STERLINGMAX I MBS LTD.

(*incorporated with limited liability in the Cayman Islands)*.
£64,450,000 Class A-1 Floating Rate Senior Secured Notes due 2102
£52,550,000 Class A-2 Floating Rate Senior Secured Notes due 2102
£9,750,000 Class B Floating Rate Second Priority Senior Secured Notes due 2102
£4,500,000 Class C Floating Rate Third Priority Secured Notes due 2102
£5,750,000 Class D Floating Rate Fourth Priority Secured Notes due 2102
£11,450,000 Class E-1 Subordinated Secured Notes due 2102
£1,550,000 Class E-2 Subordinated Secured Notes due 2102
£17,000,000 Class F-1 Combination Notes due 2102*
£7,000,000 Class F-2 Combination Notes due 2102**
£6,000,000 Class F-3 Combination Notes due 2102***

Secured by a Portfolio comprised principally of Residential Mortgage Backed Securities and Commercial Mortgage Backed Securities (each as defined below)

*Each Class F-1 Combination Note consists of four components: a Class B Component, a Class C Component, a Class D Component and a Class E-1 Component.

**Each Class F-2 Combination Note consists of two components: a Class D Component and a Class E-1 Component.

***Each Class F-3 Combination Note consists of two components: a Class B Component and a Class E-2 Component.

Each of the Class B Component of the Class F-1 Combination Notes and of the Class F-3 Combination Notes, the Class C Component, the Class D Component, the Class E-1 Component of the Class F-1 Combination Notes and of the Class F-2 Combination Notes and the Class E-2 Component of the Class F-3 Combination Notes, are each referred to as a "**Component**" and together the "**Components**". Each Class E-1 Component and Class E-2 Component, from and including the day immediately following the Additional Payment Date, shall be referred to thereafter as the "**Class E Component**".

STERLINGMAX I MBS LTD, a limited liability company incorporated under the laws of the Cayman Islands on 12th November, 2002 (the "**Issuer**") will issue £64,450,000 Class A-1 Floating Rate Senior Secured Notes due 2102 (the "**Class A-1 Notes**"), £52,550,000 Class A-2 Floating Rate Senior Secured Notes due 2102 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, the "**Class A Notes**"), £9,750,000 Class B Floating Rate Second Priority Senior Secured Notes due 2102 (the "**Class B Notes**" and, together with the Class A Notes, the "**Senior Notes**"), £4,500,000 Class C Floating Rate Third Priority Secured Notes due 2102 (the "**Class C Notes**"), £5,750,000 Class D Floating Rate Fourth Priority Secured Notes due 2102 (the "**Class D Notes**") and together with the Class C Notes, the "**Mezzanine Notes**"), £11,450,000 Class E-1 Subordinated Secured Notes due 2102 (the "**Class E-1 Notes**"), £1,550,000 Class E-2 Subordinated Secured Notes due 2102 (the "**Class E-2 Notes**" and, together with the Class E-1 Notes, the "**Class E Notes**" or the "**Junior Notes**"), £17,000,000 Class F-1 Combination Notes due 2102 (the "**Class F-1 Combination Notes**"), £7,000,000 Class F-2 Combination Notes due 2102 (the "**Class F-2 Combination Notes**") and £6,000,000 Class F-3 Combination Notes due 2102 (the "**Class F-3 Combination Notes**" and together with the Class F-2 Combination Notes and the Class F-1 Combination Notes, the "**Combination Notes**" and, together with the Senior Notes, the Mezzanine Notes and the Junior Notes, the "**Notes**"). Unless otherwise provided, each of the Class A-1 Notes, Class A-2 Notes, Class

B Notes, Class C Notes, Class D Notes and Class E Notes are separately referred to herein as a "**Class**" (which term shall include the Combination Notes to the extent that the Combination Notes include Components of such Classes of Notes). The Combination Notes shall be deemed a Class in relation to the issuance and transfer of the Combination Notes only. The Class A-1 Notes will be issued to the extent required for the purchase or acquisition of a proposed Collateral Debt Security or for the subsequent sale of the Class A-1 Notes, during the period from and including the Closing Date, to and including the earlier of (i) the Ramp-Up Effective Date and (ii) the day falling 40 days prior to the first Payment Date (such period the "**Class A-1 Drawdown Period**"). Notwithstanding the foregoing, the Class A-1 Noteholder shall fully fund any remaining unfunded commitment under the Class A-1 Commitment on the last day of the Class A-1 Drawdown Period. Immediately following the expiry of the Class A-1 Drawdown Period, each issuance of Class A-1 Notes shall be consolidated and form a single Class of Class A-1 Notes with any Class A-1 Notes then Outstanding. Immediately following the Additional Payment Date (as defined in Condition 5(k)), the Class E-1 Notes and the Class E-2 Notes shall be consolidated and form a single Class of Class E Notes, and thereafter any references in this Offering Memorandum to the Class E-1 Notes and the Class E-2 Notes shall be deemed to apply to the Class E Notes. The Notes will be issued and secured pursuant to a trust deed dated as of 20th November, 2003 (the "**Trust Deed**") between, *inter alia*, the Issuer and J.P. Morgan Corporate Trustee Services Limited in its capacity as trustee (the "**Trustee**" which expression shall include all persons for the time being the trustee or the trustees under the Trust Deed) for the Noteholders. Hypo Real Estate Bank AG (formerly known as Westfaelische Hypothekenbank AG) (the "**Collateral Adviser**") is responsible for advising the Issuer as to the selection, acquisition, sale or liquidation of the Collateral Debt Securities. (See "Description of the Collateral Adviser"). CIBC World Markets plc (the "**Collateral Manager**") shall also be responsible for providing certain services to the Issuer in respect of the Collateral Debt Securities forming part of the Mortgaged Property (as defined herein) securing the Notes.

ISSUE PRICE OF THE CLASS A-1 NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS A-2 NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS B NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS C NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS D NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS E-1 NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS E-2 NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS F-1 COMBINATION NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS F-2 COMBINATION NOTES: 100 per cent.
ISSUE PRICE OF THE CLASS F-3 COMBINATION NOTES: 100 per cent

It is a condition of the issuance of the Notes that the Notes of each Class (other than any Class A-1 Notes which may be issued from time to time during the Class A-1 Drawdown Period) be issued concurrently. It is a condition of the issue and sale of the Notes that the Class A-1 Notes receive a rating of "AAA" by Fitch Ratings Limited (or any successor to its ratings business) ("**Fitch**"), a rating of "AAA" by Standard and Poor's Ratings Service, a division of the McGraw Hill Companies Inc. (or any successor to its ratings business) ("**S&P**") and a private rating by Moody's Investors Service, Inc. (or any successor to its ratings business) ("**Moody's**" and together with Fitch and S&P, the "**Rating Agencies**" and each a "**Rating Agency**"), the Class A-2 Notes receive a rating of "AAA" by Fitch and S&P, the Class B Notes receive a rating of "AA" by Fitch and S&P and the Class C Notes receive a rating of "A" by S&P, and the Class D Notes receive a rating of "BBB" by S&P. The Class E Notes being offered hereby will not be rated. The ratings on the Class A Notes address the timely payment of interest due and payable and the ultimate repayment of principal thereon. The S&P Rating of the Class B Notes addresses the timely payment of interest when due and payable and the ultimate repayment of principal thereon and the Fitch Rating on the Class B Notes addresses the ultimate repayment of principal and interest thereon. The S&P Rating of the Class C Notes addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the

S&P Rating on the Class D Notes addresses the ultimate payment of principal and interest thereon. 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 Fitch and /or S&P and/or Moody's.

THE NOTES ARE LIMITED RECOURSE DEBT OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE MORTGAGED PROPERTY OF THE ISSUER WHICH SECURES THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE ARRANGER, THE COLLATERAL MANAGER, THE LIQUIDITY LENDER, THE COLLATERAL ADVISER, THE COLLATERAL ADMINISTRATOR, ANY INVESTOR IN THE NOTES OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), UNDER ANY STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR APPLICABLE STATE LAWS.

The Index of Defined Terms at the end of this Offering Memorandum dated 20th November, 2003 in respect of the Notes (the "**Offering Memorandum**") contains references to the pages in this Offering Memorandum where definitions are found.

See "Risk Factors" beginning on page 31 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to list the Notes on the Luxembourg Stock Exchange. No application will be made to list the Notes on any other stock exchange. The Notes (other than any Class A-1 Notes which may be issued from time to time during the Class A-1 Drawdown Period) will be issued on 20th November, 2003 (the "**Closing Date**"). The Class A-1 Notes in aggregate principal amount of £64,450,000, the Class E-2 Notes in aggregate principal amount of £1,050,000 and the Class F-1 Combination Notes in aggregate principal amount of £12,000,000 will be sold and the remaining Notes will be exchanged for the Exchangeable Notes on the Closing Date pursuant to a notes purchase agreement between the Issuer, CIBC World Markets plc (the "**Arranger**") and the parties named therein (the "**Notes Purchase Agreement**") provided however, that Class A-1 Notes will be issued to the extent required as described in the Notes Purchase Agreement, at any time and from time to time during the Class A-1 Drawdown Period and the Class A-1 Notes shall be fully funded on the last day of the Class A-1 Drawdown Period. (See "Subscription and Sale"). It is expected that the Notes will be delivered on or about the Closing Date through the facilities of Euroclear and Clearstream, Luxembourg.

CIBC WORLD MARKETS PLC

Dated 20th November, 2003

Interest on the Notes will be payable semi-annually in arrear on the 20th day in May and November in each year (each, a "**Payment Date**"), commencing 20th May, 2004, or, if such day is not a Business Day, (as defined in the terms and conditions of the Notes (the "**Conditions**"), on the next following Business Day. The Class A-1 Notes will bear interest on their Principal Amount Outstanding on the first day of each Interest Period at the London Interbank Offered Rate for six month Sterling deposits, as at 11 a.m. London time on such day and which appears on a display designated Telerate 3750 ("**LIBOR**") plus 0.47 per cent. per annum, increasing to LIBOR plus 0.90 per cent. per annum after 20th November, 2015 (the "**Expected Maturity Date**"); provided however, that each issuance of Class A-1 Notes during the Class A-1 Drawdown Period will bear interest from and including the date of issuance to the first Payment Date at the rate determined by linear interpolation between two quoted LIBOR rates selected by the Calculation Agent plus 0.47 per cent. per annum. The Class A-2 Notes will bear interest on their Principal Amount Outstanding on the first day of each Interest Period at LIBOR plus 0.50 per cent. per annum, increasing to LIBOR plus 1.00 per cent. per annum after the Expected Maturity Date. The Class B Notes will bear interest on their Principal Amount Outstanding on the first day of each Interest Period at LIBOR plus 0.75 per cent. per annum, increasing to LIBOR plus 1.50 per cent. per annum after the Expected Maturity Date. The Class C Notes will bear interest on their Principal Amount Outstanding on the first day of each Interest Period at LIBOR plus 1.00 per cent. per annum, increasing to LIBOR plus 1.75 per cent. per annum after the Expected Maturity Date. The Class D Notes will bear interest on their Principal Amount Outstanding on the first day of each Interest Period at LIBOR plus 1.70 per cent. per annum, increasing to LIBOR plus 2.50 per cent. per annum after the Expected Maturity Date. If any interest due and payable on the Class A-1 Notes, Class A-2 Notes or Class B Notes is not punctually paid or duly provided for when due on the applicable Payment Date, any such failure to pay will give rise to an Event of Default, provided however, that at the direction of all of the holders of the Notes of the Defaulted Class, an amount of interest equal to any shortfall in payment of the Interest Amount due and payable in respect of the Class A-2 Notes and Class B Notes only, may be deferred and capitalised as described in Condition 5(d)(i) and an Event of Default shall be deemed not to have occurred. Interest on the Mezzanine Notes will only be payable to the extent of funds available therefor and any amount unpaid will be added to the Principal Amount Outstanding thereof. All payments of interest on the Class A-2 Notes on each Payment Date are subordinated to the payment in full of all payments of interest on the Class A-1 Notes on such Payment Date, all payments of interest on the Class B Notes on each Payment Date are subordinated to the payment in full of all payments of interest on the Class A Notes on such Payment Date (including any Class A-2 Defaulted Interest or Class A-2 Deferred Interest), all payments of interest on the Class C Notes on each Payment Date are subordinated to the payment in full of all payments of interest on the Class A Notes and the Class B Notes on such Payment Date (including any Defaulted Interest or Deferred Interest), all payments of interest on the Class D Notes on each Payment Date are subordinated to the payment in full of all payments of interest on the Class A Notes, the Class B Notes and the Class C Notes on such Payment Date (including any Defaulted Interest or Deferred Interest). The Class E Notes will not bear a stated rate of interest, but the holders thereof will instead be entitled on each Payment Date to receive any Interest Proceeds remaining after all other applications thereof in accordance with the relevant Interest Priority of Payments. Payments of interest on the Class E Notes are subordinated to the payment on each Payment Date of all payments of interest due and payable on the Senior and Mezzanine Notes (including any Defaulted Interest or Deferred Interest) and all other amounts payable in priority thereto as specified in the relevant Interest Priority of Payments. The Combination Notes are subordinated to the extent of their respective Components. If, while any Senior or Mezzanine Notes are outstanding, the Overcollateralisation Ratio Test is not satisfied on the Determination Date relating to a Payment Date, all funds that would otherwise be available for distribution to the Class E Noteholders on that Payment Date will be used instead to repay principal of the Senior Notes and then Mezzanine Notes in direct order of seniority, to the extent set forth in the Priorities of Payments. The principal and interest (including all Defaulted Interest or Deferred Interest) of each Class of Notes is required to be paid in full by the Stated Maturity Date, unless redeemed or repaid prior thereto. Each Class of Notes will rank *pari passu* amongst themselves with respect to payments of principal and interest. The Notes are subject to redemption under the circumstances described herein under "Conditions of the Notes – Redemption and Purchase".

Interest on the Combination Notes will be payable on the terms applicable to the Classes of Notes to which the Components of the Combination Notes correspond, and any interest payable on the Combination Notes is in respect of, and not in addition to, amounts payable on the Components (if any).

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the offering of the Notes described herein (the "**Offering**"). Except as set forth below, the Issuer accepts responsibility for the information contained in this Offering Memorandum and the correct extraction of such information and confirms that the information contained in this Offering Memorandum is factually accurate and does not omit anything likely to affect the import of such information. The information herein relating to the Collateral Adviser accurately reflects information provided by the Collateral Adviser. (See "Description of the Collateral Adviser"). So far as the Issuer is aware and/or able to ascertain from information provided by the Collateral Adviser, no facts have been omitted which would render the information herein relating to the Collateral Adviser misleading. None of the Arranger and its Affiliates makes any representation or warranty as to, or assumes any responsibility for, the accuracy or completeness of the information contained herein. None of the Arranger and its Affiliates has independently verified any such information or assumes any responsibility for its accuracy or completeness. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation as to future results or events. None of the Trustee, the Collateral Administrator, the Collateral Manager, or the Arranger assumes any responsibility for the contents of this Offering Memorandum.

None of the Collateral Manager, the Arranger, the Collateral Adviser, the Trustee or the Collateral Administrator assumes any responsibility for the performance of any obligations of the Issuer or any other persons described in this Offering Memorandum or for the due execution, validity or enforceability of the Notes or any instruments or documents delivered in connection with the Notes or for the value or validity of any collateral or security interests pledged in connection therewith. The Collateral Manager accepts no responsibility in respect of any projections, forecasts and estimates contained in the Transaction-Specific Cash Flow Model.

This Offering Memorandum contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. The Offering Memorandum shall be read in conjunction with the documents referenced herein. Requests and inquiries regarding this Offering Memorandum or such documents should be directed to the Issuer, care of J.P. Morgan Bank Luxembourg S.A., 5 rue Plaetis, L-2338 Luxembourg, Attention: Listing Department. Application has been made to list the Notes on the Luxembourg Stock Exchange.

See "Risk Factors" beginning on page 31 for a discussion of certain factors to be considered in connection with an investment in the Notes.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation may be made, directly or indirectly, to the public in the Cayman Islands to subscribe for the Notes unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange.

NOTICE TO RESIDENTS OF THE FEDERAL REPUBLIC OF GERMANY

The Notes may only be offered, sold, distributed or promoted in Germany in accordance with the German (*Wertpapier-Verkaufsprospektgesetz*) (Securities Sales Prospectus Act). No prospectus has been filed with the German Federal Securities Trading Supervisory Authority or published in Germany. Consequently, the Notes are only offered on a private placement basis to investors who buy and sell securities as their profession or commerce for their own account.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The Notes have not been offered and sold and may not be offered or sold prior to the expiry of the period of six months from the Closing Date to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their business or otherwise in circumstances that 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).

