes due December 2036, the £22,500,000 M1 Mortgage Backed Floating Rate Notes due December 2036, the £20,000,000 M2 Mortgage Backed Floating Rate Notes due December 2036, the £7,500,000 B Mortgage Backed Floating Rate Notes due December 2036 and the £8,600,000 C Mortgage Backed Floating Rate Notes due December 2036 will be constituted by the Trust Deed and will share (subject to the priority described below) in the same security.

The A Notes will be secured by the same security that will secure the M1 Notes, the M2 Notes, the B Notes and the C Notes although, upon enforcement, the A Notes will rank in priority to the M1 Notes, the M2 Notes, the B Notes and the C Notes in point of security; the M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes, but after the A Notes, in point of security; the M2 Notes will rank in priority to the B Notes and the C Notes, but after the A Notes and the M1 Notes, in point of security; the B Notes will rank in priority to the C Notes, but after the A Notes, the M1 Notes and the M2 Notes, in point of security; and the C Notes will rank after the A Notes, the M1 Notes, the M2 Notes and the B Notes in point of security.

The A Notes will rank *pari passu* without preference or priority amongst themselves for all purposes (other than with respect to differing rates of interest being applicable to the A1 Notes, the A2a Notes and the A2c Notes), but will rank in priority to the M1 Notes, the M2 Notes, the B Notes and the C Notes, to the extent described in “**Terms and Conditions of the Notes – Condition 4(f)**”, as to payment of interest and, to the extent described in “**Terms and Conditions of the Notes – Condition 2**”, as to payment of principal.

The M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes, to the extent described in “**Terms and Conditions of the Notes – Condition 4(f)**”, as to payment of interest and, to the extent described in “**Terms and Conditions of the Notes – Condition 2**”, as to payment of principal.

The M2 Notes will rank in priority to the B Notes and the C Notes, to the extent described in “**Terms and Conditions of the Notes – Condition 4(f)**”, as to payment of interest and, to the extent described in “**Terms and Conditions of the Notes – Condition 2**”, as to payment of principal.

The B Notes will rank in priority to the C Notes, to the extent described in “**Terms and Conditions of the Notes – Condition 4(f)**” as to payment of interest and, to the extent described in “**Terms and Conditions of the Notes – Condition 2**”, as to payment of principal.

The C Notes will rank *pari passu* without preference or priority amongst themselves for all purposes.

### ***The A1 Note Mandatory Transfer Arrangements***

The A1 Notes are issued subject to the A1 Note Mandatory Transfer Arrangements referred to in Condition 5(l), the A1 Note Conditional Purchase Agreement (as defined below), the Remarketing Agreement (as defined below) and the Trust Deed (together, the “**A1 Note Mandatory Transfer Arrangements**”). Under the terms of the A1 Note Mandatory Transfer Arrangements, the Issuer will be obliged to procure the purchase of (and the then A1 Noteholders will be obliged to transfer) the A1 Notes (the “**Mandatory Transfer**”) on the Payment Dates falling in September 2005 and September 2006 (each such date being an “**A1 Note Mandatory Transfer Date**”) provided that (a) there shall be no Mandatory Transfer on an A1 Note Mandatory Transfer Date if the A1 Notes are fully redeemed or if an Event of Default under the Notes has occurred on or prior to such A1 Note Mandatory Transfer Date and is continuing; and (b) there shall be no Mandatory Transfer on the A1 Note Mandatory Transfer Date falling in September 2006 if a Short Term Feature Termination Event (as defined below) has occurred prior to the Short Term Feature Decision Date (as defined below), or if an A1 Note Mandatory Transfer Termination Event (as defined below) occurs prior to the A1 Note Mandatory Transfer Date falling in September 2005. Under the A1 Note Mandatory Transfer Arrangements, upon payment by the Remarketing Agent and/or the A1 Note Conditional Purchaser to the then A1 Noteholders of the Principal Amount Outstanding on the A1 Notes on the relevant A1 Note Mandatory Transfer Date (following the application of Actual Redemption Funds on that date and without prejudice to the Issuer’s obligation to make payments on the A1 Notes on that date) (the amount of that payment constituting the “**A1 Note Mandatory Transfer Price**”), all rights in respect of the A1 Notes will be transferred to or for the account of the Remarketing Agent (as defined below) or as directed by the Remarketing Agent and/or to or for the account of the A1 Note Conditional Purchaser (as defined below).



Under the terms of an agreement to be dated on or about the Issue Date (the “**Remarketing Agreement**”), the Issuer will appoint Barclays Bank PLC to act as its agent (the “**Remarketing Agent**”) to identify third party purchasers for the A1 Notes on the A1 Note Mandatory Transfer Date falling in September 2005 subject to a Remarketing Termination Event (as defined below) not having occurred. If the Remarketing Agent is unable to identify third party purchasers for all the A1 Notes then outstanding, then the Remarketing Agent on behalf of the Issuer will give notice to Sheffield Receivables Corporation (the “**A1 Note Conditional Purchaser**”) under an agreement (the “**A1 Note Conditional Purchase Agreement**”) to require the A1 Note Conditional Purchaser to purchase all the A1 Notes subject to the limitations on the A1 Note Conditional Purchaser’s ability to fund its obligations as set out in “*Risks Related to the A1 Note Mandatory Transfer Arrangements*” below. If an A1 Remarketing Termination Event (as defined below), other than an Event of Default under the Notes, occurs on or before the A1 Note Mandatory Transfer Date falling in September 2005, the A1 Note Conditional Purchaser will be obliged to purchase all the A1 Notes on such A1 Note Mandatory Transfer Date.

The Remarketing Agent or the A1 Note Conditional Purchaser may increase or decrease the margin on the A1 Notes from that payable as at the Issue Date, such increase or decrease may apply from the A1 Note Mandatory Transfer Date falling in September 2005 in accordance with the Remarketing Agreement and as described more fully below. Five Business Days prior to each A1 Note Mandatory Transfer Date while the A1 Note Mandatory Transfer Arrangements are in place, the Administrator will, on behalf of the Issuer, have determined the amount of Actual Redemption Funds and will notify the Remarketing Agent and/or the A1 Note Conditional Purchaser of the estimated amount that will, following application of the Actual Redemption Funds, be the Principal Amount Outstanding of the A1 Notes on such A1 Note Mandatory Transfer Date. In respect of the A1 Note Mandatory Transfer Date falling in September 2005, if no Remarketing Termination Event has occurred, the Remarketing Agent will seek bids from investors for the margin to apply to the A1 Notes from such A1 Note Mandatory Transfer Date. If there are one or more third parties willing to purchase in aggregate all the outstanding A1 Notes, the margin on all of the A1 Notes will be reset to a single percentage (not greater than the Maximum Reset Margin (as defined in the Terms and Conditions of the Notes) (the “**Reset Margin**”)) being the lowest margin at which all of the A1 Notes will be purchased by third parties as determined by the Remarketing Agent. If the Reset Margin is less than the Maximum Reset Margin from the A1 Note Mandatory Transfer Date falling in September 2005, the Reset Margin will be reset to the Maximum Reset Margin on the A1 Note Mandatory Transfer Date falling in September 2006. If any of the A1 Notes are purchased by the A1 Note Conditional Purchaser or if any other Short Term Feature Termination Event occurs, the margin will be reset to the Maximum Reset Margin. Details of the Reset Margin will be notified to the Tender Agent and the Principal Paying Agent at least three Business Days prior to the relevant A1 Note Mandatory Transfer Date.

If no Short Term Feature Termination Event has occurred prior to the Short Term Feature Decision Date, the A1 Note Conditional Purchaser will (upon applicable notice and subject to no Event of Default under the Notes subsisting) be obliged to purchase all the A1 Notes outstanding on the A1 Note Mandatory Transfer Date falling in September 2006. If a Short Term Feature Termination Event occurs prior to the Short Term Feature Decision Date, the A1 Notes will not be subject to purchase by the A1 Note Conditional Purchaser on the A1 Note Mandatory Transfer Date falling in September 2006 (although, for the avoidance of doubt, the A1 Note Conditional Purchaser remains obligated to purchase any A1 Notes not purchased by third parties on the A1 Note Mandatory Transfer Date falling in September 2005) and the A1 Notes will not be eligible for purchase by money market funds under Rule 2a-7 under the Investment Company Act from the A1 Note Mandatory Transfer Date falling in September 2005.

To facilitate the transfer of interests in the A1 Notes as part of the A1 Note Mandatory Transfer Arrangements, JPMorgan Chase Bank will be appointed as initial tender agent (the “**Tender Agent**”) for the purpose of arranging delivery and payment by and to the A1 Noteholders on the relevant A1 Note Mandatory Transfer Date. No further action will be required by the A1 Noteholders for the transfer of the A1 Notes to or for the account of the Remarketing Agent.

The Issuer may terminate the Remarketing Agreement broadly where (*inter alia*): the Remarketing Agent becomes insolvent or no longer has the requisite authority or ability to act in accordance with the terms of the Remarketing Agreement or a material breach of warranty or covenant by the Remarketing Agent occurs and remains outstanding under the Remarketing Agreement.

The Remarketing Agent will have the right to terminate its remarketing obligations under the Remarketing Agreement broadly where (*inter alia*): an Event of Default under the Notes has occurred and is continuing; there has been an event beyond the control of the Remarketing Agent or the Issuer which means that it is unable to perform its obligations under the Remarketing Agreement; or the Issuer is in material breach of any representations and warranties given by it in the A1 Note Conditional Purchase Agreement as at the Issue Date.

The occurrence of any of the previously described events upon delivery of a termination notice from the Remarketing Agent to the Issuer, the Administrator, the Tender Agent and the Principal Paying Agent or a termination by the Issuer pursuant to the previous paragraph where an alternative remarketing agent has not yet been appointed is a “**Remarketing Termination Event**”. The Remarketing Agreement will also terminate on the date of expiry of the A1 Note Conditional Purchaser’s liquidity arrangements unless new liquidity arrangements are made on a similar basis for the period up to and including the next A1 Note Mandatory Transfer Date, as evidenced by a notice to such effect from the A1 Note Conditional

Purchaser or its administrative agent, and the expiry of such arrangements will also constitute a “**Remarketing Termination Event**”.

A “**Short Term Feature Termination Event**” under the Remarketing Agreement shall occur broadly where:

- (a) either the Issuer or the Remarketing Agent is not satisfied as to the potential status of the A1 Notes as “**Eligible Securities**” for the purposes of Rule 2a-7 under the Investment Company Act for the period from the A1 Note Mandatory Transfer Date falling in September 2005 to the A1 Note Mandatory Transfer Date falling in September 2006;
- (b) the Issuer and the Remarketing Agent have agreed not to remarket the A1 Notes because to do so would be unfeasible, unduly burdensome or uneconomic for the Issuer; or
- (c) notice has been given to the A1 Note Conditional Purchaser of the inability of the Remarketing Agent to identify purchasers for all the A1 Notes then outstanding.

If a Short Term Feature Termination Event has occurred at least three Business Days prior to the A1 Note Mandatory Transfer Date falling in September 2005 (the “**Short Term Feature Decision Date**”), the Remarketing Agent shall not sell or otherwise procure the transfer of any A1 Note pursuant to Rule 2a-7 under the Investment Company Act on the A1 Note Mandatory Transfer Date falling in September 2005. Without prejudice to its obligations to purchase any A1 Notes not sold to third parties on the A1 Note Mandatory Transfer Date falling in September 2005, in the event of the occurrence of a Short Term Feature Termination Event, the A1 Note Conditional Purchaser shall be released from its obligation to acquire unsold A1 Notes, the Issuer shall be released from its obligation to procure the purchase of the A1 Notes and the then A1 Noteholders will be released from their obligation to sell the A1 Notes on the A1 Note Mandatory Transfer Date falling in September 2006.

An “**A1 Note Mandatory Transfer Termination Event**” shall occur if the A1 Note Conditional Purchaser has purchased all the A1 Notes under the terms of the A1 Note Mandatory Transfer Arrangements and the Remarketing Agent has confirmed such purchase or the Tender Agent has confirmed that the interest in the A1 Notes has been transferred to the name or account of, or on behalf of, the A1 Note Conditional Purchaser (either being an “**A1 Note Conditional Purchaser Confirmation**”), the confirmation in either case being given to the Issuer, the Administrator and the Principal Paying Agent. If an A1 Note Conditional Purchaser Confirmation has been given, the Issuer will not be obliged to procure any subsequent purchase of the A1 Notes and the Remarketing Agent will not be obliged to further remarket the A1 Notes.

Given that various circumstances may occur on or prior to the A1 Note Mandatory Transfer Date falling in September 2005, there can be no assurance that the A1 Notes will be remarketed.

### **Interest**

Payments of interest on the A1 Notes shall be made on 12 November 2004 and thereafter monthly in arrear on each A1 Payment Date in respect of the Interest Period ending on that A1 Payment Date, and payments of interest on the A2 Notes, M Notes, B Notes and C Notes shall be made on 13 December 2004 and thereafter quarterly in arrear on each Quarterly Payment Date in respect of the Interest Period ending on that Quarterly Payment Date.

Subject to adjustment as provided for in Condition 4(c), interest on the A1 Notes shall accrue at an annual rate of 1 Month USD-LIBOR per annum until the A1 Payment Date falling in September 2005 and thereafter at an annual rate of 1 Month USD-LIBOR plus the Reset Margin. Interest on the A2a Notes shall accrue at an annual rate of Note LIBOR plus 0.21 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 0.42 per cent. per annum. Interest on the A2c Notes shall accrue at an annual rate of Note EURIBOR plus 0.20 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note EURIBOR plus 0.40 per cent. per annum. Interest on the M1 Notes shall accrue at an annual rate of Note LIBOR plus 0.40 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 0.80 per cent. per annum. Interest on the M2 Notes shall accrue at an annual rate of Note LIBOR plus 0.70 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 1.40 per cent. per annum. Interest on the B Notes shall accrue at an annual rate of Note LIBOR plus 1.20 per cent. per annum until the Step-Up Date and thereafter at an annual rate of Note LIBOR plus 2.20 per cent. per annum. Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 2.50 per cent. per annum.

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

### ***Inter Creditor Rights/Conflicts of Interest***

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

- (a) the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and those of the M1 Noteholders and/or those of the M2 Noteholders and/or those of the B Noteholders and/or those of the C Noteholders;
- (b) the M1 Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the M1 Noteholders and those of the M2 Noteholders and/or those of the B Noteholders and/or those of the C Noteholders;
- (c) the M2 Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the M2 Noteholders and those of the B Noteholders and/or those of the C Noteholders;
- (d) the B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the B Noteholders and those of the C Noteholders;
- (e) following redemption in full of the A Notes, the interests of the M1 Noteholders;
- (f) following redemption in full of the A Notes and the M1 Notes, the interests of the M2 Noteholders;
- (g) following redemption in full of the A Notes, the M1 Notes and the M2 Notes, the interests of the B Noteholders; and
- (h) following redemption in full of the A Notes, the M1 Notes, the M2 Notes and the B Notes, the interests of the C Noteholders.

The Trust Deed contains provisions limiting the rights of the A1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the A2 Noteholders and limiting the rights of the A2 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) (such Extraordinary Resolution being passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) according to the effect thereof on the interests of the A1 Noteholders, in each case without prejudice to the rights of holders of each such class under Condition 9.

In addition, the Trust Deed contains provisions limiting the powers of:

- (a) the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders;
- (b) the M2 Noteholders, the B Noteholders and the C Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the M1 Noteholders;
- (c) the B Noteholders and the C Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the M1 Noteholders and/or the M2 Noteholders; and
- (d) the C Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the M1 Noteholders and/or the M2 Noteholders and/or the B Noteholders.

Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of (a) the A Noteholders, the exercise of which will be binding on the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders; (b) the M1 Noteholders, the exercise of which will be binding on the M2 Noteholders, the B Noteholders and the C Noteholders; (c) the M2 Noteholders, the exercise of which will be binding on the B Noteholders and the C Noteholders and (d) the B Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect thereof on each of their interests.

### ***Withholding Tax***

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

## **Redemption and Post Enforcement Call Option**

### ***Optional Redemption of Notes***

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

- (a) if on any Payment Date, the Issuer or any Paying Agent is obliged to make any withholding or deduction on account of tax from payments in respect of the Rated Notes, or in the event of certain tax changes affecting the Mortgage Loans comprising the Mortgage Pool at any time (see “*Terms and Conditions of the Notes – Condition 5(f)*”);
- (b) at the option of the Administrator, on any Quarterly Payment Date following the Quarterly Payment Date on which the aggregate Principal Amount Outstanding of the Rated Notes is less than 10 per cent. of the initial aggregate Base Currency PAO of the Rated Notes (see “*Terms and Conditions of the Notes – Condition 5(e)*”); and
- (c) on the Step-Up Date or any Quarterly Payment Date thereafter, provided that the Issuer shall have given not more than 60 days’ nor less than 30 days’ notice to the Trustee and that prior to giving any such notice the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have funds, not subject to any interest of any person, required to redeem the Notes and any amounts required to be paid in priority to the Notes.

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

The term “Optional Redemption” refers to redemption of the Notes under any of the foregoing circumstances or procedures.

### ***Mandatory Redemption in Part***

Prior to enforcement, the Rated Notes will be subject to mandatory redemption in part on each Quarterly Payment Date in accordance with the Principal Priority of Payments and Condition 5(b) of the “*Terms and Conditions of the Notes*” and the C Notes will be subject to mandatory redemption in part on each Quarterly Payment Date in accordance with the Principal Priority of Payments and Condition 5(c) of the “*Terms and Conditions of the Notes*”. Such mandatory redemption in part will be primarily caused by scheduled principal payments by the borrowers under the Mortgage Loans (the “Borrowers”), principal prepayments (whether voluntarily by the Borrowers, as a result of enforcement upon the related Property or otherwise).

### ***Final Redemption***

Unless previously redeemed, the A1 Notes will be redeemed on the A1 Final Payment Date and each A2 Note, M1 Note, M2 Note, B Note and C Note will be redeemed on the Final Payment Date, in an amount equal in each case to its then Principal Amount Outstanding together with accrued and unpaid interest on the A1 Final Payment Date or the Final Payment Date, as the case may be, in accordance with Condition 5(a) of the “*Terms and Conditions of the Notes*”.

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

The Trustee will, on the Issue Date grant to Holdings an option (the “Post Enforcement Call Option”) to acquire all (but not part only) of the M1 Notes, M2 Notes, B Notes and C Notes (plus accrued interest thereon) without the prior approval of the Noteholders for a consideration of one penny per M1 Note, M2 Note, B Note or C Note outstanding following any enforcement of the Security for the Notes after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the M1 Notes, M2 Notes, B Notes and C Notes and after the application of any such proceeds of the M1 Notes, M2 Notes, B Notes and C Notes to pay any further amounts due in respect of the M1 Notes, M2 Notes, B Notes and C Notes. The Noteholders are bound by the terms of this Post Enforcement Call Option granted to Holdings pursuant to the terms and conditions of the Trust Deed and by the conditions in the “*Terms and Conditions of the Notes – Condition 5(k)*” and the Trustee is irrevocably authorised to enter into the Post Enforcement Call Option with Holdings. If the Post Enforcement Call Option is exercised, the M1 Notes, M2 Notes, B Notes and C Notes will be redeemed and the Issuer’s obligations with respect thereto will be extinguished. See “*Terms and Conditions of the Notes – Condition 5(k)*”.

### ***Ratings***

As a condition to the issue of the A Notes, the A Notes are to be rated Aaa by Moody’s, AAA by S&P and AAA by Fitch. The A1 Notes are also expected to be rated short-term A-1+, P-1 and F1+ by S&P, Moody’s and Fitch respectively (see “*The A1 Notes*” and “*The Remarketing Agreement*”). The short-term rating is in respect of the Issuer’s timely payment obligation of interest and principal up to and including the A1 Note Mandatory Transfer Date falling in September 2005 and the procurement of the payment of the A1 Note Mandatory Transfer Price on the A1 Note Mandatory Transfer Date falling in

September 2005. The short-term ratings are based on the A1 Note Conditional Purchaser's obligations under the A1 Note Conditional Purchase Agreement, which may be dependent on the Sheffield Liquidity Providers (who provide liquidity to the A1 Note Conditional Purchaser) receiving short-term ratings at these levels by the Rating Agencies (see "**Risks Related to the A1 Note Mandatory Transfer Arrangements**"). The Issuer anticipates seeking a short-term rating affirmation of the A1 Notes based on such obligations in respect of the period from and excluding the A1 Note Mandatory Transfer Date falling in September 2005 to and including the following A1 Note Mandatory Transfer Date falling in September 2006 to the extent neither a Short Term Feature Termination Event nor a Remarketing Termination Event has occurred. The M1 Notes are each expected to be rated AA by S&P, Aa3 by Moody's and AA by Fitch. The M2 Notes are each expected to be rated A by S&P, A3 by Moody's and A by Fitch. The B Notes are each expected to be rated BBB by S&P, Baa3 by Moody's and BBB by Fitch. The issue of the C Notes is not conditional upon a rating and the Issuer has not requested any rating of the C Notes.

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

#### **Security for the Notes**

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

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

- (a) the Mortgage Loans and all monies derived therefrom and all other security for their repayment (including the relevant Mortgages);
- (b) the Mortgage Sale Agreement;
- (c) the Administration Agreement;
- (d) the bank agreement entered into in relation to the GMAC-RFC Accounts, the Expenses Account, the Currency Accounts and the Issuer Transaction Account (the "**Bank Agreement**");
- (e) the paying agency agreement to be entered into on or prior to the Issue Date between the Issuer, the Trustee, JPMorgan Chase Bank as principal paying agent (the "**Principal Paying Agent**", which expression shall include its successors as paying agent), and as agent bank (the "**Agent Bank**", which expression shall include its successors as agent bank), J.P. Morgan Bank Luxembourg S.A. and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**") and the Trustee (the "**Paying Agency Agreement**");
- (f) the liquidity facility agreement to be entered into on or prior to the Issue Date between the Liquidity Facility Provider, the Issuer and the Trustee (the "**Liquidity Facility Agreement**");
- (g) the guaranteed investment contract to be entered into on or prior to the Issue Date between, *inter alios*, the Issuer, Barclays Bank PLC as GIC Provider and the Trustee (the "**Guaranteed Investment Contract**");
- (h) the Interest Rate Cap Agreement (as defined in "**Credit Structure – Interest Rate Cap Agreement**") and the Currency Swap Agreements (as defined below);
- (i) an account (the "**GIC Account**") in the name of the Issuer which is held at Barclays Bank PLC or such other banking institution with a rating of at least P-1 from Moody's and A-1+ from S&P;
- (j) the Declaration of Trust and the relevant deed of accession (the "**Deed of Accession to the Declaration of Trust**");
- (k) the corporate services agreement (the "**Corporate Services Agreement**") to be entered into on or prior to the Issue Date between, *inter alios*, SFM Corporate Services Limited (the "**Corporate Services Provider**"), the Share Trustee and the Issuer pursuant to which the Corporate Services Provider will agree to provide certain corporate services to the Issuer and Holdings;
- (l) the Scottish Trust Property and any Additional Scottish Trust Property (as defined in the Mortgage Sale Agreement);
- (m) the Issuer Transaction Account;
- (n) the Currency Accounts;
- (o) the Depository Agreement;
- (p) the Exchange Rate Agency Agreement;
- (q) the Remarketing Agreement;

- (r) the A1 Note Conditional Purchase Agreement;
- (s) the Issuer's interest in the insurance contracts entered into by Borrowers; and
- (t) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time.

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

The Charged Assets will also secure amounts payable by the Issuer to any receiver, the Trustee, the Administrator, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, GMAC-RFC, the Depository, the A1 Note Conditional Purchaser, the Remarketing Agent, the Tender Agent and the agents appointed under the Paying Agency Agreement and the Exchange Rate Agency Agreement, pursuant to the Trust Deed, the Administration Agreement, the Bank Agreement, the Liquidity Facility Agreement, the Guaranteed Investment Contract, the Interest Rate Cap Agreement, the Currency Swap Agreements, the Mortgage Sale Agreement, the Paying Agency Agreement, the Exchange Rate Agency Agreement, the A1 Note Conditional Purchase Agreement, the Remarketing Agreement and the Deed of Charge (and any supplements thereto) according to their respective interests (the "Secured Creditors").

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

#### **Deferred Consideration**

##### ***Ordinary Deferred Consideration***

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

##### ***Prepayment Deferred Consideration***

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

##### ***Following Enforcement***

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

##### ***Reserve Fund and Liquidity Facility***

A Reserve Fund and a liquidity facility (the "Liquidity Facility") (each as more particularly described under "*Credit Structure*") will be available to the Issuer to make good certain shortfalls of funds available to the Issuer to meet its obligations as described under "*Credit Structure*".

##### ***Bank Accounts***

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

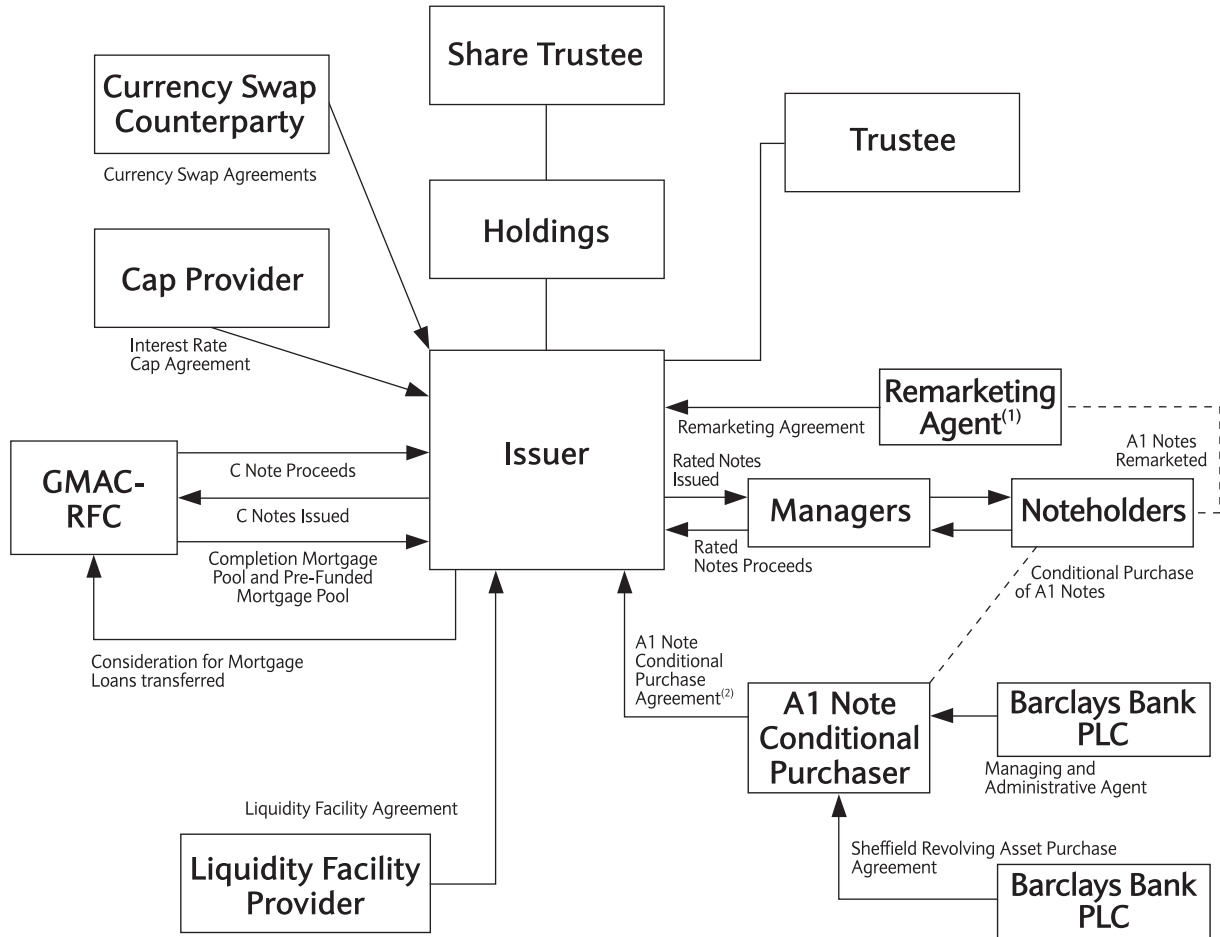
Pursuant to the terms of the Guaranteed Investment Contract, amounts standing to the credit of the Issuer Transaction Account will be transferred from such account to the GIC Account.

***The Currency Swap Agreements***

The Issuer will have the benefit of currency swap agreements which will be subject to the terms of separate agreements to be entered into between the Currency Swap Counterparty and the Issuer in the form of International Swaps and Derivatives Association, Inc. 1992 Master Agreements (Multicurrency-Cross Border) together with the relevant schedules and confirmations attached thereto (the “**A1 USD Note Currency Swap Agreement**” or the “**USD Note Currency Swap Agreement**” in respect of the A1 Notes and the “**A2c Euro Note Currency Swap Agreement**” or the “**Euro Note Currency Swap Agreement**” in respect of the A2c Notes, and the Euro Note Currency Swap Agreement together with the USD Note Currency Swap Agreement, the “**Currency Swap Agreements**”).

## STRUCTURE DIAGRAM

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



<sup>1</sup>Remarketing Agent will seek to remarket the A1 Notes for sale on the A1 Note Mandatory Transfer Date falling in September 2005.

<sup>2</sup>A1 Note Conditional Purchaser agrees with the Issuer to purchase from A1 Noteholders on each A1 Note Mandatory Transfer Date any A1 Notes not sold under the Remarketing Agreement to satisfy the Issuer's Mandatory Transfer obligations.



## RISK FACTORS

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

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

#### ***Non-Recourse Obligations***

The Notes represent obligations of the Issuer and do not constitute obligations or responsibilities of, or guarantees by, any other person (including GMAC-RFC, the Trustee, the Account Bank, the Administrator, the Managers, the Liquidity Facility Provider, the GIC Provider, the Depository, the Currency Swap Counterparty, the Remarketing Agent, the A1 Note Conditional Purchaser or any affiliates of any of the foregoing). The Issuer will rely solely on monies received or recovered on the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise) or under the Currency Swap Agreements to enable it to make payments in respect of the Notes.

Other than as provided in the Mortgage Sale Agreement, the Issuer and the Trustee will have no recourse to GMAC-RFC or any other entity (see “*Risks Related to the Mortgage Loans – Limitation of GMAC-RFC’s Liability*” below).

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

The yield to maturity of the Notes of each class will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Mortgage Loan, repurchases by GMAC-RFC due to breaches of warranties under the Mortgage Sale Agreement or requests by Borrowers to convert their current Mortgage Loan to one of a different type) on the Mortgage Loans and the price paid by the Noteholders for the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

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

Principal prepayments in full may result in connection with refinancings, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance policies. In addition, repurchases or purchases of Mortgage Loans will have the same effect as a prepayment in full of such Mortgage Loans.

#### ***Subordination of the M1 Notes, the M2 Notes, the B Notes and the C Notes***

To the extent set forth in “*Terms and Conditions of the Notes – Condition 2*”, (a) the M1 Notes are subordinate in right of payment to the A Notes; (b) the M2 Notes are subordinate in right of payment to the A Notes and the M1 Notes; (c) the B Notes are subordinate in right of payment to the A Notes, the M1 Notes and the M2 Notes; and (d), the C Notes are subordinate in right of payment to the A Notes, the M1 Notes, the M2 Notes and the B Notes. See also “*Credit Structure – Subordination of the M1 Notes, M2 Notes, B Notes and C Notes*”.

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

- (a) the A Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the A Noteholders and those of the M1 Noteholders and/or those of the M2 Noteholders and/or those of the B Noteholders and/or those of the C Noteholders;
- (b) the M1 Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the M1 Noteholders and those of the M2 Noteholders and/or those of the B Noteholders and/or those of the C Noteholders;
- (c) the M2 Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the M2 Noteholders and those of the B Noteholders and/or those of the C Noteholders;
- (d) the B Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the B Noteholders and those of the C Noteholders;
- (e) following redemption in full of the A Notes, the interests of the M1 Noteholders;
- (f) following redemption in full of the A Notes and the M1 Notes, the interests of the M2 Noteholders;

- (g) following redemption in full of the A Notes, the M1 Notes and the M2 Notes, the interests of the B Noteholders; and
- (h) following redemption in full of the A Notes, the M1 Notes, the M2 Notes and the B Notes, the interests of the C Noteholders.

If, upon default by Borrowers and after exercise by the Administrator of all available remedies in respect of the applicable Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment an amount less than the face amount of the Notes and the Issuer may be unable to pay in full interest due on the Notes. On any Payment Date, any such losses on the Mortgage Loans shall, to the extent that there are Available Revenue Funds sufficient to be applied towards items (vi), (viii), (x) and (xii) of the Pre-Enforcement Priority of Payments (or any of such items), such losses shall be covered from such application of Available Revenue Funds and to the extent that such application of Available Revenue Funds is insufficient to cover such losses in full, such losses (or such amount thereof as has not been covered by application of Available Revenue Funds) will be allocated in the following manner: (a) first to the Reserve Fund, to the extent of the funds on deposit therein on such Payment Date; (b) secondly to the B Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the B Note Principal Deficiency Limit, (c) thirdly to the M2 Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the M2 Note Principal Deficiency Limit, (d) fourthly to the M1 Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the M1 Note Principal Deficiency Limit and (e) thereafter, to the A Principal Deficiency Sub-Ledger.

#### ***Optional Redemption***

Although the Issuer is entitled to redeem the Notes at its option in certain circumstances (as to which see “*Terms and Conditions of the Notes – Condition 5*”), including on any Quarterly Payment Date falling on or after the Step-Up Date, it is not obliged to do so. The ability of the Issuer to redeem the Notes on the Step-Up Date will be dependent primarily upon its ability to sell or refinance the Mortgage Pool for an amount sufficient to enable the Issuer to make payments of all sums due to Noteholders upon any such redemption. Accordingly, if the Issuer is unable to raise sufficient redemption funds, whether by sale or refinance of the Mortgage Pool or otherwise, the Issuer will not be able to exercise its rights of optional early redemption of the Notes.

#### ***Risks Related to the A1 Note Mandatory Transfer Arrangements***

The ability of the Issuer to procure payment of the A1 Note Mandatory Transfer Price (as defined in the Terms and Conditions of the Notes) will be dependent upon the Remarketing Agent, as agent for the Issuer, either (a) agreeing terms for the sale of the A1 Notes to third party purchasers on or prior to the relevant A1 Note Mandatory Transfer Date (as defined in the Terms and Conditions of the Notes) and obtaining the required part of the A1 Note Mandatory Transfer Price from those third party purchasers or (b) exercising the Issuer’s rights under the A1 Note Conditional Purchase Agreement to require the A1 Note Conditional Purchaser to acquire the A1 Notes. Under the terms of the Remarketing Agreement, if the A1 Note Conditional Purchaser is required to purchase the A1 Notes, subject to receipt of information regarding the amount to be the Principal Amount Outstanding of the A1 Notes immediately following the A1 Note Mandatory Transfer Date and of notice from the Administrator (on behalf of the Issuer) that no Event of Default under the Notes is then outstanding, the Remarketing Agent will give notice to the A1 Note Conditional Purchaser of the amount it is required to pay for A1 Notes, three Business Days prior to the relevant A1 Note Mandatory Transfer Date.

When all the A1 Notes have been purchased by the A1 Note Conditional Purchaser, the A1 Notes will no longer be subject to any Mandatory Transfer under Condition 5(l). When a Short Term Feature Termination Event has occurred prior to the Short Term Feature Decision Date, the A1 Notes will no longer be subject to Mandatory Transfer under Condition 5(l) on the A1 Note Mandatory Transfer Date falling in September 2006. Furthermore, if a Short Term Feature Termination Event has occurred, the A1 Notes will not be eligible for purchase under Rule 2a-7 under the Investment Company Act.

There can be no assurance that the Remarketing Agent will be able to identify third party purchasers interested in acquiring the A1 Notes on the A1 Note Mandatory Transfer Date falling in September 2005. The ability of the A1 Note Conditional Purchaser to pay the A1 Note Mandatory Transfer Price and acquire the A1 Notes will be dependent upon its ability to raise necessary funds by either issuing commercial paper in accordance with its existing programme administration agreement (the “**Sheffield Administration Agreement**”) or raising funds under a revolving asset purchase agreement (the “**Sheffield Revolving Asset Purchase Agreement**”).

The Sheffield Revolving Asset Purchase Agreement will be entered into on or before the Issue Date between the A1 Note Conditional Purchaser and one or more financial or other institutions (the “**Sheffield Liquidity Providers**”, initially Barclays Bank PLC) pursuant to which the Sheffield Liquidity Providers will commit, subject to certain conditions described below, to make funds available to the A1 Note Conditional Purchaser to purchase interests in the A1 Notes (in proportionate amounts to their respective commitments under the Sheffield Revolving Asset Purchase Agreement) if the A1 Note Conditional Purchaser is unable to issue Commercial Paper (as defined below).

The A1 Note Conditional Purchaser may not be able to issue Commercial Paper on or before the relevant A1 Note Mandatory Transfer Date, and therefore may not be able to satisfy its obligations to purchase the A1 Notes under the A1

Note Conditional Purchase Agreement in certain circumstances. For example, there may be no market for the issue of Commercial Paper at that time or the A1 Note Conditional Purchaser may not be able to satisfy the conditions precedent under the Sheffield Administration Agreement required for the issuance of Commercial Paper.

The issuance of Commercial Paper by the A1 Note Conditional Purchaser to fund its obligations under the A1 Note Conditional Purchase Agreement is subject to the following limitations:

- (i) the aggregate face amount of commercial paper issued by the A1 Note Conditional Purchaser (the “**Commercial Paper**”) outstanding at any time to fund any amount in respect of the A1 Notes may not exceed a face amount of Commercial Paper yielding aggregate proceeds to the A1 Note Conditional Purchaser that exceed the lesser of (a) the sum of the Principal Amount Outstanding of the A1 Notes (determined after giving effect to the application of such Commercial Paper proceeds) and (b) the commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement;
- (ii) the A1 Note Conditional Purchaser may not issue Commercial Paper to fund any amount in respect of the A1 Notes if such Commercial Paper matures later than 15 days prior to the earlier of (a) the scheduled expiration of the commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement and (b) the specified termination date for any of the programme-wide credit enhancement facilities for the A1 Note Conditional Purchaser’s Commercial Paper;
- (iii) the A1 Note Conditional Purchaser may not issue any Commercial Paper if the appointment of the administrative agent under the Sheffield Administration Agreement has been terminated without appointment of a successor;
- (iv) the A1 Note Conditional Purchaser may not issue any Commercial Paper if (a) a regulatory, tax or other authority has ordered that the A1 Note Conditional Purchaser cease its business or (b) issuance of the Commercial Paper would give rise to materially adverse tax, regulatory or accounting consequences for the A1 Note Conditional Purchaser;
- (v) the A1 Note Conditional Purchaser may not issue any Commercial Paper if such Commercial Paper would be required to be registered under the Securities Act; and
- (vi) the A1 Note Conditional Purchaser may not issue any Commercial Paper if any of the programme-wide credit enhancement facilities for the A1 Note Conditional Purchaser’s Commercial Paper has become unavailable or has been depleted below specified levels for specified periods of time without being replenished.

If the A1 Note Conditional Purchaser is unable to issue Commercial Paper in order to satisfy its obligations to pay the amounts otherwise due under the A1 Note Conditional Purchase Agreement on the relevant A1 Note Mandatory Transfer Date it would, subject as described below, be able to draw funds from the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement. However, the ability of the A1 Note Conditional Purchaser to raise funds under the Sheffield Revolving Asset Purchase Agreement is subject to the limitations that no Sheffield Liquidity Provider is obliged to make funds available to the A1 Note Conditional Purchaser under the Sheffield Revolving Asset Purchase Agreement:

- (i) in excess of, or following the expiration of, such Sheffield Liquidity Provider’s commitment thereunder (as to the latter see further the paragraph below);
- (ii) if the A1 Note Conditional Purchaser is in insolvency;
- (iii) if an Event of Default has occurred and is continuing with respect to the A1 Notes; or
- (iv) if the A1 Notes have been downgraded below Caa1 by Moody’s and CCC+ by S&P.

As of the Issue Date, (i) the aggregate commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement will equal or exceed the amount necessary to permit the A1 Note Conditional Purchaser to issue Commercial Paper in an amount sufficient to enable the A1 Note Conditional Purchaser to pay the amounts otherwise due under the A1 Note Conditional Purchase Agreement and (ii) the commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement will expire on 28 September 2005, unless extended. However, if the Sheffield Liquidity Providers’ commitments are not renewed, the A1 Note Conditional Purchaser may draw the then committed funds under the Sheffield Revolving Asset Purchase Agreement to ensure it can fulfil its obligations under the A1 Note Conditional Purchase Agreement.

As of the Issue Date, (i) the Commercial Paper programme-wide credit enhancement facilities will be available in the full amount required by the Sheffield Administration Agreement and related documents in order for the A1 Note Conditional Purchaser to issue Commercial Paper and (ii) the only specified termination date in respect of any such facilities is expected to be later than the first A1 Note Mandatory Transfer Date, which falls in September 2005.

As long as any A1 Notes remain subject to the A1 Note Mandatory Transfer Arrangements, the A1 Note Conditional Purchaser shall be obliged under the A1 Note Conditional Purchase Agreement to certify to the Issuer, the Administrator and the Trustee on or prior to each Determination Date that as of such date, (i) the aggregate commitments of the Sheffield

Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement equal or exceed the amount necessary to permit the A1 Note Conditional Purchaser to pay the amounts otherwise due under the A1 Note Conditional Purchase Agreement on the next A1 Note Mandatory Transfer Date; (ii) the commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement have not been terminated; and (iii) no A1 Note Conditional Purchaser Insolvency Event (as defined in the Terms and Conditions of the Notes) has occurred. The Issuer must promptly inform the A1 Noteholders in accordance with Condition 15 if as of any Determination Date the A1 Note Conditional Purchaser fails to certify to any of the foregoing.

As long as any A1 Notes remain subject to the A1 Note Mandatory Transfer Arrangements, the Trustee will be obliged under the Trust Deed to notify the Noteholders of any Event of Default: (a) as soon as reasonably practicable upon becoming aware of the occurrence of any Event of Default under Condition 9(a)(iv); (b) as soon as reasonably practicable upon the required certification by the Trustee in the case of any Event of Default under Condition 9(a)(ii), (iii) and (v); and (c) in the case of an Event of Default under Condition 9(i), within 30 days of the Trustee becoming aware of such Event of Default provided that in respect of the occurrence of such an Event of Default or (x) in the two Interest Periods for the A1 Notes falling immediately prior to an A1 Note Mandatory Transfer Date.

The A1 Note Conditional Purchaser's obligations under the A1 Note Conditional Purchase Agreement will constitute unsecured obligations of the A1 Note Conditional Purchaser and, except as indicated above, the A1 Note Conditional Purchaser is not expected to have any assets or sources of funds available for satisfying its obligations under the A1 Note Conditional Purchase Agreement. In addition, under the A1 Note Conditional Purchase Agreement the Issuer has undertaken not to take any steps to initiate or join in any person in initiating any insolvency proceedings under any law (including, but not limited to, liquidation, winding up, dissolution, administration or other analogous proceeding) in respect of the A1 Note Conditional Purchaser.

If the A1 Note Conditional Purchaser defaults on its obligation to pay the amounts otherwise due on the relevant A1 Note Mandatory Transfer Date under the A1 Note Conditional Purchase Agreement, the Issuer may not be able to procure the purchase of all or any of the A1 Notes on any A1 Note Mandatory Transfer Date. The Issuer will not be liable for such failure to the extent such failure is a result of the failure of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the Remarketing Agreement or the A1 Note Conditional Purchase Agreement. Accordingly in such circumstances, failure to pay the A1 Note Mandatory Transfer Price and complete the purchase of the A1 Notes on an A1 Note Mandatory Transfer Date will not constitute an Event of Default in respect of the Issuer.

The short-term rating of the A1 Notes will be based on the obligations of the A1 Note Conditional Purchaser under the A1 Note Conditional Purchase Agreement. These in turn may be dependent on the short-term unsecured and unsubordinated debt obligations of the Sheffield Liquidity Providers, which at the date of this Offering Circular have a short-term rating of A1+ from S&P, P-1 from Moody's and F1+ from Fitch. If the short-term rating of such obligations of the Sheffield Liquidity Providers are downgraded, then the short-term rating of the A1 Notes may be downgraded.

To the extent that there are principal amounts outstanding on the A1 Notes on any A1 Note Mandatory Transfer Date, the payment of the A1 Note Mandatory Transfer Price (as defined in the Terms and Conditions of the Notes) will be dependent (on the A1 Note Mandatory Transfer Date falling in September 2005) upon the Remarketing Agent, as agent for the Issuer, agreeing terms for the sale of the A1 Notes to third party purchasers and transferring the proceeds on or prior to the relevant A1 Note Mandatory Transfer Date and/or (on either A1 Note Mandatory Transfer Date) the exercise of the Issuer's rights under the A1 Note Conditional Purchase Agreement, if appropriate, to require the A1 Note Conditional Purchaser to acquire the A1 Notes.

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

The C Notes are generally more speculative investments than the Rated Notes. Investors should be aware of the special risks as detailed in the following paragraph associated with an investment in such securities.

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

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

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

amounts to the Depository, DTC, the Common Depository or to holders or beneficial owners of Book-Entry Interests. The Depository or its nominee will be the sole legal Noteholder under the Trust Deed while the Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Depository, DTC, Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

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

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

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

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

#### ***Exchange Rate Risks***

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

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

If the Currency Swap Counterparty terminates the Currency Swap Agreements or if the Currency Swap Counterparty defaults in its obligations to make payments of amounts in US dollars or euro, as the case may be, equal to the full amount to be paid to the Issuer on the payment dates under the Currency Swap Agreements (which fall two Business Days (as defined in the relevant Currency Swap Agreement) prior to the Payment Dates for the Notes), the Issuer will be exposed to changes in euro/sterling and US dollar/sterling currency exchange rates and could have insufficient US dollar and/or euro funds to enable it to make payments under the USD Notes and the Euro Notes.

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

#### ***Shortfall arising from Discounted Mortgage Loans***

The Initial Mortgage Pool contains Discounted Mortgage Loans. In order to address the Loan Expected Differential which will arise in respect of the Discounted Mortgage Loans, the Issuer will establish a Discount Reserve using part of the proceeds from the issue of the C Notes (for the definition of terms used see “*Credit Structure – Discount Reserve*”).

#### ***Termination Payments on the Currency Swap Agreements***

If any of the Currency Swap Agreements terminate, the Issuer may be obliged to make a termination payment to the Currency Swap Counterparty. The amount of the termination payment will be based on the cost of entering into a replacement currency swap agreement. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment due under the Currency Swap Agreements.

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

Therefore, if the Issuer is obliged to make a termination payment to the Currency Swap Counterparty or pay any other additional amounts as a result of the termination of the relevant Currency Swap Agreement, this could affect the Issuer's ability to make timely payments on the Notes.

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

#### ***Limited Liquidity***

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

#### ***Interest Rate Matching***

Interest on the Notes is payable at a rate equal to Note LIBOR, 1 Month USD-LIBOR or Note EURIBOR (as applicable) plus the applicable margin. Approximately 80.81 per cent. of the Mortgage Loans by value accrue interest on the same basis as the Note LIBOR linked Notes (in some cases after the expiry of an initial fixed rate period). Approximately 19.19 per cent. of the Mortgage Loans by value accrue interest at a rate equalling a fixed margin over the Bank of England base rate (in some cases after the expiry of an initial fixed rate period). In the event that the Bank of England base rate, any initial fixed rate and LIBOR diverge such that LIBOR is significantly higher than the Bank of England base rate and any initial fixed rate, the Issuer may not receive sufficient income from the Mortgage Loans linked to the Bank of England base rate or from the fixed rate loans to meet its obligations due under the Notes.

## Risks Related to the Mortgage Loans

### *Lending Criteria*

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

### *Limitation of GMAC-RFC’s Liability*

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

### *Collectability of Loans*

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

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

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

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

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally. The geographic distribution of the Mortgage Loans is not concentrated in any one region. However, the South East of England, Outer Metropolitan London and Greater London represent approximately 16.91 per cent., 8.93 per cent. and 11.29 per cent., respectively, of the total balance of Mortgage Loans. Such concentrations may present risk considerations in addition to those generally present for similar mortgage backed securities without such concentrations. See “*Characteristics of the Initial Mortgage Pool*”.

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

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

Approximately 46.78 per cent. of the Mortgage Loans by value constitute Interest Only Mortgage Loans (see “*Characteristics of the Initial Mortgage Pool*”). Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon

the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the principal amount outstanding. The ability of such a Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower's ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies. GMAC-RFC has not required that such policies be established with respect to any Interest Only Mortgage Loans nor has it required that the benefit of any such policies be assigned to them.

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

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

385 of the Properties representing approximately 5.38 per cent. of the Mortgage Loans by value are not owner occupied. These Properties are generally rented to tenants by the relevant Borrowers. It is possible that the rate of delinquencies, enforcement and losses on Mortgage Loans secured by non-owner occupied properties could be higher than for Mortgage Loans secured by the primary residence of the Borrower and it could be difficult to gain possession of the Properties on enforcement of the relevant Mortgages. See "*Characteristics of the Initial Mortgage Pool*".

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

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

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

The Administrator has entered into an agreement with HML whereby HML provides certain mortgage settlement and related administration services to the Administrator in relation to the Mortgage Loans.

Notwithstanding the sub-contracting to HML or any other sub-contracting or delegation of the performance of any of its obligations under the Administration Agreement, the Administrator will remain primarily responsible for the performance of its obligations under the Administration Agreement. See "*Administration of the Mortgage Pool – Sub-Contracting by the Administrator*".

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

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility, the Cap Provider has agreed to provide the Issuer with the Interest Rate Cap Agreement, the GIC Provider has agreed to provide the Issuer with the Guaranteed Investment Contract and the Remarketing Agent, the A1 Note Conditional Purchaser, the Trustee, the Depository, the Paying Agents, the Currency Swap Counterparty and the Agent Bank have all agreed to provide services with respect to the Notes. In addition, the Administrator has entered into an agreement pursuant to which administration services in relation to the mortgage loans the Administrator owns or administers on behalf of others, including the Mortgage Loans, have been sub-contracted to a third party. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

#### ***Buildings Insurance***

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

#### ***Title of the Issuer***

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described under "*Title to the Mortgage Pool*". Prior to the Issuer obtaining legal title to the Mortgages, a bona fide purchaser from GMAC-RFC for value of any of such Mortgage Loans without notice of any of the interests of the



Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by GMAC-RFC of its contractual obligations or fraud, gross negligence or mistake on the part of GMAC-RFC or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against GMAC-RFC. Such rights may include the rights of set-off which arise in relation to transactions or deposits made between certain Borrowers and GMAC-RFC and the right of the relevant Borrowers to redeem their Mortgages by repaying the relevant Mortgage Loan directly to GMAC-RFC. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans.

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

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

#### ***Regulatory Considerations***

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

#### ***Office of Fair Trading and Financial Services Authority***

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

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

The FSM Act represents a major overhaul of financial services regulation in the UK and brings a wide range of financial activities under a single regime of statutory-based regulation. The FSM Act is being brought into effect in stages. The first stage (known as “**N2**”) came into effect on 1 December 2001. Rules relating to the regulation of mortgages will come into effect on 31 October 2004 (the date known as “**N(M)**”).

The scope of mortgage regulation is set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended (the “**Order**”).

After N(M), the following activities: (i) entering into as lender; (ii) administering; (iii) arranging; and (iv) advising on regulated mortgage contracts, together with agreeing to do any of these activities, will be regulated activities under the FSM Act. A mortgage contract will be a regulated mortgage contract if, at the time it is entered into: (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 legal mortgage 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 a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

The main effect will be that each entity carrying on a regulated activity will be required to hold authorisation and permission from the Financial Services Authority (“**FSA**”) to carry on that activity. Generally, each financial promotion

relating to a regulated mortgage contract will have to be issued or approved by a person holding authorisation and permission from the FSA. If requirements as to authorisation of lenders and brokers and as to the issue and approval of advertisements are not complied with, the regulated mortgage contract, will be unenforceable against the relevant borrower except with the approval of a court.

Failure to comply with requirements as to authorisation and as to the issue and approval of advertisements is a criminal offence.

Mortgage contracts entered into before N(M) and subsequently varied will not be regulated under these rules. However, mortgage contracts that are entered into before N(M) but are subsequently changed such that a new contract is entered into (and that contract constitutes a regulated mortgage contract), and contracts entered into on and after N(M), will be regulated under the new rules.

In October 2003, the FSA published its Mortgages: Conduct of Business Sourcebook ("MCOB"), which sets out its final rules in respect of regulated mortgage activities. These rules cover, amongst other things, pre-contract, start of contract and post-sale disclosures, rules on contract changes, charges, arrears and repossessions and certain pre-origination matters, such as financial promotions, and draft pre-application illustrations. The MCOB will come into force on N(M).

In January 2004, the FSA made rules covering the changes the FSA is proposing to make to the FSA Handbook relating to the prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities. Also, in January 2004, the FSA made rules regulating and extending the appointed representatives regime, which currently applies to investment businesses, to cover mortgages and general insurance. The above new rules will take effect on N(M) in respect of mortgages and January 14, 2005 in respect of general insurance.

To avoid dual regulation, Article 90 of the Order states that regulated mortgage contracts under the FSM Act will not be regulated by the Consumer Credit Act. This carve-out only affects mortgages entered into on or after N(M). Before N(M), the Consumer Credit Act will continue to be the relevant legislation.

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

GMAC-RFC's mortgage lending business, its CL Originators' and Remote Processors' business, (in some cases) the Packagers' mortgage business, the Administrator's mortgage administration business, GMAC-RFC's brokers' mortgage arranging and advisory business, and (depending on the circumstances) the mortgage business of its other intermediaries, would constitute regulated activities.

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

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

### ***Distance Marketing***

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 originator and the borrower). A regulated mortgage contract under the FSM Act will not be cancellable under these regulations. Any other credit agreement will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of the prescribed information.

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

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of sending notice of cancellation;

- (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is to be treated as never having had effect for the cancelled agreement.

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

#### ***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 "UTCCR") apply to agreements made on or after 1 July 1995 and affect all or almost all of the Mortgage Loans. The UTCCR provide that (a) a consumer may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer and (b) the OFT, the FSA and any other "qualifying body" may seek to enjoin (or in Scotland, interdict) a business against relying on unfair terms.

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

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

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals to consolidate the Unfair Contract Terms Act 1977 and the 1999 Regulations into a single piece of legislation. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that the legislation should not affect core terms in so far as they are not substantially different from what the consumer should reasonably expect and are transparent. The Commissions' report on the joint consultation exercise, together with a Bill on unfair terms, is expected in Autumn 2004.

No assurance can be given that changes to the 1999 Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Mortgage Loans, GMAC-RFC, the Issuer or the Administrator and their respective businesses and operations.

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

The OFT issued Non-Status Lending Guidelines for Lenders and Brokers (the "Guidelines") on 18 July 1997 (revised in November 1997). The Guidelines apply to all mortgage loans made to non-standard borrowers, defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating. The Guidelines are therefore applicable to all of the Mortgage Loans. See "*Mortgage Pool – General and Lending Criteria Categories*".

The Guidelines are not primary or subordinate legislation. As such, they set out certain "principles" to be applied in the context of the non-standard residential mortgage market. The Guidelines place certain constraints on lenders in the non-standard residential mortgage market in respect of matters such as advertisement of mortgage products, selling methods employed by lenders and their brokers, underwriting, dual interest rates and early redemption payments. See "*Regulation of the UK Residential Mortgage Market*".

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

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

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

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

- (a) without an order of the OFT, if requirements as to licensing of lenders and brokers are not met;
- (b) totally, if the form to be signed by the borrower is not signed by the borrower personally or omits or mis-states a "prescribed term"; or
- (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

Although no assurance can be given, assuming (a) that there is no financing for charges that are outside the "total charge for credit" as defined in the Consumer Credit Act; (b) that technical rules on determining whether the financial limit is exceeded have been properly applied; and (c) that no Mortgage Loan has been varied bilaterally or novated, it is unlikely that any of the Mortgage Loans would be totally unenforceable on the basis of non-compliance with requirements under the Consumer Credit Act, save for where it is intended that "credit", as defined in the Consumer Credit Act, be applied to more than one purpose.

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

Under Section 75 of the Consumer Credit Act in certain circumstances: (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is to be treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier; and (b) the lender has an indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The Issuer believes that the only transactions within Section 75 of that Act are certain contracts for buildings insurance.

In November 2002, the Department of Trade and Industry (the "DTI") announced its intention that a credit agreement will be regulated by the Consumer Credit Act where, for credit agreements made after this change is implemented (a) the borrower is or includes an individual, save for partnerships of four or more partners; (b) irrespective of the amount of credit (although in July 2003, the DTI announced its intention that the financial limit will remain for certain business-to-business lending); and (c) the credit agreement is not an exempt agreement. If this change is implemented, then any Mortgage Loan or Further Advance originated or changed such that a new contract is entered into after this time, other than a regulated mortgage contract under the FSM Act, will be regulated by the Consumer Credit Act. Such Mortgage Loan or Further Advance will have to comply with requirements as to licensing of lenders and brokers, documentation and procedures of credit agreements and (in so far as will be applicable) pre-contract disclosure. If it does not comply, it will be unenforceable against the borrower as described above.

In December 2003, the DTI published a White Paper proposing amendments to the Consumer Credit Act and to secondary legislation made under it. In June 2004, secondary legislation was made on: (a) amending requirements as to documentation of credit agreements, coming into force on 31 May 2005, or 31 August 2005 for agreements given to the borrower for signature but not made before 31 May 2005; (b) pre-contract disclosure, coming into force on 31 May 2005; and (c) replacing the formula for calculating the maximum amount payable on early settlement with a formula more favourable to the borrower, coming into force on 31 May 2005 for new agreements, or 31 May 2007 or 31 May 2010 (depending on the term of the agreement) for agreements existing before 31 May 2005. Draft amendments to the Consumer Credit Act expected at the end of 2004 include:

- (a) removing the financial limit, save for certain business-to-business lending;
- (b) strengthening the licensing regime;
- (c) reforming the law on extortionate credit; and
- (d) introducing alternative dispute resolution procedures outside the courts for consumer credit agreements.

Under the Mortgage Sale Agreement, GMAC-RFC will be obliged to repurchase any Mortgage Loan that is wholly or partly regulated or to be treated as such under the Consumer Credit Act if a court or other dispute resolution authority finds that the obligation of the Borrower to repay principal and pay interest under the Mortgage Loan is not valid, binding and enforceable or the Mortgage Loan is cancellable.

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

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

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

There has been significant opposition from the European Parliament to the original form of the proposed directive, and in January 2004, the European Parliament published a re-drafted form of the proposed directive. In its re-drafted form, the proposed directive will not apply to any loan secured by a mortgage on land, and will not apply to any loan originated before national implementing legislation comes into force. On 20 April 2004, the European Parliament voted on its first reading of the proposed directive. The European Commission is expected to publish a further re-drafted form of the proposed directive shortly.

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

#### ***Financial Ombudsman Service***

Under the FSM Act, the Financial Ombudsman Service (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, which may have an adverse effect on the Mortgage Loans, GMAC-RFC, the Issuer and the Administrator and their respective businesses and operations.

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

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The third consultative paper on the New Basel Capital Accord was issued on 29 April 2003, with the consultation period ending on 31 July 2003. The Committee announced on 11 May 2004 that it had achieved consensus on the remaining issues and published the text of the new framework on 26 June 2004 under the title Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework. This framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new framework. The Committee confirmed that it is currently intended that the various approaches under the framework will be implemented in stages, some from year-end 2006, the most advanced at year-end 2007. As and when implemented, the new framework could affect the risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by the new framework. Consequently, prospective investors should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord. The precise effects of implementation of the new framework cannot be predicted.

## **Tax Considerations**

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

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

In the case of the C Notes, even though the C Notes will be issued in the form of debt, given their subordination level and other terms, the C Notes may be characterised as equity interests in the Issuer for US federal income tax purposes. Holders of C Notes that are treated as equity interests in the Issuer will be treated as owning interests in a “passive foreign investment company” for US federal income tax purposes. However, the Issuer does not intend to provide information that would allow investors to elect “qualified electing fund” treatment with respect to the Issuer. As a result, direct or indirect US Holders of Notes that are deemed to be equity interests in the Issuer will likely be subject to a special tax regime that would tax gain at ordinary income rates and apply an “interest charge” on gain and “excess distributions”. See “*United States Federal Income Taxation – Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes – Passive Foreign Investment Company Considerations*”. The US federal income tax treatment of the C Notes is not certain. Because the C Notes may be characterised as equity, US Holders of the C Notes should review the discussion below under “*United States Federal Income Taxation – Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes*”. To the extent the C Notes are characterised as debt for US federal income tax purposes, US Holders of the C Notes should review the discussion under “*United States Federal Income Taxation – Taxation of US Holders of the Notes*”.

**Prospective investors should consult their own tax advisers regarding the appropriate characterisation of and US federal income tax consequences of investing in the Notes.**

### ***EU Directive on the Taxation of Savings Income***

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

## **Legal Considerations**

### ***European Monetary Union***

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

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

### ***Change of Law***

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

### ***Company Voluntary Arrangement***

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

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

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

For the purposes of the Insolvency Act 2000, a “small company” is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £5.6 million; (ii) its balance sheet total is not more than £2.4 million; and (iii) the number of its employees is not more than 50.

For as long as the turnover of the Issuer is greater than £5.6 million and its balance sheet total is greater than £2.4 million, the Issuer will not be regarded as a “small company” under the law as it currently stands. The Secretary of State for Trade and Industry may by regulation in the future modify the eligibility requirements for the applicability of the Insolvency Act 2000 and the definition of a “small company”.

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

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

In addition, there is an exclusion from the moratorium provisions for any company which has incurred a liability (including a present, future or contingent liability) of at least £40 million. While the Issuer should fall within this exception, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance may be given that any modification of the eligibility requirements for “small” companies and/or the exceptions will not be detrimental to the interests of the Noteholders.

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

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

### ***The Enterprise Act 2002***

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

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in this Offering Circular, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary

of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

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

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

The Act also removes the Crown's preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured creditors take the benefits of this change (section 252). Under this latter provision the unsecured creditors will have recourse to the floating charge assets up to a fixed amount (the "prescribed part") in priority to the holder of the floating charge concerned. The prescribed part will be 50 per cent. of the first £10,000 of floating charge assets; then 20 per cent. of the remaining floating charge assets until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured creditors does not apply if the floating charge realisations are less than £100,000 and the officeholder is of the view that the costs of making a distribution to unsecured creditors would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not. However, this provision is unlikely to be of practical significance in the case of a special purpose entity such as the Issuer which is subject to substantial restrictions on its activities (see Condition 3). As a result of those restrictions the Issuer will only have a limited ability to incur unsecured liabilities (as would any holding company of the Issuer which is subject to similar restrictions).

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

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

The law in England and Wales relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. (See "*The Enterprise Act 2002*").



## CREDIT STRUCTURE

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### General

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

The Notes will not be obligations of GMAC-RFC, the Trustee, the Account Bank, the Cap Provider, the GIC Provider, the Currency Swap Counterparty, the Liquidity Facility Provider, the Corporate Services Provider, the Share Trustee, the Depository, the Paying Agents, the Exchange Rate Agent, the Managers, the Remarketing Agent, the A1 Note Conditional Purchaser or any other party other than the Issuer and will not be guaranteed by any such party. Neither GMAC-RFC, the Trustee, the Account Bank, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, the Liquidity Facility Provider, the Paying Agents, the Managers nor anyone other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

### Use of Available Revenue Funds

The interest rates payable by Borrowers in respect of the Mortgage Loans may vary. It is anticipated that, on the Issue Date, the revenue generated by applying the weighted average of the interest rates applicable to the Mortgage Loans and amounts made available from the Discount Reserve will exceed items (i) through (v), (vii), (ix) and (xi) of the Pre-Enforcement Priority of Payments by an amount, calculated as a percentage, which, on the Issue Date, will be approximately 2.15 per cent. The actual amount of the excess will vary during the life of the Notes. Among the key factors determining such variations will be the level of delinquencies and defaults experienced, the level of prepayments and the weighted average of the interest rates from time to time.

To the extent that the Available Revenue Funds on the relevant Payment Date are sufficient therefor, each amount referred to in items (i) to (xxii) of the Pre-Enforcement Priority of Payments shall, as the case may require, be paid to the persons entitled thereto, applied or provided for on such Payment Date and, after such payment, application or provision, it is not expected that any surplus will be accumulated by the Issuer.

### Liquidity Facility

The Issuer will be entitled on any A1 Payment Date or Quarterly Payment Date (as appropriate) to make drawings up to the Liquidity Maximum Amount under a liquidity facility (the "**Liquidity Facility**") pursuant to the terms of a liquidity facility agreement to be entered into on or prior to the Issue Date between the Liquidity Facility Provider, the Issuer and the Trustee (the "**Liquidity Facility Agreement**"), any such drawing to be initially credited to the Issuer Transaction Account and recorded in a ledger maintained by the Administrator established for such purposes (the "**Liquidity Ledger**") to the extent that, after the application of amounts standing to the credit of the Reserve Ledger, there are insufficient amounts available for distribution standing to the credit of the Revenue Ledger to meet item (v) (with respect to the A1 Notes) of the Pre-Enforcement Priority of Payments on an A1 Payment Date that is not also a Quarterly Payment Date and to meet items (i) to (xi) (other than items (vi), (viii) and (x)) of the Pre-Enforcement Priority of Payments on a Quarterly Payment Date, provided that no drawings from the Liquidity Ledger may be made to meet interest payments on the M1 Notes, the M2 Notes or, as the case may be, the B Notes, to the extent that, after the application of the Available Revenue Funds and any amounts standing to the credit of the Reserve Fund, the M1 Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the M1 Notes or, as the case may be, the M2 Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the M2 Notes or, as the case may be, the B Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 50 per cent. of the aggregate Principal Amount Outstanding of the B Notes. Drawings credited to the Liquidity Ledger on any A1 Payment Date or Quarterly Payment Date (as appropriate) will be transferred to the Revenue Ledger on that Payment Date for application in accordance with item (v) (with respect to the A1 Notes and their related Currency Swap Agreement) of the Pre-Enforcement Priority of Payments on an A1 Payment Date that is not also a Quarterly Payment Date and for application in accordance with items (i) to (xi) (other than items (vi), (viii) and (x)) of the Pre-Enforcement Priority of Payments on a Quarterly Payment Date. Likewise, any amounts due to be paid to the Liquidity Facility Provider in accordance with the Pre-Enforcement Priority of Payments will be transferred from the Revenue Ledger to the Liquidity Ledger and the balance adjusted accordingly on the Business Day before the relevant Quarterly Payment Date and thereafter (but only prior to the Liquidity Drawdown Date as defined below) will be utilised in repaying amounts outstanding under the Liquidity Facility.

If, at any time, the credit rating of the Liquidity Facility Provider falls below P-1 by Moody's, A-1+ by S&P and F1+ by Fitch or the Liquidity Facility Provider has its short-term rating withdrawn, or the Liquidity Facility is not renewed and in each case the Liquidity Facility is not replaced by an alternative Liquidity Facility such that the then current ratings of the Rated Notes is not adversely affected, the Issuer will forthwith draw down the entirety of the undrawn portion of the Liquidity Facility

and credit such amount to the Liquidity Ledger. The date upon which such amount is drawn down is the “**Liquidity Drawdown Date**”.

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

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

“**Liquidity Maximum Amount**” means 5 per cent. of the aggregate Base Currency PAO of the Rated Notes on the Issue Date, subject to reduction in accordance with the terms of the Liquidity Facility.

Under the terms of the Liquidity Facility, the Liquidity Maximum Amount shall be reduced on each Quarterly Payment Date falling on or after the first Quarterly Payment Date on which the initial Liquidity Maximum Amount is greater than or equal to 8 per cent. of the aggregate Base Currency PAO of the Rated Notes following application of the Actual Redemption Funds on such Quarterly Payment Date, to an amount which is the greater of:

- (a) 8 per cent. of the aggregate Base Currency PAO of the Rated Notes on the relevant Quarterly Payment Date; and
- (b) 1 per cent. of the aggregate Base Currency PAO of the Rated Notes on the Issue Date.

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

- (a) there is a debit balance on any of the sub-ledgers of the Principal Deficiency Ledger;
- (b) the Administrator for the time being is in breach of any of its obligations in the Documents;
- (c) any amount is then outstanding under the Liquidity Facility;
- (d) the aggregate value of the principal losses experienced on the Mortgage Pool (whether or not such losses form part of the sub-ledgers of the Principal Deficiency Ledger at such time) at the immediately preceding Determination Date is greater than 1.25 per cent. of the aggregate Base Currency PAO of the Rated Notes on the Issue Date; or
- (e) as at the immediately preceding Quarterly Payment Date the aggregate Balance of Mortgage Loans in respect of which payment is 90 days or more in arrears is higher than 17 per cent. of the aggregate Balance of all Mortgage Loans in the Mortgage Pool.