NO PERSON IS AUTHORISED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE COLLATERAL ADVISER OR THE ARRANGER. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, (A) ANY SECURITIES OTHER THAN THE NOTES OR (B) ANY NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. THE DISTRIBUTION OF THIS OFFERING MEMORANDUM AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS OFFERING MEMORANDUM COMES ARE REQUIRED BY THE ISSUER AND THE ARRANGER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. SEE "SUBSCRIPTION AND SALE". NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS GIVEN HEREIN.

THIS OFFERING MEMORANDUM IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE COLLATERAL ADVISER, THE ARRANGER OR ANY OF THEIR RESPECTIVE AFFILIATES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

NONE OF THE ISSUER, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE COLLATERAL ADVISER OR THE ARRANGER MAKES ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS OR THE PROPER CLASSIFICATION OF SUCH AN INVESTMENT THEREUNDER.

THE CONTENTS OF THIS OFFERING MEMORANDUM ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISER AND TAX ADVISER AS TO LEGAL, BUSINESS AND TAX ADVICE.

In this Offering Memorandum, references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom and references to "**Euro**", "**Euros**", "**EUR**" and "**€**" are to the 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 and the Treaty of Amsterdam.

TABLE OF CONTENTS

SUMMARY OF TERMS

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. Potential investors should read the entire Offering Memorandum carefully, especially the risks of investing in the Notes discussed under "Risk Factors". An index of defined terms, indicating the pages where terms are defined, appears at the back of this Offering Memorandum.

Securities Offered: £64,450,000 Class A-1 Floating Rate Senior Secured Notes due 2102 (the "**Class A-1 Notes**"), £52,550,000 Class A-2 Floating Rate Senior Secured Notes due 2102 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, the "**Class A Notes**"), £9,750,000 Class B Floating Rate Second Priority Senior Secured Notes due 2102 (the "**Class B Notes**" and, together with the Class A Notes, the "**Senior Notes**"), £4,500,000 Class C Floating Rate Third Priority Secured Notes due 2102 (the "**Class C Notes**"), £5,750,000 Class D Floating Rate Fourth Priority Secured Notes due 2102 (the "**Class D Notes**" and together with the Class C Notes, the "**Mezzanine Notes**"), £11,450,000 Class E-1 Subordinated Secured Notes due 2102 (the "**Class E-1 Notes**"), £1,550,000 Class E-2 Subordinated Secured Notes due 2102 (the "**Class E-2 Notes**" and, together with the Class E-1 Notes, the "**Class E Notes**" or the "**Junior Notes**"), £17,000,000 Class F-1 Combination Notes due 2102 (the "**Class F-1 Combination Notes**"), £7,000,000 Class F-2 Combination Notes due 2102 (the "**Class F-2 Combination Notes**") and £6,000,000 Class F-3 Combination Notes due 2102 (the "**Class F-3 Combination Notes**", and, together with the Class F-1 Combination Notes and the Class F-2 Combination Notes, the "**Combination Notes**" and, together with the Senior Notes, the Mezzanine Notes and the Junior Notes, the "**Notes**").

Combination Notes: The Class F-1 Combination Notes will be composed of four components: a Class B Component, a Class C Component, a Class D Component and a Class E-1 Component; the Class F-2 Combination Notes will be composed of two components: a Class D Component and a Class E-1 Component; and the Class F-3 Combination Notes will be composed of two components: a Class B Component and a Class E-2 Component, each a "**Component**" and together the "**Components**".

The £17,000,000 aggregate principal amount of the Class F-1 Combination Notes will be comprised of: £2,300,000 aggregate principal amount of Class B Notes, £4,500,000 aggregate principal amount of Class C Notes, £5,200,000 aggregate principal amount of Class D Notes and £5,000,000 aggregate principal amount of Class E-1 Notes.

The £7,000,000 aggregate principal amount of the Class F-2 Combination Notes will be composed of: £550,000 aggregate principal amount of Class D Notes and £6,450,000 aggregate principal amount of Class E-1 Notes.

The £6,000,000 aggregate principal amount of the Class F-3 Combination Notes will be composed of £5,500,000 aggregate principal amount of Class B Notes and £500,000 aggregate principal amount of Class E-2 Notes.

The principal amount outstanding of each of the Components comprising each of the Combination Notes is included in (and is not in addition to) the respective Principal Amount Outstanding of the relevant Class of Notes to which such Components relate.

Save to the extent related to the issuance or transfer of the Combination Notes and except as otherwise provided in the Conditions, the Conditions applicable to the Combination Notes, including the terms on which amounts are due and payable in respect thereof and the rights of any holders thereof, are the same as the terms and conditions applicable to the Components of the Combination Notes to the extent of the principal amount of the Components thereof. The interest payable on the Combination Notes is in respect of, and is not in addition to, amounts payable on the Components (if any).

The respective Components of the Class F-1 Combination Notes, the Class F-2 Combination Notes and the Class F-3 Combination Notes are not separately transferable and none of the Class F-1 Combination Notes, the Class F-2 Combination Notes or the Class F-3 Combination Notes constitutes a separate Class of Notes except in relation to the issuance and transfer of the Combination Notes.

A holder may exchange its interests in the Combination Notes for proportional interests in the Classes of Notes represented by the applicable Components, subject to the Minimum Denomination requirements, as described in Condition 1(d).

A holder of Notes which constitute the Components of the Combination Notes (including a holder that received such Notes upon exchange of the Combination Notes for the relevant underlying Classes of Notes) will not have the right to exchange such Notes for Combination Notes.

For the purposes of these Conditions and the Trust Deed, each Component of a Combination Note shall be deemed to be issued and outstanding whilst comprised in such Combination Note but without any double counting of the principal amount Outstanding of the relevant Combination Note in determining the Principal Amount Outstanding of the related Class.

The Issuer: The Issuer is a public limited liability company, incorporated under the laws of the Cayman Islands on 12th November, 2002. The authorised share capital of the Issuer is £30,000 (consisting of 30,000 ordinary shares, par value £1 per share) £650 of which have been issued (the "**Ordinary Shares**") and are being held by, or on behalf of, Maples Finance Limited under the terms of a declaration of trust under which they hold the Ordinary Shares on trust for general charitable purposes.

The Issuer has been incorporated for the sole purpose of issuing the Notes and entering into the Trust Deed, the Collateral Management and Advice Agreement, the Issuer Liquidity Agreement, the Agency Agreement, the Euroclear Pledge Agreement, the Master Collateral Acquisition Agreement, the Master Interpretation and Construction Schedule, and the Collateral Administration Agreement (collectively, the "**Transaction Documents**") and entering into the other transactions and agreements described in this Offering Memorandum and the other transactions and agreements related to the Exchangeable Notes.

The Issuer will not have any material assets other than the Collateral Debt Securities, Eligible Investments and rights under the Transaction Documents and certain other agreements entered into by the Issuer as described herein and all proceeds of any of the foregoing.

Trust Deed: The Notes will be issued and secured pursuant to a trust deed (the "**Trust Deed**") dated as of 20th November, 2003 between, *inter alios*, the Issuer and J.P. Morgan Corporate Trustee Services Limited as trustee (the "**Trustee**").

Status of Notes: The Notes of each Class constitute direct, general, secured, unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 3(c) and, within each Class, shall at all times rank *pari passu* and without any preference amongst themselves. The Issuer's obligations are secured pursuant to the Trust Deed solely by various charges and assignments by way of security over the Mortgaged Property by the Issuer to the Trustee pursuant to the Trust Deed for the benefit of the holders from time to time of the Notes and the Collateral Manager, the Collateral Adviser, the Trustee for itself, the Administrator, the Collateral Administrator, the Arranger, the Liquidity Lender and the Agents (collectively, the "**Secured Parties**").

The Components of the Combination Notes are not separately transferable. The Combination Notes constitute direct, general, secured, unconditional obligations of the Issuer, to the extent of each of their Components, and recourse in respect of the Issuer is limited in the manner described in Condition 3(c). The Combination Notes are secured to the extent their Components are secured. (See - "Conditions of the Notes - Security").

Payments (of interest or principal) on each Payment Date on the Class A-1 Notes will rank senior in right of payment (of interest or principal, as the case may be) to each other Class of Notes. Payments (of interest or principal) on each Payment Date on the Class A-2 Notes will be subordinated in right of payment (of interest or principal, as the case may be) to the Class A-1 Notes, but senior in right of payment (of interest or principal, as the case may be) to the Class B Notes, Class C Notes, Class D Notes and the Class E Notes. Payments (of interest or principal) on each Payment Date on the Class B Notes will be subordinated in right of payment (of interest or principal, as the case may be) to the Class A Notes, but senior in right of payment (of interest or principal, as the case may be) to the Class C Notes, Class D Notes and the Class E Notes. Payments (of interest or principal) on each Payment Date on the Class C Notes will be subordinated in right of payment (of interest or principal, as the case may be) to the Class A Notes and the Class B Notes, but senior in right of payment (of interest or principal, as the case may be) to the Class D Notes and Class E Notes. Payments (of interest or principal) on each Payment Date on the Class D Notes will be subordinated in right of payment (of interest or principal, as the case may be) to the Class A Notes, the Class B Notes and the Class C Notes, but senior in right of payment (of interest or principal, as the case may be) to the Class E Notes. Payments (of interest or principal) on each Payment Date on the Class E Notes will be subordinated in right of payment (of interest or principal, as the case may be) to all of the other Classes of Notes. The Combination Notes are subordinated in right of payment to the extent of the subordination of their respective Components.

If distributions on the Mortgaged Property are insufficient to make payments on the Senior Notes and Mezzanine Notes in accordance with the Priorities of Payments, no other assets will be available for payment to the holders of Senior and Mezzanine Notes (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

The Class E Notes will be subordinated, non-recourse debt obligations of the Issuer, secured pursuant to the Trust Deed solely by a pledge of the Mortgaged Property by the Issuer to the Trustee for the benefit of the Secured Parties. The Class E Notes will be subordinate in right of payment on each Payment Date to the Senior and Mezzanine Notes and to the other prior applications set forth in the Priority of Payments. Holders of the Class E Notes will be entitled to receive all cash flows, if any, remaining after all other applications specified in the Interest Priority of Payments and Principal Priority of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment"). If distributions on the Mortgaged Property are insufficient to make payments on the Class E Notes in accordance with the Priorities of Payments, no other assets will be available for payment to the holders of Class E Notes.

Payment Dates: The 20th day of May and November in each year (or, if not a Business Day, on the next succeeding Business Day), commencing 20th May, 2004 (each, a "**Payment Date**"). The final Payment Date will be the Final Redemption Date or, if earlier, the Redemption Date. On 4th December, 2003 (the "**Additional Payment Date**") there will be a one-off additional payment in respect of the Class A-2 Notes and the Class E-1 Notes (the "**Additional Payments**") as described in Condition 5(k).

Collateral Manager and Collateral Adviser:

There will be a Collateral Management and Advice Agreement (the "**Collateral Management and Advice Agreement**") between, *inter alios*, the Issuer, CIBC World Markets plc (the "**Collateral Manager**") and Hypo Real Estate Bank AG (the "**Collateral Adviser**") to be entered into on the Closing Date. Pursuant to the Collateral Management and Advice Agreement, the Collateral Manager will be responsible for verifying the Collateral Debt Securities and the Eligible Investments, including executing the purchase and sale of Collateral Debt Securities and Eligible Investments solely in accordance with the advice rendered to the Issuer in respect thereof by the Collateral Adviser, subject to compliance with the applicable provisions of the Collateral Management and Advice Agreement. Pursuant to the Collateral Management and Advice Agreement, the Collateral Adviser will make proposals and render advice to the Issuer (copied to the Collateral Manager) as to the selection, acquisition, sale or liquidation of the Collateral Debt Securities and Eligible Investments and the exercise of rights and remedies associated therewith. On each Payment Date, the Collateral Manager will be entitled to receive a fee (inclusive of value added tax or other similar tax) (the "**Collateral Management Fee**") equal to a fraction, the numerator of which is the actual number of days in such Due Period and the denominator of which is 365 multiplied by the greater of (a) £100,000 and (b) 0.0667 per cent. of the Aggregate Principal Amount Outstanding on the first day of the Due Period to which such Payment Date relates, payable by the Issuer in accordance with the Priorities of Payments. On each Payment Date, the Collateral Adviser will be entitled to receive a fee (inclusive of value added tax or other similar tax) equal to a fraction, the numerator of which is the actual number of days in such Due Period and the denominator of which is 365 multiplied by the greater of (a) £130,000 , and (b) 0.0867 per cent. of the Aggregate Principal Amount Outstanding on the first day of the Due Period to which such Payment Date relates, payable by the Issuer in accordance with the Priorities of Payments (the "**Collateral Adviser Fee**"). (See "The Collateral Adviser, the Collateral Manager and the Collateral Management and Advice Agreement").

Collateral Administration Agreement:

Pursuant to the terms of a collateral administration agreement (the "**Collateral Administration Agreement**"), the Issuer will retain JPMorgan Chase Bank, acting through its London Branch (in such capacity, the "**Collateral Administrator**"), amongst other things, to (a) monitor the Portfolio Database and the Mortgaged Property which is capable of being monitored on an ongoing basis and the collection of amounts received, (b) determine the amounts payable under the Trust Deed to the holders of each Class of Notes in accordance with the Interest Priority of Payments, the Principal Priority of Payments and the

Enforcement Priority of Payments (together, the "**Priorities of Payments**"), (c) provide to the Issuer certain reports, schedules and other data (including but not limited to the Monthly Reports) which the Collateral Administrator is required to prepare and deliver under Clause 3 of the Collateral Management and Advice Agreement in the form and containing all information required thereunder and in reasonable time for the Issuer to review such reports, schedules and other data and to deliver them to the party or parties entitled to receive them thereunder on a timely basis, (d) perform certain other functions with respect to the Collateral Debt Securities as required pursuant to the Conditions, the Trust Deed or the other Transaction Documents and (e) monitor the levels of compliance in respect of the Portfolio Criteria.

Use of Proceeds; Collateral Debt Securities:

The net proceeds received by the Issuer from the issuance and sale of the Notes issued on the Closing Date and not exchanged for the Exchangeable Notes, are expected to be approximately £39,550,000. The following amounts shall all be deducted from the issuance and sale of proceeds of the Notes (i) certain fees and expenses payable by the Issuer on the Closing Date (including the structuring eee payable the Arranger under the Notes Purchase Agreement and the first payment of the Collateral Adviser Fee), (ii) payments due in connection with the Warehousing Arrangements (including amounts owing under the Revolving Credit Facility which are expected to amount to approximately £31,900,000) and (iii) the initial deposit into the Expense Account of £870,000, (which will cover certain of the expenses of the issuance and sale of the Notes including legal fees and rating agency fees). The net proceeds after such deductions will be used by the Issuer to purchase Collateral Debt Securities during the period commencing on and including the Closing Date to but excluding the Payment Date falling in November, 2010 (the "**Reinvestment Period**"). To the extent that there are funds remaining after application of such amounts above, such remaining funds will be deposited into an account established at the Account Bank and maintained by the Collateral Administrator on behalf of the Issuer under the Collateral Management and Advice Agreement and the Agency Agreement, (the "**Unused Proceeds Account**") on the Closing Date for purchase of additional Collateral Debt Securities and Eligible Investments during the Reinvestment Period.

Interests in RMBS and CMBS may also be acquired by the Issuer indirectly by way of Synthetic Securities in the form of Sterling-denominated notes issued by either a mortgage bank or a special purpose vehicle, the repayment of which is linked to the performance of a pool of mortgages that could otherwise be collateral for CMBS or RMBS, none of which are physically transferred to, held by or owned by the issuer of the relevant security. The Issuer may also, subject to certain conditions, acquire Non-Conforming Securities in the form of securities denominated in Sterling and issued by either a mortgage bank or special purpose vehicle, the repayment of which is linked, whether synthetically or not, to the performance of a pool of residential mortgages to borrowers who may not satisfy the typical requirements of banks, building societies or high street lenders.

RMBS, CMBS, Synthetic Securities and Non-Conforming Securities are collectively referred to herein as "**Collateral Debt Securities**". (See "Use of Proceeds" and "Description of the Portfolio and Other Mortgaged Property"). The Issuer will confirm its purchase from various vendors of the Collateral Debt Securities and Eligible Investments (if any) (the "**Portfolio**") pursuant to the master collateral acquisition agreement, (the "**Master Collateral Acquisition Agreement)**" dated 20th November, 2003 entered into between the Issuer, as purchaser, and Canadian Imperial Bank of Commerce, London Branch (the "**Collateral Vendor**") as vendor. All of the Issuer's rights, whether present or future, under the Master Collateral Acquisition Agreement will be assigned by way of first fixed security to the Trustee, for the benefit and security of the Secured Parties in accordance with the terms of the Trust Deed.

Warehousing Period:

On 12th December, 2002 (the "**Warehousing Period Closing Date**") the Issuer entered into Warehousing Arrangements relating to the intended acquisition of certain securities which, with effect from the Closing Date, would constitute Collateral Debt Securities and form the initial Portfolio, during the period from and including the Warehousing Period Closing Date up to, but excluding, the Closing Date, (such period, the "**Warehousing Period**"). As part of the Warehousing Arrangements, on the Warehousing Period Closing Date, the Issuer issued £5,000,000 Class D-1 Subordinated Secured Exchangeable Notes due 2003 (the "**Class D-1 Exchangeable Notes**") and €10,900,000 Class D-2 Subordinated Secured Exchangeable Notes due 2003 (the "**Class D-2 Exchangeable Notes**") and on 6th January, 2003 the Issuer issued £40,000,000 Class A-1 Floating Rate Senior Secured Exchangeable Notes due 2003 (the "**Initial Class A-1 Exchangeable Notes**") and on 25th April, 2003 the Issuer issued £20,000,000 additional Class A-1 Floating Rate Senior Secured Exchangeable Notes due 2003 (the "**Additional Class A-1 Exchangeable Notes**" and together with the Initial Class A-1 Exchangeable Notes, the "**Class A-1 Exchangeable Notes**" which, together with the Class D-1 Exchangeable Notes and the Class D-2 Exchangeable Notes, are referred to as the "**Exchangeable Notes**"). Canadian Imperial Bank of Commerce, London Branch and the Issuer have entered into a revolving credit facility agreement (the "**Revolving Credit Facility Agreement**") dated 12th December, 2002 whereby Canadian Imperial Bank of Commerce, London Branch agreed to lend to the Issuer the funds with which to purchase Collateral Debt Securities during the Warehousing Period (the "**Revolving Credit Facility**").

Interest Payments on the

The Class A-1 Notes will bear interest at a rate per annum equal

Senior Notes:

to LIBOR (determined as described herein) plus 0.47 per cent. per annum, increasing to LIBOR plus 0.90 per cent. per annum after the Expected Maturity Date (the "**Class A-1 Floating Rate of Interest**") save that the rate applicable to any issuance of Class A-1 Notes during the Class A-1 Drawdown Period shall be determined by a linear interpolation between two quoted LIBOR rates selected by the Calculation Agent plus 0.47 per cent. per annum. If any interest due and payable in respect of the Class A-1 Notes is not punctually paid or duly provided for when due on the applicable Payment Date, an Event of Default shall occur.

The Class A-2 Notes will bear interest at a rate per annum equal to LIBOR plus 0.50 per cent. per annum, increasing to LIBOR plus 1.00 per cent. per annum after the Expected Maturity Date (the "**Class A-2 Floating Rate of Interest**"). If any interest due and payable in respect of the Class A-2 Notes is not punctually paid or duly provided for when due on the applicable Payment Date, an Event of Default shall occur, provided however, that if all of the holders of the Notes of the Defaulted Class, direct the Trustee to annul the notice of Acceleration given, an amount of interest equal to the relevant shortfall in payment of the Interest Amount due and payable on the Class A-2 Notes not paid on the relevant Payment Date, shall be deferred and capitalised in accordance with Condition 5(d)(i) and an Event of Default shall be deemed not to have occurred. Interest on the Class A-2 Defaulted Interest will accrue at the Class A-2 Floating Rate of Interest until paid.

The Class B Notes will bear interest at a rate per annum equal to LIBOR plus 0.75 per cent. per annum, increasing to LIBOR plus 1.50 per cent. per annum after the Expected Maturity Date (the "**Class B Floating Rate of Interest**"). If any interest due and payable in respect of the Class B Notes is not punctually paid or duly provided for when due on the applicable Payment Date, an Event of Default shall occur, provided however, that if all of the holders of the Notes of the Defaulted Class direct the Trustee to annul the notice of Acceleration given, an amount of interest equal to the relevant shortfall in payment of the Interest Amount due and payable on the Class B Notes not paid on the relevant Payment Date shall be deferred and capitalised in accordance with Condition 5(d)(i) and an Event of Default shall be deemed not to have occurred. Interest on the Class B Defaulted Interest will accrue at the Class B Floating Rate of Interest until paid.

Interest on each Class of Senior Notes will accrue on the Principal Amount Outstanding thereof from time to time. Accrued and unpaid interest on the Senior Notes will be payable semi-annually in arrear on each Payment Date (commencing with the Payment Date occurring in May, 2004).

Payments of interest on the Class A-2 Notes will not be made on any Payment Date until all interest due and payable on the Class A-1 Notes (including any Defaulted Interest) and certain other amounts due and payable on such date have been paid in full in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Payments of interest on the Class B Notes will not be made on any Payment Date until all interest due and payable on the Class A-1 Notes and the Class A-2 Notes (including any Defaulted Interest or Deferred Interest) and certain other amounts due and payable on such date have been paid in full in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Interest on each Class of Senior Notes will be computed on the basis that the actual number of days in each Interest Period shall be divided by Actual/365.

Interest Payments on the Mezzanine Notes:

The Class C Notes will bear interest at a rate per annum equal to LIBOR plus 1.00 per cent. per annum, increasing to LIBOR plus 1.75 per cent. per annum after the Expected Maturity Date. The Class D Notes will bear interest at a rate per annum equal to LIBOR plus 1.70 per cent. per annum, increasing to LIBOR plus 2.50 per cent. per annum after the Expected Maturity Date.

Interest and principal amounts are only payable in respect of each Class of Mezzanine Notes to the extent that there are amounts available for payment thereof in accordance with the relevant Interest Priority of Payments or the Principal Priority of Payments. In each case, an amount of interest equal to any such unpaid amount which has not been paid on any Payment Date shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Notes of the applicable Class and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such unpaid amounts which have been deferred, which shall itself bear interest in accordance with these Conditions from such date.

Payments of interest on the Class C Notes will not be made on any Payment Date until all interest due and payable on the Class B Notes and the Class A Notes (including any Defaulted Interest or Deferred Interest) and certain other amounts due and payable on such date have been paid in full in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Payments of interest on the Class D Notes will not be made on any Payment Date until all interest due and payable on the Class A Notes, the Class B Notes and the Class C Notes (including any Defaulted Interest or Deferred Interest) and certain other amounts due and payable on such date have been paid in full in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Interest on each Class of the Mezzanine Notes will accrue on the

Principal Amount Outstanding thereof from time to time. Accrued and unpaid interest on the Mezzanine Notes will be payable semi-annually in arrear on each Payment Date (commencing with the Payment Date occurring in May, 2004).

Interest on each Class of Mezzanine Notes will be computed on the basis that the actual number of days in each Interest Period shall be divided by Actual/365.

Interest Payments on the Class E Notes:

The Class E Notes will not bear a stated rate of interest, but holders thereof will be entitled to receive distributions in respect of interest on each Payment Date (commencing with the Payment Date occurring in May, 2004) if and to the extent that funds are available for such purpose in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Payment of interest on the Class E Notes is subordinate to the payment on each Payment Date of the interest due and payable on the Senior Notes and Mezzanine Notes (including any Defaulted Interest and Deferred Interest) and all other amounts in accordance with the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

If, while any Senior and Mezzanine Notes are Outstanding, the Overcollateralisation Ratio Test is not satisfied on the Determination Date related to any Payment Date, all funds that would otherwise be available for distribution on the Class E Notes on such Payment Date will be used instead to repay principal on the Senior Notes and Mezzanine Notes sequentially in order of seniority, to the extent set forth in the Priorities of Payments. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment").

Interest Payments on the Combination Notes:

Interest on the Combination Notes will be payable on the same terms as are applicable to a principal amount of each Class of Notes which is equal to the principal amount of each Component to which the Components of the Combination Notes correspond.

Interest on the Combination Notes will accrue from the Closing Date, and accrued and unpaid interest will be payable on each Payment Date, if and to the extent funds are available for such purpose from payments received on the underlying Components. Interest payable in respect of the Combination Notes is in respect of, and not in addition to, amounts payable on the relevant Components.

The Class F-1 Combination Notes will be allocated defaulted interest (if any) equal to the Class B Defaulted Interest and deferred interest (if any) equal to the Class B Deferred Interest, the Class C Deferred Interest and the Class D Deferred Interest in the proportion that the principal amount of the Class B Component bears to the aggregate principal amount of the Class B Notes, the principal amount of the Class C Component bears to the aggregate principal amount of the Class C Notes and the principal amount of the Class D Component bears to the aggregate principal amount of the Class D Notes, and any such amounts will be in respect of and not in addition to the Defaulted Interest or the Deferred Interest on the relevant Components.

The Class F-2 Combination Notes will be allocated deferred interest (if any) equal to the Class D Deferred Interest in the proportion that the principal amount of the Class D Component bears to the aggregate principal amount of the Class D Notes, and any such amount will be in respect of and not in addition to the Class D Deferred Interest on the Class D Notes.

Classification of Interest Payments on the Class F-1 Combination Notes: On each Payment Date the holders of the Class F-1 Combination Notes may receive in accordance with the Priorities of Payments, an amount of interest in respect of the Class B Component, Class C Component, Class D Component and Class E-1 Component of each Class F-1 Combination Note and such amounts shall be applied on such Payment Date as follows:

(a) firstly, an amount up to the amount as indicated in the table below for such Payment Date, less any payment made prior to such Payment Date (under Condition 2(c)(ii)(a) and Condition 2(c)(vii)(b)) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment;

Payment Date	Class F-1 Combination Notes £17,000,000 17 semi-annual payments (cumulative amounts)
20th May, 2004	£294,118
20th November, 2004	£588,235
20th May, 2005	£882,353
20th November, 2005	£1,176,471
20th May, 2006	£1,470,588
20th November, 2006	£1,764,706
20th May, 2007	£2,058,824
20th November 2007	£2,352,941
20th May, 2008	£2,647,059
20th November, 2008	£2,941,176
20th May, 2009	£3,235,294
20th November, 2009	£3,529,412
20th May, 2010	£3,823,529
20th November 2010	£4,117,647
20th May, 2011	£4,411,765
20th November, 2011	£4,705,882
20th May, 2012	£4,999,995

(b) secondly, to the extent that any amounts of Interest Proceeds from the Components remain after the allocation in (a) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-1 Combination Notes;

The fact that the Class F-1 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-1 Combination Notes.

"**Class F-1 Combination Notes Nominal Amount Outstanding**" means, as of the Closing Date, the aggregate of the principal amount outstanding of the respective Components of the Class F-1 Combination Notes and thereafter means such amount, as reduced on each Payment Date in accordance with Condition 2(c)(ii)(a), Condition 2(c)(vii)(a) and Condition 2(c)(vii)(b).

Classification of Interest Payments on the Class F-2 Combination Notes:

On each Payment Date, holders of the Class F-2 Combination Notes may receive in accordance with the Priorities of Payments, an amount of interest in respect of the Class D Component and Class E-1 Component of such Class F-2 Combination Note and such amounts shall be applied on such Payment Date as follows:

(a) an amount equal to 95 per cent. of the Interest Proceeds from the Components shall be applied as follows:

  (i) firstly, in an aggregate amount up to £6,449,999 less any payment of principal made prior to such Payment Date (under Condition 2(c)(iii)(a)(i) and Condition 2(c)(viii)(b)) as a repayment of the Class F-2 Combination Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment; and

  (ii) thereafter, any excess shall be treated as and shall be paid as additional interest on the Class F-2 Combination Notes; and

(b) an amount equal to 5 per cent. of the Interest Proceeds from the Components shall be treated as and paid as interest on the Class F-2 Combination Notes;

The fact that the Class F-2 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-2 Combination Notes.

"**Class F-2 Combination Notes Nominal Amount Outstanding**" means, as of the Closing Date, the aggregate of the principal amount outstanding of the respective Components of the Class F-2 Combination Notes and thereafter means such amount, as reduced on each Payment Date in accordance with Condition 2(c)(iii)(a)(i), Condition 2(c)(viii)(a) and Condition 2(c)(viii)(b).

Classification of Interest Payments on the Class F-3 Combination Notes:

On each Payment Date, the holders of the Class F-3 Combination Notes may receive in accordance with the Priorities of Payments an amount of interest in respect of the Class B Component and the Class E-2 Component of each Class F-3 Combination Note and such amounts shall be applied on such Payment Date as follows:

(a) firstly, an amount up to the amount as indicated in the table below for such Payment Date, less any payment made prior to such Payment Date (under Condition 2(c)(iv)(a) and Condition 2(c)(ix)(b)) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment;

Payment Date	Class F-3 Combination Notes £6,000,000 17 semi-annual payments (cumulative amounts)
20th May, 2004	£29,412
20th November, 2004	£58,824
20th May, 2005	£88,235
20th November, 2005	£117,647
20th May, 2006	£147,059
20th November, 2006	£176,471
20th May, 2007	£205,882
20th November 2007	£235,294
20th May, 2008	£264,706
20th November, 2008	£294,118
20th May, 2009	£323,529
20th November, 2009	£352,941
20th May, 2010	£382,353
20th November 2010	£411,765
20th May, 2011	£441,176
20th November, 2011	£470,588
20th May, 2012	£499,990

(b) secondly, to the extent that any amounts of Interest Proceeds in respect of the Components remain after the allocation in (a) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-3 Combination Notes.

The fact that the Class F-3 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-3 Combination Notes.

"**Class F-3 Combination Notes Nominal Amount Outstanding**" means as of the Closing Date the aggregate of the principal amount outstanding of the respective Components of the Class F-3 Combination Note and thereafter means such amount, as reduced on each Payment Date in accordance with Condition 2(c)(iv)(a), Condition 2(c)(ix)(a) and Condition 2(c)(ix)(b).

"**Combination Notes Nominal Amount Outstanding**" means, in respect of the Class F-1 Combination Notes, the Class F-1 Combination Notes Nominal Amount Outstanding in respect of the Class F-2 Combination Notes, the Class F-2 Combination Notes Nominal Amount Outstanding, and in respect of the Class F-3 Combination Notes, the Class F-3 Combination Notes Nominal Amount Outstanding.

Maturity: The stated maturity of each Class of Notes is 20th November, 2102 or, if not a Business Day, the next following Business Day (the "**Stated Maturity Date**").

Principal Repayments on the Senior and Mezzanine Notes after the Reinvestment Period: No principal payments will be made on the Senior and Mezzanine Notes until the termination of the Reinvestment Period, except (a) upon the failure of the Issuer to satisfy the Overcollateralisation Ratio Test on any Determination Date (with any required prepayment resulting therefrom being applied to the Senior and Mezzanine Notes in direct order of seniority) (b) in respect of the payment of the portion of the Principal Amount Outstanding of such Class of Notes which is attributable to Defaulted Interest or Deferred Interest (to the extent set forth in the Priorities of Payments) and (c) upon the occurrence of a Rating Event (with any required payment resulting therefrom being applied to the Senior and Mezzanine Notes, in accordance with the following application: (i) paragraphs (A) to (R) of the Interest Proceeds Priority of Payments, and (ii) paragraph (A) of the Reinvestment Period Priority of Payments, until the Notes are either fully redeemed or are redeemed to such lesser extent as enables each of S&P and Fitch and in respect of the Class A-1 Notes only, Moody's to confirm in writing that each such rating is reinstated). After the Reinvestment Period, Principal Proceeds will be used, on each Payment Date, to redeem the Senior and Mezzanine Notes, subject to the Post-Reinvestment Period Priority of Payments. The amount and frequency of principal payments of the Senior and Mezzanine Notes will depend upon, among other things, the amount and frequency of payments of principal and interest received with respect to the Collateral Debt Securities. Each Class of Senior and Mezzanine Notes will rank *pari passu* among such Class with respect to payments of principal and interest. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment" and "Conditions of the Notes – Redemption and Purchase").