#### **Reserve Fund**

To provide limited coverage for shortfalls in amounts under items (i) to (xii) of the Pre-Enforcement Priority of Payments, the Issuer will on the Issue Date establish a reserve fund (the “**Reserve Fund**”) in the initial amount of £2,500,000, funded by part of the proceeds from the issue of the C Notes.

“**Reserve Fund Required Amount**” means £6,250,000, provided that, on each Payment Date falling on or after the first Quarterly Payment Date on which the Reserve Fund is equal to or greater than 2.50 per cent. of the aggregate Base Currency PAO of the Rated Notes (the “**Reserve Fund Determination Date**”) and if:

- (i) all balances on each of the sub-ledgers of the Principal Deficiency Ledger are zero;
- (ii) no amount in the Liquidity Facility has been drawn before the relevant Reserve Fund Determination Date;
- (iii) the amount in the Reserve Fund is equal to or greater than the Reserve Fund Required Amount as of the relevant Reserve Fund Determination Date;
- (iv) the total balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 17 per cent. of the total balance of all the Mortgage Loans in the Mortgage Pool;
- (v) the total balance of all Mortgage Loans foreclosed in the Mortgage Pool does not exceed 2.25 per cent. of the original balance of the Mortgage Pool; and
- (vi) the total losses suffered by the Issuer from the Issue Date until the relevant Reserve Fund Determination Date are lower than 1.25 per cent. of the original balance of the Mortgage Pool,

then the Reserve Fund Required Amount will be reduced to an amount equal, on such Reserve Fund Determination Date, to the greater of £3,125,000 and 2.50 per cent. of the then Principal Amount Outstanding of the Rated Notes.

Following a reduction to the Reserve Fund Required Amount, any amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount (the “Reserve Fund Excess”) will be applied towards Available Revenue Funds and applied in accordance with the Pre-Enforcement Priority of Payments.

On any A1 Payment Date, amounts on deposit in the Reserve Fund on such A1 Payment Date will be used to cover, to the extent there are shortfalls under items (i) to (v) of the Pre-Enforcement Priority of Payments, interest due on the A1 Notes, and on any Quarterly Payment Date, amounts on deposit in the Reserve Fund on such Quarterly Payment Date will be used to cover, to the extent there are shortfalls under items (i) to (xii) of the Pre-Enforcement Priority of Payments, such shortfalls. Any amount available for deposit in the Reserve Fund in excess of the Reserve Fund Required Amount on the related Payment Date will be applied in accordance with the Pre-Enforcement Priority of Payments.

On any Quarterly Payment Date to the extent that amounts are available after payment of any amounts under items (i) to (xii) of the Pre-Enforcement Priority of Payments, the excess, if any, will be deposited in the Reserve Fund to the extent necessary to replenish and maintain the Reserve Fund Required Amount as set out under item (xiii) of the Pre-Enforcement Priority of Payments. All amounts credited to the Reserve Fund will be recorded in a ledger for that purpose (the “Reserve Ledger”).

On any Quarterly Payment Date on which the Rated Notes are redeemed in full, the Reserve Fund will be applied towards Available Revenue Funds.

#### **Discount Reserve**

To cover the Expected Differentials resulting from Discounted Mortgage Loans, the Issuer will establish a reserve (the “Discount Reserve”) using part of the proceeds of the issue of the C Notes.

On the Issue Date, the Administrator, on behalf of the Issuer, will determine the Loan Expected Differential and the anticipated Expected Differential for the first Determination Period. On each Determination Date, the Administrator, on behalf of the Issuer, will calculate the Loan Expected Differential in respect of any Substitute Mortgage Loans transferred into the Mortgage Pool or Further Advances made on Mortgage Loans in the immediately preceding Determination Period which are Discounted Mortgage Loans and any Discounted Mortgage Loans to be transferred into the Mortgage Pool or in respect of which Further Advances are to be made (where such Further Advance will itself be a Discounted Mortgage Loan) on the immediately succeeding Payment Date and will calculate the Expected Differential in respect of the current Determination Period to take into account such substitutions or advances and any redemptions, repurchases or purchases of Discounted Mortgage Loans and their Related Security during the immediately preceding Determination Period.

On each Payment Date a portion of the amount standing to the credit of the Discount Reserve equal to the amount of any Expected Differential determined in respect of the Determination Period ending immediately prior to such Payment Date (the “Discount Reserve Applicable Amount”) shall be debited to the Discount Reserve and credited to the Issuer Transaction Account and will be applied towards Available Revenue Funds for application in accordance with the Pre-Enforcement Priority of Payments (and any provisos thereto). Under item (xiv) of the Pre-Enforcement Priority of Payments, the Administrator, on behalf of the Issuer, shall on each Quarterly Payment Date allocate additional amounts to the Discount Reserve to cover the additional Loan Expected Differential arising from anticipated discounts on Substitute Mortgage Loans and Further Advances on Mortgage Loans.

In addition, if at any time the amount standing to the credit of the Discount Reserve exceeds the Discount Reserve Required Amount, the amount of such excess shall be debited from the Discount Reserve and credited to the Issuer Transaction Account for application in accordance with the Pre-Enforcement Priority of Payments on the next following Quarterly Payment Date.

“**Determination Period**” means the period from and including the last business day of each month which precedes a Quarterly Payment Date to but excluding the last day of the month which precedes the immediately following Quarterly Payment Date;

“**Discounted Mortgage Loans**” means any Discount LIBOR-linked Mortgage Loans, Stepped Discount Loans and Discount Tracker Loans which form part of the Mortgage Pool from time to time;

“**Discount Reserve Required Amount**” means the amount calculated by the Administrator as being the amount required to meet the Loan Expected Differential in respect of the Mortgage Pool;

“**Effective Interest Margin**” means the principal weighted average margin above LIBOR (in the case of the Discount LIBOR-linked Mortgage Loans and the Stepped Discount Loans) or the Bank of England base rate (in the case of the Discount Tracker Loans) charged to the relevant Borrowers during the period when discounts apply to Discounted Mortgage Loans within the Mortgage Pool;

“**Expected Differential**” means an amount, calculated in respect of each Determination Period that falls during the period when discounts apply to Discounted Mortgage Loans within the Mortgage Pool as the difference between the Unadjusted Margin and the Effective Interest Margin, multiplied by the Principal Amount Outstanding of the Discounted Mortgage Loans that form part of the Mortgage Pool as of the first day of the relevant Determination Period and the actual number of days to elapse in the relevant Determination Period and divided by 365 (or 366 if the Quarterly Payment Date following such Determination Period falls in a leap year);

“**Loan Expected Differential**” means, as calculated on each Determination Date, the aggregate of the Expected Differentials applying to each Determination Period that falls during the period when discounts apply to Discounted Mortgage Loans that form part of the Mortgage Pool as at the first day of the relevant Determination Period; and

“**Unadjusted Margin**” means, on any Quarterly Payment Date, the principal weighted average margin above LIBOR (in the case of the Discount LIBOR-linked Mortgage Loans and the Stepped Discount Loans) or the Bank of England base rate (in the case of the Discount Tracker Loans), that will apply in respect of such Mortgage Loans when the discount period expires.

On any Quarterly Payment Date on which the Rated Notes are redeemed in full or on which all discounts applicable to Discounted Mortgage Loans which then form part of the Mortgage Pool have expired, the Discount Reserve (if any) will be applied towards Available Revenue Funds.

#### **GMAC-RFC Accounts, Collection Account and Expenses Account**

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

#### **Issuer Accounts**

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

#### **Use of Ledgers**

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

The amounts standing to the credit, at any time, of the Further Advances Ledger, the Liquidity Ledger, the Reserve Ledger, the Discount Reserve Ledger, the Principal Ledger and the Revenue Ledger (collectively, the “**Ledgers**”) will, in the aggregate, represent all sums standing to the credit of the Collection Account, the GMAC-RFC Accounts (to the extent they represent receipts in respect of Mortgage Loans within the Mortgage Pool), the GIC Account, the Currency Accounts and the Issuer Transaction Account other than amounts calculated by reference to the Mortgage Early Redemption Charges. The Ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited in the manner described in “*Pre-Enforcement Priority of Payments*” below.

#### **Principal Deficiency Ledger**

A principal deficiency ledger (the “**Principal Deficiency Ledger**”) comprising four sub-ledgers, known as the “**A Principal Deficiency Sub-Ledger**”, the “**M1 Principal Deficiency Sub-Ledger**”, the “**M2 Principal Deficiency Sub-Ledger**” and the “**B Principal Deficiency Sub-Ledger**”, respectively, will be established in order to record any principal deficiency as they occur (each, respectively, the “**A Principal Deficiency**”, the “**M1 Principal Deficiency**”, the “**M2 Principal Deficiency**” and the “**B Principal Deficiency**”, and collectively the “**Principal Deficiency Sub-Ledgers**”). Any Principal Deficiency shall be

debited (a) first, to the B Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the B Notes (the “**B Note Principal Deficiency Limit**”), (b) second, to the M2 Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the M2 Notes (the “**M2 Note Principal Deficiency Limit**”), (c) third, to the M1 Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the M1 Notes (the “**M1 Note Principal Deficiency Limit**”), and (d) fourth, to the A Principal Deficiency Sub-Ledger. For the avoidance of doubt, the A Principal Deficiency will relate to the A1 Notes and the A2 Notes *pro rata*. A Principal Deficiency will be recorded on the relevant Principal Deficiency Sub-Ledger in respect of any amount of principal which remains outstanding under any Mortgage Loan after completion by the Administrator of the arrears and default procedures (as more particularly described in the section “**Administration of the Mortgage Pool – Arrears and Default Procedures**”). Amounts allocated to each sub-ledger of the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Funds available therefor on any Quarterly Payment Date in accordance with the Pre-Enforcement Priority of Payments.

#### **Use of Proceeds of the C Notes**

The proceeds of the issue of the C Notes will be used to fund (a) the costs and expenses arising in respect of the Notes which are issued on the Issue Date, (b) the Reserve Fund which will be credited to the Issuer Transaction Account (with a corresponding credit to the Reserve Ledger) and (c) the Discount Reserve.

#### **Subordination of the M1 Notes, M2 Notes, B Notes and C Notes**

M1 Noteholders, M2 Noteholders, B Noteholders and C Noteholders will not be entitled to receive any payment of interest, unless and until all amounts then due to, *inter alios*, the A Noteholders, the Liquidity Facility Provider and the Currency Swap Counterparty have been paid in full, in accordance with the Pre-Enforcement Priority of Payments.

If on any Determination Date there are insufficient Available Revenue Funds to make payment in full of amounts of interest due and payable on the M1 Notes, the M2 Notes, B Notes and/or C Notes then, to that extent, interest on such Notes shall be deferred until the next Quarterly Payment Date on which there are sufficient Available Revenue Funds, as more fully described in Condition 4(f) of the “**Terms and Conditions of the Notes**”.

Each class of Notes will be constituted by the Trust Deed and will share the same security although, upon enforcement, the A Notes will rank in priority to the M1 Notes, the M2 Notes, the B Notes and the C Notes in point of security, the M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes in point of security, the M2 Notes will rank in priority to the B Notes and the C Notes in point of security and the B Notes will rank in priority to the C Notes in point of security. See also “**Risk Factors – Risks Related to the Notes – Subordination of the M1 Notes, M2 Notes, B Notes and C Notes, – Risks Related to the C Notes**” and “**– Risks Related to the Mortgage Loans**”.

#### **Interest Rate Matching**

5,049 of the Mortgage Loans in the Initial Mortgage Pool are currently LIBOR-linked Mortgage Loans, which means that the interest payable thereunder is calculated as a specified margin in excess of Note LIBOR from time to time. 114 of the Mortgage Loans in the Initial Mortgage Pool accrue interest at a variable rate equalling a margin over the Bank of England base rate. 1,569 of the remaining Mortgage Loans are fixed rate mortgage loans, 577 of which will convert to LIBOR-linked rates no later than 1 September 2006 and 992 of which will convert to rates linked to the Bank of England base rate no later than 1 September 2006. As described below, following such conversion, LIBOR on these Mortgage Loans will be re-set on a quarterly basis.

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

The mortgages with rates linked to the Bank of England base rate will be equal to the Bank of England base rate plus a fixed margin (see “**The Mortgage Pool – Interest Rate Setting**”).

#### **Interest Rate Cap Agreement**

To hedge against a possible rise in Note LIBOR to a rate in excess of 9 per cent., the Issuer will enter into one or more interest rate cap agreements with the Cap Provider (the “**Interest Rate Cap Agreement**”) from the Issue Date for a period of 4 years. Under the Interest Rate Cap Agreement, the difference between (a) the amount produced by applying Note LIBOR for the relevant Interest Period to the notional amount of £65,000,000 (the “**Notional Amount**”) and (b) the amount produced by applying 9 per cent. to the Notional Amount for the same period will be paid (if such figure is positive) by the Cap Provider to the Issuer on the next following Payment Date.

In the event that the short-term unsecured and unsubordinated debt obligations of the Cap Provider are downgraded below A-1 by S&P or F1 by Fitch (each a “**Cap Provider Downgrade Event**”) or such rating is withdrawn, then the Issuer has the

right to terminate the Interest Rate Cap Agreement thereunder unless the Cap Provider, within 30 days of such downgrade, at its own cost either:

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

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

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

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

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

#### **Currency Swap Agreements**

The USD Notes and the Euro Notes will be denominated in US dollars and euro respectively, and the Issuer will pay interest and principal on the USD Notes in US dollars and on the Euro Notes in euro. However, payments of interest and principal by Borrowers under the Mortgage Loans will be made in sterling. In addition, the USD Notes and the Euro Notes will bear interest at a rate based on a margin over 1 Month USD-LIBOR and Note EURIBOR respectively. In order to protect itself against currency exchange rate exposure (and any related interest rate exposure in connection with such currency exchange rate exposure) in respect of the USD Notes and the Euro Notes, the Issuer will enter into the Currency Swap Agreements with the Currency Swap Counterparty on or prior to the Issue Date.

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

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

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

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

The relevant euro/sterling and US dollar/sterling exchange rates will be determined on or prior to the Issue Date (respectively the “Euro Currency Swap Rate” (being the euro/sterling exchange rate under the Euro Note Currency Swap Agreement) and the “USD Currency Swap Rate” (being the US dollar/sterling exchange rate under the USD Note Currency Swap Agreement) and, together and each of them, the “Currency Swap Rate”).

Each Currency Swap Agreement may be terminated by the Currency Swap Counterparty in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments, the optional redemption in full by the Issuer of the relevant USD Notes or Euro Notes for tax reasons pursuant to Condition 5(f) or if a withholding tax is imposed. Each Currency Swap Agreement may be terminated by the Issuer in circumstances including, *inter alia*, where the Currency Swap Counterparty is in default by reason of the failure by the Currency Swap Counterparty to make payments, where the Currency Swap Counterparty is otherwise in breach of the Currency Swap Agreement and where certain insolvency related events affect the Currency Swap Counterparty.

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

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

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

As at the Issue Date the Currency Swap Counterparty will be required to have a rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least A-1+ by S&P, P-1 by Moody's and F1 by Fitch and a rating assigned for its long-term unsecured, unsubordinated and unguaranteed debt obligation of at least A-1 by Moody's (the “Currency Swap Trigger Ratings”). If any of the ratings fall below these levels the Issuer has the right to terminate the Currency Swap Agreements unless the Currency Swap Counterparty, within 30 days of such downgrade and at its own cost, either:

- (i) provides collateral for its obligations in accordance with the terms of each of the Currency Swap Agreements; or
- (ii) obtains a guarantee of its obligations under each of the Currency Swap Agreements from a third party whose ratings are equal to or higher than the Currency Swap Trigger Ratings; or
- (iii) transfers all of its rights and obligations under each of the Currency Swap Agreements to a third party, provided that such third party's ratings are equal to or higher than the Currency Swap Trigger Ratings; or
- (iv) takes such other actions as agreed with the Rating Agencies in accordance with the terms of the Currency Swap Agreements; or
- (v) delivers to the Issuer written notices obtained from each of S&P, Moody's and Fitch confirming that the then current ratings of the Rated Notes will not be downgraded as a result of the downgrading of the Currency Swap Counterparty's debt obligations.

If the unsecured, unsubordinated and unguaranteed debt obligations of the Currency Swap Counterparty cease to be rated as high as: (a) in the case of short-term debt obligations, A-3 as determined by S&P, P-2 as determined by Moody's or F-2 as

determined by Fitch or (b) in the case of long-term debt obligations, A-3 as determined by Moody's then the Issuer will have the right to terminate the Currency Swap Agreements unless the Currency Swap Counterparty at its own cost takes any of the actions described in (ii) to (v) above in the time frame prescribed in the Currency Swap Agreements and (if applicable) continues to provide collateral in accordance with (i) above until such action is taken.

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

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

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

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

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

#### **Permitted Withdrawals from the Issuer Transaction Account**

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

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



- (m) to cover any cost in relation to execution of a replacement currency swap agreement by using any Swap Termination Amounts received from the Currency Swap Counterparty in respect of termination of the Currency Swap Agreements.

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

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

Prior to enforcement of the Security, the Issuer is required to apply monies available for distribution as at the last Business Day of the month preceding each Payment Date as determined in accordance with the Administration Agreement (the “**Available Revenue Funds**” which, for the avoidance of doubt, includes, if any, the Discount Reserve Applicable Amount, any amount standing to the credit of the Discount Reserve in excess of the Discount Reserve Required Amount, the Reserve Fund Excess, on any Quarterly Payment Date on which the Notes are redeemed in full, all amounts standing to the credit of the Reserve Fund and the Discount Reserve, on any Quarterly Payment Date on which all discounts applicable to the Discounted Mortgage Loans which form part of the Mortgage Pool have expired, all amounts standing to the credit of the Discount Reserve, any swap termination payments received from the Currency Swap Counterparty under the Currency Swap Agreements (the “**Swap Termination Amounts**”) and any payment received by the Issuer from a replacement currency swap counterparty in consideration for the Issuer entering into a replacement currency swap agreement with such counterparty but excludes any principal receipts) in or towards the satisfaction of the payments or provisions in the following order of priority (the “**Pre-Enforcement Priority of Payments**”) (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date (and two Business Days prior to each Payment Date in the case of payments to the Currency Swap Counterparty), provided always that (x) on any A1 Payment Date that is not also a Quarterly Payment Date, Available Revenue Funds will only be applied towards payment of amounts due as interest for the A1 Notes (and, for the avoidance of doubt, only to the extent that there will be sufficient Available Revenue Funds on the next Quarterly Payment Date to be applied towards payment of items (i) to (iv) of the Pre-Enforcement Priority of Payments) and (y) any Swap Termination Amounts shall first be applied towards payments due to any replacement currency swap counterparty and shall only be applied in accordance with the following priority, after a replacement currency swap agreement has been entered into to the extent that those termination amounts are not required to be paid to a replacement currency swap counterparty in respect of such replacement currency swap agreement:

- (i) first, to pay when due the remuneration payable to the Trustee (plus Value Added Tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;
- (ii) second, to pay when due amounts, including audit fees and company secretarial expenses (plus Value Added Tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax;
- (iii) third, to pay *pro rata*:
  - (A) the administration fee payable to the Administrator (plus Value Added Tax, if any), such fee being an amount equal to one quarter of 0.15 per cent. per annum of the average total principal balance of the Mortgage Loans outstanding on the first day of each of the three months immediately prior to the relevant Determination Date or if the appointment of the Administrator is terminated and a substitute administrator, which is not an affiliate of GMAC-RFC, is appointed, the figure 0.15 per cent. above shall be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement and subject always to the consent of the Trustee; and
  - (B) amounts due to the Principal Paying Agent, the Paying Agent and the Agent Bank under the Paying Agency Agreement, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement, the Tender Agent under the Remarketing Agreement, Barclays Bank PLC under the Bank Agreement and the Guaranteed Investment Contract and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iv) fourth, to pay all fees, costs, expenses, principal, interest and any other amounts due to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which

shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);

- (v) fifth, (A) first, to pay *pari passu* and *pro rata* (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders), and (b) amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the A1 USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Currency Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the credit rating of the Currency Swap Counterparty (as such terms are defined in the Currency Swap Agreements) (a “**Currency Swap Counterparty Default Payment**”), and if the A1 USD Note Currency Swap Agreement or the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu* and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or euro in the spot exchange market in order to meet the interest then due on the relevant class of the A Notes and (B) second, to the extent that in relation to any spot exchange for US dollars or euro, an amount is obtained which is insufficient to pay interest due on the A1 Notes and/or the A2c Notes, as the case may be, to apply such further amounts in exchange for US dollars or euro in the spot exchange market in order to meet such shortfall;
- (vi) sixth, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub-Ledger has reached zero;
- (vii) seventh, to pay amounts payable in respect of the M1 Notes other than in respect of principal on the M1 Notes;
- (viii) eighth, to pay amounts to be credited to the M1 Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M1 Principal Deficiency Sub-Ledger has reached zero;
- (ix) ninth, to pay amounts payable in respect of the M2 Notes other than in respect of principal on the M2 Notes;
- (x) tenth, to pay amounts to be credited to the M2 Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M2 Principal Deficiency Sub-Ledger has reached zero;
- (xi) eleventh, to pay amounts payable in respect of the B Notes other than in respect of principal on the B Notes;
- (xii) twelfth, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (xiii) thirteenth, to credit the Reserve Ledger, until the balance of the Reserve Fund reaches the Reserve Fund Required Amount;
- (xiv) fourteenth, to credit the Discount Reserve Ledger, to the extent that the amount credited to the Discount Reserve Ledger is less than the Discount Reserve Required Amount;
- (xv) fifteenth, amounts (if any) credited to the Liquidity Ledger, relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, in respect of amounts reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which for the avoidance of doubt includes LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred;
- (xvi) sixteenth, to cover any expenses under the Remarketing Agreement and the A1 Note Conditional Purchase Agreement;
- (xvii) seventeenth, to retain in the Issuer Transaction Account, an amount (the “**Issuer’s Profit**”) equal to 0.01 per cent. of the product of the time weighted average Mortgage Rate of the Mortgage Loans during the preceding Determination Period and the aggregate principal balance outstanding of the Mortgage Loans (the “**Issuer’s Turnover**”) at the beginning of the preceding Determination Period, so that in each year 0.01 per cent. of the Issuer’s Turnover for that year comprises the Issuer’s Profit;
- (xviii) eighteenth, to pay amounts payable in respect of the C Notes other than in respect of principal on the C Notes;

- (xix) nineteenth, to apply an amount not greater than the C Note Redemption Amount to repay principal in respect of the C Notes;
- (xx) twentieth, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty made under the terms of the Currency Swap Agreement;
- (xxi) twenty first, to pay GMAC-RFC or its assignees Ordinary Deferred Consideration; and
- (xxii) twenty second, to pay any remaining amount to the Issuer or other persons entitled thereto.

All amounts received on each Payment Date from the Currency Swap Counterparty by the Issuer following the application of Available Revenue Funds under the Pre-Enforcement Priority of Payments or Actual Redemption Funds under the Principal Priority of Payments under the terms of the A1 USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement shall be paid to the holders of the applicable A Notes, in each case in satisfaction of the Issuer's interest and/or principal payment obligations under the USD Notes and the Euro Notes respectively on such Payment Date.

To the extent any amount so due to be received from the Currency Swap Counterparty is not paid to the Issuer the Issuer will take reasonable action to recover from the Currency Swap Counterparty the amounts due from the Currency Swap Counterparty.

In the event that any or all of the Currency Swap Agreements terminate and a termination payment is paid by the Currency Swap Counterparty to the Issuer, such amount shall be applied towards payment of a suitably rated replacement currency swap counterparty in consideration for such replacement currency swap counterparty entering into suitable replacement currency swap agreements with the Issuer and in such event shall not constitute Available Revenue Funds.

#### **Principal Priority of Payments**

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

- (i) first, to the Currency Swap Counterparty in respect of principal under the terms of the A1 USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, if there is no A1 USD Note Currency Swap Agreement then in place, to exchange for US dollars in the spot exchange market (all US dollar amounts received above or in the spot exchange market (the "**A1 Redemption Amounts**") shall be applied in redemption of the A1 Notes as provided in Condition 5(b)) until the A1 Notes are redeemed in full;
- (ii) second, *pari passu* and at a ratio of 59.65 to 40.35 (being the ratio of Base Currency PAO at issue of A2a Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes and (b) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, if there is no A2c Euro Note Currency Swap Agreement then in place, to exchange for euro in the spot exchange market (all euro amounts received under part (b) above or in the spot exchange market (the "**A2c Euro Redemption Amounts**" or the "**A2 Redemption Amounts**") shall be applied in redemption of the A2c Notes as provided in Condition 5(b)) until the A2 Notes are redeemed in full;
- (iii) third, to the holders of the M1 Notes in respect of principal of the M1 Notes until the M1 Notes are redeemed in full;
- (iv) fourth, to the holders of the M2 Notes in respect of principal of the M2 Notes until the M2 Notes are redeemed in full;
- (v) fifth, to the holders of the B Notes in respect of principal of the B Notes until the B Notes are redeemed in full; and
- (vi) sixth, in redeeming the C Notes until the C Note Redemption Amount has been paid in full,

provided always that the Actual Redemption Funds shall not be applied in the order set out in the Principal Priority of Payments but shall instead be applied *pro rata* between items (i) to (v) of the Principal Priority of Payments ("**Pro Rata Principal Priority of Payments**") on any such Quarterly Payment Date immediately succeeding a Determination Date on which:

- (i) after the previous Quarterly Payment Date, the result produced by the fraction  $(M+B)/(A+M+B)$  is twice the result produced by that fraction as at the Issue Date;
- (ii) all balances on each of the sub-ledgers of the Principal Deficiency Ledger are zero;
- (iii) the balance of the Reserve Fund is at the Reserve Fund Required Amount;
- (iv) the Liquidity Drawn Amount is zero; and

- (v) the total balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 17 per cent. of the total balance of all the Mortgage Loans in the Mortgage Pool.

For the purposes of this paragraph, as at any date:

A = the aggregate Base Currency PAO of the A Notes on such date

M = the aggregate Base Currency PAO of the M Notes on such date

B = the aggregate Base Currency PAO of the B Notes on such date.

The Administrator is responsible, pursuant to the Administration Agreement, for determining the amount of the Actual Redemption Funds as at any Determination Date preceding a Quarterly Payment Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, 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 Administrator in connection therewith. Such Actual Redemption Funds will be applied in accordance with the Principal Priority of Payments as set out in Condition 2(e) of the “*Terms and Conditions of the Notes*”.

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

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

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

LESS

the Committed Further Advances calculated on such Determination Date.

For the purpose of the foregoing:

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

The “**C Note Redemption Amount**” as at any Determination Date will be the lower of (i) the principal amount outstanding of the C Notes as at that Determination Date and (ii) the principal amount outstanding of the C Notes minus the aggregate amount of Principal Deficiencies.

## THE ISSUER

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### Introduction

The Issuer was originally incorporated and registered in England and Wales with registered number 5097589 under the Companies Act 1985 as a company with limited liability on 7 April 2004. The Issuer's issued share capital of £50,000 (of which £12,502 is paid up) is held by Holdings.

### Directors

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

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

The Company Secretary of the Issuer is Karen Edmonds.

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

The Issuer has no subsidiaries.

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

The Issuer is wholly owned by its UK holding company Holdings which is wholly owned by the Share Trustee subject to a trust for the benefit of charitable institutions.

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

### Activities

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

## USE OF PROCEEDS

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The net proceeds of the issue of the Rated Notes (after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) are expected to amount to approximately £500,000,000 and will be applied in the purchase by the Issuer of the Completion Mortgage Pool from GMAC-RFC on the Issue Date. To the extent that, on the Issue Date, the net proceeds of the Rated Notes (after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) exceed the purchase price for the Completion Mortgage Pool, all of that excess will be credited to the Principal Ledger on the Issue Date to be used as Actual Redemption Funds on the first Quarterly Payment Date. The net proceeds of the issue of the C Notes are expected to amount to £8,600,000 and will be used to fund the expenses of the issue being start-up costs, the underwriting and selling commissions in respect of the Rated Notes, the initial deposit into the Reserve Fund and the Discount Reserve. The start-up costs (other than underwriting and selling commissions payable in respect of the Rated Notes but including expenses incurred in connection with the offering of the Notes, the expenses of the Remarketing Agent and the A1 Note Conditional Purchaser, the fee payable to the Cap Provider under the Interest Rate Cap Agreement, the initial deposit into the Reserve Fund and the Discount Reserve) relating to the issue of the Notes (after exchanging the net USD proceeds of the USD Notes for sterling proceeds and the net euro proceeds of the Euro Notes for sterling proceeds, in each case calculated by reference to the relevant Currency Swap Rate) are estimated not to exceed £7,648,750.

## CAPITALISATION STATEMENT

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

	£
<b>Share Capital</b>	
<i>Authorised</i>	
50,000 Ordinary Shares of £1 each	50,000
<i>Issued</i>	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid and the remaining 49,998 paid up to 25%	<u>12,502</u>
	<u>12,502</u>
<b>Borrowings</b>	
The Notes <sup>1</sup>	508,600,000

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

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

<sup>1</sup> £508,600,000 of which £115,000,000 is denominated in euro and has been converted at the exchange rate of one euro to 0.6845238095 pounds sterling and of which £165,000,000 is denominated in US dollars and has been converted at the exchange rate of one pound sterling to 1.7878787879 US dollars.

## ACCOUNTANTS' REPORT

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

The Directors  
RMAC 2004-NS3 Plc  
Eastern Gate  
Brants Bridge  
Bracknell  
Berkshire RG12 9BZ

23 September 2004

### **RMAC 2004-NS3 Plc (the "Company")**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular of the Company dated 23 September 2004, relating to the issue of Mortgage Backed Floating Rate Notes (the "Offering Circular").

The Company was originally incorporated as a public limited company on 7 April 2004. The Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

### **Basis of Preparation**

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

### **Responsibility**

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

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

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

### **Basis of Opinion**

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

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

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Offering Circular dated 23 September 2004, a true and fair view of the state of affairs of the Company as at the date stated.



**Financial Information**  
**Balance Sheet of the Company**  
**as at 23 September 2004**

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

**Notes to the Financial Information**

**1. Accounting Convention**

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

**2. Called up Share Capital**

Authorised – 50,000 ordinary shares of £1 each

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

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

**3. Ultimate Parent Undertakings**

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

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

**4. Reporting Financial Performance**

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

Yours faithfully,

**PricewaterhouseCoopers LLP**

## GMAC-RFC

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

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

### **THE ACCOUNT BANK, LIQUIDITY FACILITY PROVIDER, REMARKETING AGENT, GIC PROVIDER AND CURRENCY SWAP COUNTERPARTY**

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

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

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

As at 30 June 2004, the Group had total assets of £498,127 million, total net loans and advances of £323,750 million, total deposits of £322,040 million and equity shareholders funds of £17,067 million. The profit before taxation of the Group in respect of the six months ended 30 June 2004 was £2,411 million after charging net provisions for bad and doubtful debts of £589 million.

As at 31 December 2003, the Group had total assets of £443,373 million (31 December 2002: £403,066 million), total net loans and advances of £288,743 million (31 December 2002: £260,572 million), total deposits of £278,960 million (31 December 2002: £258,932 million) and equity shareholders funds of £16,485 million (31 December 2002: £15,205 million). The profit before taxation of the Group in respect of the year ended 31 December 2003 was £3,845 million (31 December 2002: £3,203 million) after charging net provisions for bad and doubtful debts of £1,347 million (31 December 2002: £1,484 million).

### **THE CAP PROVIDER**

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HSBC Bank plc 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 registered as a limited company in 1880. In 1923, the company adopted the name of Midland Bank Limited which it held until 1982 when the name was changed to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc ("HSBC Holdings"), 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 9,500 offices in 79 countries and territories in Europe, Hong Kong, the rest of Asia-Pacific, including the Middle East and Africa, North America and South America. Its total assets at 31 December 2003 were £579 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short-term unsecured obligations of HSBC Bank plc are currently rated A-1+ by S&P, P-1 by Moody's and F-1+ by Fitch and the long-term obligations of HSBC Bank plc are currently rated Aa2 by Moody's, AA- by S&P and AA by Fitch.

## THE A1 NOTE CONDITIONAL PURCHASER

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### **Sheffield Receivables Corporation**

Sheffield Receivables Corporation is a Delaware corporation established to undertake the financing of accounts receivable portfolios through the commercial paper market. Its commercial paper is currently rated A-1+ by S&P and P-1 by Moody's and it has engaged Barclays Bank PLC as its managing and administrative agent to assist it in connection with the financing of transactions it enters into generally. It is anticipated that Sheffield Receivables Corporation will issue commercial paper in order to satisfy its obligations under the A1 Note Conditional Purchase Agreement. It will on, or prior to, the Issue Date enter into a revolving asset purchase agreement with the Sheffield Liquidity Providers (which will be renewed or replaced with a similar liquidity arrangement following the A1 Note Mandatory Transfer Date falling in September 2005, if the A1 Note Mandatory Transfer Arrangements remain in place for the A1 Note Mandatory Transfer Date in September 2006) to seek to ensure that it will have sufficient funds to enable it to satisfy its obligations if commercial paper cannot be issued on the due date.

### THIRD PARTY INFORMATION

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The information contained in this Offering Circular with respect to GMAC-RFC, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, the Remarketing Agent, the A1 Note Conditional Purchaser and the Administrator relates to and has been obtained from each of them. The delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of GMAC-RFC, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, the Remarketing Agent, the A1 Note Conditional Purchaser or the Administrator since the date stated in respect of the relevant information in this Offering Circular, or that the information contained or referred to in this Offering Circular is correct as of any time subsequent to its date. None of the Noteholders will have any right to proceed directly against GMAC-RFC, the Account Bank, the Liquidity Facility Provider, the GIC Provider, the Cap Provider, the Currency Swap Counterparty, the Remarketing Agent, the A1 Note Conditional Purchaser or the Administrator in respect of their respective obligations under any of the agreements to which they are party.