Principal Repayments on the Class E Notes: The Class E Notes will be fully subordinated to the Senior and Mezzanine Notes as described herein. No payments of principal of the Class E Notes will be made during the Reinvestment Period except in connection with a redemption of all of the Notes. No payments of principal on the Class E Notes will be made until all principal of and interest on the Senior and Mezzanine Notes and certain other amounts have been paid in full in accordance with the Priorities of Payments. The amount and frequency of principal payments of the Class E Notes will depend upon, among other things, the amount and frequency of payments of principal and interest received with respect to the Collateral Debt Securities. The Class E Notes will rank *pari passu* amongst themselves with respect to payments of principal and interest. (See "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment" and "Conditions of the Notes – Redemption and Purchase").

Principal Repayments on the Combination Notes: Principal on the Combination Notes will be payable on the same terms as are applicable to the Classes of Notes to which the Components of the Combination Notes correspond.

Classification of Principal Repayments on the Class F-1 Combination Notes: On each Payment Date, the holders of the Class F-1 Combination Notes may, in accordance with the Priorities of Payments, receive an amount of principal in respect of the Class B Component, the Class C Component, the Class D Component and the Class E-1 Component of such Class F-1 Combination Notes and any such amounts shall be applied as follows on such Payment Date:

(a) an amount equal to £12,000,000 less any payment made prior to such Payment Date under Condition 2(c)(vii)(a) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly;

(b) an amount equal to £4,999,995 less any payments made prior to such Payment Date under Condition 2(c)(ii)(a) and Condition 2(c)(vii)(b) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-1 Combination Notes.

The fact that the Class F-1 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-1 Combination Notes.

Classification of Principal Repayments on the Class F-2 Combination Notes: On each Payment Date, the holders of the Class F-2 Combination Notes may, in accordance with the Priorities of Payments, receive an amount of principal in respect of the Class D Component and

Class E-1 Component of such Class F-2 Combination Notes and any such amounts shall be applied as follows on such Payment Date:

(a) an amount equal to £550,000 less any payment of principal made prior to such Payment Date under Condition 2(c)(viii)(a) shall be treated as a repayment of the Class F-2 Combination Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly;

(b) an aggregate amount equal to £6,449,999 less any payments made prior to such Payment Date under Condition 2(c)(iii)(a)(i) and Condition 2(c)(viii)(b) shall be treated as a repayment of the Class F-2 Combination Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-2 Combination Notes.

The fact that the Class F-2 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-2 Combination Notes.

Classification of Principal Repayments on the Class F-3 Combination Notes:

On each Payment Date, the holders of the Class F-3 Combination Notes may, in accordance with the Priorities of Payments, receive an amount of principal in respect of the Class B Component and the Class E-2 Component of such Class F-3 Combination Notes and any such amounts shall be applied on such Payment Date as follows:

(a) an amount equal to £5,500,000, less any payment of principal made prior to such Payment Date under Condition 2(c)(ix)(a) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly;

(b) an amount equal to £499,990 less any payments made prior to such Payment Date under Condition 2(c)(iv)(a) and Condition 2(c)(ix)(b) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-3 Combination Notes.

The fact that the Class F-3 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-3 Combination Notes.

Optional Redemption of the Senior Notes and the Mezzanine Notes:

The Senior Notes and Mezzanine Notes shall be redeemed (in whole but not in part) by the Issuer upon receipt of a Redemption Notice from 100 per cent. of the holders of the Principal Amount Outstanding of the Junior Class of Covered Notes (including holders of the relevant Components of the Combination Notes as applicable). Any such redemption is subject to the following conditions:

(A) the Redemption Notice given by the holders of 100 per cent. of the holders of the Principal Amount Outstanding the Junior Class of Covered Notes must be addressed to the Issuer and copied to the Trustee and must specify a Redemption Date which must also be a Payment Date and which must fall at least 20 Business Days after the Redemption Notice is delivered to the Issuer;

(B) no Redemption Date may occur prior to the end of the Reinvestment Period; and

(C) the conditions to such redemption of the Class A Notes, Class B Notes, Class C Notes and Class D Notes described in Condition 6(h) are satisfied.

Any such redemption may be effected from proceeds of the sale of Collateral Debt Securities and Eligible Investments and all other funds in the Interest Proceeds Account, the Principal Proceeds Account and the Expense Account (including for the avoidance of doubt all such Eligible Investments purchased with funds on deposit in such accounts). Any such redemption will be made at the applicable Redemption Price. (See "Conditions of the Notes – Redemption and Purchase").

Optional Redemption of the Class E Notes after the Reinvestment Period:

On any Payment Date (after the end of the Reinvestment Period) on or after payment in full of the Senior and Mezzanine Notes (including the relevant Components of the Combination Notes), the Class E Notes shall be redeemed (in whole but not in part) by the Issuer at the written direction given in a Redemption Notice by all of the holders of the Principal Amount Outstanding of the Class E Notes (including holders of the relevant Components of the Combination Notes, as applicable) in accordance with Condition 6(d). (See "Conditions of the Notes – Redemption and Purchase").

Optional Redemption of the Notes on and after the Expected Maturity Date:	The Notes may be redeemed (in whole but not in part) by the Issuer at the written direction given in a Redemption Notice by any Noteholder (including any holder of the Components of the Combination Notes) on and after the Expected Maturity Date. Any such redemption is subject to the following conditions: (a) no such redemption may occur on any date other than a Payment Date, (b) no such redemption may occur prior to the Payment Date falling on or around the Expected Maturity Date, and (c) the other conditions to such redemption of the Notes described in the Condition 6(h) are satisfied. (See "Conditions of the Notes – Redemption and Purchase").
Redemption of Combination Notes:	Interest and principal received on the Combination Notes upon enforcement of the security over the Mortgaged Property will be payable on the same terms as are applicable to the Classes of Notes to which the Components of the Combination Notes correspond.
Classification of Proceeds of Redemption of Class F-1 Combination Notes:	Payments of interest and principal received from the Components of the Class F-1 Combination Notes will be applied in accordance with Condition 2(c)(ii), in the case of funds received from the payment of interest on the Components, and Condition 2(c)(vii), in the case of funds received from the payment of principal on the Components. (See - "Conditions of the Notes - Status and Pre-Enforcement Priorities of Payment").
Classification of Proceeds of Redemption of the Class F-2 Combination Notes:	Payments of interest and principal received from the Components of the Class F-2 Combination Notes will be applied in accordance with Condition 2(c)(iii), in the case of funds received from the payment of interest on the Components, and Condition 2(c)(viii), in the case of funds received from the payment of principal on the Components. (See - "Conditions of the Notes - Status and Pre-Enforcement Priorities of Payment").
Classification of Proceeds of Redemption of the Class F-3 Combination Notes:	Payments of interest and principal received from the Components of the Class F-3 Combination Notes will be applied in accordance with Condition 2(c)(iv), in the case of funds received from the payment of interest on the Components, and Condition 2(c)(ix), in the case of funds received from the payment of principal on the Components. (See - "Conditions of the Notes - Status and Pre-Enforcement Priorities of Payment").
Description of Mortgaged Property:	Pursuant to the Trust Deed, the Issuer's obligations under the Notes, the Trust Deed, and the Issuer Liquidity Agreement, among others, will be secured by the Mortgaged Property. In the event of any realisation of the Mortgaged Property, proceeds will be allocated in accordance with the Enforcement Priority of Payments.
Acquisition and Sale of Collateral Debt Securities and Eligible Investments:	It is expected that during the Warehousing Period the Issuer will have acquired securities pursuant to the Warehousing Arrangements, which will constitute Collateral Debt Securities, and form, on the Closing Date, the initial Portfolio and be secured

in favour of the Trustee for the benefit of the Secured Parties under the Trust Deed in an Aggregate Principal Balance of approximately £104,000,000. On the Closing Date the Issuer will confirm its purchase of the Collateral Debt Securities comprising the initial Portfolio pursuant to the Master Collateral Acquisition Agreement. It may also use cash deposited in the Principal Proceeds Account and Unused Proceeds Account to buy additional Collateral Debt Securities during the Reinvestment Period or, if the Collateral Adviser has been unable to propose any Collateral Debt Securities for purchase, then Eligible Investments may be purchased, pending reinvestment in Collateral Debt Securities during the Reinvestment Period. All Collateral Debt Securities or Eligible Investments (if any) which have been or are to be purchased are purchased by the Collateral Manager (on behalf of the Issuer) based on advice provided by the Collateral Adviser to the Issuer. Each Collateral Debt Security has been or will be purchased by the Collateral Manager (on behalf of the Issuer) at a price including any additional accrued and unpaid interest thereon as of the date of such sale to the Issuer. The Issuer will fund the acquisition of the Collateral Debt Securities on or after the Closing Date from the sale proceeds of the Notes and solely for the purposes of acquiring any accrued but unpaid interest thereon, by making a drawing under the Issuer Liquidity Agreement. (See –"Description of the Portfolio and Other Mortgaged Property - The Issuer Liquidity Agreement").

The Collateral Debt Securities purchased by the Issuer on and after the Closing Date are required to have the characteristics and satisfy the criteria set forth herein under "Description of the Portfolio and Other Mortgaged Property - Eligibility of Collateral Debt Securities".

Reinvestment Period: No investment may be made in Collateral Debt Securities or Eligible Investments after the termination of the Reinvestment Period or during any period where, as a result of a failure of the Overcollateralisation Ratio Test, the Reinvestment Period has been suspended (a "**Suspension Period**").

Liquidation: On or before the Business Day immediately preceding the Stated Maturity Date of the Notes, the Collateral Debt Securities, Eligible Investments and all other Mortgaged Property will be liquidated, and there will be distributed to the holders of the Notes all net proceeds from such liquidation and all available cash in accordance with the Post-Reinvestment Period Priority of Payments.

Issuer Liquidity Agreement: On the Closing Date, the Issuer will enter into a liquidity agreement (the "**Issuer Liquidity Agreement**") with the Liquidity Lender in order (i) to fund the purchase of accrued interest on any Collateral Debt Security to be acquired or (ii) to pay the Class A-1 Commitment Fee as such amounts become due and payable on the first Payment Date to the extent that funds are not available in the Interest Proceeds Account and (iii) during the

Reinvestment Period, to fund interest due and payable on the Senior Notes or Mezzanine Notes in the event of a shortfall of the Interest Proceeds to pay the interest due and payable on the Senior and Mezzanine Notes on any Payment Date due to a timing mismatch between interest received on the Collateral Debt Securities and Eligible Investments and interest due and payable on Senior Notes or Mezzanine Notes. The Liquidity Lender will have a short-term rating by Fitch of at least "F1", at least "A-1" by S&P and at least "P-1" by Moody's. The commitment of the Liquidity Lender under the Issuer Liquidity Agreement will be equal to £5,000,000. Any amount drawn under the Issuer Liquidity Agreement (a) for the purposes described in (i) above, will be deposited into the Principal Proceeds Account on the Business Day immediately preceding the date on which the applicable Collateral Debt Security is to be purchased; or (b) for the purposes described in (ii) and (iii) above, will be deposited into the Interest Proceeds Account to be applied in accordance with the Priorities of Payments and in all cases, will bear interest, from and including the date drawn to but excluding the date repaid in full, at a rate equal to LIBOR plus 0.30% per annum. (See "Description of the Portfolio and Other Mortgaged Property – The Issuer Liquidity Agreement").

Euroclear Pledge Agreement: The Issuer will enter into a Euroclear pledge agreement (the "**Euroclear Pledge Agreement**") with the Trustee and the Custodian on the Closing Date. The Issuer will grant to the Trustee a commercial pledge (under Belgian law) over the Collateral Debt Securities and Eligible Investments that are held from time to time in Euroclear. The Custodian will hold a pledged securities account with Euroclear and shall if instructed by the Trustee sell such securities on behalf of the Trustee upon enforcement. (See "Description of the Portfolio and Other Mortgaged Property – The Euroclear Pledge Agreement").

Notes Purchase Agreement: Pursuant to a notes purchase agreement, the Issuer will sell £64,450,000 in principal amount of the Class A-1 Notes, £1,050,000 in principal amount of the Class E-2 Notes and £12,000,000 in principal amount of the Class F-1 Combination Notes to the relevant Purchasers named therein and the remaining Notes will be exchanged for the Exchangeable Notes on the Closing Date as described therein (the "**Notes Purchase Agreement**").

Pursuant to the Notes Purchase Agreement, the Issuer has agreed to issue and the Class A-1 Note Purchaser has agreed to purchase Class A-1 Notes from the Issuer during the Class A-1 Drawdown Period. Notwithstanding the foregoing, the Class A-1 Note Purchaser shall fully fund any remaining unfunded commitment under the Class A-1 Commitment on the last day of the Class A-1 Drawdown Period.

Class A-1 Commitment: The commitment of the holders of the Class A-1 Notes to fund the Class A-1 Commitment will expire on the earlier of (i) the last day of the Class A-1 Drawdown Period, or (ii) the date on which the Class A-1 Commitment is reduced to zero. Notwithstanding the foregoing, the Class A-1 Noteholder shall fully fund its commitment under the Class A-1 Commitment on the last day of the Class A-1 Drawdown Period.

Class A-1 Commitment Fee: A commitment fee will accrue on the Class A-1 Commitment for each day from and including the Closing Date to and including the earlier of (i) the last day of the Class A-1 Drawdown Period or (ii) the date on which the Class A-1 Commitment is reduced to zero.

Ratings of the Notes: It is a condition to the issuance of the Notes that the Class A-1 Notes and the Class A-2 Notes be rated "AAA" by Fitch and S&P, the Class B Notes be rated "AA" by Fitch and S&P, the Class C Notes be rated "A" by S&P and the Class D Notes be rated "BBB" by S&P. The Class E Notes will not be rated. The ratings on the Class A Notes address the timely payment of interest due and payable and the ultimate repayment of principal thereon. The S&P Rating of the Class B Notes addresses the timely payment of interest when due and payable and the ultimate repayment of principal thereon and the Fitch Rating on the Class B Notes addresses the ultimate repayment of principal and interest thereon. The S&P Rating of the Class C Notes addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the S&P Rating on the Class D Notes addresses the ultimate payment of principal and interest thereon. The Class A-1 Notes have received a private rating from Moody's (See "Ratings of the Notes").

Minimum Denominations: The Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes will each be issued in the denomination of £50,000. The Class F-1 Combination Notes will be issued in the denomination of £3,400,000. The Class F-2 Combination Notes will be issued in the denomination of £7,000,000. The Class F-3 Combination Notes will be issued in the denomination of £600,000. Each such denomination, a "**Minimum Denomination**".

Form and Transfer of the Notes: Each Class of Notes will initially be represented by a Temporary Global Note, in bearer form, without coupons or talons attached. Each such Temporary Global Note will be deposited with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about the Closing Date. Interests in each such Temporary Global Note will be exchangeable not earlier than 40 calendar days after the Closing Date (or in the case of any Class A-1 Notes not earlier than 40 calendar days after the relevant Class A-1 Issue Date) for interests in a Permanent Global Note, in bearer form, without coupons and talons attached provided that written certification of non-US beneficial ownership by the relevant Noteholders has been received. On the exchange of interests in the Temporary Global Note in respect of a Class of Notes for interests in the Permanent Global Note in respect of such Class of Notes, such Permanent Global Note will be deposited with the Common Depositary. The Notes being offered hereby have not been and will not be registered under the laws of any jurisdiction, including for the avoidance of doubt, the United States of America.

Save in certain limited circumstances (as further described under "Description of the Notes Whilst in Global Form – Issue of Definitive Notes"), Notes in definitive form (the "**Definitive Notes**") will not be issued in exchange for Global Notes. For so long as Notes are represented by the Global Notes and held by the Common Depositary, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

Listing: It is a condition to the issuance of the Notes that application shall have been made to list the Notes on the Luxembourg Stock Exchange and such an application has, as of the date of this Offering Memorandum, been so made. None of the Notes will be listed on any other stock exchange.

Governing Law: The Notes and each of the Transaction Documents will be governed by, and construed in accordance with, the laws of England save for the Euroclear Pledge Agreement, which will be governed by, and construed in accordance with the laws of Belgium and the Administration Agreement, which will be governed by and construed in accordance with the laws of the Cayman Islands.

RISK FACTORS

The following is a summary of certain aspects of the issues of Notes and related transactions about which prospective Noteholders should be aware. Each of the risk factors herein applies to the Combination Notes to the extent that these risk factors apply to their respective Components. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this Offering Memorandum. Investment in the Notes is only suitable for investors who have the requisite knowledge and experience in financial and business matters, and have access to, and knowledge of, appropriate analytical resources to evaluate the information contained in this Offering Memorandum. If you are in any doubt about the contents of this Offering Memorandum you should consult an appropriate professional advisor. Application has been made to list the Notes on the Luxembourg Stock Exchange.

The purchase of Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information set forth in this Offering Memorandum and, in particular, the considerations set forth below.

General

It is intended that the Issuer will invest in securities and other financial assets with certain risk characteristics as described below and subject to the investment policies, restrictions and guidelines described in "Description of the Portfolio and Other Mortgaged Property" below. There can be no assurance that the Issuer's investments will be successful, that its investment objectives will be achieved, that the Noteholders will receive the full amounts payable by the Issuer under the Notes or that they will receive any return on their investment in the Notes. Prospective investors are therefore advised to review this entire Offering Memorandum carefully and should consider, among other things, the risk factors set out in this section before deciding whether to invest in the Notes. Except as is otherwise stated below, such risk factors are generally applicable to all Classes of Notes, although the degree of risk associated with each Class of Notes will vary in accordance with the Priorities of Payments. (See "Conditions of the Notes - Form and Denomination, Title and Transfer, Listing and Exchange of Combination Notes").

In particular, the priorities of payment of the Class A-1 Notes are higher than those of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the priorities of payment of the Class A-2 Notes are higher than those of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the priorities of payment of the Class B Notes are higher than those of the Class C Notes, the Class D Notes and the Class E Notes, the priorities of payment of the Class C Notes are higher than those of the Class D Notes and the Class E Notes and the priorities of payment of the Class D Notes are higher than those of the Class E Notes.

Suitability

Prospective purchasers of the Notes of any Class should ensure that they understand the nature of such Notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Notes and that they consider the suitability of such Notes as an investment in the light of their own circumstances and financial condition.

Limited Liquidity and Restrictions on Transfer

Although an application has been made to list the Notes on the Luxembourg Stock Exchange, there is currently no market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of such Notes. Consequently, a purchaser must be prepared to hold such Notes for an indefinite period of time or until the Stated Maturity Date thereof.

Limited Recourse Obligations

The Notes will be limited recourse obligations of the Issuer and will be payable solely from the Mortgaged Property constituted in respect of the Notes which has been secured by the Issuer in favour of the Secured Parties (see "Conditions of the Notes - Security"). None of the Collateral Manager, the Collateral Adviser, the Trustee, the Collateral Administrator or any Affiliates of any of the foregoing or any other person or entity will be obligated to make payments on the Notes. Consequently, Noteholders must rely solely on distributions on the Mortgaged Property securing the Notes for the payment of principal, interest, premium or any other payment due under the Conditions if any, thereon. If distributions on the Mortgaged Property are insufficient to make payments on the Notes, no other assets (and, in particular, no assets of the Collateral Manager, the Collateral Adviser, the Noteholders, the Trustee, the Collateral Administrator or any Affiliates of any of the foregoing) will be available for payment of the shortfall and following realisation of the Mortgaged Property securing the Notes, the obligations of the Issuer to pay such shortfall shall be extinguished. The Combination Notes shall be limited recourse obligations of the Issuer to the extent of their respective Components.

Subordination of the Class B Notes, Class C Notes, Class D Notes and Class E Notes

If any interest due and payable in respect of the Class A-1 Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class A-1 Defaulted Interest**") or if any interest due and payable in respect of the Class A-2 Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class A-2 Defaulted Interest**") or if any interest due and payable in respect of the Class B Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class B Defaulted Interest**" and together with the Class A-1 Defaulted Interest and the Class A-2 Defaulted Interest, "**Defaulted Interest**") an Event of Default shall occur, provided however, that at the direction of all of the holders of the Notes of the Defaulted Class, the Class A-2 Defaulted Interest or the Class B Defaulted Interest only, may be deferred and capitalised in accordance with Condition 5(d)(i), and an Event of Default will be deemed not to have occurred in respect of the Class A-2 Notes or the Class B Notes.

Interest on the Mezzanine Notes will only be payable to the extent funds are available therefor in accordance with the Priorities of Payments. To the extent that funds are not available on any Payment Date to pay the full amount of interest on the Mezzanine Notes (and on the Class A-2 Notes or Class B Notes in the event that all of the holders of the Notes of the Defaulted Class direct the Trustee to defer such unpaid amounts of interest in accordance with Condition 5(d)(i)) such unpaid amounts (the "**Class A-2 Deferred Interest**", the "**Class B Deferred Interest**", the "**Class C Deferred Interest**" or the "**Class D Deferred Interest**" as the case may be (the Class C Deferred Interest and the Class D Deferred Interest being referred to as the "**Mezzanine Notes Deferred Interest**", and together with the Class B Deferred Interest and the Class A-2 Deferred Interest, "**Deferred Interest**")) will not be due and payable on such Payment Date, but will be added to the Principal Amount Outstanding of the applicable Class of Notes and thereafter shall accrue interest at the applicable interest rate and, so long as such Notes are Outstanding, the failure to pay such interest to the holders thereof will not be an Event of Default under the Trust Deed. The Class A-2 Notes are fully subordinated to the Class A-1 Notes. The Class B Notes are fully subordinated to the Class A Notes. The Class C Notes are fully subordinated to the Class A Notes and the Class B Notes, the Class D Notes are fully subordinated to the Class A Notes, the Class B Notes and the Class C Notes and the Class E Notes are fully subordinated to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

No payments of interest will be made on the Class A-2 Notes on any Payment Date until interest on the Class A-1 Notes (including any Class A-1 Defaulted Interest) has been paid. No payments of interest will be made on the Class B Notes on any Payment Date until interest on the Class A Notes (including any Class A-2 Defaulted Interest and Class A-2 Deferred Interest) has been paid. No payments of interest will be made on the Class C Notes on any Payment Date until interest on the Class A Notes and the Class B Notes (including any Defaulted Interest and Deferred Interest) has been paid. No payments of interest will be made on the Class D Notes on any Payment Date until interest on the Class A Notes, the Class B Notes and the Class C Notes (including any Defaulted Interest or Deferred Interest) has been paid. No payments of interest on the Class E Notes will be made until interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (including any Defaulted Interest or Deferred Interest) has been paid. The Class E Notes will not bear a stated rate of interest but the holders of Class E Notes will be entitled to receive distributions in respect of interest on each Payment Date if and to the extent funds are available for such purpose in accordance with the Interest Priority of Payments.

No payment of principal on the Class A-2 Notes (including the portion attributable to Class A-2 Defaulted Interest and Class A-2 Deferred Interest) on any Payment Date will be made until the Class A-1 Notes have been paid in full. No payment of principal will be made on the Class B Notes (including the portion attributable to Class B Defaulted Interest and Class B Deferred Interest) until the Class A Notes have been paid in full. No payment of principal on the Class C Notes (including the portion attributable to Class C Deferred Interest) will be made until the Class A Notes and the Class B Notes have been paid in full. No payment of principal on the Class D Notes (including the portion attributable to Class D Deferred Interest) will be made until the Class A Notes, the Class B Notes and the Class C Notes have been paid in full. No payment of principal on the Class E Notes will be made until the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full.

In the event of any redemption in whole or Acceleration of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Class E Notes will also be subject to automatic redemption/Acceleration and the Mortgaged Property will be liquidated. Liquidation of the Mortgaged Property at such time and/or remedies pursued by the Trustee upon enforcement of the security over the Mortgaged Property could be adverse to the interests of the Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders. To the extent that any losses are incurred by the Issuer in respect of any Mortgaged Property, such losses will be borne first by the Class E Noteholders; next by the Class D Noteholders; next by the Class C Noteholders; next by the Class B Noteholders; next by the Class A-2 Noteholders and finally by the Class A-1 Noteholders. Remedies pursued by the Class A-1 Noteholders could be adverse to the interests of the Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders. Remedies pursued by the Class A-2 Noteholders could be adverse to the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders. Remedies pursued by the Class B Noteholders could be adverse to the interests of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders. Remedies pursued by the Class C Noteholders could be adverse to the interests of the Class D Noteholders and the Class E Noteholders. Remedies pursued by the Class D Noteholders could be adverse to the interests of the Class E Noteholders.

The Trust Deed provides that in the event of any conflict of interest between the Class A-1 Noteholders, Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, the interests of the Controlling Class will prevail. If the holders of the Controlling Class do not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class A-2 Noteholders over the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, and give priority to the Class B Noteholders over the Class C Noteholders, the Class D Noteholders and the Class E Noteholders and give priority to the Class C Noteholders over the Class D Noteholders and the Class E Noteholders and give priority to the Class D Noteholders over the Class E Noteholders. In the event that the Trustee shall receive conflicting or inconsistent requests from two or more groups of holders of the Controlling Class (or other Class given priority as described in this paragraph), each representing less than the majority by Principal Amount Outstanding of the Controlling Class (or other Class given priority as described in this paragraph), the Trustee shall give priority to the group which holds the greater amount of Notes Outstanding of such Class. The Trust Deed provides further that the Trustee will act upon the directions of the holders of the Controlling Class (or other Class given priority as described in this paragraph) in such circumstances, and shall not be obliged to consider the interests of the holders of any other Class of Notes. (See "Conditions of the Notes").

Subordination, Defaulted Interest and Deferred Interest on the Combination Notes

The Combination Notes will be subordinated to the extent of the subordination of their respective Components. The Combination Notes will be affected by default of interest and by deferral of interest on the Notes comprising the related Components of the Combination Notes.

Collateral Debt Securities; Defaults

The market value of the Collateral Debt Securities will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry relevant to the underlying assets attributable to any Collateral Debt Security and the financial condition of the borrowers or issuers of the Collateral Debt Securities or, in respect of Synthetic Securities, the Reference Obligors. (See "Description of the Portfolio and Other Mortgaged Property").

The ability of the Collateral Manager (acting on behalf of the Issuer) to sell Collateral Debt Securities prior to maturity is subject to certain restrictions under the Trust Deed and the Collateral Management and Advice Agreement as described below under "Description of the Portfolio and Other Mortgaged Property". Due to such restrictions, the Collateral Manager (acting on behalf of the Issuer) may not be permitted to sell a Collateral Debt Security even when the Collateral Adviser recommends doing so . If a Collateral Debt Security is sold or principal payments are received in respect of a Collateral Debt Security, the Collateral Adviser may not be able to propose, and accordingly the Collateral Manager (acting on behalf of the Issuer) may not be able to purchase, a substitute investment in periods of market volatility or disruption or for any number of other reasons, including the constraints set forth below under "Description of the Portfolio and Other Mortgaged Property - Collateral Debt Securities".

A decrease in the market value of the Collateral Debt Securities would adversely affect the Sale Proceeds that could be obtained upon the sale of the Collateral Debt Securities and could ultimately affect the ability of the Issuer to effect an optional redemption of the Notes or pay the principal of the Notes upon a liquidation of the Collateral Debt Securities following the occurrence of an Event of Default.

Due to the fact that the Class E Notes represent a leveraged investment in the underlying Collateral Debt Securities, it is anticipated that changes in the market value of the Collateral Debt Securities will result in greater corresponding changes in the market value of the Class E Notes than in the market value of the Senior and Mezzanine Notes.

The offering of the Notes has been structured so that the Notes can withstand certain assumed losses relating to defaults on the underlying Collateral Debt Securities. (See "Ratings of the Notes"). There is no assurance that actual losses will not exceed such assumed losses. If any losses exceed such assumed levels, however, payments on the Notes could be adversely affected by defaults. To the extent that a default occurs with respect to any Collateral Debt Security securing the Notes and the Issuer sells such Collateral Debt Security, it is likely that the proceeds of such sale will be less than the unpaid principal and interest thereon.

Collateral Debt Securities; Amount and Timing of Payments

Investment in the Notes of any Class involves a degree of risk arising from fluctuations in the amount and timing of receipt of the principal and interest on the Collateral Debt Securities by or on behalf of the Issuer and the amounts of the claims of creditors of the Issuer ranking in priority to the holders of each Class of Notes. In particular, prospective purchasers of such Notes should be aware that the amount and timing of payment of the principal and interest on the Collateral Debt Securities will depend upon the detailed terms of the documentation relating to each of the Collateral Debt Securities and on whether or not any obligor thereunder defaults in its obligations.

Portfolio

The Issuer has not made any investigation into the obligors of the Collateral Debt Securities. The value of the Portfolio may fluctuate from time to time (as a result of substitution or otherwise) and none of the Issuer, the Trustee, the Custodian, the Collateral Manager or the Collateral Adviser is under any obligation to maintain the value of the Collateral Debt Securities at any particular level. None of the Issuer, the Trustee, the Custodian, the Collateral Manager or the Collateral Adviser or any of their Affiliates has any liability to the Noteholders as to the amount or value of, or any decrease in the value of, the Collateral Debt Securities from time to time.

Purchase of Collateral Debt Securities Prior to the Closing Date

During the Warehousing Period, the Issuer entered into Warehousing Arrangements relating to the intended acquisition of certain securities which, with effect from the Closing Date, will constitute Collateral Debt Securities and form the initial Portfolio. It is anticipated that, as at the Closing Date, the Issuer will have acquired and be holding securities with an Aggregate Principal Balance of approximately £104,000,000. The securities held by the Issuer as at the Closing Date and which, with effect from the Closing Date will constitute Collateral Debt Securities, are referred to as the "**Initial Collateral Debt Securities**". The market value on the Closing Date of any Initial Collateral Debt Security may be less than the cost at which it was acquired by the Issuer during the Warehousing Period.

Purchase of Collateral Debt Securities and Eligible Investments after the Closing Date

During the Reinvestment Period (save for any Suspension Period), the Collateral Adviser, acting on behalf of the Issuer, will make proposals and provide advice to the Issuer (and copy the same to the Collateral Manager) and the Collateral Manager will, acting on the advice of the Collateral Adviser, purchase additional Collateral Debt Securities that, together with the Initial Collateral Debt Securities purchased during the Warehousing Period, satisfy certain eligibility criteria and portfolio characteristics. The Collateral Adviser may propose investment in Eligible Investments if it has been unable to propose Collateral Debt Securities for purchase, pending reinvestment during the Reinvestment Period in Collateral Debt Securities. (See "Description of the Portfolio and Other Mortgaged Property"). No additional Collateral Debt Securities or Eligible Investments may be purchased during any Suspension Period.

The ability of the Collateral Adviser to propose and advise and the ability of the Collateral Manager to purchase such additional Collateral Debt Securities and Eligible Investments will depend on a number of factors beyond their control including the condition of certain financial markets, general economic conditions and international political events and there can therefore be no assurance that such result will be achieved. To the extent it is not possible to purchase such Collateral Debt Securities or Eligible Investments, the level of income received by the Issuer on the Mortgaged Property and the weighted average lives of the Notes may be adversely affected. There can be no assurance that the Issuer will be able to acquire additional Collateral Debt Securities and Eligible Investments during the Reinvestment Period that satisfy such criteria. To the extent that it is not possible to acquire additional Collateral Debt Securities, the Issuer may not be able to satisfy the Overcollateralisation Ratio Test which could result in the prepayment of the Senior and Mezzanine Notes (including the Components of the Combination Notes, as applicable). In addition, in such circumstances, as a result of the Collateral Debt Securities and Eligible Investments generating less interest cash flow, the rate of return to the Class E Noteholders may be adversely affected.

Ramp-Up Effective Date Rating

The Issuer will request that S&P and Fitch confirm the ratings assigned as of the Closing Date to the Senior and Mezzanine Notes and that Moody's confirms its ratings assigned to the Class A-1 Notes, within 10 days after the earlier of (i) the date falling six months after the Closing Date and (ii) the date on which the Aggregate Principal Balance of the Collateral Debt Securities is equal to £144,000,000 (the "**Ramp-Up Effective Date**") and in the event that the ratings assigned to the Senior and Mezzanine Notes are not confirmed or are reduced or withdrawn by S&P and Fitch and in respect of the Class A-1 Notes only, Moody's, within 10 days after the Ramp-Up Effective Date, Interest Proceeds and Principal Proceeds (including amounts otherwise allocable to the Class E Notes) will be diverted and used to pay principal of the Senior and Mezzanine Notes in accordance with the Priorities of Payments until each such rating is reinstated. (See "Conditions of the Notes - Redemption and Purchase").