## MORTGAGE POOL

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### Introduction

The Mortgage Pool will comprise:

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

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

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

### Key Characteristics of Initial Mortgage Pool

	<u>Mortgage Pool</u>
Aggregate Balance (£)	602,102,395
Number of Mortgage Loans	6,732
Average mortgage loan balance (£)	89,439
Maximum mortgage loan balance (£)	605,258
Weighted average seasoning (years)	0.09
Weighted average remaining term (years)	22.47
Weighted average Original Loan to Value Ratio %	71.29
Self-certified borrowers (by % of value)	74.30
Arrears (by % of value)	
Current	98.53
30 – 59 days	0.92
60 – 89 days	0.48
90 + days	0.08
CCJs (by % of value)	
Borrowers with 1 CCJ	14.17
Borrowers with > 1 CCJ	8.45
Geographic concentrations (by % of Value)	
South East, Greater London, Outer Metropolitan	37.12
Mortgage Purpose (by % of value)	
Refinance	55.55
Right to Buy (purchase and refinance)	18.45
Investment Home Loans	5.38

All of the Mortgage Loans in the Initial Mortgage Pool have been originated in accordance with the Lending Criteria, subject to GMAC-RFC's discretion to lend outside the Lending Criteria as described in “*Mortgage Pool – Discretion to Lend Outside Lending Criteria*”.

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

## Characteristics of the Mortgage Loans

### *Repayment Terms*

The Mortgage Loans will have different repayment methods as follows:

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

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

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

Of the Mortgage Loans in the Initial Mortgage Pool, approximately 50.74 per cent. by balance are Repayment Mortgage Loans, approximately 46.78 per cent. by balance are Interest Only Mortgage Loans and approximately 2.48 per cent. by balance are Part and Part Mortgage Loans.

### *Interest Rate Setting*

Approximately 75.00 per cent. by loan count and 70.39 per cent. by balance of the Mortgage Loans comprised in the Initial Mortgage Pool are currently LIBOR-linked mortgage loans under which interest accrues at a rate (the **“LIBOR-linked Mortgage Rate”**) equal to LIBOR plus a fixed margin expressed as a fixed percentage over LIBOR (**“LIBOR-linked Mortgage Loans”**). LIBOR is determined on the 12th day in December, March, June and September by the Administrator on behalf of the Issuer. The margin for the Mortgage Loans will differ, depending upon the characteristics of each Borrower and of the Mortgage Loan, such as the loan to value ratio (the **“LTV”**), the Borrower’s credit history and the amount of the Mortgage Loan. Once the margin over LIBOR is determined for any Mortgage Loan, such margin is fixed (in relation to LIBOR) for the term of that Mortgage Loan subject to conditions relating to conversion of the Mortgage Loans. In respect of a certain number of these LIBOR-linked Mortgage Loans, representing approximately 74.06 per cent. by loan count and 69.08 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool, the LIBOR-linked Mortgage Rate has been discounted by between 0.75 per cent. and 1.8 per cent. until certain dates between 1 October 2004 and 1 September 2007 (**“Discount LIBOR-linked Mortgage Loans”**). See *“Characteristics of the Initial Mortgage Pool”*.

In respect of a certain number of these Discount LIBOR-linked Mortgage Loans, representing approximately 2.73 per cent. by loan count and 2.42 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool, interest will accrue at the LIBOR-linked Mortgage Rate subject to a discount that will be re-set by the Administrator on certain specified dates (**“Stepped Discount Loans”**). For Stepped Discount Loans, the discounted margin reduces on either (i) the first and second anniversaries of the Mortgage or (ii) six months after completion. Following the end of the last re-set period, the Stepped Discount Loans will revert to a margin over LIBOR in accordance with the Mortgage Conditions.

Approximately 8.57 per cent. by loan count and 10.42 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool are fixed rate mortgage loans that will convert to LIBOR-linked Mortgage Loans at the expiry of the relevant fixed-rate period on one of 11 dates between 1 September 2004 and 1 September 2006 (**“Fixed-LIBOR Rate Loans”**). Approximately 14.74 per cent. by loan count and 17.15 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool are fixed rate mortgage loans that will convert to Tracker Loans (as defined below) at the expiry of the relevant fixed-rate period on one of 3 dates between 1 September 2005 and 1 September 2006 (**“Fixed Tracker Rate Loans”**). See *“Characteristics of the Initial Mortgage Pool”*.

Approximately 1.69 per cent. by loan count and 2.04 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool are currently Bank of England base rate-linked mortgage loans under which interest accrues at a rate (the **“Bank of England Base Rate-linked Mortgage Rate”**) equal to the Bank of England base rate plus a fixed margin expressed as a percentage over the Bank of England base rate (**“Tracker Loans”**). Such margin is fixed (in relation to the Bank of England base rate) for the term of the Tracker Loan Under the Administration Agreement, the Administrator will be obliged to effect, within 20 Business Days of a change in the Bank of England base rate, or such other period as may be required by any

applicable laws, regulations or guidelines, a change to the interest rate payable by Borrowers of Tracker Loans to ensure that the interest rate payable by Borrowers of Tracker Loans is the applicable percentage over the Bank of England base rate (subject to any applicable fixed rate period having expired and generally subject to the Mortgage Conditions relating to the Tracker Loans).

In respect of a certain number of these Tracker Loans, representing approximately 1.69 per cent. by loan count and 2.04 per cent. by balance of the Mortgage Loans in the Initial Mortgage Pool, the Bank of England Base Rate-linked Mortgage Rate has been discounted by 1.00 per cent. until one of 3 dates between 1 January 2005 and 1 March 2005 (“**Discount Tracker Loans**”). See “*Characteristics of the Initial Mortgage Pool*”.

#### ***Mortgage Payment Dates***

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

#### ***Origination Procedures and Monitoring of Brokers***

GMAC-RFC currently derives its mortgage business from the following sources: through a network of Packagers (as defined below), who may be correspondent lenders or remote processors, and through intermediaries and brokers. None of the Mortgage Loans in the Initial Mortgage Pool are derived from direct dealings with consumers.

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

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

GMAC-RFC operates a correspondent lending programme. Under the programme, the participating firms (the “**CL Originators**”) originate loans in their own name but on terms which mirror GMAC-RFC’s standard terms mortgage documentation. The CL Originators apply GMAC-RFC’s Lending Criteria (as defined below). An underwriter who is employed by GMAC-RFC and located on the CL Originator’s premises gives the final approval for each Mortgage application. For each Mortgage Loan written under the programme (a “**CL Mortgage**”) GMAC-RFC receives a certificate of title from a firm of solicitors representing both the CL Originator and GMAC-RFC confirming the title to the property to be charged and compliance with GMAC-RFC’s guidelines and instructions. GMAC-RFC then funds the Mortgage Loan and the title deeds are forwarded to it directly from the solicitors involved. Under the terms of mortgage transfer agreements with each CL Originator, each CL Mortgage is immediately transferred or assigned to GMAC-RFC (subject to registration or (in Scotland) recording in respect of the legal title only) together with all rights the CL Originator has against third parties such as solicitors and valuers in connection with the CL Mortgage and its origination. GMAC-RFC registers the transfer within the priority period afforded by the relevant legislation. The programme accounts for approximately 9.42 per cent. by loan count of the Mortgage Pool.

GMAC-RFC also operates a remote processing programme. In contrast to the correspondent lending programme, the participating firms in the remote processing programme (the “**Remote Processors**”) originate loans on behalf of GMAC-RFC using GMAC-RFC’s standard terms mortgage documentation. The Remote Processors use underwriters who are trained and supervised by GMAC-RFC to apply GMAC-RFC’s Lending Criteria (as defined below). An underwriter who is employed by GMAC-RFC and located on the Remote Processor’s premises gives the final approval for each mortgage application. The programme accounts for approximately 39.72 per cent. by balance of the Mortgage Pool.

#### **Right-to-Buy Scheme**

Approximately 18.45 per cent. of the Mortgage Loans in the Initial Mortgage Pool by value and 26.60 per cent. by loan count were extended to the relevant Borrowers in connection with the purchase by those Borrowers of properties from the

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

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

None of the CL Originators are approved lending institutions under the Housing Act 1985. Approximately 4.23 per cent. of the Mortgage Loans in the Initial Mortgage Pool by count and 2.81 per cent. by balance were RTB Loans originated by the CL Originators. No deeds of postponement were issued by the relevant Local Authority in respect of these Mortgage Loans. These Mortgage Loans are therefore subordinated to the statutory charge in favour of the relevant Local Authority for the first three years from the date of origination. To mitigate the risk of losses arising as a result of such temporary subordination, GMAC-RFC has obtained insurance cover from London and European Title Insurance Services Limited in respect of such risk and GMAC-RFC will covenant in the Mortgage Sale Agreement to maintain similar insurance at the Issuer’s expense in its capacity as Administrator. The benefit of the relevant policy will be transferred to the Issuer under the terms of the Mortgage Sale Agreement.

#### **Lending Criteria**

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

GMAC-RFC will warrant to the Issuer and the Trustee in the Mortgage Sale Agreement (a) that the nature and amount of each Mortgage Loan, the circumstances of the relevant Borrower and the nature of the relevant Property satisfied the relevant Lending Criteria or the permitted exceptions to the criteria and (b) that, subject to the completion of any pending registrations, legal and beneficial title of all the Mortgage Loans will be, immediately prior to the execution of the Mortgage Sale Agreement or at the relevant assignment date, vested absolutely in GMAC-RFC.

#### **General and Lending Criteria Categories**

The Mortgage Loans were underwritten generally in accordance with the Lending Criteria. The Lending Criteria considers, among other things, a borrower’s credit history, employment history and status, repayment ability and debt service to income ratio, as well as the value of the property to be mortgaged. The Lending Criteria for non-conforming borrowers would generally be acceptable to residential mortgage lenders lending to borrowers who have an impaired credit history or do not satisfy the standard requirements of building societies or high street banks.

There are further distinctions within the Lending Criteria depending on whether, for example, an investment mortgage is applied for or whether documentary evidence is available in respect of certain information relating to the borrower’s personal circumstances.

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

GMAC-RFC has introduced point-of-sale decisioning (“POSD”), a web-based program whereby brokers can complete and submit applications on-line and receive a binding decision (subject to satisfaction of certain requirements) from GMAC-RFC within approximately one minute. The application is processed automatically by Assetwise, GMAC-RFC’s decisioning engine, which runs a credit search, conducts credit-scoring and checks the applicant’s details against an external fraud



detection database as well as GMAC-RFC's own records. Credit-scoring applies statistical analysis to data available from outside sources and customer-provided data to assess the likelihood of an account going into arrears.

Where an applicant is not eligible for the requested product, the underwriting system will decline the application. The broker is then free to submit a limited number of additional applications for another, potentially more suitable, product. The POSD program has been successfully piloted across all product ranges and GMAC-RFC has rolled it out for use on all new originations from brokers and some Packagers as of 1 June 2004. It is expected to be in use by Remote Processors and CL Originators later in 2004. All Mortgage Loans originated through POSD remain subject to GMAC-RFC's underwriting policies, Lending Criteria and internal policies for compliance with government regulations, such as those concerning money laundering. In addition, all underwriting decisions are subject to periodic audits.

#### ***Discretion to Lend Outside Lending Criteria***

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

While brokers do have the ability to appeal automatic decisions made under POSD in special cases, one of the benefits of POSD is to ensure consistency and efficiency in the decision-making process by reducing the scope for human error or discretion.

#### ***Mortgage Loan Term***

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

#### ***Age of Borrower***

Borrowers must be at least 18 years of age prior to the completion of the Mortgage Loan. For Investment Mortgage Loans, Borrowers must be at least 25 years of age. Furthermore, the term of Mortgage Loans usually must end before the primary applicant reaches his/her 76th birthday (subject to approved exceptions).

#### ***Maximum Number of Borrowers***

No more than four Borrowers (or two in the case of Investment Mortgage Loans) may be parties to a Mortgage Loan.

#### ***Employment Details***

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

The income of employed Borrowers can be substantiated by:

- (a) a formal reference from the applying Borrower's employer;
- (b) a P60 or 3 months' supporting payslips; or
- (c) 1 self-certification by the Borrower (only for Mortgage Loans up to certain maximum amounts).

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

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

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

#### ***Property Types***

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

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

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

#### ***Mortgage Loan Amount***

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

#### ***Maximum LTV***

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

#### ***Income Multiples***

Unless an exception applies, a Mortgage Loan will not exceed either (a) the income of the primary Borrower multiplied by 3.5 and added to the income of any secondary Borrower or (b) the Borrowers' joint income multiplied by 3.00, except where LTV is higher than 85 per cent. in which case a Mortgage Loan will not exceed either (a) the income of the primary Borrower multiplied by 3.00 and added to the income of any secondary Borrower or (b) the Borrowers' joint income multiplied by 2.75.

#### ***Affordability Test***

For Mortgage Loans originated prior to 10 February 2003, the CL Originators and Remote Processors sometimes incorporated into their underwriting procedures an affordability test, which attempted to estimate the ability of a Borrower to make payments under a Mortgage Loan. The affordability test served merely as an underwriting tool and, as such, was a contributing factor in an underwriter's decision of whether to accept or reject an application for a Mortgage Loan. Since 10 February 2003, the CL Originators and Remote Processors have not used this test. In addition, GMAC-RFC no longer uses this test. For high-scoring cases (Borrowers who are less likely to go into arrears), Assetwise, an automated decisioning system, will approve, in certain cases, applications where the income multiples exceed the stated levels and which underwriters would have previously only allowed by exception.

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

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

#### ***Credit History***

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

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

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

Non-conforming borrowers who were extended a Mortgage Loan despite being previously subject to a BO are generally required to provide a certificate of discharge. Non-conforming borrowers who are subject to an IVA are generally required to provide a confirmation of satisfactory conduct of the IVA where appropriate. Where satisfaction of an IVA is a requirement of the Mortgage Loan, a certificate of satisfaction must have been provided or entry on the Experian search bearing the word "satisfied" against it obtained.

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

### **Valuation**

For all Mortgage Loans, Properties are required to be valued on-site by a qualified surveyor chosen from a panel of GMAC-RFC approved valuation firms. Valuations must be completed before an offer can be made. The qualified surveyor will be instructed by GMAC-RFC or the Packager, CL Originator or Remote Processor. For Further Advances where the latest valuation on file is less than three years old and the value of debt is within certain parameters, GMAC-RFC will use an index value rather than performing a valuation. Following completion of the on-site valuation, a number of valuations are selected for audit. GMAC-RFC uses an Auto Valuation Model ("AVM") as the initial check within the valuation audit process. Drive-by valuations are required for those cases where the variation between the valuation done by the surveyor and the valuation produced by the AVM differ by more than 10 per cent. If the drive-by valuation results in a variation of more than 10 per cent. from the AVM, a second on-site valuation will be instructed using a different valuation company. If a variation of more than 10 per cent. still exists, the case is referred to GMAC-RFC's surveyor, who determines the final valuation figure to be used.

### **Retentions**

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

As at the Cut-Off Date, approximately £83,460 in retention monies relating to the Mortgage Loans in the Initial Mortgage Pool were being held by GMAC-RFC awaiting the completion of required works on the Properties.

### **Borrower Maintenance Covenants**

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

### **Buildings Insurance**

It is a condition of each Mortgage Loan that each Property be insured for its full re-instatement value as stated in the valuation report with an acceptable insurance company and at the Borrower's cost (subject to certain exceptions in the case of leasehold properties). GMAC-RFC requires that the firm of solicitors or licensed conveyancers acting on behalf of the Borrower confirms prior to completion that the current insurance policy complies with the Council of Mortgage Lenders Handbook. In all of these cases, the interest of GMAC-RFC is noted on the relevant policy from the date of completion of the Mortgage Loan. GMAC-RFC has the option to use any monies received under any insurance policy affecting the property to make good the loss or damage in respect of which the monies were received or to use them to reduce or repay the relevant Mortgage Loan.

### **Further Advances**

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

### **Express Completion Service**

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

There are 109 Mortgage Loans in the Initial Mortgage Pool which have been originated pursuant to the Express Completion Service, representing an aggregate principal loan balance of approximately 2.08 per cent. of the Initial Mortgage Pool balance. The benefit of the First Title policy is assigned by GMAC-RFC to the Issuer pursuant to the Mortgage Sale Agreement.

### **Other Insurance**

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

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

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

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

The Mortgage Sale Agreement will contain a general assignment of any other title policy linked to an individual Property.

### **Solicitors**

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

### **Mortgages on Let Properties**

GMAC-RFC offers a type of mortgage loan exclusively for investment properties (the “**Investment Mortgage Loan**”). Prohibited from occupying an investment property itself, the Borrower must let an investment property within three months of completion on a short-term basis not exceeding 36 months to residential tenants who have demonstrated themselves to be of acceptable character and able to meet their obligations to pay rent. No sub-letting by the tenants is permitted.

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

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

1. As Investment Mortgage Loans are seen as self-financing, there is no requirement for the Borrower to achieve certain income multiples. However, the gross monthly rental income must be at least 125 per cent. of the monthly mortgage interest payment depending on the product.
2. For similar reasons, GMAC-RFC may sometimes extend an Investment Mortgage Loan to a Borrower for a term that will last up to that particular Borrower's 76th birthday (see "*Age of Borrower*" above). The minimum age for a Borrower is 25 for this product.
3. The maximum LTV for an Investment Mortgage Loan is 80 per cent.
4. As the primary assessment on the Borrower's ability to pay is based on expected rental income, this is assessed as part of the valuation (see "*Valuation*" above).
5. No more than two Borrowers may be party to the Investment Mortgage Loan.

Only 385 of the Mortgage Loans in the Initial Mortgage Pool (representing an aggregate principal loan balance of approximately £32,422,352) are Investment Mortgage Loans. These Mortgage Loans represent approximately 5.38 per cent. by balance of the Initial Mortgage Pool.

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

#### **Fraud Prevention**

GMAC-RFC has a risk management team whose primary focus is on preventing fraud and maintaining the quality of the loan book, and whose objectives also include controlling and managing GMAC-RFC's lending policy and criteria and protecting, controlling and reducing GMAC-RFC's risk. Fraud prevention measures used by the team include (a) the use of automated credit and fraud alert systems, including CIFAS, Hunter and DETECT; (b) the use of qualified surveyors to audit property valuations; (c) investigation of fraud referrals from the new business area; (d) the use of a three month nil payment report, items on which are investigated and the information fed back into the lending policy; and (e) a 100 per cent. audit of all mortgages above £500,000 prior to completion.

GMAC-RFC also manages its lending policy and that of its intermediary firms through (a) an annual audit program; (b) an audit of its Correspondent Lenders; (c) a process to evaluate the suitability of potential packages; (d) an exceptions reporting policy; and (e) a business continuity plan.

## CHARACTERISTICS OF THE INITIAL MORTGAGE POOL

The Initial Mortgage Pool has the aggregate characteristics indicated in Tables 1-16. (Columns of percentages may not add up to 100 per cent. due to rounding.) The valuations quoted in this section are as at the date of the initial origination of the Mortgage Loans.

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

<i>Original LTV %</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
00.01 – 25.00	41	0.61	1,799,192	0.30
25.01 – 50.00	707	10.50	46,143,822	7.66
50.01 – 55.00	329	4.89	24,177,960	4.02
55.01 – 60.00	534	7.93	40,180,644	6.67
60.01 – 65.00	744	11.05	59,090,392	9.81
65.01 – 70.00	652	9.69	52,953,065	8.79
70.01 – 75.00	1,580	23.47	146,977,408	24.41
75.01 – 80.00	820	12.18	78,414,216	13.02
80.01 – 85.00	1,088	16.16	126,850,514	21.07
85.01 – 90.00	199	2.96	21,437,088	3.56
90.01 – 95.00	38	0.56	4,078,093	0.68
	<u>6,732</u>	<u>100.00</u>	<u>602,102,395</u>	<u>100.00</u>
Weighted Average LTV	71.29%			
Minimum LTV	6.19%			
Maximum LTV	95.00%			

Table 2

Distribution of Mortgage Loans by Current Principal Balance

<i>Current Principal Balance (£)</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
20,000.01 – 30,000.00	196	2.91	5,262,800	0.87
30,000.01 – 40,000.00	531	7.89	18,621,772	3.09
40,000.01 – 50,000.00	713	10.59	31,873,097	5.29
50,000.01 – 60,000.00	758	11.26	41,283,484	6.86
60,000.01 – 70,000.00	687	10.20	44,230,255	7.35
70,000.01 – 80,000.00	608	9.03	45,275,446	7.52
80,000.01 – 90,000.00	549	8.16	46,231,771	7.68
90,000.01 – 100,000.00	486	7.22	45,740,432	7.60
100,000.01 – 110,000.00	424	6.30	44,078,359	7.32
110,000.01 – 120,000.00	364	5.41	41,630,518	6.91
120,000.01 – 130,000.00	294	4.37	36,471,835	6.06
130,000.01 – 140,000.00	199	2.96	26,761,268	4.44
140,000.01 – 150,000.00	193	2.87	27,870,369	4.63
150,000.01 – 175,000.00	295	4.38	47,277,563	7.85
175,000.01 – 200,000.00	169	2.51	31,616,996	5.25
200,000.01 – 225,000.00	117	1.74	24,453,245	4.06
225,000.01 – 250,000.00	60	0.89	14,186,092	2.36
250,000.01 – 350,000.00	56	0.83	15,446,883	2.57
350,000.01 – 500,000.00	30	0.45	12,181,228	2.02
500,000.01 – 650,000.00	3	0.04	1,608,983	0.27
	6,732	100.00	602,102,395	100.00

Average Balance	£89,438.86
Minimum	£25,095.97
Maximum	£605,258.23

Table 3

Distribution of CCJs by Loan to Value Ratios

<i>Loan to Value</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>No. 0 CCJs</i>		<i>% 0 CCJs</i>		<i>No. &gt;1 CCJs</i>		<i>% &gt;1 CCJs</i>	
			<i>No. 0 CCJs</i>	<i>% 0 CCJs</i>	<i>No. 1 CCJ</i>	<i>% 1 CCJs</i>	<i>No. &gt;1 CCJs</i>	<i>% &gt;1 CCJs</i>		
00.01 – 50.00	748	11.11	597	8.87	90	1.34	61	0.91		
50.01 – 55.00	329	4.89	268	3.98	38	0.56	23	0.34		
55.01 – 60.00	534	7.93	443	6.58	58	0.86	33	0.49		
60.01 – 65.00	744	11.05	612	9.09	80	1.19	52	0.77		
65.01 – 70.00	652	9.69	479	7.12	104	1.54	69	1.02		
70.01 – 75.00	1,580	23.47	1,152	17.11	274	4.07	154	2.29		
75.01 – 80.00	820	12.18	613	9.11	132	1.96	75	1.11		
80.01 – 85.00	1,088	16.16	842	12.51	147	2.18	99	1.47		
85.01 – 90.00	199	2.96	165	2.45	21	0.31	13	0.19		
90.01 – 95.00	38	0.56	36	0.53	2	0.03	0	0.00		
	6,732	100.00	5,207	77.35	946	14.05	579	8.60		

Table 4

Distribution of CCJs by Margin (Bank Base Rate Loans)

<i>Margin over Bank of England Base Rate %</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>No. 0 CCJs</i>		<i>% 0 CCJs</i>		<i>No. &gt;1 CCJs</i>		<i>% &gt;1 CCJs</i>	
0.00 – 1.75	63	5.70	54	4.88	6	0.54	3	0.27		
1.76 – 2.25	571	51.63	493	44.58	54	4.88	24	2.17		
2.26 – 2.75	345	31.19	237	21.43	56	5.06	52	4.70		
2.76 – 3.25	86	7.78	46	4.16	26	2.35	14	1.27		
3.26 – 3.75	41	3.71	25	2.26	10	0.90	6	0.54		
	1,106	100.00	855	77.31	152	13.74	99	8.95		

Weighted Average Margin over BBR	2.33%
Minimum	1.74%
Maximum	3.75%

Table 5

Distribution of CCJs by Margin (LIBOR Loans)

<i>Margin over LIBOR %</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>No. 0 CCJs</i>		<i>% 0 CCJs</i>		<i>No. &gt;1 CCJs</i>		<i>% &gt;1 CCJs</i>	
0.00 – 2.00	710	12.62	636	11.30	57	1.01	17	0.30		
2.01 – 2.50	2,002	35.58	1,689	30.02	193	3.43	120	2.13		
2.51 – 3.00	1,452	25.81	1,121	19.93	228	4.05	103	1.83		
3.01 – 3.50	557	9.90	372	6.61	104	1.85	81	1.44		
3.51 – 4.00	614	10.91	389	6.91	124	2.20	101	1.80		
4.01 – 4.50	205	3.64	123	2.19	53	0.94	29	0.52		
4.51 – 5.00	56	1.00	13	0.23	27	0.48	16	0.28		
5.01 – 5.50	19	0.34	6	0.11	5	0.09	8	0.14		
5.51 – 6.00	5	0.09	0	0.00	3	0.05	2	0.04		
Greater than 6.50	6	0.11	3	0.05	0	0.00	3	0.05		
	5,626	100.00	4,352	77.36	794	14.11	480	8.53		

Weighted Average Margin over LIBOR	2.85%
Minimum	1.75%
Maximum	6.25%

Table 6

Distribution of Mortgage Loans by Loan Purpose

<i>Loan Purpose</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Purchase	3,076	45.69	267,658,885	44.45
Remortgage	3,656	54.31	334,443,510	55.55
	6,732	100.00	602,102,395	100.00



Table 7

Distribution of Mortgage Loans by Tenure by Original LTV

<i>Original Loan to Value Ratio %</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>No. of Freehold</i>	<i>% of Freehold</i>	<i>No. of Leasehold</i>	<i>% of Leasehold</i>	<i>No. of Feuhold</i>	<i>% of Feuhold</i>
0.01 – 25.00	41	0.61	38	0.56	3	0.04	0	0.00
25.01 – 50.00	707	10.50	639	9.49	61	0.91	7	0.10
50.01 – 55.00	329	4.89	289	4.29	34	0.51	6	0.09
55.01 – 60.00	534	7.93	474	7.04	48	0.71	12	0.18
60.01 – 65.00	744	11.05	629	9.34	101	1.50	14	0.21
65.01 – 70.00	652	9.69	549	8.16	88	1.31	15	0.22
70.01 – 75.00	1,580	23.47	1,311	19.47	237	3.52	32	0.48
75.01 – 80.00	820	12.18	661	9.82	112	1.66	47	0.70
80.01 – 85.00	1,088	16.16	888	13.19	138	2.05	62	0.92
85.01 – 90.00	199	2.96	153	2.27	29	0.43	17	0.25
90.01 – 95.00	38	0.56	25	0.37	9	0.13	4	0.06
	6,732	100.00	5,656	84.02	860	12.77	216	3.21

Table 8

Distribution of Mortgage Loans by Property Type

<i>Property Type</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Detached Bungalow	94	1.40	12,194,473	2.03
Detached House	628	9.33	95,397,869	15.84
End Terraced	991	14.72	77,776,759	12.92
Leasehold Flat	592	8.79	58,840,513	9.77
Maisonette	93	1.38	9,836,167	1.63
Semi Detached Bungalow	67	1.00	6,615,936	1.10
Semi Detached House	2,260	33.57	189,642,119	31.50
Terraced	2,002	29.74	151,508,384	25.16
Terraced Bungalow	5	0.07	290,174	0.05
	6,732	100.00	602,102,395	100.00

**Table 9**  
**Distribution of Mortgage Loans by Region**

<i>Region</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
East Anglia	230	3.42	22,405,930	3.72
East Midlands	479	7.12	40,905,333	6.79
Greater London	528	7.84	67,972,396	11.29
North	550	8.17	31,995,269	5.31
North West	1,129	16.77	79,292,442	13.17
Outer Metropolitan	386	5.73	53,751,258	8.93
Scotland	217	3.22	15,993,762	2.66
South East	843	12.52	101,794,931	16.91
South West	449	6.67	46,572,912	7.74
Wales	512	7.61	37,879,904	6.29
West Midlands	732	10.87	58,451,040	9.71
Yorkshire	677	10.06	45,087,218	7.49
	6,732	100.00	602,102,395	100.00

**Table 10**  
**Distribution of Mortgage Loans by Time to Maturity**

<i>Months to Maturity</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
52 – 72	17	0.25	2,183,548	0.36
73 – 96	35	0.52	3,255,341	0.54
97 – 120	158	2.35	13,167,955	2.19
121 – 144	124	1.84	11,639,499	1.93
145 – 168	131	1.95	9,941,014	1.65
169 – 192	428	6.36	35,960,145	5.97
193 – 216	235	3.49	21,675,435	3.60
217 – 240	912	13.55	83,867,437	13.93
241 – 264	275	4.08	22,160,762	3.68
265 – 288	394	5.85	32,227,285	5.35
289 – 312	3,665	54.44	331,472,638	55.05
313 – 336	21	0.31	2,151,254	0.36
337 – 360	337	5.01	32,400,079	5.38
	6,732	100.00	602,102,395	100.00
Weighted Average Months	270			
Minimum (Months)	58			
Maximum (Months)	360			

Table 11

## Distribution of Mortgage Loans by Repayment Method

<i>Repayment Method</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Interest Only	2,443	36.29	281,637,236	46.78
Part & Part Repayment	141	2.09	14,941,772	2.48
	4,148	61.62	305,523,387	50.74
	6,732	100.00	602,102,395	100.00

Table 12

## Distribution of Mortgage Loans Currently in Arrears

<i>Days Past Due</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Current	6,645	98.71	593,237,239	98.53
30 – 59 days	55	0.82	5,521,065	0.92
60 – 89 days	28	0.42	2,875,890	0.48
90 + days	4	0.06	468,201	0.08
	6,732	100.00	602,102,395	100.00

Table 13

## Distribution of Mortgage Loans by Status

<i>Status</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Self Certified	4,694	69.73	447,350,569	74.30
Full Status	2,038	30.27	154,751,826	25.70
	6,732	100.00	602,102,395	100.00

Table 14

## Distribution of Mortgage Loans by Loan Index

<i>Loan Index</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Bank Base Rate	1,106	16.43	115,546,748	19.19
LIBOR	5,626	83.57	486,555,647	80.81
	6,732	100.00	602,102,395	100.00

Table 15

## Distribution of Mortgage Loans by Rate Type

<i>Rate type</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Variable Rate (LIBOR)	63	0.94	7,834,756	1.30
Discount 6 months from Completion	114	1.69	12,271,656	2.04
1 Year Stepped Discount	105	1.56	7,945,599	1.32
3 Year Stepped Discount	79	1.17	6,600,764	1.10
Discount of 1.25% until 01 October 2004	44	0.65	3,810,700	0.63
Discount of 1.25% until 01 January 2005	195	2.90	17,639,735	2.93
Discount of 1.35% until 01 April 2005	756	11.23	65,113,432	10.81
Discount of 1.35% until 01 July 2005	2,457	36.50	204,747,556	34.01
Discount of 1.5% until 01 January 2005	15	0.22	812,728	0.13
Discount of 1.5% until 01 March 2005	157	2.33	9,661,105	1.60
Discount of 1.5% until 01 September 2005	699	10.38	60,115,802	9.98
Discount of 1.75% until 01 June 2005	136	2.02	10,442,799	1.73
Discount of 1.75% until 01 September 2005	343	5.10	29,064,855	4.83
Total Discount	5,100	75.76	428,226,732	71.12

continued on next page

Table 15 continued

## Distribution of Mortgage Loans by Rate Type

<i>Rate type</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Total Balance</i>
Fixed 5.29% until 01 September 2005	1	0.01	120,910	0.02
Fixed 5.45% until 01 August 2005	2	0.03	279,287	0.05
Fixed 5.45% until 01 September 2005	5	0.07	501,173	0.08
Fixed 5.45% until 01 January 2006	2	0.03	283,807	0.05
Fixed 5.55% until 01 September 2005	1	0.01	61,544	0.01
Fixed 5.55% until 01 January 2006	1	0.01	79,381	0.01
Fixed 5.59% until 01 September 2005	2	0.03	198,169	0.03
Fixed 5.65% until 01 April 2005	3	0.04	461,044	0.08
Fixed 5.75% until 01 June 2005	4	0.06	450,737	0.07
Fixed 5.75% until 01 August 2005	2	0.03	206,347	0.03
Fixed 5.75% until 01 September 2005	3	0.04	236,214	0.04
Fixed 5.75% until 01 January 2006	3	0.04	260,361	0.04
Fixed 5.75% until 01 April 2006	7	0.10	747,838	0.12
Fixed 5.85% until 01 April 2006	3	0.04	217,683	0.04
Fixed 5.89% until 01 January 2005	4	0.06	530,697	0.09
Fixed 5.89% until 01 September 2005	3	0.04	288,214	0.05
Fixed 5.89% until 01 July 2006	2	0.03	215,401	0.04
Fixed 5.95% until 01 August 2005	1	0.01	142,553	0.02
Fixed 5.95% until 01 January 2006	5	0.07	643,619	0.11
Fixed 5.95% until 01 April 2006	34	0.51	3,754,197	0.62
Fixed 5.95% until 01 May 2006	42	0.62	4,043,749	0.67
Fixed 5.99% until 01 September 2004	2	0.03	168,094	0.03
Fixed 5.99% until 01 September 2005	4	0.06	618,107	0.10
Fixed 6.04% until 01 September 2005	1	0.01	91,351	0.02
Fixed 6.05% until 01 April 2006	10	0.15	1,402,698	0.23
Fixed 6.05% until 01 May 2006	17	0.25	1,691,698	0.28
Fixed 6.09% until 01 July 2006	7	0.10	763,073	0.13
Fixed 6.15% until 01 April 2006	6	0.09	486,051	0.08
Fixed 6.15% until 01 May 2006	110	1.63	12,894,479	2.14
Fixed 6.15% until 01 July 2006	36	0.53	3,200,071	0.53
Fixed 6.19% until 01 January 2006	1	0.01	195,251	0.03
Fixed 6.19% until 01 July 2006	2	0.03	195,717	0.03
Fixed 6.25% until 01 April 2006	1	0.01	101,519	0.02
Fixed 6.25% until 01 May 2006	109	1.62	11,512,803	1.91
Fixed 6.29% until 01 July 2006	2	0.03	257,250	0.04
Fixed 6.35% until 01 July 2006	158	2.35	17,126,540	2.84
Fixed 6.39% until 01 September 2006	4	0.06	316,523	0.05
Fixed 6.45% until 01 April 2006	1	0.01	104,070	0.02
Fixed 6.45% until 01 May 2006	76	1.13	9,026,735	1.50
Fixed 6.45% until 01 September 2006	57	0.85	5,056,299	0.84
Fixed 6.49% until 01 July 2006	4	0.06	466,952	0.08
Fixed 6.55% until 01 July 2006	124	1.84	12,440,792	2.07
Fixed 6.59% until 01 September 2006	5	0.07	466,573	0.08
Fixed 6.65% until 01 May 2006	13	0.19	1,420,467	0.24
Fixed 6.65% until 01 September 2006	175	2.60	18,735,617	3.11
Fixed 6.75% until 01 May 2006	11	0.16	814,528	0.14
Fixed 6.79% until 01 September 2006	5	0.07	640,691	0.11
Fixed 6.85% until 01 July 2006	82	1.22	8,236,321	1.37
Fixed 6.85% until 01 September 2006	169	2.51	17,173,139	2.85
Fixed 6.95% until 01 April 2006	7	0.10	688,674	0.11
Fixed 7.05% until 01 September 2006	1	0.01	88,797	0.01
Fixed 7.15% until 01 July 2006	20	0.30	2,645,650	0.44
Fixed 7.15% until 01 September 2006	103	1.53	11,267,343	1.87
Fixed 7.25% until 01 May 2006	25	0.37	2,817,658	0.47
Fixed 7.45% until 01 July 2006	12	0.18	940,108	0.16
Fixed 7.45% until 01 September 2006	29	0.43	3,443,642	0.57
Fixed 7.75% until 01 September 2006	13	0.19	927,821	0.15
Fixed 7.95% until 01 July 2006	9	0.13	1,024,897	0.17
Fixed 8.25% until 01 September 2006	28	0.42	2,869,981	0.48
Total Fixed	1,569	23.31	166,040,907	27.58
	6,732	100.00	602,102,395	100.00

Table 16

Distribution of Mortgage Early Redemption Charges

<i>Mortgage Early Redemption Charges with reference to redemption in years 1, 2, 3, 4 and 5</i>	<i>No. of Mortgage Loans</i>	<i>% of Mortgage Loans</i>	<i>Current Principal Balance (£)</i>	<i>% of Balance</i>
5%, 3%, 2% of outstanding Balance	11	0.16	1,061,722	0.18
6%, 5% of outstanding Balance	114	1.69	12,217,656	2.04
6%, 5%, 4% of outstanding Balance	5,076	75.40	426,036,766	70.76
6%, 6% of outstanding Balance	1,529	22.71	162,078,623	26.92
6, 6, 6, 6, 6 Months Gross interest	1	0.01	605,258	0.10
7%, 6%, 5% of outstanding Balance	1	0.01	48,369	0.01
Totals	6,732	100.00	602,102,395	100.00

## TITLE TO THE MORTGAGE POOL

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

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

GMAC-RFC will have legal title to, and beneficial interest in, each Mortgage Loan on the Issue Date (immediately prior to entering into the Mortgage Sale Agreement) or on the date on which such Mortgage Loan is assigned to the Mortgage Pool (immediately prior to its assignment), subject to the completion of registration or recording of legal title, as described herein.