Dependence on Key Personnel

Because the composition of the Collateral Debt Securities will vary over time, the performance of the Collateral Debt Securities depends heavily on the skills of the Collateral Adviser in advising the Issuer as to the selection, acquisition or sale of Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of certain individuals associated with the Collateral Adviser. Employment arrangements between those individuals and the Collateral Adviser may exist, but the Issuer is not a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. The loss of one or more of these individuals could have a material adverse effect on the performance of the Issuer. Moreover, the appointment of the Collateral Adviser may be terminated by the Issuer if Dirk Bergander ceases to be a managing director (Abteilungsdirektor) of the Collateral Adviser or its successor. (See "The Collateral Manager, the Collateral Adviser and the Collateral Management And Advice Agreement")

Concentration Risk

The concentration of the Portfolio in any one obligor would subject the Notes to a greater degree of risk with respect to defaults by such obligor, and the concentration of the Portfolio in any one country or region would subject the Notes to a greater degree of risk with respect to economic downturns relating to such country. (See "Description of the Portfolio and Other Mortgaged Property").

Overcollateralisation Ratio Test and Collateral Quality Tests

The Overcollateralisation Ratio Test and the Collateral Quality Tests and, with respect to each test, where applicable, the value at which such test is satisfied and the expected value on the first Measurement Date after the Closing Date are set forth under "Overcollateralisation Ratio Test" and "Collateral Quality Tests" in "Description of the Portfolio and Other Mortgaged Property". The actual value of the various tests on the first Measurement Date after the Closing Date may differ from the expected values and no assurance can be given that the magnitude of any such potential difference will not be below the relevant test levels. None of the Overcollateralisation Ratio Test and the Collateral Quality Tests will be applied until after the earlier of (a) the Ramp-Up Effective Date and (b) the first Payment Date.

Mortgage Backed Securities: General

The Collateral Debt Securities are mortgage backed securities (the "**Mortgage Backed Securities**" and "**Mortgage Backed Security**" shall be construed accordingly). Issuers of Mortgage Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialised originators. Credit risk is an important issue in Mortgage Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Accordingly, Mortgage Backed Securities generally include one or more credit enhancements that are designed to raise the overall credit quality of the security above that of the underlying collateral.

A Mortgage Backed Security is created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Mortgage Backed Securities. The securitisation conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust. The sponsor or originator of the collateral usually establishes the issuer. Interests in the trust, which embody the right to certain cash flows arising from the underlying assets, are then sold in the form of securities to investors through an investment bank or other securities underwriter. Each Mortgage Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitised assets – principal, interest and fees net of losses and any servicing costs as well as other expenses –and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the borrower accounts in the pool.

The structure of a Mortgage Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Often Mortgage Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Mortgage Backed Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The subordinated class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class.

Mortgage Backed Securities also use various forms of credit enhancements to transform the risk-return profile of underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralisation and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. Overcollateralisation is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the underlying collateral exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a securitisation by eliminating "event risk", or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfil its financial obligation to absorb losses. An investment banking firm or other organisation generally serves as an underwriter for Mortgage Backed Securities. In addition, a credit-rating agency often will analyse the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

Although the basic elements of all Mortgage Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and down-streamed to investors, how credit losses affect the trust and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral is revolving or closed-end, under what terms (including maturity of the asset-backed instrument, any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral is obligated to provide support to the trust or conduit or to the investors. Further issues may arise based on discretionary behaviour of the issuer within the terms of the securitisation agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitisation process. An issuer can simultaneously serve as originator of loans, servicer, administrator of the trust, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Institutions acquiring Mortgage Backed Securities should recognise that the multiplicity of roles that may be played by a single firm – within a single securitisation or across a number of them – means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

Issuers obtain a number of advantages from securitising assets, including improving their capital ratios and return on assets, monetising gains in loan value, generating fee income by providing services to the securitisation conduit, closing a potential source of interest-rate risk and increasing institutional liquidity by providing access to a new source of funds. Investors are attracted by the high credit quality of Mortgage Backed Securities, as well as their attractive returns.

Mortgage Backed Securities carry coupons that are floating. Pricing is typically designed to mirror the coupon characteristics of the loans being securitised. The spread will vary depending on the credit quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitised loans.

Credit risk arises from (1) losses due to defaults by the borrowers in the underlying collateral and (2) the issuer's or servicer's failure to perform. These two elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Mortgage Backed Securities are rated by major rating agencies. Market risk arises from the cash-flow characteristics of the security, which for many Mortgage Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread accounts proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk or other causes. For these cases, the securitisation transaction may include a "liquidity facility", which requires the facility provider to advance funds to the relevant special-purpose entity should problems arise. To the extent that the bank originating the loans is also the provider of the liquidity facility, and that the bank is likely to experience similar market concerns if the loans it originates deteriorate, the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of loan quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

Commercial Mortgage Backed Securities

Commercial Mortgage Backed Securities are Sterling-denominated securities (capable of being cleared through Euroclear or Clearstream, Luxembourg and, where cleared through Euroclear, subject to the Euroclear Pledge Agreement) issued by mortgage banks or special purpose vehicles that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of commercial mortgage loans issued in the United Kingdom relating to United Kingdom-based properties, and, in each case, made to finance the acquisition, construction and improvement of properties and generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property; (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively less diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

Residential Mortgage Backed Securities

Residential Mortgage Backed Securities are Sterling-denominated securities, which are not Non-Conforming Securities (capable of being cleared through Euroclear or Clearstream, Luxembourg and, where cleared through Euroclear, subject to the terms of the Euroclear Pledge Agreement) issued by mortgage banks or special purpose vehicles that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of residential mortgage loans issued in the United Kingdom relating to United Kingdom-based properties and, in each case, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) and generally having the following characteristics: (1) the mortgage loans have standardised payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a relatively diversified pool of obligor credit risk; and (3) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

Non-Conforming Securities

A portion of the Collateral Debt Securities may consist of securities in the form of notes denominated in Sterling and issued by either a mortgage bank or special purpose vehicle, the repayment of which is linked, whether synthetically or not, to the performance of a pool of residential mortgages to borrowers who may not satisfy the typical requirements of banks, building societies or high street lenders (each a "**Non-Conforming Security**"). Such Non-Conforming Securities cannot on their own exceed 20 per cent. of the Portfolio. Further, a Non-Conforming Security shall only form part of the Portfolio if all of the Class E Noteholders (including holders of the relevant Components of the Combination Notes) approve such selection or acquisition in writing.

Synthetic Securities

With respect to Synthetic Securities, the Issuer will usually have a contractual relationship with the issuer of the Synthetic Security only, and not with the Reference Obligor(s) of the underlying Reference Obligation(s). The Issuer generally will have no right to directly enforce compliance by the Reference Obligor(s) with the terms of the Reference Obligation(s) nor any rights of set-off against the Reference Obligor(s), nor have any voting rights with respect to the Reference Obligation(s). The Issuer will not directly benefit from any collateral supporting the Reference Obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation(s). In addition, in the event of the insolvency of the issuer of the Synthetic Security, the Issuer will be treated as a general creditor of such issuer, and will not have any claim with respect to the Reference Obligation(s). Consequently, the Issuer will be subject to the credit risk of the issuer of the Synthetic Security as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities in any one issuer of Synthetic Securities may subject the Notes to an additional degree of risk with respect to defaults by such issuer as well as by the Reference Obligor(s).

While the Issuer expects that the returns on a Synthetic Security will generally reflect those of the related Reference Obligation(s), as a result of the terms of the Synthetic Security and the assumption of the credit risk of the applicable issuer of the Synthetic Security, a Synthetic Security may have a different expected return, a different (and potentially greater) probability of default, a different (and potentially greater) expected loss characteristic following a default, and a different (and potentially lower) expected recovery following default. Additionally, when compared to the Reference Obligation(s), the terms of a Synthetic Security may provide for different maturities, payment dates, interest rates, interest rate references, credit exposures, or other credit or non-credit related characteristics. A Synthetic Security may also involve leveraged exposure to the related Reference Obligation(s). Upon default on a Reference Obligation, or in certain circumstances, default or other actions by an obligor of a Reference Obligation, the terms of the relevant Synthetic Security may permit the issuer of the Synthetic Security to satisfy its obligations under the Synthetic Security by delivery to the holder of such Synthetic Security of a Reference Obligation or an amount equal to the then current market value of the Reference Obligation. Such amounts may be significantly less than the original principal amount of such Synthetic Security, or, in certain circumstances, equal zero.

Furthermore, prospective investors in the Notes should note that a Reference Obligation underlying a Synthetic Security does not need to be a Sterling-denominated instrument.

Although neither the Collateral Manager nor the Collateral Adviser will perform independent credit analyses of the issuer of the Synthetic Security on behalf of the Issuer, any such issuer of Synthetic Securities, or an entity guaranteeing such issuer, individually and in the aggregate will be required to satisfy the required ratings set forth under "Description of the Portfolio and Other Mortgaged Property - Synthetic Securities". One or more Affiliates of the Collateral Manager or the Collateral Adviser may act as an issuer of a Synthetic Security with respect to all or a portion of the Synthetic Securities, which may create certain conflicts of interest. (See "Certain Conflicts of Interest" below.)

General - Collateral Debt Securities

Although the basic elements of all Collateral Debt Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with holding the Collateral Debt Securities include the process by which principal and interest payments are allocated and down-streamed to investors, how credit losses affect the issuer and the return to investors, whether the underlying collateral represents a fixed set of specific assets or accounts, under what terms any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuer/conduit or to the investors. An issuer can simultaneously serve as originator of mortgages, obligor, administrator of the issuer, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Investors acquiring the Notes should recognise that the multiplicity of roles that may be played by a single firm — within a single securitisation or across a number of them — means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

Credit risk arises from (1) losses due to defaults by the mortgagors in the underlying mortgages and (2) the issuer's or obligor's failure to perform. These two elements can blur together as, for example, in the case of an obligor who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Collateral Debt Securities are rated by major rating agencies. Market risk arises from the cashflow characteristics of the security, which for most Collateral Debt Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to securityholders. Operational risk arises through the potential for misrepresentation of mortgage quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the obligor and inadequate controls over disbursements and receipts by the obligor.

Interest Rate Basis for Collateral Debt Securities

Principal Proceeds and Unused Proceeds may be reinvested in Collateral Debt Securities which bear interest at a rate based on LIBOR, subject to certain limitations specified herein, or, invested in Eligible Investments pending application in accordance with the Priorities of Payments. The Senior and Mezzanine Notes will bear interest at a rate based on LIBOR for the period from, and including, the Payment Date (or, in the case of the first Payment Date, the Closing Date) immediately preceding the relevant Payment Date to, but excluding, the relevant Payment Date or, in the case of the Class A-1 Notes, from and including the date of issuance to but excluding the first Payment Date.

Prepayment Considerations

The Principal Amount Outstanding of the Notes of each Class is expected to be repaid in full prior to the Stated Maturity Date and on or before the Payment Date falling approximately twelve years from the Closing Date, such date scheduled to be 20th November, 2015 (the "**Expected Maturity Date**"), provided that there have been no repayments of principal on any Class of the Notes prior to the Expected Maturity Date. The average lives of the Notes (being the average amount of time that will elapse from the date of delivery of a Note until each pound Sterling in principal amount of such Note has been repaid to the relevant Noteholder), will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of payments received at or in advance of the scheduled maturity of the Collateral Debt Securities (whether through sale, maturity, redemption, default or other liquidation). The actual average lives and actual maturities of the Notes will be affected by the financial condition of the obligors of the underlying Collateral Debt Securities and the characteristics of such securities, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, the actual default rate, the actual level of recoveries on any Defaulted Securities and the timing of defaults and recoveries, and the frequency of tender or exchange offers for such Collateral Debt Securities. Any sale of a Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Notes. The rate and timing of future defaults and the amount and timing of any cash realisation from Defaulted Securities will also affect the maturity and average lives of the Notes. The ability of the Collateral Manager, acting on behalf of the Issuer and on the advice of the Collateral Adviser, to reinvest any Principal Proceeds in Collateral Debt Securities or Eligible Investments will also affect the average lives of the Notes.

Optional Redemption of Collateral Debt Securities

An optional redemption of Collateral Debt Securities could require the Collateral Manager, (acting on behalf of the Issuer) and in accordance with the advice or recommendation of the Collateral Adviser, to liquidate Collateral Debt Securities more rapidly than may otherwise be desirable.

Mandatory Redemption of Class A Notes, Class B Notes, Class C Notes and Class D Notes

The Issuer will be required, on each Payment Date falling after the expiration of the Reinvestment Period and subject to the Priorities of Payments, to apply Principal Proceeds towards redemption of the Class A Notes and, following redemption in full thereof, towards redemption of the Class B Notes and, following redemption in full thereof, towards redemption of the Class C Notes and, following redemption in full thereof, towards redemption of the Class D Notes. In addition, if the Overcollateralisation Ratio Test is not satisfied on any Determination Date then, on the Payment Date following such Determination Date, Interest Proceeds, and thereafter Principal Proceeds and Unused Proceeds, will be used, subject to the Interest Priority of Payments and Principal Priority of Payments, to the extent necessary and available, to redeem the Class A Notes and, following redemption in full thereof, the Class B Notes and, following redemption in full thereof, the Class C Notes, and following redemption in full thereof, the Class D Notes, in each case, on a *pro rata* basis until the Overcollateralisation Ratio Test is satisfied if recalculated following each such redemption. Either of these events may decrease the leverage of the Class E Notes with respect to the Collateral Debt Securities which could adversely impact the level of the returns to the holders of the Class E Notes. In addition, the application of Interest Proceeds in redemption of the Class A Notes and/or the Class B Notes and/or the Class C Notes and/or the Class D Notes to the extent that the Overcollateralisation Ratio Test is not satisfied on any Determination Date may result in an elimination or reduction in the interest payments made to the Class E Noteholders.

Future Ratings of the Senior Notes, Mezzanine Notes and Combination Notes Not Assured and Limited in Scope

The Senior Notes will be rated by both Fitch and S&P and the Class A-1 Notes will receive a private rating from Moody's. The Mezzanine Notes will be rated by S&P only. The Class E Notes will be unrated. The ratings assigned to the Class A Notes address the timely payment of interest due and payable and the ultimate repayment of principal thereon. The S&P Rating of the Class B Notes addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the Fitch Rating of the Class B Notes addresses the ultimate payment of the principal and the interest thereon. The S&P Rating of the Class C Notes and addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the S&P Rating assigned to the Class D Notes addresses the ultimate repayment of principal and interest thereon. A security rating is not a recommendation to buy, sell or hold any of the Notes, insofar as such rating does not comment as to market price or suitability for a particular investor. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the Rating Agencies if, in their judgement, circumstances in the future so warrant. In the event that a Rating initially assigned to any of the Senior, Mezzanine and Combination Notes is subsequently lowered for any reason, no person or entity is required to provide any additional support or credit enhancement with respect to any such Notes.

Changes in Tax Law; No Gross-Up

At the time when they are acquired by the Issuer, Collateral Debt Securities are not expected to be subject to any withholding tax imposed by any jurisdiction or to the extent that any such withholding tax does apply, the relevant obligor will be obliged to make gross-up payments that cover the full amount of such withholding tax. However, there can be no assurance that, as a result of any change in any applicable law, rule or regulation or interpretation thereof, the payments on the Collateral Debt Securities might not in the future become subject to withholding tax or increased withholding rates in respect of which the relevant obligor will not be obliged to gross-up. In such circumstances, the Issuer may be able, but will not be obliged, to take advantage of the current applicable law in the jurisdiction of the obligor or the borrower. In the event that the Issuer receives any interest payments on any Collateral Debt Security net of any applicable withholding tax, the Overcollateralisation Ratio Test and Collateral Quality Tests will be determined by reference to such net receipts. Such tax would also reduce the amounts available to make payments on the Notes. There can be no assurance that remaining payments on the Collateral Debt Securities would be sufficient to make payments of interest or principal on the Stated Maturity Date and other amounts payable in respect of the Notes of each Class. A Collateral Tax Event would entitle the requisite amount of the holders of the Junior Class of Covered Notes, subject to the satisfaction of certain conditions precedent, to require the redemption of all Notes.

Although no withholding tax is currently imposed on payments of interest on the Notes, there can be no assurance that the law will not change. In the event that any withholding tax is imposed on payments of interest on any Class of Notes, the Issuer will not "gross-up" payments to the holders of such Notes. A Note Tax Event would entitle the requisite amount of the holders of the Controlling Class of the Notes, subject to the satisfaction of certain conditions precedent, to require the redemption of all Notes.

Changes in Tax Status

The Issuer has received advice as to the existing laws of the Cayman Islands in relation to its taxation position that payments in respect of the Notes by the Issuer would ordinarily not be currently subject to any withholding tax in the Cayman Islands. There can be no assurance that the position described will not change. Any such change in law or the interpretation thereof by applicable authorities may give rise to withholding or deduction of taxes from payments of principal or interest in respect of the Notes. Any imposition of tax payable by the Issuer will result in a lower amount becoming payable under the Notes. (See "Tax Considerations - Cayman Islands Taxation").

EU Savings Directive

On 3rd June 2003, the European Council of Economics and Finance Ministers adopted a Directive regarding the taxation of savings income under which Member States will be required from a date not earlier than 1st January, 2005 to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid to a person within its jurisdiction to an individual resident in another Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during such 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.

Certain Conflicts of Interest

Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager, the Collateral Adviser and/or their respective Affiliates, including, without limitation, in respect of the Collateral Manager or the Collateral Manager's Affiliates, as lender under the Revolving Credit Facility Agreement, in connection with the Warehousing Arrangements and as Liquidity Lender pursuant to the Issuer Liquidity Agreement or, in any such case, as party to or in connection with the purchase of or investment in Collateral Debt Securities and Eligible Investments. The following briefly summarises some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Collateral Manager, the Collateral Adviser and/or their respective Affiliates and their clients may invest for accounts other than the Issuer in securities that may otherwise be appropriate as security for the Notes. Such investments may be the same as or different from those made on behalf of the Issuer. In making such investments none of the Collateral Manager, the Collateral Adviser or any of their respective Affiliates shall have any duty to act in any way that is favourable to the interests of the Issuer or the holders of any Notes. In particular, but without prejudice to the foregoing, none of the Collateral Manager, the Collateral Adviser or any of their respective Affiliates have any affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager, the Collateral Adviser and/or any of their respective Affiliates manage or advise. The Collateral Manager, the Collateral Adviser and any of their respective Affiliates may engage in negotiations leading to the restructuring of investments held for their own account or for the account of others. If such investments are also held by the Issuer, in entering into such negotiations, none of the Collateral Manager, the Collateral Adviser or any of their respective Affiliates will have any duty to act in any way which is favourable to the interests of the Issuer or the holders of the Notes.

In the event the Collateral Manager, purchases or sells (or intends to purchase or sell in accordance with the terms of the Collateral Management and Advice Agreement) securities on the Issuer's behalf at the same time as it is considering the sale or purchase of the same securities for another client, the Collateral Manager anticipates that such purchases or sales will be allocated in a manner believed by the Collateral Manager to be equitable to each purchaser or seller. Nevertheless, under some circumstances, such allocation may adversely affect the Issuer with respect to the price or size of the securities positions obtainable or saleable. Moreover, it is possible, due to differing investment objectives or other reasons, that the Collateral Manager, may purchase securities of an issuer for one client and sell such securities for another client. The Collateral Manager will not arrange purchases or sales of securities between the Issuer and any other client of the Collateral Manager or the Collateral Adviser except to the extent permitted by the terms hereof and by applicable law. The Collateral Manager, the Collateral Adviser and their respective Affiliates may independently invest in securities that are within the investment objectives of the Issuer. The Collateral Manager, the Collateral Adviser and their respective Affiliates may also independently invest in securities through different entities, which may have similar or identical investment objectives as the Issuer.

The Collateral Manager, the Collateral Adviser and their respective Affiliates may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, securityholders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager, the Collateral Adviser and their respective Affiliates may in their discretion make investment recommendations and decisions that may be the same as or different from those made in accordance with the terms of the Collateral Management and Advice Agreement with respect to the Issuer's investments.

Although the principals and employees of the Collateral Manager and the Collateral Adviser will devote as much time to the Issuer as the Collateral Manager and the Collateral Adviser deem appropriate, such principals and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's or Collateral Adviser’s, as the case may be, other accounts and businesses. In addition, the Collateral Manager and the Collateral Adviser, in connection with its other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager or the Collateral Adviser from purchasing or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Collateral Manager or the Collateral Adviser may in the future serve as a manager of limited partnerships or other companies organised to issue collateralised debt obligations of similar type.

All Initial Collateral Debt Securities were acquired by the Issuer, and all additional Collateral Debt Securities which from time to time form part of the Portfolio are expected to be acquired by the Issuer pursuant to a confirmation which will supplement and form part of the Master Collateral Acquisition

Agreement with the Collateral Vendor or through the open market and based on advice provided by the Collateral Adviser.

The Collateral Manager is authorised, on behalf of the Issuer, to conduct principal transactions with itself, the Collateral Adviser and their respective Affiliates, (each a "**Principal Transaction**") subject to applicable law and provided that the Collateral Manager has obtained two other indicative market quotes and is transacting on an arm's length basis. Such transactions, if any, will be disclosed and consented to by the Issuer to the extent provided in the Collateral Management and Advice Agreement. The Collateral Manager is also authorised to effect client cross transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another account advised by the Collateral Manager, the Collateral Adviser or any of their respective Affiliates (each a "**Client Cross Transaction**"), provided that the Collateral Manager has obtained two other indicative market quotes and is transacting on an arm's length basis. Client Cross Transactions may enable the Collateral Manager to purchase or sell a block of securities for the Issuer at a set price and possibly avoid an unfavourable price movement that may be created through entrance into the market with such purchase or sale order. In addition the Collateral Manager is authorised to enter into agency cross transactions where any of the Affiliates of either the Collateral Manager or the Collateral Adviser acts as broker for the Issuer and for the other party to the transaction (each an "**Agency Cross Transaction**") (provided that the Collateral Manager has obtained two other indicative market quotes and is transacting on an arm's length basis), in which case any such Affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. In this circumstance, the Collateral Manager or the Collateral Adviser, as the case may be, may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favourable commission rates, mark-ups and mark-downs.

Principal Transactions, Client Cross Transactions and Agency Cross Transactions, if any, will be disclosed by the Collateral Manager and consented to by the Class E Noteholders to the extent provided in Clause 2.4 of the Collateral Management and Advice Agreement.

There is no limitation or restriction on the Collateral Manager, the Collateral Adviser or any of their respective Affiliates with regard to acting as collateral manager or adviser (or in a similar role) to other parties or persons. This and other future activities of the Collateral Manager, the Collateral Adviser and/or their respective Affiliates may give rise to additional conflicts of interest.

Security; Fixed Charge

The Collateral Debt Securities and Eligible Investments will be held by the Custodian. The Custodian will hold certain of the securities (i) through its accounts with Euroclear or Clearstream, Luxembourg and (ii) through its sub-custodians who will in turn hold such Collateral Debt Securities and Eligible Investments which are securities both directly and through any appropriate clearing system. Those securities held in clearing systems will not be held in special purpose accounts and will be fungible with other securities from the same issue held in the same accounts on behalf of the other customers of the Custodian or its sub-custodian, as the case may be. A first fixed charge over such Collateral Debt Securities and Eligible Investments will be created under English law pursuant to the Trust Deed on the Closing Date and will take effect as a security interest over the right of the Issuer to require the release and/or delivery of equivalent securities from the Custodian in accordance with the terms of the Agency Agreement.

The Collateral Debt Securities and Eligible Investments held by the Custodian on behalf of the Trustee through its account with Euroclear will be the subject of a commercial pledge under Belgian law created by the Issuer pursuant to the Euroclear Pledge Agreement on the Closing Date. The effect of this security interest will be to enable the Custodian, on enforcement, to sell the securities in the pledged account on behalf of the Trustee. The Euroclear Pledge Agreement will not entitle the

Trustee to require delivery of the relevant securities from the depositary or depositaries that have physical custody of such securities or allow the Trustee to rehypothecate such securities.

However, the charge created pursuant to the Trust Deed and the security created by the Euroclear Pledge Agreement may be insufficient or ineffective to secure the Collateral Debt Securities and Eligible Investments for the benefit of Noteholders, particularly in the event of any insolvency or liquidation of the Custodian or any sub-custodian that has priority over the right of the Issuer to require delivery of such assets from the Custodian in accordance with the terms of the Agency Agreement. Any risk of loss arising from any insufficiency or ineffectiveness of the security for the Notes must be borne by the Noteholders without recourse to the Issuer, the Trustee, the Arranger, the Collateral Manager, the Collateral Adviser or any other party.

Although the security constituted by the Trust Deed over certain of the Collateral Debt Securities and Eligible Investments held from time to time, including the security over the Accounts, is expressed to take effect as fixed security, it may (as a result of the substitutions of Collateral Debt Securities and Eligible Investments contemplated by the Collateral Management and Advice Agreement and the payments to be made from the Accounts in accordance with the Conditions and the Trust Deed) take effect as a floating charge which, in particular, would rank after a subsequently created fixed security interest. However, the Issuer has covenanted not to create any such subsequent security interests without the consent of the Trustee.

DESCRIPTION OF THE NOTES WHILST IN GLOBAL FORM

References below to Notes, Global Notes and Definitive Notes are to each respective Class of Notes (and to the Combination Notes to the extent of their respective Components) except as otherwise indicated.

The Notes have not been and will not be registered under the Securities Act, under any state securities laws or under the laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to US persons (as defined in Regulation S under the Securities Act, a "**U.S. Person**") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or applicable state laws

Initial Settlement

Each Class of Notes will be issued in bearer form and will initially be represented by a temporary global note (each a "**Temporary Global Note**"), without interest coupons or talons attached. The Temporary Global Note will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes represented by a Temporary Global Note with a principal amount of Notes equal to the principal amount for which it has subscribed and paid. Interests in each Temporary Global Notes will be exchangeable (not earlier than 40 calendar days after the later of the commencement of the Offering and the Closing Date or in the case of any Class A-1 Notes not earlier than 40 calendar days after the relevant Class A-1 Issue Date, provided certification of non-US beneficial ownership by the relevant Noteholder has been received) for interests in a permanent global note (each a "**Permanent Global Note**"), without interest coupons or talons attached. As used herein, the term "**Global Notes**" includes each of the Temporary Global Notes and the Permanent Global Notes, in global form. On exchange of interests in the Temporary Global Notes for interests in the Permanent Global Notes, the Permanent Global Notes will remain deposited with the Common Depositary. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Notes in definitive form (the "**Definitive Notes**") in limited circumstances, described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

Interest and principal on the Global Notes will be payable pursuant to arrangements made between the Common Depositary and the Paying Agents and will be payable, at the option of the holder, at any specified office of any Paying Agent provided certification of non-US beneficial ownership by the Noteholders in respect of such Global Note has been received, prior to the first payment of interest thereon, by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Note, distinguishing between any payment of principal, payment of interest and payment of any other amount, will be endorsed on that Global Note by the Paying Agent to which that Global Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made to the holder of the relevant Global Note, for so long as such Global Note is outstanding. Each such person must give a certificate as to non-US beneficial ownership as of the earlier of: (i) the date on which the Issuer is obliged to exchange interests in the Temporary Global Notes for interests in the Permanent Global Notes, which date shall be no earlier than 40 calendar days after the later of the commencement of the Offering and the Closing Date, or in the case of any Class A-1 Notes not earlier than 40 calendar days after the relevant Class A-1 Issue Date, and (ii) the first Payment Date, in order to obtain any payment due on the Notes.

For so long as the Notes are represented by a Global Note held by the Common Depositary, Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg. Notes represented by a Global Note which is not held by the Common Depositary, or Notes in definitive form, will be transferable by delivery of the Global Note or Note, as the case may be.

For so long as the Notes are represented by a Global Note held by the Common Depositary, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes will be entitled to be treated by the Issuer and the Trustee as a holder of such principal amount of Notes other than with respect to the payment of principal and interest or any amounts payable on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Global Notes, and the expressions "**Noteholder**", "**Noteholders**" "**holder of the Notes**" and "**holders of the Notes**" shall, where appropriate, be construed accordingly. Issue of Definitive Notes For these purposes, "**Exchange Event**" means that: (i) the principal amount of the Notes becomes immediately due and payable pursuant to Condition 9 or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii) as a result of any amendment to, or change in, any laws or regulations of the Cayman Islands or any other relevant jurisdiction or any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations, which becomes effective on or after 20th November, 2003, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will, subject to and in accordance with the terms of the Trust Deed, within 30 calendar days of the occurrence of the Exchange Event without charge exchange interests in the relevant Global Note for Definitive Notes (together with interest coupons or talons attached) upon the presentation and surrender of the Permanent Global Note provided, in each case, that certification of non-US beneficial ownership has been provided in accordance with the Trust Deed. Definitive Notes may be obtained, upon issue, at the offices of the Paying Agents.

Global Notes - Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions of the Notes set out in this Offering Memorandum. The following is a summary of those provisions:

- *Payments*. Payments of principal and interest in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

- *Exchange of Combination Notes.* A holder of a beneficial interest in a Combination Note represented by the relevant Permanent Global Note may exchange such interests (in whole only) for interests in the Permanent Global Note of the Classes represented by the Components of such Combination Note (each an "**Exchange Class**") by delivering to the Principal Paying Agent or the Luxembourg Paying Agent instructions so to exchange such interests provided that the

Combination Notes may only be exchanged for the Components thereof to the extent that the principal amounts of the Notes to which such Components relate and in respect of which such exchange is to be effected are equal to the Minimum Denominations thereof. Upon receipt by the Issuer and the Principal Paying Agent or the Luxembourg Paying Agent of exchange instructions in a certificate in the form specified in the Trust Deed delivered by the holder of such beneficial interest, the Principal Paying Agent or, as the case may be, the Luxembourg Paying Agent shall cancel the Permanent Global Note representing each Combination Note so exchanged (and the holder's Euroclear or Clearstream, Luxembourg account to be debited accordingly) and procure that the Permanent Global Note representing each Exchange Class is increased by the principal amount of the related Component exchanged (and the holder's Euroclear or Clearstream, Luxembourg account to be credited accordingly).

- *Notices*. So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Conditions of such Notes provided that such notice is also published in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) for so long as such publication is required by the rules of the Luxembourg Stock Exchange.

- *Accountholders.* For so long as all the Notes are represented by one or both of a Temporary Global Note and a Permanent Global Note and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular Principal Amount Outstanding of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the Principal Amount Outstanding of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such Principal Amount Outstanding of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such 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 its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

- *Prescription*. Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a Global Note will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest).

- *Meetings*. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each £50,000 of principal amount of Notes for which the relevant Global Note may be exchanged. The holders of the Combination Notes will be entitled to vote to the extent of the respective Components voting together with the underlying Class of Notes to which that Component relates and not as a separate Class.

- *Trustee's Powers*. In considering the interests of Noteholders while the Global Notes are held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to each Global Note and may consider such interests as if such account holders were the holders of any Global Note.

- *Cancellation*. Cancellation of any Note required by the Conditions to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

CONDITIONS OF THE NOTES

*The following are the conditions of each of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F-1 Combination Notes, the Class F-2 Combination Notes and the Class F-3 Combination Notes (the "**Conditions**") substantially in the form in which they will be endorsed on such Notes if issued in definitive certificated form and will be incorporated by reference into the Global Notes subject to the provisions of such Global Notes, some of which will modify the effect of these Conditions. See "Description of the Notes whilst in Global Form - Global Notes - Amendments to Conditions". Words and expressions not otherwise defined in these Conditions shall have the meanings ascribed to them in the Master Interpretation and Construction Schedule.*

The issue of £64,450,000 Class A-1 Floating Rate Senior Secured Notes due 2102 (the "**Class A -1 Notes**"), £52,550,000 Class A-2 Floating Rate Senior Secured Notes due 2102 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, the "**Class A Notes**"), £9,750,000 Class B Floating Rate Second Priority Senior Secured Notes due 2102 (the "**Class B Notes**" and, together with the Class A Notes, the "**Senior Notes**"), £4,500,000 Class C Floating Rate Third Priority Secured Notes due 2102 (the "**Class C Notes**"), £5,750,000 Class D Floating Rate Fourth Priority Secured Notes due 2102 the "**Class D Notes**" and together with the Class C Notes, the "**Mezzanine Notes**"), £11,450,000 Class E-1 Subordinated Secured Notes due 2102 (the "**Class E-1 Notes**"), and £1,550,000 Class E-2 Subordinated Secured Notes due 2102 (the "**Class E-2 Notes**" and, together with the Class E-1 Notes, the "**Class E Notes**" or the "**Junior Notes**"), £17,000,000 Class F-1 Combination Notes due 2102 (the "**Class F-1 Combination Notes**"), £7,000,000 Class F-2 Combination Notes due 2102 (the "**Class F-2 Combination Notes**") and £6,000,000 Class F-3 Combination Notes due 2102 (the "**Class F-3 Combination Notes**" and together with the Class F-1 Combination Notes and the Class F-2 Combination Notes, the "**Combination Notes**" and, together with the Senior Notes, the Mezzanine Notes and the Junior Notes, the "**Notes**"). Unless otherwise provided, each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are separately referred to herein as a "**Class**" (which term shall include the Combination Notes to the extent that the Combination Notes include Components of such Class of Notes). The Combination Notes shall be deemed a Class only in relation to the issuance and transfer of the Combination Notes. The Class A-1 Notes will be issued to the extent required for the purchase of proposed Collateral Debt Securities and for any subsequent sale of the Class A-1 Notes, during the period from and including the Closing Date, to and including the earlier of (i) the Ramp-Up Effective Date and (ii) the day falling 40 days prior to the first Payment Date (such period the "**Class A-1 Drawdown Period**"). Immediately following the expiry of the Class A-1 Drawdown Period, each issuance of Class A-1 Notes during the Class A-1 Drawdown Period shall be consolidated and form a single Class of Class A-1 Notes with any Class A-1 Notes then Outstanding. Immediately following the Additional Payment Date (as defined in Condition 5(k)) the Class E-1 Notes and the Class E-2 Notes shall be consolidated and form a single Class of Class E Notes and thereafter any references in these Conditions to the Class E-1 Notes and the Class E-2 Notes shall be deemed to apply to the Class E Notes.