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

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

Save as mentioned below, notice of the assignment to the Issuer (or, in the case of Scottish Mortgage Loans, the trust granted in favour of the Issuer) and the equitable charge granted by the Issuer in favour of the Trustee will not be given to the Borrowers.

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

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

Furthermore, for so long as neither the Issuer nor the Trustee has obtained legal title to the Mortgage Loans, GMAC-RFC has undertaken pursuant to the Mortgage Sale Agreement to lend its name to any legal proceedings which may be taken in relation to the enforcement of any Mortgage Loans and their related Mortgages.

## SALE OF THE MORTGAGE POOL

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On the Issue Date, the Issuer will purchase the Completion Mortgage Pool. Each Mortgage Loan in the Completion Mortgage Pool will be a Mortgage Loan in respect of which the relevant Borrower has made at least one scheduled payment of interest and/or interest and principal (each a “**Monthly Payment**”) and such Monthly Payment has been verified by the second Business Day prior to the Issue Date. In addition, further Mortgage Loans may from time to time be included in the Mortgage Pool. These further Mortgage Loans, which will be Further Advances or Substitute Mortgage Loans, will be originated under the same underwriting standards as the Completion Mortgage Pool or may include other types of Mortgage Loans if the Rating Agencies have confirmed that the current ratings of the Rated Notes would not be adversely affected thereby.

### Consideration

The consideration payable by the Issuer to GMAC-RFC for the Completion Mortgage Pool on the Issue Date is an amount equal to the aggregate Balances (as defined below) of the Mortgage Loans comprised in the Completion Mortgage Pool as at the Cut-Off Date (31 August 2004). Interest accruing and all other sums received by GMAC-RFC on the Mortgage Loans up to but not including the Cut-Off Date will be for the account of GMAC-RFC and interest accruing and all other sums received by GMAC-RFC on or after the Cut-Off Date will be for the account of the Issuer.

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

### Warranties and Repurchase

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

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

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

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

- (a) each Mortgage Loan and its related Mortgage constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (save any terms which are (i) not binding by virtue of the UTCCR or (ii) which are unenforceable by the Consumer Credit Act 1974 or (iii) which are deemed to be ancillary terms which may well include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the terms of the Mortgage Loan or a substitute for the Bank of England base rate where the Bank of England base rate cannot be determined under the terms of the Mortgage Loan or (iv) other terms the application of which are in the lender’s discretion, or (v) the ability to require an additional payment upon redemption calculated with reference to the Mortgage Early Redemption Charges) and is non-cancellable and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to GMAC-RFC in priority to any other charges registered against the relevant Property save where the Right-to-Buy Insurance applies;
- (b) subject to completion of any registration or recording which may be pending at the Land Registry or the Registers of Scotland and save where the Right-to-Buy Insurance applies, each Mortgage constitutes a first ranking legal mortgage or first ranking standard security (as the case may be) over the relevant Property;
- (c) no lien or right of set-off or counterclaim has been created or has arisen between GMAC-RFC and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan save in relation to the UTCCR and save in relation to Section 75 of the Consumer Credit Act;
- (d) save for where the Mortgage Loan is covered by a valid title insurance policy, prior to making a Mortgage Loan to a Borrower, GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) instructed, or required to



be instructed on its behalf, solicitors or licensed conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) acting in accordance with its normal standard, when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind generally permitted under the Lending Criteria and a certificate of title was received by or on behalf of GMAC-RFC (or, in relation to the CL Mortgage Loans, the relevant CL Originator) from such solicitors or licensed conveyancers which, either initially or after further investigation, revealed no material matter which would cause GMAC-RFC or the relevant CL Originator to decline the Mortgage Loan having regard to the Lending Criteria;

- (e) prior to making a Mortgage Loan, the relevant Property was valued by a valuer from the panel of valuers from time to time appointed by GMAC-RFC. That valuer complied with its obligation to GMAC-RFC relating to conflicts of interest, impartiality and independence;
- (f) prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower and the nature of the relevant Property satisfied the Lending Criteria in all material respects;
- (g) each Mortgage Loan and its related Mortgage has been made on the terms of GMAC-RFC's mortgage documentation (so far as applicable) or the documentation of the CL Originators, which has not been varied in any material respect;
- (h) GMAC-RFC or, where applicable, a CL Originator took all reasonable steps to ensure that each Property was at the date of completion of the relevant Mortgage Loan (or, where appropriate, in the case of self-build properties, at the date of completion of the relevant property) insured (i) under a buildings policy arranged by the Borrower with the approval of GMAC-RFC (or, in relation to the CL Mortgage Loans, with the approval of the relevant CL Originators), or (ii) under a Block Buildings Policy or, in relation to certain CL Mortgage Loans, a block buildings policy used by the relevant CL Originator providing equivalent cover, or (iii) with respect to leasehold properties, by the relevant landlord with the approval of GMAC-RFC (or, in relation to the CL Mortgage Loans, with the approval of the relevant CL Originator), and in all cases against risks usually covered by a comprehensive buildings insurance policy and with the interest of GMAC-RFC noted thereon with effect from the origination of the relevant Mortgage Loan (or, in the case of certain CL Mortgage Loans, with effect following the transfer of the Mortgage Loan to GMAC-RFC);
- (i) no Mortgage Loan was acquired by GMAC-RFC subject to any discount and no Mortgage Loan has been written down by GMAC-RFC in its accounts;
- (j) no Mortgage Loan has a final maturity beyond the date falling two years prior to the final maturity of the Notes;
- (k) the interest payable under the Mortgage Loans is determined by reference to, in the case of LIBOR-linked Mortgage Loans, a fixed margin over LIBOR and, in the case of the Tracker Loans, a fixed margin above the Bank of England base rate, subject, in each case, to certain Mortgage Loans having fixed interest rates until one of 11 dates between 1 September 2004 and 1 September 2006;
- (l) the Borrower under each Mortgage Loan has made at least one monthly payment;
- (m) to the best of GMAC-RFC's knowledge and belief, having made all reasonable enquiries, the Right to Buy Insurance has been complied with; and
- (n) in the case of each Mortgage Loan secured on leasehold property, the relevant leasehold interest has an unexpired term left to run of not less than 30 years after the maturity of the relevant Mortgage Loan.

## ADMINISTRATION OF THE MORTGAGE POOL

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### **Mortgage Administration**

#### ***The Administrator***

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

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

The appointment of GMAC-RFC as Administrator may be terminated by the Issuer (with the consent of the Trustee) or by the Trustee acting on behalf of the Noteholders and other secured creditors on the occurrence of certain events of default, including non-performance of its obligations under the Administration Agreement or if insolvency or similar events occur in relation to GMAC-RFC.

In the event that the Administrator ceases to be 100 per cent. directly or indirectly owned by General Motors Acceptance Corporation, the Trustee shall procure that the Administrator appoints a back-up administrator which has been approved in writing by the Rating Agencies and the Trustee.

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

#### **Collection of Payments**

The Administrator is responsible for collecting payments made by Borrowers in respect of the Mortgage Loans which will be made into one of the GMAC-RFC Accounts. The amounts standing to the credit of the GMAC-RFC Accounts will be transferred on a daily basis into the Issuer Transaction Account to the extent they represent receipts in respect of Mortgage Loans within the Mortgage Pool. Approximately 95.69 per cent. of the payments from the Borrowers are made by direct debit and the remaining 4.31 per cent. are made by cash, cheques, paying-in books and standing orders. Although Borrowers have the option of choosing from the various methods of payments, GMAC-RFC recommends that the Borrower make payments by direct debit. Borrowers who choose to make payments by direct debit complete a direct debit form and the instructions are sent to the relevant Borrower’s bank. Three days prior to the relevant Mortgage Payment Date, the Administrator sends a file to the Bankers Automated Clearing System (“BACS”) of all direct debit payments. Currently, one of the GMAC-RFC Accounts is credited on the first, the fifteenth and the last working day of each month for Mortgage Loans. Payments by methods other than direct debit are received throughout the month. The Administrator will receive on-line and written confirmation from BACS on the direct debits. The Administrator will also receive information on the rejection of direct debits with a description of the rejection. To the extent possible the Administrator will resubmit the direct debits two weeks after the first submission of the direct debit and a fixed fee will be debited to the Borrower’s Mortgage Loan. For so long as the Mortgage Loans are serviced by HML, payments made other than by direct debit will be paid via HML, which will deposit such funds in the Collection Account within one day of receipt. See “*Sub-Contracting by the Administrator*”. All amounts received from Borrowers in the GMAC-RFC Accounts and credited to the Collection Account will be transferred daily from the Collection Account to the Issuer Transaction Account.

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

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

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

#### ***Arrears and Default Procedures***

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

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

Until recently, on court applications being made by the lender for the relevant enforcement remedies (once a default by the Borrower had been established by one of the methods detailed in the preceding paragraph), the Scottish courts were bound (except in very limited circumstances) to grant the enforcement remedies sought. This position has been altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of this Act is to confer on the court discretion, on the application of the Borrower (or the Borrower's spouse or partner) within certain time limits, to suspend the exercise of the lender's enforcement remedies for such period and to such extent as the court considers reasonable in the circumstances, having regard amongst other factors to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation.

#### *Sub-Contracting by the Administrator*

The Administrator is permitted in specified circumstances, or with the prior written consent of the Issuer and the Trustee, to sub-contract or delegate its obligations under the Administration Agreement subject to the proposed arrangement not adversely affecting the current ratings of the Rated Notes assigned by the Rating Agencies.

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

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

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

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

#### *Administration Fees*

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

If the appointment of the Administrator is terminated and a substitute administrator which is not an affiliate of GMAC-RFC is appointed, the figure of 0.15 per cent. per annum referred to in the paragraph above will be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement, subject always to the consent of the Trustee.

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

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

### ***Redemption***

A Borrower may repay all or any part of the relevant Mortgage Loan at any time before the end of the mortgage term (a “**Mortgage Early Redemption Amount**”), subject to the Borrower paying any applicable early redemption charge calculated on the basis provided under the Mortgage Loan (the “**Mortgage Early Redemption Charge**”). Any amount received by the Issuer in respect of a Mortgage Early Redemption Charge will be for the benefit of GMAC-RFC and will not be applied towards repayment of any amounts outstanding on the Notes. Interest is calculated on the reduced balance starting with the next following interest period.

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

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

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

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

### ***Further Advances and Substitution***

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

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

- (h) the amount of the Further Advance (together with all other Further Advances made with respect to other Mortgage Loans on that day) does not exceed an amount equal to the aggregate of the Available Capital Funds at such time and the amount standing to the credit of the Further Advances Ledger at such time;
- (i) the effect of the Further Advance would not be to extend the final maturity date of the Mortgage Loan to beyond the date falling two years prior to the final maturity of the Notes;
- (j) the Issuer has no reason to believe that the making of the relevant Further Advance will adversely affect the current ratings of the Rated Notes; and
- (k) all conditions set out in the Administration Agreement relating to Further Advances have been satisfied.

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

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

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

#### ***Conversion of Mortgage Loans***

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

#### ***Information and Reporting***

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

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

### **Introduction**

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

### **The Mortgage Code**

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

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

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

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

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

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

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

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

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

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

### **The Financial Services and Markets Act 2000**

In January 2000, HM Treasury announced that the FSA will regulate mortgage business. HM Treasury has made the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2001 (the “Order”), specifying that, from N(M), entering into

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

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

GMAC-RFC’s mortgage lending business, its CL Originators’ and Remote Processors’ business, (in some cases) the Packagers’ mortgage business, the Administrator’s mortgage administration business, GMAC-RFC’s brokers’ mortgage arranging and advisory business, and (depending on the circumstances) the mortgage business of its other intermediaries would constitute regulated activities.

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

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

The FSA has announced that, to avoid dual regulation once the new regulation applies, all mortgages regulated by the FSM Act will not be covered by the Consumer Credit Act. This carve-out only affects mortgages entered into on or after N(M) and mortgages entered into before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a regulated mortgage contract. Before N(M), the Consumer Credit Act will continue to be the relevant legislation. See “*Risk Factors – Office of Fair Trading and Financial Services Authority*”.

## WEIGHTED AVERAGE LIVES OF THE RATED NOTES

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Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Rated Notes will be influenced by, among other things, the actual rate of redemption of the Mortgage Loans and the extent to which Available Revenue Funds are sufficient to cover any Principal Deficiencies.

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

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

- (a) there are no arrears (other than those specified herein) or enforcements;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) GMAC-RFC are not in breach of the terms of the Mortgage Sale Agreement;
- (e) no Mortgage Loan is repurchased by GMAC-RFC;
- (f) no Substitute Mortgage Loans are purchased;
- (g) no Further Advances are made;
- (h) the portfolio mix of loan characteristics remains the same throughout the life of the Notes;
- (i) following the expiry of the fixed rate/discount period (if applicable), the interest rate on each Mortgage Loan is equal to LIBOR plus a fixed margin or the Bank of England base rate plus a fixed margin;
- (j) the Notes are issued on 29 September 2004 and all payments on the Notes are received on the 12th day of every third calendar month commencing from 12 December 2004 with the exception of the interest payable on the A1 Notes which will commence from 12 November 2004 and be payable monthly;
- (k) LIBOR is equal to 4.81 per cent. and is applied both to the aggregate Base Currency PAO and the Mortgage Loans;
- (l) the Bank of England base rate is equal to 4.75 per cent.;
- (m) in the case of tables stating "with optional redemption" the Notes are redeemed at their Principal Amount Outstanding on the earlier of the Quarterly Payment Date following the Quarterly Payment Date on which the aggregate Base Currency PAO of the Rated Notes is less than 10 per cent. of the Initial Principal Amount Outstanding of the Rated Notes or the Step-Up Date;
- (n) interest on the Rated Notes is always calculated on the basis of actual days elapsed in a 365 year (without adjustment) and it is assumed that the margin of interest on the A1 Notes is not reset during the life of the A1 Notes;
- (o) the Notes will be redeemed in accordance with the Conditions; and
- (p) first remarketing date falls in September 2005.



<i>Collateral Line</i>	<i>Current Principal Balance (£)</i>	<i>Mortgage Rate (%)</i>	<i>Fully Indexed Margin (%)</i>	<i>Remaining Term to Maturity (months)</i>	<i>Next Interest Reset (months)</i>	<i>Interest Only Period (months)</i>	<i>Discount (%)</i>	<i>Months to Full Floating Rate</i>
1	171,821,561.61	6.411	3.002	261	1	260	1.401	10
2	173,597,323.81	6.224	2.820	274	1	0	1.406	10
3	24,454,009.45	6.276	2.508	276	20	275	0.000	20
4	27,668,200.52	6.223	2.396	290	19	0	0.000	19
5	3,960,266.82	7.747	2.937	245	1	244	0.000	0
6 <sup>1</sup>	2,545,898.66	7.535	2.725	273	1	0	0.000	0
7	5,637,100.51	5.861	2.361	263	1	262	1.000	5
8	4,553,571.11	5.814	2.314	287	1	0	1.000	5
9	40,413,250.23	6.808	2.363	265	23	264	0.000	23
10 <sup>2</sup>	45,348,817.28	6.754	2.299	278	23	0	0.000	23

<sup>1</sup>Collateral lines 1-6 are linked to LIBOR.

<sup>2</sup>Collateral lines 7-10 are linked to BBR.

Structuring the actual characteristics and performance of the Mortgage Loans are likely to differ from the assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Loans will prepay at a constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Mortgage Loans. Moreover, the diverse remaining terms to maturity and mortgage rates of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Mortgage Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans, or actual prepayment of loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

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

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the A1 Notes, the A2 Notes, the M1 Notes, the M2 Notes and the B Notes. These average lives have been calculated on a 30/360 basis.

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

<u>Date</u>	0%	15%	20%	25%	30%	35%	40%	15%/35% <sup>1</sup>
29 September 04	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 05	97.02%	52.01%	37.01%	22.00%	7.00%	0.00%	0.00%	52.01%
12 September 06	94.17%	11.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 07	91.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 08	87.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 09	84.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 10	80.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 11	76.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 12	72.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 13	67.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 14	62.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 15	56.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 16	51.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 17	44.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 18	37.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 19	30.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 20	22.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 21	13.99%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 22	4.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 23	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 24	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 25	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 26	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 27	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 28	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 29	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 31	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 33	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Weighted Average Life (years)	11.33	1.17	0.88	0.71	0.59	0.51	0.44	0.96
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Payment Window (start)	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04
Payment Window (end)	Mar-23	Mar-07	Jun-06	Mar-06	Dec-05	Sep-05	Sep-05	Jun-06

**(With Optional Redemption)**

Weighted Average Life (years)	6.22	1.17	0.88	0.71	0.59	0.51	0.44	0.96
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Payment Window (start)	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04
Payment Window (end)	Sep-11	Mar-07	Jun-06	Mar-06	Dec-05	Sep-05	Sep-05	Jun-06

**(Until First Remarketing Date)**

Weighted Average Life (years)	0.94	0.77	0.71	0.64	0.58	0.51	0.44	0.77
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Payment Window (start)	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04	Dec-04
Payment Window (end)	Sep-05	Sep-05	Sep-05	Sep-05	Sep-05	Sep-05	Sep-05	Sep-05

<sup>1</sup>This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

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

<u>Date</u>	<u>0%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>	<u>15%/35%<sup>1</sup></u>
29 September 04	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 05	100.00%	100.00%	100.00%	100.00%	100.00%	95.37%	86.68%	100.00%
12 September 06	100.00%	100.00%	92.58%	79.24%	66.77%	56.98%	48.42%	77.52%
12 September 07	100.00%	87.05%	69.66%	56.74%	46.26%	36.66%	28.76%	48.56%
12 September 08	100.00%	70.38%	55.11%	42.08%	32.03%	23.57%	17.06%	31.22%
12 September 09	100.00%	58.45%	43.56%	31.18%	22.15%	15.13%	10.11%	20.05%
12 September 10	100.00%	49.03%	34.39%	23.08%	15.30%	9.71%	5.99%	12.86%
12 September 11	100.00%	41.08%	27.12%	17.06%	10.56%	6.22%	3.54%	8.24%
12 September 12	100.00%	34.37%	21.36%	12.60%	7.27%	3.98%	2.09%	5.27%
12 September 13	100.00%	28.71%	16.79%	9.29%	5.00%	2.54%	1.23%	3.37%
12 September 14	100.00%	23.95%	13.18%	6.83%	3.44%	1.62%	0.73%	2.15%
12 September 15	100.00%	19.94%	10.33%	5.02%	2.36%	1.03%	0.43%	1.37%
12 September 16	100.00%	16.56%	8.07%	3.68%	1.61%	0.66%	0.25%	0.87%
12 September 17	100.00%	13.73%	6.30%	2.69%	1.10%	0.42%	0.15%	0.55%
12 September 18	100.00%	11.35%	4.90%	1.96%	0.75%	0.26%	0.09%	0.35%
12 September 19	100.00%	9.35%	3.80%	1.43%	0.51%	0.17%	0.05%	0.22%
12 September 20	100.00%	7.68%	2.94%	1.03%	0.34%	0.10%	0.03%	0.14%
12 September 21	100.00%	6.28%	2.26%	0.75%	0.23%	0.06%	0.02%	0.09%
12 September 22	100.00%	5.11%	1.73%	0.54%	0.16%	0.04%	0.01%	0.05%
12 September 23	97.01%	4.14%	1.32%	0.38%	0.10%	0.03%	0.01%	0.03%
12 September 24	90.82%	3.32%	1.00%	0.27%	0.07%	0.02%	0.00%	0.02%
12 September 25	82.75%	2.62%	0.74%	0.19%	0.04%	0.01%	0.00%	0.01%
12 September 26	15.23%	0.68%	0.18%	0.04%	0.01%	0.00%	0.00%	0.00%
12 September 27	0.64%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 28	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 29	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 31	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 33	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Weighted Average Life (years)	21.51	7.52	5.76	4.55	3.72	3.10	2.64	3.73
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Payment Window (start)	Mar-23	Mar-07	Jun-06	Mar-06	Dec-05	Sep-05	Sep-05	Jun-06
Payment Window (end)	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28

**(With Optional Redemption)**

Weighted Average Life (years)	6.95	5.39	4.65	3.98	3.40	2.81	2.40	3.46
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Payment Window (start)	Sep-11	Mar-07	Jun-06	Mar-06	Dec-05	Sep-05	Sep-05	Jun-06
Payment Window (end)	Sep-11	Sep-11	Sep-11	Sep-11	Jun-11	Mar-10	Jun-09	Dec-10

<sup>1</sup>This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

**Percentage of the Original Principal Amount Outstanding of the M1 Notes at the Specified CPRs  
(Without Optional Redemption)**

Date	0%	15%	20%	25%	30%	35%	40%	15%/35% <sup>1</sup>
29 September 04	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 05	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 06	100.00%	100.00%	100.00%	100.00%	100.00%	89.57%	77.09%	100.00%
12 September 07	100.00%	100.00%	100.00%	86.15%	69.29%	57.63%	45.78%	71.83%
12 September 08	100.00%	100.00%	79.12%	63.90%	47.97%	37.05%	27.17%	46.18%
12 September 09	100.00%	87.72%	62.53%	47.35%	33.17%	23.79%	16.10%	29.65%
12 September 10	100.00%	73.58%	49.37%	35.05%	22.92%	15.26%	9.54%	19.02%
12 September 11	100.00%	61.65%	38.93%	25.91%	15.81%	9.78%	5.64%	12.19%
12 September 12	100.00%	51.58%	30.66%	19.13%	10.90%	6.26%	3.33%	7.80%
12 September 13	100.00%	43.09%	24.11%	14.10%	7.50%	4.00%	1.96%	4.98%
12 September 14	100.00%	35.94%	18.92%	10.38%	5.15%	2.55%	1.16%	3.18%
12 September 15	100.00%	29.92%	14.83%	7.62%	3.53%	1.62%	0.68%	2.02%
12 September 16	100.00%	24.86%	11.59%	5.59%	2.41%	1.03%	0.40%	1.28%
12 September 17	100.00%	20.60%	9.04%	4.09%	1.65%	0.65%	0.23%	0.81%
12 September 18	100.00%	17.03%	7.03%	2.98%	1.12%	0.41%	0.14%	0.51%
12 September 19	100.00%	14.03%	5.45%	2.17%	0.76%	0.26%	0.08%	0.32%
12 September 20	100.00%	11.52%	4.22%	1.57%	0.51%	0.16%	0.05%	0.20%
12 September 21	100.00%	9.42%	3.24%	1.13%	0.35%	0.10%	0.03%	0.13%
12 September 22	100.00%	7.67%	2.49%	0.81%	0.23%	0.06%	0.02%	0.08%
12 September 23	100.00%	6.21%	1.89%	0.58%	0.15%	0.04%	0.01%	0.05%
12 September 24	100.00%	4.99%	1.43%	0.41%	0.10%	0.02%	0.00%	0.03%
12 September 25	100.00%	3.93%	1.06%	0.29%	0.07%	0.01%	0.00%	0.02%
12 September 26	88.96%	1.03%	0.26%	0.07%	0.01%	0.00%	0.00%	0.00%
12 September 27	3.74%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 28	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 29	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 31	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 33	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (years)	22.48	9.63	7.22	5.88	4.79	4.09	3.50	4.59
Payment Window (start)	Sep-26	Mar-09	Dec-07	Jun-07	Dec-06	Sep-06	Jun-06	Mar-07
Payment Window (end)	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28

**(With Optional Redemption)**

Weighted Average Life (years)	6.95	6.43	5.62	5.02	4.30	3.64	3.12	4.19
Payment Window (start)	Sep-11	Mar-09	Dec-07	Jun-07	Dec-06	Sep-06	Jun-06	Mar-07
Payment Window (end)	Sep-11	Sep-11	Sep-11	Sep-11	Jun-11	Mar-10	Jun-09	Dec-10

<sup>1</sup>This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

**Percentage of the Original Principal Amount Outstanding of the M2 Notes at the Specified CPRs  
(Without Optional Redemption)**

Date	0%	15%	20%	25%	30%	35%	40%	15%/35% <sup>1</sup>
29 September 04	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 05	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 06	100.00%	100.00%	100.00%	100.00%	100.00%	89.57%	77.09%	100.00%
12 September 07	100.00%	100.00%	100.00%	86.15%	69.29%	57.63%	45.78%	71.83%
12 September 08	100.00%	100.00%	79.12%	63.90%	47.97%	37.05%	27.17%	46.18%
12 September 09	100.00%	87.72%	62.53%	47.35%	33.17%	23.79%	16.10%	29.65%
12 September 10	100.00%	73.58%	49.37%	35.05%	22.92%	15.26%	9.54%	19.02%
12 September 11	100.00%	61.65%	38.93%	25.91%	15.81%	9.78%	5.64%	12.19%
12 September 12	100.00%	51.58%	30.66%	19.13%	10.90%	6.26%	3.33%	7.80%
12 September 13	100.00%	43.09%	24.11%	14.10%	7.50%	4.00%	1.96%	4.98%
12 September 14	100.00%	35.94%	18.92%	10.38%	5.15%	2.55%	1.16%	3.18%
12 September 15	100.00%	29.92%	14.83%	7.62%	3.53%	1.62%	0.68%	2.02%
12 September 16	100.00%	24.86%	11.59%	5.59%	2.41%	1.03%	0.40%	1.28%
12 September 17	100.00%	20.60%	9.04%	4.09%	1.65%	0.65%	0.23%	0.81%
12 September 18	100.00%	17.03%	7.03%	2.98%	1.12%	0.41%	0.14%	0.51%
12 September 19	100.00%	14.03%	5.45%	2.17%	0.76%	0.26%	0.08%	0.32%
12 September 20	100.00%	11.52%	4.22%	1.57%	0.51%	0.16%	0.05%	0.20%
12 September 21	100.00%	9.42%	3.24%	1.13%	0.35%	0.10%	0.03%	0.13%
12 September 22	100.00%	7.67%	2.49%	0.81%	0.23%	0.06%	0.02%	0.08%
12 September 23	100.00%	6.21%	1.89%	0.58%	0.15%	0.04%	0.01%	0.05%
12 September 24	100.00%	4.99%	1.43%	0.41%	0.10%	0.02%	0.00%	0.03%
12 September 25	100.00%	3.93%	1.06%	0.29%	0.07%	0.01%	0.00%	0.02%
12 September 26	88.96%	1.03%	0.26%	0.07%	0.01%	0.00%	0.00%	0.00%
12 September 27	3.74%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 28	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 29	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 31	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 33	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Weighted Average Life (years)	22.48	9.63	7.22	5.88	4.79	4.09	3.50	4.59
Payment Window (start)	Sep-26	Mar-09	Dec-07	Jun-07	Dec-06	Sep-06	Jun-06	Mar-07
Payment Window (end)	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28	Dec-28

**(With Optional Redemption)**

Weighted Average Life (years)	6.95	6.43	5.62	5.02	4.30	3.64	3.12	4.19
Payment Window (start)	Sep-11	Mar-09	Dec-07	Jun-07	Dec-06	Sep-06	Jun-06	Mar-07
Payment Window (end)	Sep-11	Sep-11	Sep-11	Sep-11	Jun-11	Mar-10	Jun-09	Dec-10

<sup>1</sup>This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

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

Date	0%	15%	20%	25%	30%	35%	40%	15%/35% <sup>1</sup>
29 September 04	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 05	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12 September 06	100.00%	100.00%	100.00%	100.00%	100.00%	89.57%	77.09%	100.00%
12 September 07	100.00%	100.00%	100.00%	86.15%	69.29%	57.63%	45.78%	71.83%
12 September 08	100.00%	100.00%	79.12%	63.90%	47.97%	37.05%	27.17%	46.18%
12 September 09	100.00%	87.72%	62.53%	47.35%	33.17%	23.79%	16.10%	29.65%
12 September 10	100.00%	73.58%	49.37%	35.05%	22.92%	15.26%	9.54%	19.02%
12 September 11	100.00%	61.65%	38.93%	25.91%	15.81%	9.78%	5.64%	12.19%
12 September 12	100.00%	51.58%	30.66%	19.13%	10.90%	6.26%	3.33%	7.80%
12 September 13	100.00%	43.09%	24.11%	14.10%	7.50%	4.00%	1.96%	4.98%
12 September 14	100.00%	35.94%	18.92%	10.38%	5.15%	2.55%	1.16%	3.18%
12 September 15	100.00%	29.92%	14.83%	7.62%	3.53%	1.62%	0.68%	2.02%
12 September 16	100.00%	24.86%	11.59%	5.59%	2.41%	1.03%	0.40%	1.28%
12 September 17	100.00%	20.60%	9.04%	4.09%	1.65%	0.65%	0.23%	0.81%
12 September 18	100.00%	17.03%	7.03%	2.98%	1.12%	0.41%	0.14%	0.51%
12 September 19	100.00%	14.03%	5.45%	2.17%	0.76%	0.26%	0.08%	0.32%
12 September 20	100.00%	11.52%	4.22%	1.57%	0.51%	0.16%	0.05%	0.20%
12 September 21	100.00%	9.42%	3.24%	1.13%	0.35%	0.10%	0.03%	0.13%
12 September 22	100.00%	7.67%	2.49%	0.81%	0.23%	0.06%	0.02%	0.08%
12 September 23	100.00%	6.21%	1.89%	0.58%	0.15%	0.04%	0.01%	0.05%
12 September 24	100.00%	4.99%	1.43%	0.41%	0.10%	0.02%	0.00%	0.03%
12 September 25	100.00%	3.93%	1.06%	0.29%	0.07%	0.01%	0.00%	0.02%
12 September 26	88.96%	1.03%	0.26%	0.07%	0.01%	0.00%	0.00%	0.00%
12 September 27	3.74%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 28	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 29	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 31	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 33	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 September 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (years)	22.48	9.63	7.22	5.88	4.79	4.09	3.50	4.59
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**(With Optional Redemption)**

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Payment Window (end)	Sep-11	Sep-11	Sep-11	Sep-11	Jun-11	Mar-10	Jun-09	Dec-10

<sup>1</sup>This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

## THE DEPOSITORY AGREEMENT

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### General

Each class of the Notes will, on the Issue Date, be represented by a Reg S Global Note and a Rule 144A Global Note of the relevant class in bearer form (all such Global Notes being referred to as the “Global Notes”). All capitalised terms not defined in this paragraph shall be as defined in “*Terms and Conditions of the Notes – Condition 1*”).

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

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

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

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

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

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

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

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do

so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Issuer Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear, Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

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

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

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

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

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

#### **Payments on Global Notes**

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

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Depository to the Common Depository, the respective systems will promptly credit their Participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of payments made in dollars (as provided under “– *Exchange Rate Agency Agreement and Denomination of Payments*”), upon receipt of any payment from the Depository, DTC will promptly credit its Participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the



accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, the Trustee or any other agent of the Issuer or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant’s ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant’s ownership of Book-Entry Interests, specifying to the Issuer the rates upon which the same are based and (where relevant) the names of the banks quoting such rates, provided that the Agent Bank shall make such determination and calculation in relation to each class of Notes on the basis of Condition 4 of the “*Terms and Conditions of the Notes*”.

#### **Exchange Rate Agency Agreement and Denomination of Payments**

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

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

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

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

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

##### **DTC**

DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its Participants deposit with it. DTC also facilitates the settlement of transactions among its Participants in such securities through electronic computerised book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Participant – the Indirect Participants. The rules applicable to DTC and its Participants and Indirect Participants are on file with the Securities and Exchange Commission.

##### **Euroclear and Clearstream, Luxembourg**

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

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

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

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

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

### **Redemption**

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

### **Transfers and Transfer Restrictions**

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

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

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

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

Subject to payment of the A1 Note Mandatory Transfer Price on or before the A1 Note Mandatory Transfer Date, the Book-Entry Interest in the Reg S Global Notes and Rule 144A Global Notes relating to the A1 Notes will be transferred to the Remarketing Agent (as those expressions are defined in the Conditions) or as otherwise designated by the Remarketing Agent without further confirmatory action being required by any holder of any Book-Entry Interest.

#### **Issuance of Definitive Notes**

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

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

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

#### **Reports**

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

#### **Action by Depository**

Subject to certain limitations, upon the occurrence of an Event of Default with respect to the Global Notes, or in connection with any other right of the holder of the Global Notes under the Trust Deed or the Depository Agreement, if requested in writing by DTC, Euroclear or Clearstream, Luxembourg, as applicable (acting on the instructions of their respective Participants in accordance with their respective procedures), the Depository will take any such action as shall be requested

in such notice, subject to, if required by the Depository, such reasonable security or indemnity from the Participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

#### **Charges of Depository**

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

#### **Amendment and Termination**

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

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

#### **Resignation or Removal of Depository**

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

#### **Obligation of Depository**

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

The Notes of RMAC 2004-NS3 Plc (the “**Issuer**”) are constituted by a trust deed (the “**Trust Deed**”) expected to be dated 29 September 2004 (the “**Issue Date**”) between the Issuer and J.P. Morgan Corporate Trustee Services Limited (the “**Trustee**”, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Noteholders. The holders of the A1 Notes shall be defined as the “**A1 Noteholders**”, the holders of the A2 Notes shall be defined as the “**A2 Noteholders**” and, together with the A1 Noteholders shall be defined as the “**A Noteholders**”, the holders of the M1 Notes shall be defined as the “**M1 Noteholders**”, the holders of the M2 Notes shall be defined as the “**M2 Noteholders**” and, together with the M1 Noteholders shall be defined as the “**M Noteholders**”, the holders of the B Notes shall be defined as the “**B Noteholders**”, the holders of the C Notes shall be defined as the “**C Noteholders**” and the holders of the Notes shall be defined as the “**Noteholders**”. The Notes will have the benefit of (to the extent applicable) a paying agency agreement (the “**Paying Agency Agreement**”) dated on or about the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, JPMorgan Chase Bank as principal paying agent (the “**Principal Paying Agent**”) and as agent bank (the “**Agent Bank**”), J.P. Morgan Bank Luxembourg S.A. and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”).

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

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

These Conditions include summaries of, and are subject to, the detailed provisions of the following agreements, dated on or about the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the Notes), a depository agreement (the “**Depository Agreement**”) between the Issuer, the Trustee and JPMorgan Chase Bank, New York office, as depository (the “**Depository**”), an exchange rate agency agreement between, *inter alios*, the Issuer and JPMorgan Chase Bank (the “**Exchange Rate Agency Agreement**”), the Paying Agency Agreement, a remarketing agreement between, *inter alios*, the Issuer, the Trustee and the Remarketing Agent (the “**Remarketing Agreement**”), an A1 Note conditional purchase agreement between, *inter alios*, the Issuer, the Trustee, the Administrator, the Remarketing Agent and the A1 Note Conditional Purchaser (the “**A1 Note Conditional Purchase Agreement**”) and a deed of charge between, *inter alios*, the Issuer and the Trustee (the “**Deed of Charge**”). Copies of the Trust Deed, the Paying Agency Agreement, the Depository Agreement, the Deed of Charge, the Remarketing Agreement, the A1 Note Conditional Purchase Agreement and the Master Definitions Schedule are available for inspection during usual business hours at the principal office of the Trustee (presently at Trinity Tower, 9 Thomas More Street, London E1W 1YT) and at the specified office of the Principal Paying Agent. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, the Remarketing Agreement, the A1 Note Conditional Purchase Agreement and the Deed of Charge.

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

### **Condition 1: Form, Denomination and Title**

#### **Notes**

The A1 Notes, the A2a Notes and the A2c Notes initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the Securities Act (the “**Reg S A1 Notes**”, the “**Reg S A2a Notes**” and the “**Reg S A2c Notes**”, respectively, and, collectively, the “**Reg S A Notes**”) will each be represented by a global note in bearer form (a “**Reg S Global A1 Note**”, a “**Reg S Global A2a Note**” and a “**Reg S Global A2c Note**” (the Reg S Global A2a Note and the Reg S Global A2c Note, together the “**Reg S Global A2 Notes**”), respectively, and each a “**Reg S Global A Note**”). The A1 Notes, the A2a Notes and the A2c Notes initially offered and sold within the United States to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), in reliance on Rule 144A under the Securities Act (the “**Rule 144A A1 Notes**”, the “**Rule 144A A2a Notes**” and the “**Rule 144A A2c Notes**”, respectively, and, collectively, the “**Rule 144A A Notes**”) will each be represented by a global note in bearer form (a “**Rule 144A Global A1 Note**”, a “**Rule 144A Global A2a Note**” and a “**Rule 144A Global A2c Note**”(the Rule 144A Global A2a Note and the Rule 144A Global A2c Note, together the “**Rule 144A Global A2 Notes**”), respectively, and each a “**Rule 144A Global A Note**” and, together with the Reg S Global

A Notes, the “**Global A Notes**”) which, in aggregate, will represent the aggregate principal amount of the outstanding A1 Notes, A2a Notes and A2c Notes, respectively.

The M1 Notes and the M2 Notes initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the Securities Act (the “**Reg S M1 Notes**” and the “**Reg S M2 Notes**”, respectively, and, collectively, the “**Reg S M Notes**”) will each be represented by a global note in bearer form (a “**Reg S Global M1 Note**” and a “**Reg S Global M2 Note**”, respectively, and each a “**Reg S Global M Note**”). The M1 Notes and the M2 Notes initially offered and sold within the United States to qualified institutional buyers, in reliance on Rule 144A under the Securities Act (the “**Rule 144A M1 Notes**” and the “**Rule 144A M2 Notes**”, respectively, and, collectively, the “**Rule 144A M Notes**”) will each be represented by a global note in bearer form (a “**Rule 144A Global M1 Note**” and a “**Rule 144A Global M2 Note**”, respectively, and each a “**Rule 144A Global M Note**” and, together with the Reg S Global M Notes, the “**Global M Notes**”), which, in aggregate, will represent the aggregate principal amount of the outstanding M1 Notes and M2 Notes, respectively.

The B Notes initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the Securities Act (the “**Reg S B Notes**”) will be represented by a global note in bearer form (a “**Reg S Global B Note**”). The B Notes initially offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (the “**Rule 144A B Notes**”) will be represented by a global note in bearer form (a “**Rule 144A Global B Note**” and, together with the Reg S Global B Notes, the “**Global B Notes**”) which, in aggregate, will represent the aggregate principal amount of the outstanding B Notes.

The C Notes initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the Securities Act (the “**Reg S C Notes**” and, together with the Reg S A Notes, the Reg S M Notes and the Reg S B Notes, the “**Reg S Notes**”) will be represented by a global note in bearer form (the “**Reg S Global C Note**” and, together with the Reg S Global A Note, the Reg S Global M Note and the Reg S Global B Note, the “**Reg S Global Notes**”). The C Notes initially offered and sold within the United States to qualified institutional buyers, in reliance on Rule 144A under the Securities Act (the “**Rule 144A C Notes**”, and, together with the Rule 144A A Notes, the Rule 144A M Notes and the Rule 144A B Notes, the “**Rule 144A Notes**”) will be represented by a global note in bearer form (the “**Rule 144A Global C Note**”, and, together with the Rule 144A Global A Notes, the Rule 144A Global M Notes and the Rule 144A Global B Notes, the “**Rule 144A Global Notes**” and, together with the Reg S Global Notes, the “**Global Notes**”) which, in aggregate, will represent the aggregate principal amount of the outstanding C Notes.

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

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

#### **Issuance of Definitive Notes**

If Notes in definitive form are issued pursuant to Condition 13, definitive notes in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 5(d)) of the relevant Reg S Global Note (“**Reg S Definitive Notes**”) and Rule 144A Global Note (“**Rule 144A Definitive Notes**” and, together with the Reg S Definitive Notes, the “**Definitive Notes**”) will be issued in registered form in initial minimum denominations of USD 100,000 (in the case of the USD Notes), €100,000 (in the case of the Euro Notes) and £100,000 (in case of the Sterling Notes) and increments of USD 10,000 (in the case of the USD Notes), €10,000 (in the case of the Euro Notes) and £10,000 (in the case of the Sterling Notes) thereafter (each, an “**Authorised Denomination**”).

#### **Title to Global Notes and Definitive Notes**

Title to the Global Notes of each class will pass by delivery. Title to the Definitive Notes of each class will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the “**Register**”). The bearer of any Global Note and the registered holder of any Definitive Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such 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 Note will be serially numbered.

For so long as the Notes are represented by Global Notes, the Issuer and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (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 such Global Notes, the

right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed.

#### **Transfers of Global Notes and Definitive Notes**

Transfers and exchanges of beneficial interests in Global Notes of the same class will be effected subject to and in accordance with the detailed provisions of the Depository Agreement. 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 Paying 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 Authorised Denomination upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor provided that neither the part transferred nor the balance not transferred may be less than an Authorised Denomination.

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 a Payment Date.

#### **Condition 2: Status, Security and Administration**

##### **(a) Status and relationship between classes of Notes**

The Notes of each class constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst Notes of the same class (for the avoidance of doubt, the A1 Notes, the A2a Notes and the A2c Notes are deemed to be of one class and will rank *pari passu* without preference or priority amongst themselves except with respect to payment of principal prior to enforcement of the Security when the A1 Notes will rank in priority to the A2 Notes).

In accordance with the provisions of this Condition 2, but subject always to the provisions of Condition 5(b), the Trust Deed and the Deed of Charge, (aa) payments of principal and interest on the C Notes are subordinated to, *inter alia*, the payments of principal and interest on the A Notes, the M1 Notes, the M2 Notes and the B Notes, (bb) payments of principal and interest on the B Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes, the M1 Notes and the M2 Notes, (cc) payments of principal and interest on the M2 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes and the M1 Notes, (dd) payments of principal and interest on the M1 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes, and (ee) payments of principal on the A2 Notes are subordinated to, prior to enforcement of the Security, *inter alia*, payments of principal on the A1 Notes.

The Notes are all constituted by the Trust Deed and are secured by the same security, but the A Notes will rank in priority to the M1 Notes, the M2 Notes, the B Notes and the C Notes in point of security; the M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes in point of security; the M2 Notes will rank in priority to the B Notes and the C Notes in point of security; and the B Notes will rank in priority to the C Notes in point of security pursuant to the Deed of Charge. As regards interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the A Noteholders, the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of:

- (i) the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and the interests of the M1 Noteholders and/or the M2 Noteholders and/or the B Noteholders and/or the C Noteholders;

- (ii) the M1 Noteholders if all of the A Notes have been redeemed in full and if, in the Trustee's opinion, there is a conflict between the interests of the M1 Noteholders and the interests of the M2 Noteholders and/or the B Noteholders and/or the C Noteholders;
- (iii) the M2 Noteholders if all of the A Notes and the M1 Notes have been redeemed in full and if, in the Trustee's opinion, there is a conflict between the interests of the M2 Noteholders and the interests of the B Noteholders and/or the C Noteholders;
- (iv) the B Noteholders if all of the A Notes, the M1 Notes and the M2 Notes have been redeemed in full and if, in the Trustee's opinion, there is a conflict between the interests of the B Noteholders and the interests of the C Noteholders; or
- (v) the C Noteholders if all the A Notes, the M1 Notes, the M2 Notes and the B Notes have been redeemed in full.

The Trust Deed contains provisions limiting the rights of the A1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the A2 Noteholders and limiting the rights of the A2 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) (such Extraordinary Resolution being passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) according to the effect thereof on the interests of the A1 Noteholders, in each case without prejudice to the rights of holders of each such class under Condition 9.

The Trust Deed contains provisions limiting the powers of the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

The Trust Deed contains provisions limiting the powers of the M2 Noteholders, the B Noteholders, and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the M1 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the M1 Noteholders, the exercise of which will be binding on the M2 Noteholders, the B Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

The Trust Deed contains provisions limiting the powers of the B Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the M2 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the M2 Noteholders, the exercise of which will be binding on the B Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

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

**(b) Security**

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to, *inter alios*, the Administrator in respect of amounts payable to it under the Administration Agreement, GMAC-RFC under the Mortgage Sale Agreement, JPMorgan Chase Bank as the Principal Paying Agent under the Paying Agency Agreement, JPMorgan Chase Bank, New York office, as Depository and Exchange Rate Agent under the Depository Agreement and the Exchange Rate Agency Agreement, Barclays Bank PLC as Currency Swap Counterparty under the Currency Swap Agreements, Barclays Bank PLC as the Liquidity Facility Provider under the Liquidity Facility Agreement, the Account Bank under the Bank Agreement, the GIC Provider under the Guaranteed Investment Contract and the Remarketing Agent under the Remarketing Agreement, HSBC Bank plc as the Cap Provider under the Interest Rate Cap Agreement, Sheffield Receivables Corporation as the A1 Note Conditional Purchaser under the A1 Note Conditional Purchase Agreement, JPMorgan Chase Bank as Tender Agent under the Remarketing Agreement, J.P. Morgan Bank Luxembourg S.A. as a Paying Agent and JPMorgan Chase Bank as the Agent Bank under the Paying Agency Agreement (the "Secured Creditors"), the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:



- (i) first fixed charges in favour of the Trustee over the Issuer's interests in the Mortgage Loans, the Mortgages and certain other collateral security relating to the Mortgage Loans (such collateral security, together with the Mortgages, the "**Related Security**");
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the insurance contracts to the extent that they relate to the Mortgage Loans;
- (iii) an assignment in favour of the Trustee of the benefit of the Administration Agreement, the Corporate Services Agreement, the Mortgage Sale Agreement, the Guaranteed Investment Contract, the Bank Agreement, the Liquidity Facility Agreement, the Interest Rate Cap Agreement, the Currency Swap Agreements, the Remarketing Agreement, the Declaration of Trust, the Depository Agreement, the Exchange Rate Agency Agreement, the Paying Agency Agreement and the A1 Note Conditional Purchase Agreement (the "**Charged Obligation Documents**");
- (iv) a first fixed equitable charge in favour of the Trustee over the Issuer's interest in the Issuer Transaction Account, the GIC Account, the Currency Accounts and any other bank account in which the Issuer has an interest; and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer (and extending to all of the Issuer's Scottish assets, including those charged by the fixed security) (the fixed and floating charges collectively, the "**Security**").

(c) **Pre-Enforcement Priority of Payments**

Prior to enforcement of the Security, the Issuer is required to apply monies available for distribution as at the last Business Day of the month preceding each Payment Date as determined in accordance with the Administration Agreement (the "**Available Revenue Funds**" which, for the avoidance of doubt, includes, if any, the Discount Reserve Applicable Amount, any amount standing to credit of the Discount Reserve in excess of the Discount Reserve Required Amount, the Reserve Fund Excess, and on any Quarterly Payment Date on which the Notes are redeemed in full, all amounts standing to the credit of the Reserve Fund and the Discount Reserve, on any Quarterly Payment Date on which all discounts applicable to the Discounted Mortgage Loans which form part of the Mortgage Pool have expired, all amounts standing to the credit of the Discount Reserve, any swap termination payments received from the Currency Swap Counterparty under the Currency Swap Agreements (the "**Swap Termination Amounts**") and any payment received by the Issuer from a replacement currency swap counterparty in consideration for the Issuer entering into a replacement currency swap agreement with such counterparty but excludes any principal receipts) in or towards the satisfaction of the payments or provision in the following order of priority (the "**Pre-Enforcement Priority of Payments**") (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date (and two Business Days before each Payment Date in the case of payments to the Currency Swap Counterparty), provided always that (x) on any A1 Payment Date that is not also a Quarterly Payment Date, Available Revenue Funds will only be applied towards payment of amounts due as interest for the A1 Notes (and, for the avoidance of doubt, only to the extent that there will be sufficient Available Revenue Funds on the next Quarterly Payment Date to be applied towards payment of items (i) to (iv) of the Pre-Enforcement Priority of Payments) and (y) any Swap Termination Amounts shall first be applied towards payments due to any replacement currency swap counterparty and shall only be applied in accordance with the following priority, after a replacement currency swap agreement has been entered into to the extent that those termination amounts are not required to be paid to a replacement currency swap counterparty in respect of such replacement currency swap agreement:

- (i) first, to pay when due the remuneration payable to the Trustee (plus Value Added Tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;
- (ii) second, to pay when due amounts, including audit fees and company secretarial expenses (plus Value Added Tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer's liability or possible liability for corporation tax;
- (iii) third, to pay *pro rata*:
  - (A) the administration fee payable to the Administrator (plus Value Added Tax, if any), such fee being an amount equal to one quarter of 0.15 per cent. per annum of the average total principal balance of the Mortgage Loans outstanding on the first day of each of the three months immediately prior to the relevant Determination Date or if the appointment of the Administrator is terminated and a substitute

administrator, which is not an affiliate of GMAC-RFC, is appointed, the figure 0.15 per cent. above shall be replaced with a figure agreed with such substitute administrator in accordance with the procedures set out in the Administration Agreement and subject always to the consent of the Trustee; and

- (B) amounts due to the Principal Paying Agent, the Paying Agent and the Agent Bank under the Paying Agency Agreement, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement, the Tender Agent under the Remarketing Agreement, Barclays Bank PLC under the Bank Agreement and the Guaranteed Investment Contract and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iv) fourth, to pay all fees, costs, expenses, principal, interest and any other amounts due to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);
- (v) fifth, (A) first, to pay *pari passu* and *pro rata* (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders), and (b) amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the A1 USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Currency Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the credit rating of the Currency Swap Counterparty (as such terms are defined in the Currency Swap Agreements) (a “**Currency Swap Counterparty Default Payment**”)), and if the A1 USD Note Currency Swap Agreement or the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu* and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or euro in the spot exchange market in order to meet the interest then due on the relevant class of the A Notes and (B) second, to the extent that in relation to any spot exchange for US dollars or euro, an amount is obtained which is insufficient to pay interest due on the A1 Notes and/or the A2c Notes, as the case may be, to apply such further amounts in exchange for US dollars or euro in the spot exchange market in order to meet such shortfall;
- (vi) sixth, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub-Ledger has reached zero;
- (vii) seventh, to pay amounts payable in respect of the M1 Notes other than in respect of principal on the M1 Notes;
- (viii) eighth, to pay amounts to be credited to the M1 Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M1 Principal Deficiency Sub-Ledger has reached zero;
- (ix) ninth, to pay amounts payable in respect of the M2 Notes other than in respect of principal on the M2 Notes;
- (x) tenth, to pay amounts to be credited to the M2 Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M2 Principal Deficiency Sub-Ledger has reached zero;
- (xi) eleventh, to pay amounts payable in respect of the B Notes other than in respect of principal on the B Notes;
- (xii) twelfth, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (xiii) thirteenth, to credit the Reserve Ledger, until the balance of the Reserve Fund reaches the Reserve Fund Required Amount;
- (xiv) fourteenth, to credit the Discount Reserve Ledger, to the extent that the amount credited to the Discount Reserve Ledger is less than the Discount Reserve Required Amount ;
- (xv) fifteenth, amounts (if any) credited to the Liquidity Ledger, relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, in respect

of amounts reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which for the avoidance of doubt includes LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred;

- (xvi) sixteenth, to cover any expenses under the Remarketing Agreement and the A1 Note Conditional Purchase Agreement;
- (xvii) seventeenth, to retain in the Issuer Transaction Account, an amount (the “**Issuer’s Profit**”) equal to 0.01 per cent. of the product of the time weighted average Mortgage Rate of the Mortgage Loans during the preceding Determination Period and the aggregate principal balance outstanding of the Mortgage Loans (the “**Issuer’s Turnover**”) at the beginning of the preceding Determination Period, so that in each year 0.01 per cent. of the Issuer’s Turnover for that year comprises the Issuer’s Profit;
- (xviii) eighteenth, to pay amounts payable in respect of the C Notes other than in respect of principal on the C Notes;
- (xix) nineteenth, to apply an amount not greater than the C Note Redemption Amount to repay principal in respect of the C Notes;
- (xx) twentieth, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty under the terms of the relevant Currency Swap Agreement;
- (xxi) twenty first, to pay GMAC-RFC or its assignees Ordinary Deferred Consideration; and
- (xxii) twenty second, to pay any remaining amount to the Issuer or other persons entitled thereto.

All amounts received on each Payment Date from the Currency Swap Counterparty by the Issuer following the application of Available Revenue Funds under the Pre-Enforcement Priority of Payments or Actual Redemption Funds under the Principal Priority of Payments under the terms of the A1 USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement shall be paid to the holders of the applicable A Notes, in each case in satisfaction of the Issuer’s interest and/or principal payment obligations under the USD Notes and the Euro Notes respectively on such Payment Date.

To the extent any amount so due to be received from the Currency Swap Counterparty is not paid to the Issuer, the Issuer will take reasonable action to recover from the Currency Swap Counterparty the amounts due from the Currency Swap Counterparty.

In the event that any or all of the Currency Swap Agreements terminate and a termination payment is paid by the Currency Swap Counterparty to the Issuer, such amount shall be applied towards payment of a suitably rated replacement currency swap counterparty in consideration for such replacement currency swap counterparty entering into suitable replacement currency swap agreements with the Issuer and in such event shall not constitute Available Revenue Funds.

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

“**C Note Redemption Amount**” as at any Determination Date shall be the lower of (i) the principal amount outstanding of the C Notes as at that Determination Date and (ii) the principal amount outstanding of the C Notes minus the aggregate amount of Principal Deficiencies.

**(d) Principal Priority of Payments**

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

- (i) first, to the Currency Swap Counterparty in respect of principal under the terms of the A1 USD Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement) or, if there is no A1 USD Note Currency Swap Agreement then in place, to exchange for US dollars in the spot exchange market (all US dollar amounts received above or in the spot exchange market (the “**A1 Redemption Amounts**”) shall be applied in redemption of the A1 Notes as provided in Condition 5(b)) until the A1 Notes are redeemed in full;
- (ii) second, *pari passu* and at a ratio of 59.65 to 40.35 (being the ratio of Base Currency PAO at issue of A2a Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes; and (b) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement

(except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in the case of (b) above, if there is no A2c Euro Note Currency Swap Agreement then in place, to exchange for euro in the spot exchange market (all euro amounts received under part (b) above or in the spot exchange market (the “A2c Euro Redemption Amounts” or the “A2 Redemption Amounts” shall be applied in redemption of the A2c Notes as provided in Condition 5(b)) until the A2 Notes are redeemed in full;

- (iii) third, to the holders of the M1 Notes in respect of principal of the M1 Notes until the M1 Notes are redeemed in full;
- (iv) fourth, to the holders of the M2 Notes in respect of principal of the M2 Notes until the M2 Notes are redeemed in full;
- (v) fifth, to the holders of the B Notes in respect of principal of the B Notes until the B Notes are redeemed in full; and
- (vi) sixth, in redeeming the C Notes until the C Note Redemption Amount has been paid in full,

provided always that the Actual Redemption Funds shall not be applied in accordance with the Principal Priority of Payments but shall instead be applied *pro rata* between items (i) to (v) of the Principal Priority of Payments (“**Pro Rata Principal Priority of Payments**”) on any such Quarterly Payment Date immediately succeeding a Determination Date in the circumstances set out in Condition 5(b).

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

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

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

LESS

the Committed Further Advances calculated on such Determination Date.

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

**(e) Post-Enforcement Priority of Payments**

After the Trustee has given notice to the Issuer pursuant to Condition 9(a) declaring the Notes to be due and repayable, the Trustee shall apply all funds received by or on behalf of the Issuer to make payments in the following order of priority pursuant to, in accordance with and as set out in the Deed of Charge:

- (i) first, to pay, *pro rata*, any remuneration then due to any liquidator or receiver and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus Value Added Tax, if any);
- (ii) second, to pay, *pro rata*, the fees, costs, interest, expenses and liabilities due to the Administrator under the Administration Agreement, the Principal Paying Agent, the Agent Bank and the Paying Agent under the Paying Agency Agreement, the Depository under the Depository Agreement, the Exchange Rate Agent under the Exchange Rate Agency Agreement, the Tender Agent under the Remarketing Agreement, Barclays Bank

- PLC under the Bank Agreement and the Guaranteed Investment Contract and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iii) third, to pay any amount due to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement (other than, only relating to a period where the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount whilst deposited in an interest-bearing account during such period and (ii) the amount of commitment fee under the Liquidity Facility Agreement payable if such non-renewal had not occurred);
- (iv) fourth, to pay *pro rata* and *pari passu*:
- (A) (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) and amounts payable to the Currency Swap Counterparty in respect of notional interest and any termination payment under the terms of the Currency Swap Agreements (except for any Currency Swap Counterparty Default Payment) and if either or both of the A1 USD Note Currency Swap Agreement and the A2c Euro Note Currency Swap Agreement are not in place, to apply *pari passu* and *pro rata* with such amounts an amount up to the amount which would have been so payable by the Issuer under the relevant Currency Swap Agreement in exchange for US dollars or euro, as applicable, in the spot exchange market in order to meet the interest then due on the relevant class of the A Notes; and (b) to the extent that in relation to any spot exchange for US dollars or euro, an amount is obtained which is insufficient to pay interest due on the USD Notes and/or the Euro Notes as the case may be, to apply such further amounts in exchange for US dollars or euro, as applicable, in the spot exchange market in order to meet such shortfall (all US dollar and/or euro amounts received pursuant to exchange in the spot market under (a) and (b) above are to be applied in payment of interest due in respect of the USD Notes and Euro Notes, respectively);
- (B) at a ratio of 36.67 to 37.78 to 25.56 (being the ratio of Base Currency PAO at issue of A1 Notes to A2a Notes to A2c Notes) to (a) the holders of the A2a Notes in respect of principal of the A2a Notes, (b) the Currency Swap Counterparty in respect of principal under the terms of the A1 USD Note Currency Swap Agreement (except for any Currency Swap Counterparty Default Payment) and (c) the Currency Swap Counterparty in respect of principal under the terms of the A2c Euro Note Currency Swap Agreement (except for any termination payment due to the Currency Swap Counterparty under such agreement), or, in case of (b) and/or (c) above, if there is no A1 USD Note Currency Swap Agreement and/or A2c Euro Note Currency Swap Agreement (as the case may be) then in place, to exchange for US dollars and/or euro respectively in the spot exchange market (all such A1 Redemption Amounts and/or A2c Euro Redemption Amounts (as the case may be) shall be applied in redemption of the A1 Notes and/or A2c Notes as provided in Condition 5(b)) until the A Notes are redeemed in full; and
- (v) fifth, to pay, *pro rata* and *pari passu*:
- (A) all amounts of interest then due and payable in respect of the M1 Notes in accordance with Condition 4; and
- (B) all amounts of principal due thereon until redemption in full of the M1 Notes;
- (vi) sixth, to pay, *pro rata* and *pari passu*:
- (A) all amounts of interest then due and payable in respect of the M2 Notes in accordance with Condition 4; and
- (B) all amounts of principal due thereon until redemption in full of the M2 Notes;
- (vii) seventh, to pay *pro rata* and *pari passu*:
- (A) all amounts of interest then due and payable in respect of the B Notes in accordance with Condition 4; and
- (B) all amounts of principal due thereon until redemption in full of the B Notes;
- (viii) eighth, to pay amounts (if any) due, relating to a period when the Liquidity Facility has been fully drawn for reason of non-renewal of the Liquidity Facility by the Liquidity Facility Provider, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement reflecting the difference between the applicable margin under the Liquidity Facility Agreement payable during such period (which shall for the avoidance of doubt include LIBOR) and the aggregate of (i) the amount of any interest earned on the Liquidity Drawn Amount

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

- (ix) ninth, to pay, *pro rata* and *pari passu*:
  - (A) all amounts of interest then due and payable in respect of the C Notes in accordance with Condition 4; and
  - (B) all amounts of principal due thereon until redemption in full of the C Notes;
- (x) tenth, to pay in or towards satisfaction of all amounts of Ordinary Deferred Consideration;
- (xi) eleventh, in or towards payment of any Currency Swap Counterparty Default Payment payable to the Currency Swap Counterparty under the terms of the relevant Currency Swap Agreement; and
- (xii) twelfth, to pay any remaining amounts to the Issuer and to any other persons entitled thereto.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9(a)) or upon the Issuer requesting the Trustee to exercise any of its powers under the Deed of Charge relating to the enforcement of the Security or a petition or application being presented for the making of an administration order in relation to the Issuer or any person who is entitled to do so giving written notice of its intention to appoint an administrator of the Issuer or filing such a notice with the court. If the Security has become enforceable, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless the Trustee is satisfied sufficient amounts would be realised to allow discharge in full of all amounts owing in respect of the Rated Notes or if the Trustee is of the opinion, reached after considering the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing in respect of the A Notes, M1 Notes, M2 Notes or B Notes (collectively the “**Rated Notes**”).

### **Condition 3: Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Administration Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, the Mortgage Sale Agreement, the Currency Swap Agreements, the Corporate Services Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Remarketing Agreement, the A1 Note Conditional Purchase Agreement, the Declaration of Trust, the Post Enforcement Call Option, the Bank Agreement, and the Interest Rate Cap Agreement (collectively, the “**Documents**”), the Issuer shall not, for so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

- (a) **Negative Pledge**  
create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;
- (b) **Restrictions on Activities**
  - (i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;
  - (ii) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2;
  - (iii) have any subsidiaries or employees or premises; or
  - (iv) act as a director of any company;
- (c) **Borrowings**  
incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;
- (d) **Merger**  
consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (e) **Disposal of Assets**  
transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(f) **Tax Grouping**

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

(g) **Other**

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

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

**Condition 4: Interest**

(a) **Period of Accrual**

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

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

Subject to Condition 6, interest on (a) the A1 Notes is payable in arrear on the 12th day in each month beginning November 2004 unless such day is not a Business Day in which case interest shall be payable on the following Business Day (each such date, an “**A1 Payment Date**”) and (b) the A2 Notes, the M Notes, the B Notes and the C Notes is payable in arrear on 13 December 2004, and thereafter quarterly in arrear on the 12th day in March, June, September and December in each year, unless such day is not a Business Day, in which case interest shall be payable on the following day which is a Business Day (each such date, a “**Quarterly Payment Date**”). A “**Payment Date**” for determining the amount and date for payment of interest on the A1 Notes shall be each A1 Payment Date and otherwise shall be each Quarterly Payment Date. “**Business Day**” (other than for the purposes of Condition 6) means a day (other than Saturday or Sunday) on which banks are open for business in London, Luxembourg and New York and on which the TARGET system settles payments in euro. The period from (and including) a Quarterly Payment Date or, in the case of the A1 Notes, an A1 Payment Date (or the Issue Date) to (but excluding) the next (or first) Quarterly Payment Date or, in the case of the A1 Notes, A1 Payment Date is called an “**Interest Period**” in these Conditions.

(c) **Rate of Interest**

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

- (i) in relation to the Sterling Notes and for the purpose of determining London Interbank Offered Rate (“**LIBOR**”) for three month sterling deposits (or, in each case and in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for two month sterling deposits and LIBOR for three month sterling deposits) (“**Note LIBOR**”), on each Quarterly Payment Date, or in respect of the first Interest Period, on the Issue Date (each an “**Interest Determination Date**”), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits (or in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for two month sterling deposits and LIBOR for three month sterling deposits) by reference to the display designated as the British Bankers Association’s Interest Settlement Rate as quoted on the Telerate Screen Page No. 3750 (or (A) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service

(or, if more than one, that one previously approved in writing by the Trustee) as may replace Telerate Screen Page No. 3750) as at or about 11.00 am (London time) on that date (the “**Sterling Screen Rate**”). Note LIBOR in relation to the Sterling Notes for such Interest Period shall be the Sterling Screen Rate;

- (ii) in relation to the USD Notes and for the purpose of determining USD-LIBOR for one month (or, in respect of the first Interest Period, an annual rate obtained by linear interpolation of USD-LIBOR for one month and USD-LIBOR for two months) (“**1 Month USD-LIBOR**” or “**Note USD-LIBOR**”), on the second London Business Day preceding each Payment Date or, in respect of the first Interest Period, two London Business Days prior to the Issue Date (each an “**Interest Determination Date**”), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for one month US dollar deposits (or, in respect of the first Interest Period, an annual rate obtained by linear interpolation of USD-LIBOR for one month and two month US dollar deposits) by reference to the Telerate Screen Page No. 3750 (or (A) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Telerate Screen Page No. 3750) as at or about 11.00 am (London time) on that date (the “**A1 Screen Rate**” or the “**USD Screen Rate**”). Note USD-LIBOR in relation to the USD Notes for such Interest Period shall be the USD Screen Rate;
- (iii) in relation to the Euro Notes and for the purpose of determining the Eurozone Interbank Offered Rate for three month euro deposits (“**EURIBOR**”) (or, in each case and in respect of the first Interest Period, an annual rate obtained by linear interpolation of EURIBOR for two month euro deposits and EURIBOR for three month euro deposits) (“**Note EURIBOR**”), on the second TARGET Business Day preceding each Quarterly Payment Date or in respect of the first Interest Period, two TARGET Business Days prior to the Issue Date (each an “**Interest Determination Date**”), the Agent Bank will determine the offered quotation to leading banks in the euro interbank market for three month euro deposits (or if necessary in respect of the first Interest Period, an annual rate obtained by linear interpolation of EURIBOR for two month euro deposits and EURIBOR for three month euro deposits) by reference to the Bridge/Telerate Page 248 (or (A) such other page as may replace Bridge/Telerate Page 248 on that service for the purpose of displaying such information or (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Bridge/Telerate Page 248) as at or about 11.00 am (London time) on that date (the “**Euro Screen Rate**”). Note EURIBOR in relation to the Euro Notes for such Interest Period shall be the Euro Screen Rate;
- (iv) if a Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 am (London time) on that date to leading banks for the applicable currency deposits for a period of three months (or in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for three month and four month applicable currency deposits respectively). The applicable Base Rate for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;
- (v) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the applicable Base Rate for the relevant Interest Period shall be determined (in accordance with (c)(i) above) on the basis of the quotations of the two quoting Reference Banks;
- (vi) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the applicable Base Rate for the relevant Interest Period shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be either (aa) the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 am (London time) on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic means, the average of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (bb) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Base Rate in effect for the interest Period ending on the relevant Interest Determination Date; and
- (vii) the Rate of Interest for any Interest Period will be equal to the Relevant Margin (as defined below) above, 1 Month USD–LIBOR (in the case of the A1 Notes), Note EURIBOR (in the case of the Euro Notes) and Note LIBOR (in the case of the Sterling Notes) (as determined in the manner provided above).



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

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

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

**(e) Publication of Rate of Interest, Interest Amount**

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount for each Interest Period and the immediately succeeding Payment Date to be notified to each stock exchange (if any) on which notice is to be given in accordance with Condition 15. The Interest Amount and Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

**(f) Deferral of Interest**

Interest on the Notes shall be payable in accordance with this Condition 4 and Condition 6 subject to the terms of this sub-paragraph (f):

- (i) in the event that, whilst there are A Notes outstanding, the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Priority of Payments as being available to the Issuer on any Quarterly Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on the M1 Notes on such Quarterly Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the “M1 Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on the M1 Notes on such Quarterly Payment Date, there shall be payable on such Quarterly Payment Date, by way of interest on each M1 Note, a *pro rata* share of the M1 Residual Amount;
- (ii) in the event that, whilst there are A Notes or M1 Notes outstanding, the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Priority of Payments as being available to the Issuer on any Quarterly Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on the M2 Notes on such Quarterly Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the “M2 Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on the M2 Notes on such Quarterly Payment Date, there shall be payable on such Quarterly Payment Date, by way of interest on each M2 Note, a *pro rata* share of the M2 Residual Amount;
- (iii) in the event that, whilst there are A Notes, M1 Notes or M2 Notes outstanding, the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Priority of Payments as being available to the Issuer on any Quarterly Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on the B Notes on such Quarterly Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the “B Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on the B Notes on such Quarterly Payment Date, there shall be payable on such Quarterly Payment Date, by way of interest on each B Note, a *pro rata* share of the B Residual Amount;
- (iv) in the event that, whilst there are Rated Notes outstanding, the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Priority of Payments as being available to the Issuer on any Quarterly Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on the C Notes on such Quarterly Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the “C Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on the C Notes on such Quarterly Payment Date, there shall be payable on such Quarterly Payment Date, by way of interest on each C Note, a *pro rata* share of the C Residual Amount; and

(v) in the event that, by virtue of the provisions of paragraphs (i) to (iv) above, a *pro rata* share of the M1 Residual Amount, the M2 Residual Amount, the B Residual Amount or the C Residual Amount (as the case may be) is paid to Noteholders of the relevant class in accordance with such provisions, the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the M1 Notes, the M2 Notes, the B Notes or the C Notes, as the case may be, on any Quarterly Payment Date in accordance with this Condition 4(f) falls short of the aggregate amount of interest payable on the relevant class of Notes on that date pursuant to the other provisions of this Condition 4. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable Base Rate plus the Relevant Margin for the relevant class of Notes for such Interest Period, as applicable. A *pro rata* share of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of this Condition as if it were interest due, subject to this Condition 4(f), on each M1 Note, M2 Note, B Note or C Note, as the case may be, on the next succeeding Quarterly Payment Date. This provision shall cease to apply on the Quarterly Payment Date referred to in Condition 5(a) at which time all accrued interest shall become due and payable.

**(g) Determination or Calculation by Trustee**

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

**(h) Notifications to be Final**

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

**(i) Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be an Agent Bank. The initial Agent Bank shall be JPMorgan Chase Bank, London office. In the event of JPMorgan Chase Bank being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed. The reference banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank Plc and HSBC Bank plc or any other three major banks engaged in the London interbank market as may be selected by the Agent Bank (each a “Reference Bank”).

**(j) Issuer Undertaking to Maintain EU Paying Agent Not Obligated to Withhold or Deduct Tax**

The Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

**Condition 5: Redemption and Post Enforcement Call Option**

**(a) Final Redemption of the Notes**

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes at their Principal Amount Outstanding on the Payment Date falling in March 2025 (in the case of the A1 Notes) and falling in December 2036 (in the case of the A2 Notes, the M1 Notes, the M2 Notes the B Notes and the C Notes).

The Issuer may not redeem Notes in whole or in part prior to such Payment Date except as provided in this Condition but without prejudice to Condition 9.

**(b) Mandatory Redemption in Part**

On each Quarterly Payment Date, other than the Quarterly Payment Date on which the Notes are to be redeemed under paragraphs (a) above or (e) or (f) below, the Issuer shall make redemptions of the Notes in accordance with the Principal Priority of Payments (and in the case of the C Notes also in accordance with the Pre-enforcement Priority of

Payments) and shall apply the following amounts (each as determined on the Determination Date immediately preceding such Quarterly Payment Date): the A1 Redemption Amounts in redeeming the A1 Notes until the Quarterly Payment Date on which the A1 Notes have been redeemed in full; after the A1 Notes have been redeemed in full the Issuer shall apply the amounts determined pursuant to paragraph (ii) of the Principal Priority of Payments, being the A2 Redemption Amounts, in redeeming the A2c Notes until the Quarterly Payment Date on which such A2 Notes have been redeemed in full.

The circumstances for *pro rata* application referred to in Condition 2(d) arise on any such Quarterly Payment Date immediately succeeding a Determination Date on which:

- (i) after the previous Quarterly Payment Date, the result produced by the fraction  $(M+B)/(A+M+B)$  is twice the result produced by that fraction as at the Issue Date;
- (ii) all balances on each of the sub-ledgers of the Principal Deficiency Ledger are zero;
- (iii) the balance of the Reserve Fund is at the Reserve Fund Required Amount;
- (iv) the Liquidity Drawn Amount is zero; and
- (v) the total balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 17 per cent. of the total balance of all the Mortgage Loans in the Mortgage Pool.

For the purposes of this paragraph, as at any date:

A = the aggregate Principal Amount Outstanding of the A Notes on such date;

M = the aggregate Principal Amount Outstanding of the M Notes on such date;

B = the aggregate Principal Amount Outstanding of the B Notes on such date.

The Administrator is responsible, pursuant to the Administration Agreement, for determining the amount of the Actual Redemption Funds as at any Determination Date and each determination so made shall (in the absence of gross negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Trustee, and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee, or (in such absence as aforesaid) to the Administrator in connection therewith.

**(c) Redemption of the C Notes**

On each Quarterly Payment Date, other than the Quarterly Payment Date on which the C Notes are to be redeemed under paragraphs (a) above or (e) or (f) below, the Issuer shall apply an amount equal to the amounts available under item (xix) in the Pre-Enforcement Priority of Payments to redeem the C Notes in accordance with the terms of the Administration Agreement.

**(d) Note Principal Payments, Principal Amount Outstanding and Pool Factor**

The principal amount redeemable in respect of each Note of each class other than the C Notes (the “**Note Principal Payment**”) on any Quarterly Payment Date under paragraph (b) above shall be the amount of the Actual Redemption Funds on the Determination Date immediately preceding that Quarterly Payment Date to be applied in redemption of Notes (and in the case of USD Notes and Euro Notes, the amount converted into sterling by reference to the relevant Currency Swap Rate under the Currency Swap Agreements) of that class multiplied by the denomination of such Note and divided by the aggregate Principal Amount Outstanding of the Notes of that class outstanding on the relevant Quarterly Payment Date (rounded down to the nearest pound or US dollar or euro); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note (and in the case of USD Notes and Euro Notes, the amount converted into sterling by reference to the relevant Currency Swap Rate).

The principal amount redeemable in respect of each C Note (the “**C Note Principal Payment**”) on any Quarterly Payment Date under paragraph (c) above shall be the amount of the funds on the Determination Date immediately preceding that Quarterly Payment Date to be applied in redemption of the C Notes divided by the number of C Notes outstanding on the relevant Quarterly Payment Date (rounded down to the nearest pound); provided always that no such C Note Principal Payment may exceed the C Note Principal Amount Outstanding of the relevant C Note.

With respect to each of the Rated Notes on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (i) the amount of any Note Principal Payment due on the Quarterly Payment Date next following such Determination Date, (ii) the principal amount outstanding of each such Note of such class on the Quarterly Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Quarterly Payment Date) (the “**Rated Notes Principal Amount Outstanding**”) and (iii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in (ii) above) and the

denominator is the denomination of the relevant Note. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each C Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (i) the amount of any C Note Principal Payment due on the Quarterly Payment Date next following such Determination Date, (ii) the principal amount outstanding of each C Note on the Quarterly Payment Date next following such Determination Date (after deducting any C Note Principal Payment due to be made on that Quarterly Payment Date) (“C Note Principal Amount Outstanding”, together with the Rated Notes Principal Amount Outstanding, the “Principal Amount Outstanding”) and (iii) the fraction expressed as a decimal to the sixth point (the “C Note Pool Factor”), of which the numerator is the C Note Principal Amount Outstanding (as referred to in (ii) above) and the denominator is the denomination of the relevant Note. Each determination by or on behalf of the Issuer of any C Note Principal Payment, the C Note Principal Amount Outstanding and the C Note Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the classes of Notes, the Issuer will cause each determination of a Note Principal Payment, Rated Notes Principal Amount Outstanding and Pool Factor, or C Note Principal Payment, C Note Principal Amount Outstanding and C Note Pool Factor (as the case may be) to be notified in writing forthwith to the Trustee, the Currency Swap Counterparty, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 15 by not later than two Business Days prior to the relevant Quarterly Payment Date. If no Note Principal Payment or C Note Principal Payment is due to be made on the Notes on any Quarterly Payment Date a notice to this effect will be given to the Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) with respect to each of the classes of Notes, a Note Principal Payment, the Rated Notes Principal Amount Outstanding or the Pool Factor, or a C Note Principal Payment, the C Note Principal Amount Outstanding or the C Note Pool Factor (as the case may be) in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

**(e) Optional Redemption**

On any Quarterly Payment Date following the Quarterly Payment Date on which the aggregate Principal Amount Outstanding of the Rated Notes is less than 10 per cent. of the initial aggregate Base Currency PAO of the Rated Notes, the Administrator may give not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 15 and, following the giving of such notice, the Issuer shall be obliged to redeem all (but not some only) of the Rated Notes at their Rated Notes Principal Amount Outstanding, and all (but not some only) of the C Notes at their C Note Principal Amount Outstanding, provided that prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

**(f) Optional Redemption for Tax Reasons**

If the Issuer at any time immediately prior to the giving of the notice referred to below satisfies the Trustee that either (i) on the next Quarterly 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 Rated Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest in relation to any of the Mortgage Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, or where the Issuer is treated as receiving amounts in relation to interest on the Mortgage Loans which are not in fact received) by the Issuer during such Interest Period, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 15, redeem on any Quarterly Payment Date all (but not some only) of the Rated Notes at their Rated Notes Principal Amount Outstanding, and all (but not some only) of the C Notes at their C Note Principal Amount Outstanding, provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee (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 all the Notes as aforesaid and (b) if appropriate a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law (or interpretation, application or administration thereof). Any certificate and legal

opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Noteholders.

**(g) Optional Redemption of the Rated Notes**

Subject to the provisos below, upon not giving not more than 60 nor less than 30 days prior notice to the Trustee in accordance with Condition 15, the Issuer may redeem all (but not some only) of the Notes specified below at their Principal Amount Outstanding together with any accrued interest on the Quarterly Payment Date falling on the Step-Up Date or any Quarterly Payment Date thereafter, provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the relevant priority of payments.

The term “**Optional Redemption**” shall refer to redemption of the Notes under any of the foregoing circumstances or procedures referred to in paragraph (e), (f) or (g) above.

**(h) Notice of Redemption**

Any such notice as is referred to in paragraph (e), (f) or (g) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Rated Notes at the Rated Notes Principal Amount Outstanding, and (where applicable) the C Notes at their C Note Principal Amount Outstanding.

**(i) Purchase**

The Issuer shall not purchase any Notes.

**(j) Cancellation**

All Notes redeemed pursuant to paragraphs (b), (e), (f) or (g) above will be cancelled upon redemption and may not be resold or re-issued.

**(k) Post Enforcement Call Option**

All of the M1 Noteholders and/or the M2 Noteholders and/or the B Noteholders and/or the C Noteholders will, at the request of the Trustee, sell all (but not some only) of their holdings of the M1 Notes and/or the M2 Notes and/or the B Notes and/or the C Notes, as the case may be, to RMAC Holdings Limited pursuant to the option granted to it by the Trustee (as agent for the Noteholders) to acquire all (but not some only) of the M1 Notes and/or the M2 Notes and/or the B Notes and/or the C Notes (plus accrued interest thereon), for the consideration of one penny per M1 Note, one penny per M2 Note, one penny per B Note and one penny per C Note outstanding in the event that the Security for the C Notes is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the M1 Notes and/or the M2 Notes and/or the B Notes and/or the C Notes and after the application of any such proceeds to the C Notes under the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of the C Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option and each Noteholder, by subscribing for or purchasing the relevant Note(s), agrees to be so bound.

**(l) A1 Note Mandatory Transfer Arrangements**

(i) All the A1 Notes shall be transferred in accordance with paragraph (ii) below on the A1 Note Mandatory Transfer Dates falling in September 2005 and September 2006 in exchange for payment of the A1 Note Mandatory Transfer Price, provided that (aa) the Issuer shall not be liable for the failure to make payment of the A1 Note Mandatory Transfer Price to the extent that such failure is a result of the failure of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the relevant Documents; and (bb) (a) there shall be no Mandatory Transfer on an A1 Note Mandatory Transfer Date if the A1 Notes are fully redeemed on or prior to such A1 Note Mandatory Transfer Date; and (b) there shall be no Mandatory Transfer on the A1 Note Mandatory Transfer Date falling in September 2006 if a Short Term Feature Termination Event has occurred prior to the Short Term Feature Decision Date, or if an A1 Note Mandatory Transfer Termination Event (as confirmed by the Remarketing Agent or Tender Agent by the provision of an A1 Note Conditional Purchaser Confirmation) occurs prior to the A1 Note Mandatory Transfer Date falling in September 2005.

(ii) Subject to (i) above, all of the A1 Noteholders' interests in the A1 Notes shall be transferred on the relevant A1 Note Mandatory Transfer Date to the account of the Remarketing Agent on behalf of the relevant purchasers

or to the A1 Note Conditional Purchaser or as otherwise notified by or on behalf of the Remarketing Agent prior to such date or, if Definitive A1 Notes are then issued, the A1 Notes will be registered by the Registrar in the name of the Remarketing Agent or as otherwise notified by or on behalf of the Remarketing Agent and the Register will be amended accordingly with effect from the relevant A1 Note Mandatory Transfer Date.

- (iii) As long as any A1 Notes remain subject to the A1 Note Mandatory Transfer Arrangements, the Issuer will promptly inform the A1 Noteholders in accordance with Condition 15, if as of any Determination Date, the A1 Note Conditional Purchaser has failed to certify that (i) the aggregate commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement equal or exceed the amount necessary to permit the A1 Note Conditional Purchaser to pay the amounts otherwise due under the A1 Note Conditional Purchase Agreement on the next A1 Note Mandatory Transfer Date; (ii) the commitments of the Sheffield Liquidity Providers under the Sheffield Revolving Asset Purchase Agreement have not been terminated; and (iii) no A1 Note Conditional Purchaser Insolvency Event has occurred.

#### **Condition 6: Method of Payments**

##### **(a) Global Notes**

Payments of interest and principal in respect of any Global Note will be made against presentation (and, in the case of final redemption, surrender) of such Global Note at the specified office of the Paying Agents. A record of each payment so made on a Global Note distinguishing between any payment of principal and/or payment of interest, will be endorsed on the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made. Payments in respect of the USD Notes will be made in US dollars at the specified office of the Principal Paying Agent by transfer to a US dollar account maintained by the payee with a US dollar clearing bank as specified by the payee. Payments in respect of the Euro Notes will be made in euro at the specified office of the Principal Paying Agent by transfer to a euro account maintained by the payee with a euro clearing bank as specified by the payee. Payments in respect of the Sterling Notes will be made in sterling at the specified office of the Principal Paying Agent by transfer to a sterling account maintained by the payee with a bank in London.

##### **(b) Definitive Notes**

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Notes) in respect of Definitive Notes will be made by US dollar cheque drawn on a US dollar clearing bank in the case of USD Notes, by euro cheque drawn on a euro clearing bank in the case of Euro Notes, or by sterling cheque drawn on a bank in London in the case of Sterling Notes mailed to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) so paid. For the purposes of this Condition 6, the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first named of joint holders) on the Register on the 15th day before the due date for such payment (the “**Record Date**”).

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Note, such payment will be made by transfer to a US dollar account maintained by the payee with a US dollar clearing bank as specified by the payee (in the case of USD Notes), to a euro account maintained by the payee with a euro clearing bank as specified by the payee (in the case of the Euro Notes) or to a sterling account maintained by the payee with a bank in London (in the case of Sterling Notes). Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

- (c) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (d) If payment of principal is improperly withheld or refused on or in respect of any Note or part hereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4(a) will be paid to the extent received against presentation of such Note at the specified office of the Paying Agents (in respect of any Global Note) and in accordance with this Condition 6 (in respect of any Definitive Note). If any payment due in respect of any Global Note is not paid in full, the Principal Paying Agent will endorse a record of the amount (if any) so paid on the relevant Global Note.
- (e) The initial Paying Agents and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain: (i)

a Paying Agent with a specified office in London (so long as the Notes are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange), (ii) a Paying Agent with a specified office in continental Europe and (iii) an Agent Bank. The Issuer will cause at least 30 days' notice of any change in or addition to any of the agents or their specified offices to be given in accordance with Condition 15.

- (f) If any Global Note is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Global Note. For the purpose of Condition 6, "**Business Day**" means a day (other than Saturday and Sunday) on which banks are open for business in London and Luxembourg and in any case where presentation or surrender of a Global Note is required, in the place where the Global Note is presented or surrendered.
- (g) If, upon due presentation upon a relevant Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of any Global Note or part thereof by the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected Noteholders by paying to the Trustee on behalf of 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 if payment of such amount had been paid by the Issuer to the Noteholders on the relevant Payment Date (as well after as before any judgement or decree) up to (but excluding) the date on which all sums due in respect of such Global Note up to that day are received by the relevant Noteholder, payment under such indemnity to be due without demand from the relevant Payment Date.

#### **Condition 7: Prescription**

Claims for principal and interest in respect of a Global 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 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 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 15.

#### **Condition 8: Taxation**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessment or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Principal Paying Agent, any other Paying Agent, the Issuer nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

#### **Condition 9: Events of Default**

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate of the Base Currency PAO of either the A1 Notes or the A2 Notes or, if no A Notes are outstanding, the M1 Notes, or, if no M1 Notes are outstanding, the M2 Notes, or, if no M2 Notes are outstanding, the B Notes, or, if no B Notes are outstanding, the C Notes, or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the holders of either the A1 Notes or the A2 Notes (such Extraordinary Resolution of the A2 Noteholders being passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) or, if no A Notes are outstanding, the M1 Notes, or, if no M1 Notes are outstanding, the M2 Notes, or, if no M2 Notes are outstanding, the B Notes, or, if no B Notes are outstanding, the C Notes (subject to the Trustee being indemnified to its satisfaction), the Trustee shall give notice (an "**Enforcement Notice**") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an "**Event of Default**"):
  - (i) default being made for a period of ten Business Days in the payment of the principal of or any interest or A1 Note Mandatory Transfer Price on any Note when and as the same ought to be paid in accordance with these Conditions provided that for the avoidance of doubt a failure to make or procure any payment required under Condition 5(l) for reason of any failure on the part of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the relevant Documents shall not constitute a default for the purposes of this Condition 9 and provided further that a deferral of interest in accordance with Condition 4(f) shall not constitute a default in the payment of such interest for the purposes of this Condition 9; or

- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed or the Issuer or the Administrator failing duly to perform or observe any obligation binding on it under the Administration Agreement or the Deed of Charge and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer or the Administrator (as the case may require) of notice requiring the same to be remedied provided that for the avoidance of doubt a failure to make or procure any payment required under Condition 5(l) for reason of any failure on the part of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the relevant Documents shall not constitute a default for the purposes of this Condition 9; or
- (iii) the Issuer, other than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due within the meaning of Section 123(2) of the Insolvency Act 1986 (as amended); or
- (iv) an order being made or an effective resolution being passed for the winding up of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of each of the holders of the A1 Notes (if any A1 Notes are then outstanding) and the holders of the A2 Notes (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders), or if no A Notes are outstanding, the holders of the M1 Notes, or if no M1 Notes are outstanding, the holders of the M2 Notes, or, if no M2 Notes are outstanding, the holders of the B Notes, or, if no B Notes are outstanding, the holders of the C Notes; or
- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for the appointment of an administrator or liquidator) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of each of the events described in sub-paragraphs (ii), (iii) or (v) to this paragraph (a), the Trustee has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the Rated Notes shall immediately become due and repayable at the Rated Notes Principal Amount Outstanding and the C Notes shall immediately become due and repayable at the C Note Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.
- (c) So long as any part of the Rated 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 and the Currency Swap Counterparty.

#### **Condition 10: Enforcement of Notes**

At any time after the Notes have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest. The Trustee shall not be bound to take any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the Noteholders of the relevant class provided that (i) no Extraordinary Resolution of the M1 Noteholders, M2 Noteholders, B Noteholders or C Noteholders or any request of M1 Noteholders, M2 Noteholders, B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of each of the A1 Noteholders (if any A1 Notes are then outstanding) and the A2 Noteholders (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) or a direction of each of the A1 Noteholders (if any A1 Notes are then outstanding) and the A2 Noteholders to the same effect, or if no A Notes remain outstanding no Extraordinary Resolution of the M2 Noteholders, B Noteholders or C Noteholders or any request of the M2 Noteholders, B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of the M1 Noteholders or a direction of the M1 Noteholders to the same effect, or if no A Notes or M1 Notes remain outstanding, no Extraordinary Resolution of the B Noteholders or C Noteholders or any request of the B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of the M2 Noteholders or a direction of the M2 Noteholders to the same effect, or if no A Notes, M1 Notes or M2 Notes remain outstanding, no



Extraordinary Resolution of the C Noteholders or any request of the C Noteholders shall be effective unless there is an Extraordinary Resolution of the B Noteholders or a direction of the B Noteholders to the same effect, and (y) it shall have been indemnified 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 Deed of Charge otherwise than through the Trustee unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

**Condition 11: Meetings of Noteholders, Modifications; Consents, Waiver**

The Trust Deed contains provisions for convening meetings of A1 Noteholders, A2 Noteholders (which, for the avoidance of doubt, means a joint meeting of the A2a Noteholders and the A2c Noteholders), M1 Noteholders, M2 Noteholders, B Noteholders and C Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant class of any modification of the Notes of the relevant class (including these Conditions as they relate to the Notes of such relevant class, as the case may be) or the provisions of any of the Documents, provided that no modification of certain terms by the Noteholders of any class including, *inter alia*, the date of maturity of the Notes of the relevant class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes or any alteration of the priority of such Notes (any such modification in respect of any such class of Notes being referred to below as a “Basic Terms Modification”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Noteholders of any class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 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. The quorum at any meeting of the Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 5 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.

For so long as the Notes (whether being Definitive Notes or represented by Global Notes) of any class are held by one party, such party and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Noteholders.

An Extraordinary Resolution of the A1 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A2 Noteholders or it is sanctioned by an Extraordinary Resolution of the A2 Noteholders (such Extraordinary Resolution being passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) (for the avoidance of doubt without prejudice to the rights of the requisite majority of the A1 Noteholders to direct the Trustee under Condition 9). An Extraordinary Resolution of the A2 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A1 Noteholders or it is sanctioned by an Extraordinary Resolution of the A1 Noteholders (for the avoidance of doubt without prejudice to the rights of the requisite majority of the A2 Noteholders to direct the Trustee under Condition 9).

An Extraordinary Resolution of the M1 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders (if any A1 Notes are then outstanding) and the A2 Noteholders (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders). Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the M1 Noteholders, the M2 Noteholders, the B Noteholders and the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution of the M2 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders and the M1 Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders (if any A1 Notes are then outstanding), the A2 Noteholders (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders) and the M1 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the M2 Noteholders, the exercise of which will be binding on the B Noteholders and the C Noteholders irrespective of the effect on their interests.

An Extraordinary Resolution of the B Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the M1 Noteholders and the M2 Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders (if any A1 Notes are then outstanding), the A2 Noteholders (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders), the M1 Noteholders and the M2

Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the B Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution of the C Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the M1 Noteholders, the M2 Noteholders and the B Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders (if any A1 Notes are then outstanding), the A2 Noteholders (passed at a joint meeting of the A2a Noteholders and the A2c Noteholders), the M1 Noteholders, the M2 Noteholders and the B Noteholders.

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, without the consent of the Noteholders of any class, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes of such class (including these Conditions) or any of the Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders of such class or (b) to any modification of the Notes of such class (including these Conditions) or any of the Documents, which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. In respect of each class of Notes, the Trustee may also, without the consent of the Noteholders of such class, determine that any Event of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default shall not, subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or any such waiver or authorisation of any such breach or proposed breach of the Notes (including the Conditions) or any of the Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 or 10). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each such class and, unless the Trustee agrees otherwise, any such modification shall be notified to such Noteholders in accordance with Condition 15 as soon as practicable thereafter.

The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Documents, that such exercise will not be materially prejudicial to the interests of any Noteholders if S&P and/or Fitch have confirmed that the current ratings of the relevant Notes would not be adversely affected by such exercise.

#### **Condition 12: Indemnification and Exoneration of the Trustee**

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and Administrator, and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrator or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

#### **Condition 13: Definitive Notes**

Definitive Notes will only be issued if 40 days or more after the Issue Date any of the following apply:

- (a) (i) in the case of Rule 144A Global Notes, DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder of the CDIs (as defined in the Depository Agreement) or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification;
- (ii) in the case of Reg S Global Notes, both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease business and no alternative clearing system satisfactory to the Trustee is available; or

- (b) the Depository notifies the Issuer that it is at any time unwilling or unable to continue as Depository and a successor is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days of such notification; or
- (c) the Trustee has given an Enforcement Notice to the Issuer; or
- (d) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) (or in the interpretation, application or administration of the same) of any applicable jurisdiction (including payments being made net of tax) which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee.

If Definitive Notes are issued, the beneficial interests represented by the Reg S Global Note of each class shall be exchanged in whole (but not in part) by the Issuer for Reg S Definitive Notes and the beneficial interests represented by the Rule 144A Global Note of each class shall be exchanged in whole (but not in part) by the Issuer for Rule 144A Definitive Notes, in each case, in the aggregate amount equal to the Rated Notes Principal Amount Outstanding or the C Note Principal Amount Outstanding (as the case may be) of the relevant Reg S Global Note or Rule 144A Global Note, subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the relevant Global Notes.

#### **Condition 14: Replacement of Global Notes and Definitive Notes**

If any Global Note or Definitive 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 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 Notes or Definitive Notes must be surrendered before new ones will be issued.

#### **Condition 15: Notice to Noteholders**

Any notice to the Noteholders shall be validly given if published in the Financial Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in the United Kingdom. Any such notice shall be deemed to have been given to the Noteholders and they shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any class of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

For so long as the Notes are represented by Global Notes and such Global Notes are held by the Depository, notices to Noteholders may be given by delivery of the relevant notice to the Depository for communication by it to DTC, Euroclear and Clearstream, Luxembourg for communication by them to their Participants and for communication by such Participants to the relative Accountholders rather than by publication as required by this Condition 15 provided that, so long as the Notes are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange, that competent authority so agrees. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to the Depository.

#### **Condition 16: Provision of Information**

For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

#### **Condition 17: Rights of Third Parties**

No rights are conferred on any third person (except the Noteholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**Condition 18: European Economic and Monetary Union**

- (a) The Issuer may, without the consent of the Noteholders on giving at least 30 days' prior notice to the Trustee and the Paying Agents designate a date (the "**Redenomination Date**"), being a Quarterly Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Sterling Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Note equal to the principal amount outstanding of that Note in sterling converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of securities denominated in sterling is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
  - (ii) if the Sterling Notes have been issued in definitive form:
    - (A) the payment obligations contained in all Sterling Notes will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 18), shall remain in full force and effect; and
    - (B) new Notes denominated in euro will be issued in exchange for 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 Sterling Notes (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
  - (iv) a Note may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 18, "business day" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of the Sterling Notes pursuant to this Condition 18:
- (i) where such Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the principal amount then outstanding of the Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
  - (ii) the amount of interest payable in respect of each Note on each Payment Date shall be calculated by applying the Rate of Interest to the principal amount then outstanding of such Note, dividing the product by two and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines, with the agreement of the Note Controlling Party, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment.
- (d) In this Condition 18:
- "**EMU**" means European Economic and Monetary Union;
- "**euro**" means the single currency introduced on 1 January 1999 at the start of the third stage of EMU pursuant to the Treaty;
- "**Participating Member State**" means a Member State of the European Communities which has adopted the euro as its lawful currency in accordance with the Treaty; and

the “Treaty” means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

**Condition 19: Governing Law**

Except as indicated in the next sentence, the Documents and the Notes are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England (other than those aspects of the Documents specific to the Scottish Mortgage Loans, which are governed by, and shall be construed in accordance with, Scots law). The Depository Agreement is governed by the law of the State of New York and is subject to the non-exclusive jurisdiction of the courts of New York.

In these Conditions:

“**A1 Note Conditional Purchaser Confirmation**” means confirmation by the Remarketing Agent or the Tender Agent to the Issuer, the Administrator, and the Principal Paying Agent that the A1 Note Conditional Purchaser has purchased an interest in or has had transferred to it, or on its behalf, an interest in all the A1 Notes;

“**A1 Note Conditional Purchaser Insolvency Event**” means where:

- (a) the A1 Note Conditional Purchaser makes a general assignment for the benefit of creditors, or any proceeding is instituted by the A1 Note Conditional Purchaser, seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganisation, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganisation or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official of it or for any substantial part of its property; or
- (b) any proceeding is instituted against the A1 Note Conditional Purchaser, seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganisation, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganisation or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and either (A) such proceeding remains undismissed for a period of 30 days or (B) any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) occurs.

“**A1 Note Mandatory Transfer Arrangements**” means the arrangements for Mandatory Transfer set forth in the A1 Note Conditional Purchase Agreement, the Remarketing Agreement and the Trust Deed;

“**A1 Note Mandatory Transfer Date**” means the Payment Dates falling in September 2005 and September 2006;

“**A1 Note Mandatory Transfer Price**” means the Principal Amount Outstanding of the A1 Notes on the relevant A1 Note Mandatory Transfer Date following the application of Actual Redemption Funds on such date (without prejudice to the Issuer’s obligation to make payments on the A1 Notes on that date);

“**A1 Note Mandatory Transfer Termination Event**” shall occur if the A1 Note Conditional Purchaser has purchased all the A1 Notes under the terms of the A1 Note Mandatory Transfer Arrangements and the Remarketing Agent has confirmed such purchase or the Tender Agent has confirmed that the interest in the A1 Notes has been transferred to the name or account of, or on behalf of, the A1 Note Conditional Purchaser;

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

“**Mandatory Transfer**” means the obligation on the Issuer to procure the purchase of (and the then A1 Noteholders’ obligation to transfer) the A1 Notes on each A1 Note Mandatory Transfer Date;

“**Maximum Reset Margin**” means 0.15 per cent. per annum;

“**Relevant Margin**” for the A1 Notes shall be, for each Interest Period ending after the A1 Note Mandatory Transfer Date falling in September 2005, the relevant Reset Margin; for the A2a Notes shall be 0.21 per cent. per annum until the Quarterly Payment Date falling in September 2011 (the “**Step-Up Date**”) and thereafter 0.42 per cent. per annum; for the A2c Notes shall be 0.20 per cent. per annum until the Step-Up Date and thereafter 0.40 per cent. per annum; for the M1 Notes shall be 0.40 per cent. per annum until the Step-Up Date and thereafter 0.80 per cent. per annum; for the M2 Notes shall be 0.70 per cent. per annum until the Step-Up Date and thereafter 1.40 per cent. per annum; for the B Notes shall be 1.20 per cent. per annum until the Step-Up Date and thereafter 2.20 per cent. per annum and for the C Notes shall be 2.50 per cent. per annum;

“**Remarketing Agent**” means initially Barclays Bank PLC acting as agent on behalf of the Issuer, or such other agent appointed to act as remarketing agent under the terms of the Remarketing Agreement;

“**Remarketing Agreement**” means an agreement dated on or about the Issue Date between, *inter alios*, the Issuer and the Remarketing Agent;

“**Reset Margin**” means (i) a percentage that is the lowest margin at which all the A1 Notes will be purchased by third parties not exceeding the Maximum Reset Margin determined by the Remarketing Agent in accordance with the Remarketing Agreement or (ii) if a Short Term Feature Termination Event has occurred, the Maximum Reset Margin. For the avoidance of doubt, the Reset Margin may be a negative number which may therefore result in the determination of the Rate of Interest applicable to the A1 Notes being a number lower than the relevant Screen Rate or Reserve Interest Rate;

“**Sheffield Liquidity Providers**” means one or more financial or other institutions which enter into the Sheffield Revolving Asset Purchase Agreement on or before the Issue Date with the A1 Note Conditional Purchaser;

“**Sheffield Revolving Asset Purchase Agreement**” means the revolving asset purchase agreement between the A1 Note Conditional Purchaser and the Sheffield Liquidity Providers under which the A1 Note Conditional Purchaser will raise funds to pay the required part of the A1 Note Mandatory Transfer Price and acquire the A1 Notes;

“**Short Term Feature Decision Date**” means three Business Days prior to the A1 Note Mandatory Transfer Date falling in September 2005;

“**Short Term Feature Termination Event**” means an event under the Remarketing Agreement which shall occur broadly where:

- (a) either the Issuer or the Remarketing Agent is not satisfied as to the potential status of the A1 Notes as “Eligible Securities” for the purposes of Rule 2a-7 under the Investment Company Act for the period from the A1 Note Mandatory Transfer Date falling in September 2005 to the A1 Note Mandatory Transfer Date falling in September 2006;
- (b) the Issuer and the Remarketing Agent have agreed not to remarket the A1 Notes because to do so would be unfeasible, unduly burdensome or uneconomic for the Issuer; or
- (c) notice has been given to the A1 Note Conditional Purchaser of the inability of the Remarketing Agent to identify purchasers for all the A1 Notes then outstanding;

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

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

“**Tender Agent**” means initially JPMorgan Chase Bank or another replacement entity appointed to facilitate the transfers contemplated under Condition 5(l).

## UNITED KINGDOM TAXATION

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The following is a general description of certain aspects of current United Kingdom law and Inland Revenue practice relating to the United Kingdom taxation of the Notes, and is limited to a general consideration of the United Kingdom tax position of persons who are absolute beneficial owners of the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes and should therefore be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers) or to Noteholders where the object, or one of the main objects, of acquiring or holding the Notes was or is the securing, whether for the Noteholder or any other person, of a tax advantage. Noteholders (or prospective Noteholders) who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

### A United Kingdom Withholding Tax

Interest payments on the Notes (whether in global or definitive form) will be payable without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are listed on a “recognised stock exchange” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (“ICTA 1988”). The London Stock Exchange is a recognised stock exchange for these purposes. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the UK Listing Authority and admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on the Notes is paid to a person who belongs in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either:

- (a) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) the payment is made to:
  - (i) a local authority;
  - (ii) a charity (within the meaning of section 506(1) of ICTA 1988);
  - (iii) the trustees or other persons having the management of a fund entitled to an exemption under section 620(6) of ICTA 1988 (retirement annuity trust schemes);
  - (iv) a person holding investments or deposits for the purposes of a scheme entitled to exemption under section 643(2) of ICTA 1988 (approved personal pension schemes);
  - (v) the plan manager of a plan, where an individual investing under the plan is entitled to an exemption under section 333 of ICTA 1988 (personal equity plans and individual saving accounts), and the plan manager receives the payment in respect of investments under the plan; or
  - (vi) a society or institution with whom tax exempt special savings accounts (within the meaning of section 326A of ICTA 1988) may be held, where the society or institution receives the payment in respect of investments held for the purposes of such accounts,

or is made to one of the other classes of exempt bodies or persons set out in section 349B of ICTA 1988,

provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of ICTA 1988 will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of United Kingdom income tax.

In all other cases, an amount must be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

## **B Direct Assessment of Non-United Kingdom Resident Noteholders to United Kingdom Tax on United Kingdom Interest**

Interest on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and, as such may be subject to United Kingdom income tax by direct assessment even where paid without withholding or deduction for or on account of United Kingdom income tax, except in the hands of a Noteholder who is exempt from United Kingdom income tax under the terms of an applicable double taxation treaty or otherwise.

However, interest with a United Kingdom source which is received without deduction or withholding for or on account of United Kingdom income tax, is not normally chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom, unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment, branch or agency in connection with which the interest is received or to which the Notes are attributable. There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

## **C Accrued Income Scheme – Individual Noteholders**

For the purposes of the provisions known as the “**Accrued Income Scheme**” (contained in Chapter II of Part XVII of ICTA 1988), a transfer of a Note by an individual Noteholder who is resident or ordinarily resident in the United Kingdom or a Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable, may give rise to a charge to United Kingdom tax on income in respect of an amount treated, under the Accrued Income Scheme, as representing interest accrued on the Note at the time of the transfer.

In particular, the Notes (other than the C Notes) will be “variable rate securities” for the purposes of the Accrued Income Scheme. In relation to the disposal of such a Note, a Noteholder who is resident or ordinarily resident in the United Kingdom or a Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable will be chargeable to tax on income in respect of interest which is deemed to have accrued on that Note at the time of transfer in such an amount as is just and reasonable. A transferee of such a Note will not be entitled to any corresponding relief in respect of that amount under the Accrued Income Scheme.

## **D Taxation of Chargeable Gains – Individual Noteholders**

As a result of the provision for redenomination of the Sterling Notes into euro and the USD Notes and the Euro Notes having a non-sterling denomination, it is not expected that the Notes will be treated by the United Kingdom Inland Revenue as “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal (including a redemption) of Notes by an individual Noteholder will give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the individual circumstances of the Noteholder.

## **E United Kingdom Corporation Tax Payers**

In general, Noteholders within the charge to United Kingdom corporation tax will not be subject to the taxation treatment set out in paragraphs C or D above. Instead, any profits, gains and losses, and fluctuations in the value of the Notes (whether attributable to currency fluctuations or otherwise) measured and recognised broadly in accordance with their statutory accounting treatment, are taxed or relieved as income. Noteholders within the charge to United Kingdom corporation tax are generally charged to tax in each accounting period by reference to interest accrued in that period and other profits recognised in that period.

## **F Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue or transfer of a Note in global form, or on the issue or transfer of a Note in definitive form.



## EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

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

### General

The following is a general summary of the principal US federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. In general, this summary assumes that holders acquire the Notes at original issuance and will hold the Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) persons that will hold Notes as part of a “hedging” or “conversion” transaction or as a position in a “straddle” or as part of a “synthetic security” or other integrated transaction for US federal income tax purposes; (vii) persons that own (or are deemed to own) 10 per cent. or more of the voting shares of the Issuer; (viii) persons that hold Notes through partnerships or other pass-through entities; and (ix) persons that have a “functional currency” other than the US dollar. In addition, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of interests in a holder of Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the US federal government.

**Each prospective investor should consult its own tax adviser with respect to the US federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes.**

This summary is based on the US Internal Revenue Code of 1986, as amended (the “Code”), US Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term “US Holder” means a beneficial owner of Notes that is for US federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation) created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to US federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all substantial decisions of the trust. If a partnership holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their own tax advisers. A “Non-US Holder” is a beneficial owner of Notes that is not a US Holder.

### Characterisation of the Notes

The Issuer has obtained an opinion from Allen & Overy LLP, US tax counsel to the Issuer, that although there is no statutory, judicial or administrative authority directly addressing the characterisation of the Rated Notes or instruments similar to the Rated Notes for US federal income tax purposes, the Rated Notes, when issued, will be treated as debt for US federal income taxation purposes. This opinion is based upon, among other things, representations made by the Issuer to Allen & Overy LLP in a representation letter that the Issuer certified to be true and complete in all material respects, as well as certain assumptions. In addition, only the Issuer may rely upon the foregoing opinion and such opinion will not be binding upon the US Internal Revenue Service (“IRS”) or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the US federal income tax treatment of the Notes. Accordingly, there can be no assurances that the IRS will not contend, and that a court will not ultimately hold, that the Rated Notes are equity in the Issuer or that any of the other items discussed below are treated differently. If any of the Rated Notes were treated as equity in the Issuer for US federal income tax purposes, there might be adverse tax consequences upon the sale, exchange, or other disposition of, or the receipt of certain types of distributions on, such Notes by a US Holder (see discussion under “*Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes*” below). Except as otherwise stated, the discussion below assumes that the Rated Notes will be treated as debt for US federal income tax purposes.

In the case of the C Notes, even though the C Notes will be issued in the form of debt, given their subordination level and other terms, the C Notes may be characterised as equity interests in the Issuer for US federal income tax purposes. Holders of C Notes that are treated as equity interests in the Issuer will be treated as owning interests in a “passive foreign investment company” (“PFIC”) for US federal income tax purposes (see discussion under “*United States Federal Income Taxation – Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes*” below). The US federal income tax treatment of the C Notes is not certain. Because the C Notes may be characterised as equity, US Holders of the C Notes should review the discussion below under “*United States Federal Income Taxation – Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes*”. To the extent the C Notes are characterised as debt for US federal income tax purposes, US Holders of the C Notes should review the discussion under “*United States Federal Income Taxation – Taxation of US Holders of the Notes*”.

Prospective investors should consider the tax consequences of an investment in the Notes under either a debt or equity characterisation and should consult their own tax advisers regarding the treatment of the Notes for US federal income tax and other tax purposes.

#### **Taxation of US Holders of the Notes**

As discussed above, it is unclear whether the C Notes will be characterised as debt for US federal income tax purposes. The following assumes that the C Notes will be treated as debt for US federal income tax purposes.

#### ***Payments of Interest***

Interest on a Note will be taxable to a US Holder as ordinary interest income at the time it is received or accrued, depending on the US Holder's method of accounting for US federal income tax purposes subject to, in the case of the M Notes, B Notes and C Notes, the original issue discount ("OID") discussion below.

Because the Issuer is permitted to defer interest payments on the M Notes, B Notes and C Notes in certain limited circumstances, it is possible the M Notes, B Notes and C Notes could be treated as issued with OID for US federal income tax purposes. A US Holder (including a cash basis holder) of an M Note, B Note or C Note treated as issued with OID would be required to accrue OID on such Note as taxable income for US federal income tax purposes for each day on which the US Holder holds such instrument. The OID accruing in any period would likely equal the amount by which (a) the sum of (i) the present value of all remaining payments to be made as of the end of such period plus (ii) the payments made during such period included in the stated redemption price at maturity, exceeds (b) the "adjusted issue price" as of the beginning of the period. The present value of the remaining payments is calculated based on (x) the original yield to maturity of such instrument, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the appropriate prepayment assumption for such Notes. With respect to the M Notes, B Notes and C Notes, the stated redemption price is likely to be the sum of all payments expected thereon, determined in accordance with the appropriate prepayment assumption for such Notes. There can be no assurance that the payments will actually be made in accordance with any prepayment assumption for the M Notes, B Notes and C Notes. The "adjusted issue price" of an M Note, B Note or C Note at the beginning of any accrual period generally would be the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments made in all prior accrual periods. If the OID is negative for any period, the US Holder generally will not be allowed a current deduction for the negative amount but instead will be entitled to offset such amount only against future positive OID from such instrument. The accrual of OID may require holders to recognise income in advance of payments.

A US Holder utilising the cash method of accounting for US federal income tax purposes that receives an interest payment denominated in a currency other than US dollars (a "foreign currency") will be required to include in income, with respect to the Notes, if they do not bear OID, the US dollar value of that interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars.

If interest on a Note is payable in a foreign currency, an accrual basis US Holder, or a US Holder that uses the cash method of accounting as to Notes with OID, is required to include in income the US dollar value of the amount of interest income and OID accrued on the Note during the accrual period. Such a US Holder may determine the amount of the accrued interest income and OID to be recognised in accordance with either of two methods. Under the first accrual method, the amount of income accrued will be based on the average exchange rate in effect during the accrual period or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year. Under the second accrual method, the US Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. If the last day of the accrual period is within five business days of the date the interest payment is actually received, an electing accrual basis US Holder may instead translate that interest at the exchange rate in effect on the day of actual receipt. Any election to use the second accrual method will apply to all debt instruments held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder and will be irrevocable without the consent of the IRS.

A US Holder utilising either of the foregoing two accrual methods will recognise ordinary income or loss with respect to accrued interest income on the date of receipt of the interest payment denominated in a foreign currency (including a payment attributable to accrued but unpaid interest upon the sale, exchange or other disposition of a Note). The amount of ordinary income or loss will equal the difference between the US dollar value of the interest payment received (determined on the date the payment is received) in respect of the accrual period and the US dollar value of interest income that has accrued during that accrual period (as determined under the accrual method utilised by the US Holder).

Foreign currency received as interest on the Notes will have a tax basis equal to its US dollar value at the time the interest payment is received. Gain or loss, if any, realised by a US Holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and generally will be income from sources within the United States for US foreign tax credit limitation purposes.

Interest income and OID on the Notes will be treated as foreign source income for US federal income tax purposes, which may be relevant in calculating a US Holder's foreign tax credit limitation for US federal income tax purposes. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. For this purpose, interest and OID on the Notes should generally constitute "passive income" or, in the case of certain US Holders, "financial services income".

#### ***Sale, Exchange or Other Disposition***

A US Holder's tax basis in a Note will generally equal its "US dollar cost", increased by any amount includible in income as OID and reduced by the amount of any payments received by the US Holder with respect to the Note that are not qualified stated interest payments (as defined in the applicable US Treasury regulations). The "US dollar cost" of a Note purchased with a foreign currency will generally be the US dollar value of the purchase price on the date of purchase or, in the case of a Note traded on an established securities market (as defined in the applicable US Treasury regulations) that is purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase. A US Holder will generally recognise gain or loss on the sale, exchange or other disposition of a Note in an amount equal to the difference between the amount realised on the sale, exchange or other disposition and the tax basis in the Note. If a US Holder's basis in a Note includes accrued but unpaid OID and the US Holder recognises a loss on the transaction with respect to such amounts that exceeds certain specified thresholds, the US Holder may be required specifically to disclose certain information with respect to the transaction on its tax return under recently issued tax disclosure regulations. US Holders should consult their own tax advisors as to the applicability of these disclosure regulations. The amount realised on the sale, exchange or other disposition of a Note for an amount in foreign currency will be the US dollar value of that amount on the date of disposition or, in the case of a Note traded on an established securities market (as defined in the applicable US Treasury regulations) that is sold by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the sale.

Gain or loss recognised by a US Holder on the sale, exchange or other disposition of a Note that is attributable to changes in currency exchange rates will constitute foreign currency gain or loss and will be treated as ordinary income or loss. However, foreign currency gain or loss will be realised only to the extent of the total gain or loss realised by the US Holder on the sale, exchange or other disposition of the Note, and will generally be treated as from sources within the United States for US foreign tax credit limitation purposes.

Any gain or loss recognised by a US Holder in excess of any foreign currency gain or loss recognised on the sale, exchange or other disposition of a Note will generally be US-source capital gain or loss. **Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).**

A US Holder will have a tax basis in any foreign currency received on the sale, exchange or other disposition of a Note equal to the US dollar value of the foreign currency at the time of the sale, exchange or other disposition. Gain or loss, if any, realised by a US Holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and will generally be income or loss from sources within the United States for US foreign tax credit limitation purposes.

#### **Taxation of US Holders if the C Notes are Characterised as Equity for US Federal Income Tax Purposes**

##### ***Distributions***

Subject to the PFIC rules discussed below, if the C Notes are treated as equity interests in the Issuer for US federal income tax purposes, the gross amount of any distribution by the Issuer of cash or property (including any amounts withheld in respect of any applicable withholding tax) actually or constructively received by a US Holder with respect to a C Note will be taxable to a US Holder as a dividend to the extent of the Issuer's current and accumulated earnings and profits as determined under US federal income tax principles. The US Holder will not be eligible for any dividends received deduction in respect of the dividend otherwise allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the US Holder to the extent of, and will be applied against and reduce, the US Holder's adjusted tax basis in the C Notes. Distributions in excess of earnings and profits and such adjusted tax basis generally will be taxable to the US Holder as capital gain from the sale, exchange or other disposition of property. The Issuer does not expect to maintain calculations of its earnings and profits under US federal income tax principles. If the Issuer does not report to a US Holder the portion of a distribution that exceeds earnings and profits, the distribution generally will be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Dividends paid in a foreign currency, including the amount of any withholding tax thereon, will be included in the gross income of a US Holder in an amount equal to the US dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currency is converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, a US Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currency received as a dividend is not converted into US dollars on the date of receipt, a US Holder will have a basis in the foreign currency equal to its US dollar

value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss.

Dividends received by a US Holder with respect to C Notes will be treated as foreign-source income for the purpose of calculating that holder's US foreign tax credit limitation. Subject to certain conditions and limitations, foreign country income tax withheld on dividends may be deducted from taxable income or credited against a US Holder's US federal income tax liability. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Issuer generally would constitute "passive income" or, in the case of certain US Holders, "financial services income". In certain circumstances, a US Holder may be unable to claim foreign tax credits for foreign taxes imposed on a dividend.

#### ***Sale, Exchange or Other Disposition***

Subject to the PFIC rules discussed below, a US Holder generally will recognise gain or loss for US federal income tax purposes upon the sale, exchange or other disposition of C Notes in an amount equal to the difference between the US dollar value of the amount realised from such sale or exchange and the US Holder's tax basis in such C Notes. Such gain or loss will be a capital gain or loss and will generally be treated as from sources within the United States for US foreign tax credit limitation purposes, except that losses will be treated as foreign-source to the extent the US Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. When a US Holder's basis in the C Notes includes amounts recognised under the PFIC rules and the US Holder recognises a loss on the transaction with respect to such amounts that exceeds certain specified thresholds, the US Holder may be required specifically to disclose certain information with respect to the transaction on its tax return under recently issued tax disclosure regulations. US Holders should consult their own tax advisors as to the applicability of these disclosure regulations. **Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the C Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).**

If a US Holder receives foreign currency upon a sale, exchange or other disposition of C Notes, gain or loss, if any, recognised on the subsequent sale, exchange, conversion or other disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for US foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US Holder, the US Holder generally should not be required to recognise any gain or loss on such conversion.

#### ***Passive Foreign Investment Company Considerations***

A corporation created or organised outside the United States generally will be classified as a PFIC for US federal income tax purposes in any taxable year in which, after applying certain lookthrough rules, either: (i) at least 75 per cent. of its gross income is "passive income", or (ii) on average at least 50 per cent. of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from commodities and securities transactions. The Issuer will be treated as a PFIC for US federal income tax purposes.

Because the Issuer is a PFIC, upon receipt of a distribution on, or sale of, C Notes, a US Holder will be required to allocate to each day in its holding period with respect to the C Notes, a *pro rata* portion of any distributions received on the C Notes which are treated as an "excess distribution" (generally, any distributions received by the US Holder on the C Notes in a taxable year that are greater than 125 per cent. of the average annual distributions received by the US Holder in the three preceding taxable years or, if shorter, the US Holder's holding period for the C Notes). Because the C Notes pay interest at a floating rate, it is possible that a US Holder will receive excess distributions as a result of fluctuations in the rate of LIBOR over the term of the C Notes. Any amount of an excess distribution (which term includes gain on the sale of C Notes) treated as allocable to a prior taxable year is subject to US federal income tax at the highest applicable rate of the year in question, plus an interest charge on the amount of tax deemed to be deferred.

A US Holder of C Notes can avoid the interest charge by making a mark-to-market election with respect to the C Notes, provided that the C Notes are "marketable" within the meaning of US Treasury regulations. **US Holders of C Notes should consult their own tax advisers as to whether the C Notes are eligible for the mark-to-market election.** Such election cannot be revoked without the consent of the IRS unless the C Notes cease to be marketable. A US Holder of C Notes that makes a mark-to-market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the C Notes at the close of the taxable year over the US Holder's adjusted basis in the C Notes. An electing US Holder may also claim an ordinary loss deduction for the excess, if any, of the US Holder's adjusted basis in the C Notes over the fair market value of the C Notes at the close of the taxable year, but only to the extent of any net mark-to-market gains for prior years. In the case of a mark-to-market election, gains from an actual sale, exchange or other disposition of the C Notes will be treated as ordinary income, and any losses incurred on a sale, exchange or other disposition of the C Notes will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years. If

the Issuer is a PFIC for any year in which the US Holder owns the C Notes but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made.

The foregoing rules with respect to distributions and dispositions may also be avoided if a US Holder is eligible for and timely makes a valid "QEF election". A US Holder that makes this election will be required in each taxable year to include (a) as long-term capital gain its *pro rata* share of the Issuer's net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss for the Issuer's taxable year ending with or within the US Holder's taxable year) and (b) as ordinary income its *pro rata* share of the Issuer's ordinary earnings (i.e. the excess of current earnings and profits for such taxable year over such net capital gain), regardless of whether the Issuer distributes such amounts to the US Holder.

The QEF election, however, is effective only if certain required information is made available by the Issuer. The Issuer does not intend to provide such information to US Holders in order for US Holders to make the QEF election. US Holders will therefore not be able to make an effective QEF election.

Because the Issuer is a PFIC, each US Holder of C Notes will be required to make an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to that PFIC interest.

**Prospective investors should consult their own tax advisers regarding the status of the Issuer as a PFIC, whether an investment in the Notes will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.**

#### **Taxation of Non-US Holders of the Notes**

Subject to the backup withholding rules discussed below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any payments on a Note or gain from the sale, exchange or other disposition of a Note unless: (i) that payment or gain is effectively connected with the conduct by that Non-US Holder of a trade or business within the United States; (ii) in the case of any gain realised on the sale, exchange or other disposition of a Note by an individual Non-US Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met; or (iii) the Non-US Holder is subject to tax pursuant to provisions of the Code applicable to certain US expatriates. **Non-US Holders should consult their own tax advisers regarding the US federal income and other tax consequences of purchasing, owning and disposing of Notes.**

#### **Backup Withholding and Information Reporting**

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to US Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the US Holder fails to furnish (usually on IRS Form W-9) the US Holder's taxpayer identification number, to certify that such US Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain US Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-US Holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN) to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder generally may be refunded or claimed as a credit against such US Holder's US federal income tax liability, provided that the required information is furnished to the IRS. **Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

**THE US FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-US AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.**

## UNITED STATES ERISA CONSIDERATIONS

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The United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Section 4975 of the Code impose certain restrictions on (a) employee benefit plans subject to the prohibited transaction provisions of ERISA, (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans, or (c) any entities whose underlying assets include plan assets by reason of a plan’s investment in such entities (each a “Plan”), and persons who have certain specified relationships to such Plans (“parties in interest” under ERISA and “disqualified persons” under the Code (collectively, “Parties in Interest”). An insurance company’s general account may be deemed to include assets of the Plans that invest in such account (e.g. through the purchase of a certain type of annuity contract), in which case the insurance company would be treated as a Party in Interest with respect to the investing Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA and prohibits certain transactions between a Plan and Parties in Interest with respect to such Plans.

The United States Department of Labor (“DOL”) has issued a regulation (29 C.F.R. 2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the “Plan Asset Regulation”). This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and other entities in which a Plan purchases an “equity interest” will be deemed for purposes of ERISA to be assets of the investing Plan unless certain exceptions apply.

The Plan Asset Regulation defines an “equity interest” as any interest in an entity other than indebtedness under applicable local law which has no substantial equity features. By reason of the form of the Rated Notes and the probability of payment of principal and interest thereon (as evidenced by the ratings assigned to the Rated Notes by the rating agencies), the Issuer will not treat the Rated Notes offered hereby as equity interests for purposes of the Plan Asset Regulation. By contrast, the C Notes may be treated as equity interests for purposes of the Plan Asset Regulation. Accordingly, the C Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

Even assuming that the Rated Notes will not be treated as equity interests under the Plan Asset Regulation, it is possible that an investment in such Notes by a Plan (or with the use of the assets of a Plan) could be treated as a prohibited transaction under ERISA or Section 4975 of the Code (e.g. the sale of the Notes or the extension of credit pursuant to the Notes). Such transaction however, may be subject to a statutory or administrative exemption, including Prohibited Transaction Class Exemption (“PTCE”) 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a “qualified professional asset manager”; and PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an “inhouse asset manager”. Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan.

Each purchaser of the Rated Notes will be deemed to have represented and agreed that (i) either it is not purchasing or holding such Notes with the assets of any Plan or that one or more exemptions applies such that the use of such assets will not result in a prohibited transaction under ERISA or Section 4975 of the Code, and (ii) with respect to transfers, it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan, or one or more exemptions applies such that the use of such assets will not result in a prohibited transaction. Any Plan fiduciary that proposes to cause a Plan to purchase or hold such Notes should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied. The C Notes may not be purchased or held by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

## UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

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The A1 Notes are intended to be “**Eligible Securities**” for purchase by money market funds under Rule 2a–7 under the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”). However, any determination as to such qualification and compliance with other aspects of Rule 2a–7 is solely the responsibility of each money market fund and its investment adviser. The A1 Notes will be sold subject to Condition 5(l) which provides for Mandatory Transfer on each A1 Note Mandatory Transfer Date.

None of the Notes will constitute “mortgage related securities” under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterization of the Notes for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent the Notes constitute legal investments or are subject to investment, capital or other restrictions.



## PURCHASE AND SALE

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The Lead Managers have pursuant to a purchase agreement dated on 10 September 2004 among the Managers, the Issuer and GMAC-RFC (the “**Purchase Agreement**”), agreed with the Issuer to purchase (a) the Rated Notes at the issue price of, in relation to the A1 Notes, 100 per cent. of the aggregate principal amount of the A1 Notes, in relation to the A2a Notes, 100 per cent. of the aggregate principal amount of the A2a Notes and in relation to the A2c Notes, 100 per cent. of the aggregate principal amount of the A2c Notes, (b) the M1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the M1 Notes, (c) the M2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the M2 Notes, and (d) the B Notes at the issue price of 100 per cent. of the aggregate principal amount of the B Notes.

The other Managers have pursuant to the Purchase Agreement jointly and severally agreed to purchase from the Lead Managers certain allocated amounts of the Rated Notes. The Issuer will pay to the Managers a combined management and underwriting fee of 0.1 per cent. of the aggregate principal amount of the A1 Notes, a combined management and underwriting fee of 0.2 per cent. of the aggregate principal amount of the A2 Notes, a combined management and underwriting fee of 0.3 per cent. of the aggregate principal amount of the M1 Notes, a combined management and underwriting fee of 0.425 per cent. of the aggregate principal amount of the M2 Notes and a combined management and underwriting fee of 0.85 per cent. of the aggregate principal amount of the B Notes payable in sterling. The Issuer will sell the C Notes directly to GMAC-RFC.

RFSC International Limited is an affiliate of GMAC-RFC. Both are wholly owned by GMAC Residential Funding Corporation.

The Purchase Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the issue of the Notes.

Each Manager has represented to and agreed with the Issuer that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part VI of the FSM Act except to persons whose ordinary activities involve them acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) (the “**POS Regulations**”) or the FSM Act;
- (b) it has complied and will comply with all applicable provisions of the FSM Act and the POS Regulations with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSM Act) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSM Act does not apply to the Issuer.

The Notes have not been and will not be registered under the Securities Act and any state securities laws and may not be offered or sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, US Persons except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes, (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, US Persons (except in accordance with Rule 903 of Regulation S), and it will have sent to each distributor, dealer or other person to which it sells the Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US Persons. The Purchase Agreement provides that selected Managers, through their selling agents which are registered broker-dealers in the United States, may resell Notes in the United States to “qualified institutional buyers” (as defined in Rule 144A of the Securities Act) pursuant to Rule 144A of the Securities Act.

The Issuer has agreed to furnish the holders and prospective purchasers of the Notes with the information required pursuant to Rule 144A(d)(4).

Each Manager has agreed that they have not (and will not), nor has (nor will) any person acting on their behalf, (a) made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act; or (b) engaged in any form of

general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Notes in the United States.

In addition, until 40 days after the later of the date of the commencement of the offering and the Issue Date, an offer or sale of the Notes within the United States by any dealer (whether or not participating in this offering) may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

This Offering Circular may not be distributed and the Notes (including rights representing an interest in a Global Note) may not be offered, sold, transferred to delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands (“Dutch Residents”) other than to the following entities (hereinafter referred to as “Professional Market Parties” or “PMPs”) provided they acquire the Notes for their own account and trade or invest in securities in the conduct of a business or profession:

- (i) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;
- (ii) banks or securities firms licensed or supervised in a European Economic Area member state (other than the Netherlands) and registered with the Dutch Central Bank (De Nederlandsche Bank N.V., or “DNB”) or the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) acting through a branch office in the Netherlands;
- (iii) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;
- (iv) the Dutch government (*de Staat der Nederlanden*), DNB, Dutch regional, local or other decentralised governmental institutions, or any international treaty organisations and supranational organisations located in the Netherlands;
- (v) Netherlands enterprises or entities with total assets of at least €500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes;
- (vi) Netherlands enterprises, entities or individuals with net assets (*eigen vermogen*) of at least €10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (vii) Netherlands subsidiaries of the entities referred to under (i) above provided such subsidiaries are subject to prudential supervision;
- (viii) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (ix) such other Netherlands entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

All Notes (whether or not offered to Dutch Residents) shall bear the following legend:

“THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (“DUTCH RESIDENTS”) OTHER THAN TO PROFESSIONAL MARKET PARTIES WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 THAT ACQUIRE SUCH NOTES (OR ANY INTEREST HEREIN) FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A BUSINESS OR PROFESSION (“PMPs”).

EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS SUCH A PMP AND IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP.

EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN), BY PURCHASING SUCH NOTE (OR ANY SUCH INTEREST), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH NOTE (OR ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO DUTCH RESIDENTS OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT (2) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.”

These selling restrictions may be modified by the agreement of the Issuer and each of the Managers following a change in the relevant law, regulation or directive. Any such modifications will be set out in a supplement to this Offering Circular.

No action has been taken by the Issuer or the Managers which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes, in any country or jurisdiction where action for that purpose is required and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with the applicable laws and regulations.

## NOTICE TO INVESTORS

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### Offers and Sales by the Initial Purchasers

The Notes (including interests therein represented by a Rule 144A Global Note or a Rule 144A Definitive Note) have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered, sold or delivered directly or indirectly in the United States or to or for the account of “US Persons” (as defined in Regulation S under the Securities Act) except pursuant to an effective registration statement or in accordance with an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes (and any interests therein) are being offered and sold: (1) in the United States only to qualified institutional buyers within the meaning of Rule 144A under the Securities Act (“QIBs”) in transactions exempt from the registration requirements of the Securities Act and any other applicable securities laws and (2) outside the United States to non-US persons in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

### Investors’ Representations and Restrictions on Resale

Each purchaser of the Notes (or interests therein) or Book-Entry Interests will be deemed to have represented and agreed as follows:

1. it is either (A)(i) a QIB, (ii) aware that the sale of the Notes is being made in reliance on Rule 144A and (iii) acquiring such Notes for its own account or for the account of a QIB and each beneficial owner of such Notes has been advised that the sale of such Notes to it is being made in reliance on Rule 144A or (B) not a US Person (as defined in Regulation S under the Securities Act) and it is acquiring such Notes for its own account or for the account of a non-US Person in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S under the Securities Act;
2. such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then such Notes may be resold, pledged or otherwise transferred or transferred only (i) to the Issuer, or (ii) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or for the account of QIBs to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, or (iii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available), or (iv) to a non-US Person acquiring the Notes in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S under the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; provided that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser’s property shall at all times be and remain within its control;
3. unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes from it that (i) such Notes have not been registered under the Securities Act, (ii) such Notes are subject to the restrictions on the resale or other transfer thereof described in paragraph (2) above, (iii) such transferee shall be deemed to have represented (a) as to its status as a QIB or a purchaser acquiring the Notes in a transaction outside the United States (as the case may be), (b) if such transferee is a QIB, that such transferee is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs), (c) if such purchaser is acquiring the Notes in an offshore transaction, that such transfer is made pursuant to an exemption from registration provided by Regulation S under the Securities Act, and (d) that such transferee is not an underwriter within the meaning of Section 2(11) of the Securities Act, and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
4. with respect to purchasers of the C Notes, no part of the assets to be used to purchase or hold such C Notes constitutes assets of any employee benefit plan subject to Title I of ERISA or Section 4975 of the Code or any substantially similar law, and, with respect to purchasers of the Rated Notes, (A) either (i) it will not transfer such Notes to a transferee purchasing such Notes with the assets of any employee benefit plan subject to Title I of ERISA or (ii) one or more exemptions applies so that the use of such assets will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any substantially similar law, and (B) either that (i) no part of the assets to be used to purchase or hold such Notes constitutes assets of any employee benefit plan subject to Title I of ERISA or Section 4975 of the Code, or any substantially similar law or (ii) part of the assets to be used to purchase or hold such Notes constitutes assets of one or more employee benefit plans subject to Title I of ERISA or Section 4975 of the Code or any substantially similar law and the use of such assets to purchase such Notes will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any substantially similar law by reason of the application of a statutory or administrative exemption.

The Notes that represent interests sold outside the United States to purchasers that are not United States persons in compliance with Regulation S will bear a legend to the following effect:

**“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF THE ORIGINAL ISSUANCE OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES”.**

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Note and each Rule 144A Definitive Note (if any). Additional copies of such notice may be obtained from the Principal Paying Agent or, the Registrar or the transfer agent.

**“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS NOTE MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF £100,000, €100,000 OR USD100,000 DEPENDING ON ITS CURRENCY OF DENOMINATION AND INCREMENTS OF £10,000, €10,000 OR USD10,000, DEPENDING ON ITS CURRENCY OF DENOMINATION, THEREAFTER. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) (A “QUALIFIED INSTITUTIONAL BUYER”), THAT IT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST ALSO BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO A PERSON WHO IS NOT A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES ACQUIRING THIS NOTE IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND (B) WITH RESPECT TO THE C NOTES, TO A PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AND WITH RESPECT TO THE RATED NOTES TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA, OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW, OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NONEXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW, BY REASON OF THE APPLICATION OF A STATUTORY OR ADMINISTRATIVE EXEMPTION; PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PURCHASER’S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTE ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER”.**

Because of the foregoing restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold in reliance on Rule 144A.

## GENERAL INFORMATION

- 1 The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on 9 September 2004.
- 2 It is expected that admission of the Notes to the Official List of the UK Listing Authority and admission of the Notes to trading by the London Stock Exchange will be granted on or about 28 September 2004, subject only to issue of the Global Notes of each class of Notes. Prior to official listing, however, dealings in the Notes will be permitted by the London Stock Exchange in accordance with its rules. In addition, the Notes are expected to be eligible for trading in the PORTAL market. The issue will be cancelled if the Global Notes are not issued.
- 3 The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg as follows:

	Rule 144A	Rule 144A	Rule 144A	Reg S	Reg S	Reg S
	ISIN	Common Code	CUSIP	ISIN	Common Code	CUSIP
A1 Notes	US75954GAAO4	020080990	75954GAAO	XS0200800356	020080035	G7604QAA8
A2a Notes	US75954GAF90	020081031	75954GAF9	XS0200800943	020080094	G7604QAB6
A2c Notes	US75954GAL68	020081082	75954GAL6	XS0200802568	020080256	G7604QAD2
M1 Notes	US75954GAG73	020081104	75954GAG7	XS0200802725	020080272	G7604QAE0
M2 Notes	US75954GAH56	020081155	75954GAH5	XS0200803962	020080396	G7604QAH3
B Notes	US75954GAJ13	020081210	75954GAJ1	XS0200804770	020080477	G7604QAL4
C Notes	US75954GAK85	020081279	75954GAK8	XS0200805314	020080531	G7604QAP5

- 4 The auditors of the Issuer, PricewaterhouseCoopers LLP, Chartered Accountants, have issued an accountants' report on the balance sheet of the Issuer in this Offering Circular as at 23 September 2004. The financial year end of the Issuer is 31 December. The first audited accounts of the Issuer will be prepared for the period ended 31 December 2004.
- 5 The Issuer is not nor has it been involved in any legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
- 6 The A1 Note Conditional Purchaser is not, nor has it been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the A1 Note Conditional Purchaser is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of the A1 Note Conditional Purchaser.
- 7 In relation to this transaction, the Issuer on 10 September 2004 has entered into the Purchase Agreement referred to under "**Purchase and Sale**" above which is or may be material.
- 8 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in these listing particulars of its accountants' report and references to its name in the form and context in which they are included, and has authorised the contents of those parts of the listing particulars which comprise its report and the said references for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (as amended).
- 9 Since 7 April 2004 (being the date of incorporation of the Issuer), there has been (a) no significant change in the financial or trading position of the Issuer and (b) no material adverse change in the financial position or prospects of the Issuer.
- 10 Copies of the following documents may be inspected during usual business hours at the offices of Allen & Overy LLP, One New Change, London EC4M 9QQ for 14 days from the date of this Offering Circular:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the balance sheet of the Issuer as at 23 September 2004 and PricewaterhouseCoopers' report thereon;
  - (c) the consents referred to in paragraphs 7 and 8 above;
  - (d) the contract listed in paragraph 7 above;
  - (e) drafts (subject to modification) of the following documents:
    - (i) the Paying Agency Agreement;
    - (ii) the Trust Deed;
    - (iii) the Deed of Charge;

- (iv) the Mortgage Sale Agreement;
- (v) the Administration Agreement;
- (vi) the Guaranteed Investment Contract;
- (vii) the Bank Agreement;
- (viii) the Liquidity Facility Agreement;
- (ix) the Master Definitions Schedule;
- (x) the Declaration of Trust and the Deed of Accession to the Declaration of Trust;
- (xi) Interest Rate Cap Agreement;
- (xii) the Depository Agreement;
- (xiii) the Exchange Rate Agency Agreement;
- (xiv) the A1 USD Note Currency Swap Agreement;
- (xv) the A2c Euro Note Currency Swap Agreement;
- (xvi) the Post Enforcement Call Option;
- (xvii) the Corporate Services Agreement;
- (xviii) the A1 Note Conditional Purchase Agreement; and
- (xix) the Remarketing Agreement.

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