The issuance of the Notes by the Issuer was authorised by a resolution of the Board of Directors dated 20th November, 2003. The Notes are constituted by a trust deed dated 20th November, 2003 (the "**Trust Deed**") between (amongst others) the Issuer and J.P. Morgan Corporate Trustee Services Limited in its capacity as trustee (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) for the Noteholders. References to each Class shall, unless the context otherwise requires, include any Coupons (as defined below) appertaining thereto.

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the forms of the Global Notes (as defined below)). The following agreements (together with the Trust Deed, the "**Transaction Documents**") have been or will be entered into in relation to the Notes:

(a) an agency agreement dated 20th November, 2003 (the "**Agency Agreement**") between the Issuer, JPMorgan Chase Bank as principal paying agent (the "**Principal Paying Agent**" which term shall include any successor or substitute principal paying agent appointed pursuant to the terms of the Agency Agreement) and J.P. Morgan Bank Luxembourg S.A. as paying agent in Luxembourg (the "**Luxembourg Paying Agent**" which term shall include any successor or substitute Luxembourg paying agents appointed pursuant to the terms of the Agency Agreement and together with the Principal Paying Agent, the "**Paying Agents**"), JPMorgan Chase Bank as account bank (the "**Account Bank**" which term shall include any successor or substitute account bank appointed pursuant to the terms of the Agency Agreement), JPMorgan Chase Bank as calculation agent (the "**Calculation Agent**" which term shall include any successor or substitute calculation agent appointed pursuant to the terms of the Agency Agreement), JPMorgan Chase Bank as custodian (the "**Custodian**" which term shall include any successor or substitute custodian appointed pursuant to the terms of the Agency Agreement) and the Trustee. The Principal Paying Agent, Luxembourg Paying Agent, Account Bank, Calculation Agent and Custodian shall be referred to collectively as "**Agents**";

(b) a collateral management and advice agreement in respect of the Portfolio dated 20th November, 2003 (the "**Collateral Management and Advice Agreement**") between, amongst others, CIBC World Markets plc (the "**Collateral Manager**" which term shall include any successor collateral manager appointed pursuant to the terms of the Collateral Management and Advice Agreement), the Issuer, Hypo Real Estate Bank AG as collateral adviser (the "**Collateral Adviser**" which term shall include any successor collateral adviser appointed pursuant to the terms of the Collateral Management and Advice Agreement) and the Trustee;

(c) a collateral administration agreement dated 20th November, 2003 (the "**Collateral Administration Agreement**") between the Issuer, the Collateral Manager, JPMorgan Chase Bank as collateral administrator (the "**Collateral Administrator**" which term shall include any successor collateral administrator appointed in accordance with the Collateral Administration Agreement) and the Trustee;

(d) a liquidity agreement (the "**Issuer Liquidity Agreement**") dated 20th November, 2003 between the Issuer, the Trustee and Canadian Imperial Bank of Commerce, London Branch as liquidity lender (the "**Liquidity Lender**" which term shall include any successor liquidity lender appointed in accordance with the Issuer Liquidity Agreement);

(e) a Euroclear pledge agreement dated 20th November, 2003 (the "**Euroclear Pledge Agreement**") between the Issuer, the Custodian and the Trustee;

(f) a master collateral acquisition agreement dated 20th November, 2003 (the "**Master Collateral Acquisition Agreement**") between the Issuer and Canadian Imperial Bank of Commerce, London Branch (the "**Collateral Vendor**"); and

(g) a master interpretation and construction schedule dated as of 20th November, 2003 (as amended from time to time, the "**Master Interpretation and Construction Schedule**") signed for the purpose of identification by the parties to the Transaction Documents.

A note purchase agreement will be entered into on the Closing Date in respect of the sale of £64,450,000 in principal amount of the Class A-1 Notes, £12,000,000 in principal amount of the Class F-1 Combination Notes and £1,050,000 in principal amount of the Class E-2 Notes and the exchange of the remaining Notes for the Exchangeable Notes as described therein (the "**Notes Purchase**

Agreement") between the Issuer, the Arranger and the parties (as named therein). An administration agreement dated 4th December, 2002 (the "**Administration Agreement**") has been entered into between the Issuer and Maples Finance Jersey Limited (formerly known as QSPV (Jersey) Limited) (the "**Administrator**").

All capitalised words and expressions in these Conditions, save where the context requires otherwise, have the meanings set out herein or in the Master Interpretation and Construction Schedule. Copies of the Trust Deed, the Agency Agreement, the Collateral Management and Advice Agreement, the Issuer Liquidity Agreement, the Collateral Administration Agreement, the Master Collateral Acquisition Agreement, the Master Interpretation and Construction Schedule and the Euroclear Pledge Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Trinity Tower, 9 Thomas More Street, London, England, E1W 1YT) and at the specified offices of the Paying Agents for the time being.

The Noteholders (as defined below) and the holders of interest coupons (the "**Coupons**") appertaining to the Notes (the "**Couponholders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement, the Collateral Management and Advice Agreement and the Collateral Administration Agreement. The Trustee has, and the Agents, the Collateral Manager, the Collateral Administrator, the Collateral Adviser, the Liquidity Lender, the Administrator, the holders from time to time of the Class A-1 Notes (the "**Class A-1 Noteholders**"), the Class A-2 Notes (the "**Class A-2 Noteholders**" and, together with the Class A-1 Noteholders, the "**Class A Noteholders**"), the Class B Notes (the "**Class B Noteholders**" and, together with the Class A Noteholders, the "**Senior Noteholders**"), the Class C Notes (the "**Class C Noteholders**"), the Class D Notes (the "**Class D Noteholders**" and together with the Class C Noteholders, the "**Mezzanine Noteholders**"), the Class E-1 Notes (the "**Class E-1 Noteholders**"), the Class E-2 Notes (the "**Class E-2 Noteholders**" and, together with the Class E-1 Noteholders the "**Class E Noteholders**" or the "**Junior Noteholders**"), the Class F-1 Combination Notes (the "**Class F-1 Combination Noteholders**"), the Class F-2 Combination Notes (the "**Class F-2 Combination Noteholders**") and the Class F-3 Combination Notes (the "**Class F-3 Combination Noteholders**" and together with the Class F-1 Combination Noteholders and the Class F-2 Combination Noteholders, the "**Combination Noteholders**") have, through the Trustee, the benefit of the security interests described below to secure sums due to such party under the Notes and the applicable Transaction Documents. References herein to the "**Noteholders**" are to any of the Senior Noteholders, the Mezzanine Noteholders, the Junior Noteholders and the Combination Noteholders.

The Class F-1 Combination Notes will be composed of four components: a Class B Component, a Class C Component, a Class D Component and a Class E-1 Component; the Class F-2 Combination Notes will be composed of two components: a Class D Component and a Class E-1 Component; and the Class F-3 Combination Notes will be composed of two components: a Class B Component and a Class E-2 Component. Each of the Class B Component of the Class F-1 Combination Notes and of the Class F-3 Combination Notes, the Class C Component, the Class D Component, the Class E-1 Component of the Class F-1 Combination Notes and of the Class F-2 Combination Notes and the Class E-2 Component of the Class F-3 Combination Notes are each referred to as a "**Component**" and together the "**Components**".

The £17,000,000 aggregate principal amount of the Class F-1 Combination Notes will be composed of: £2,300,000 aggregate principal amount of Class B Notes, £4,500,000 aggregate principal amount of Class C Notes, £5,200,000 aggregate principal amount of Class D Notes and £5,000,000 aggregate principal amount of Class E-1 Notes.

The £7,000,000 aggregate principal amount of Class F-2 Combination Notes will be composed of: £550,000 aggregate principal amount of Class D Notes and £6,450,000 aggregate principal amount of Class E-1 Notes.

The £6,000,000 aggregate principal amount of Class F-3 Combination Notes will be composed of: £5,500,000 aggregate principal amount of Class B Notes and £500,000 aggregate principal amount of Class E-2 Notes.

The initial principal amounts of the Components comprising each of the Combination Notes are included in (and are not in addition to) the respective initial principal amount of the relevant Class of Notes to which such Components relate. Save to the extent related to the issuance or transfer of the Combination Notes, the Conditions applicable to the Combination Notes, including the terms on which amounts are due and payable in respect thereof and the rights of any holders thereof, are the same as the terms and conditions applicable to the Components of the Combination Notes to the extent of the principal amount of the Components thereof. The interest payable on the Combination Notes is in respect of, and is not in addition to, amounts payable on the Components (if any).

The Components are not separately transferable. A holder may exchange all of its Combination Notes for proportional interests in the Classes of Notes to which the Components of such Combination Notes correspond, as described in Condition 1(d). A holder of Notes which comprise the Components of the Combination Notes (including a holder that received such Notes upon exchange of Combination Notes for the underlying Classes of Notes) will not have the right to exchange such Notes for Combination Notes.

For the purposes of these Conditions and the Trust Deed, each Component of a Combination Note shall be deemed to be issued and Outstanding whilst comprised in such Combination Note but without any double counting of the Combination Notes Nominal Amount Outstanding of the relevant Combination Note in determining the Principal Amount Outstanding of the related Class.

Payments of interest and principal in respect of a Global Note will be made at a specified office of any of the Paying Agents outside the United States of America (including the States thereof and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), subject as provided in the Conditions, against presentation and endorsement (or, in the case of the final payment due in respect of a Global Note, surrender) of the relevant Global Note.

The Paying Agent to which a Global Note shall have been presented for payment shall endorse on such Global Note a record of each payment made, distinguishing between any payment of principal and any payment of interest. Such record shall be *prima facie* evidence that the payment in question has been made.

As long as Notes are represented by a Global Note, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the holder of a Note must look solely to Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as the case may be, for his share of each payment so made by the Issuer to the bearer of the relevant Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the relevant Global Note is outstanding. The Issuer will be discharged by payment to the bearer of the relevant Global Note in respect of each amount so paid.

Notwithstanding the foregoing, payments on a Temporary Global Note due prior to the Exchange Date will only be made upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. No payments due after the Exchange Date will be made on a Temporary Global Note but shall instead be made on a Permanent Global Note.

DEFINITIONS

For the purposes of these Conditions, unless otherwise defined elsewhere in this Offering Memorandum:

"**Accounts**" means any of the Interest Proceeds Account, the Principal Proceeds Account, the Payment Account, the Expense Account, the Unused Proceeds Account, the Euroclear Pledged Accounts, the Custodial Account, the Senior Exchangeable Notes Interest Account, the Class D-1 Sterling Interest Account, the Class D-2 Sterling Interest Account, the Class D-2 Euro Interest Account, the Currency Swap Termination Account and "**Account**" means any of them;

"**Affiliate**" or "**Affiliated**" means with respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, Officer, employee or general partner of (a) such Person or (b) any such other Person described in clause (i) above. For the purposes of this definition, (i) control of a Person shall mean the power, direct or indirect, (x) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such Person or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and (ii) no special purpose vehicle in relation to which Maples Finance Limited acts as share trustee or provides directors will be deemed to be Affiliated with the Issuer solely by reason of the role of Maples Finance Limited with respect to that Person and "**Affiliates**" shall be construed accordingly;

"**Aggregate Principal Balance**" means when used with respect to the Collateral Debt Securities or Eligible Investments, the sum of the Principal Balances of all such Collateral Debt Securities or Eligible Investments, as applicable;

"**Appointee**" means any attorney, manager, agent, delegate or other person properly appointed by the Trustee under the Trust Deed to discharge any of its functions or to advise it in relation thereto pursuant to the Trust Deed;

"**Authorised Officer**" means with respect to the Issuer, any Officer who is authorised to act for the Issuer in matters relating to, and binding upon, the Issuer. With respect to the Collateral Manager, any Officer, employee or agent of the Collateral Manager who is authorised to act for the Collateral Manager in matters relating to, and binding upon, the Collateral Manager with respect to the subject matter of the request, certificate or order in question. With respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary;

"**Board of Directors**" means the directors of the Issuer duly appointed by the annual general meeting of the shareholders of the Issuer or co-opted by the members of the board of directors of the Issuer (as the case may be);

"**Class A-1 Commitment**" means, in respect of any holder of the Class A-1 Notes, the maximum commitment in respect of the Class A-1 Notes, in respect of advances (whether at the time funded or unfunded) that the holder of such Class A-1 Notes is obligated to make to the Issuer from time to time under the Notes Purchase Agreement, provided however, the Class A-1 Commitment shall expire on the earlier of (i) the last day of the Class A-1 Drawdown Period, or (ii) the date on which the Class A-1 Commitment is reduced to zero;

"**Class A-1 Commitment Fee**" means the fee accruing on the excess, if any, of (i) the aggregate amount of the Class A-1 Commitment (whether or not drawn) in respect of all of the Class A-1 Notes over (ii) the Principal Amount Outstanding in respect of the Class A-1 Notes at such time, for each day from and including the Closing Date to and including the last day of the Class A-1

Drawdown Period or the date the Class A-1 Commitment is reduced to zero at a rate per annum equal to the Margin of the Class A-1 Notes;

"**Class B Component**" means each of (i) the relevant portion of the Class F-1 Combination Note comprised of Class B Notes, which shall be the equivalent to £2,300,000 in original principal amount of Class B Notes; and (ii) the relevant portion of the Class F-3 Combination Note comprised of Class B Notes, which shall be the equivalent to £5,500,000 in original principal amount of Class B Notes;

"**Class C Component**" means the relevant portion of the Class F-1 Combination Note comprised of Class C Notes, which shall be the equivalent to £4,500,000 in original principal amount of Class C Notes;

"**Class D Component**" means each of (i) the relevant portion of the Class F-1 Combination Note comprised of Class D Notes, which shall be the equivalent to £5,200,000 in original principal amount of Class D Notes; and (ii) the relevant portion of the Class F-2 Combination Note comprised of Class D Notes, which shall be the equivalent to £550,000 in original principal amount of Class D Notes;

"**Class D-1 Sterling Interest Account**" means the Sterling Account established in the name of the Issuer with JP Morgan Chase Bank with account number 24934106 designated "Sterling Subordinated Class D-1 Exchangeable Notes Interest Account" (including any replacements for and sub-accounts of such account);

"**Class D-2 Euro Interest Account**" means the Euro account established in the name of the Issuer with JP Morgan Chase Bank with account number 24934105 designated "Euro Subordinated Class D-2 Exchangeable Notes Interest Account" (including any replacement for and sub-accounts of such account);

"**Class D-2 Sterling Interest Account**" means the Sterling account established in the name of the Issuer with JP Morgan Chase Bank with account number 24934103 designated "Sterling Subordinated Class D-2 Exchangeable Notes Interest Account" (including any replacement for and sub-accounts of such account);

"**Class E Component**" means each of the Class E-1 Component and the Class E-2 Component, following the Additional Payment Date;

"**Class E-1 Component**" means each of (i) the relevant portion of the Class F-1 Combination Note comprised of Class E-1 Notes, which shall be the equivalent to £5,000,000 in original principal amount of Class E-1 Notes; and (ii) the relevant portion of the Class F-2 Combination Note comprised of Class E-1 Notes, which shall be the equivalent to £6,450,000 in original principal amount of Class E-1 Notes;

"**Class E-2 Component**" means the relevant portion of the Class F-3 Combination Note comprised of Class E-2 Notes, which shall be the equivalent to £500,000 in original principal amount of Class E-2 Notes;

"**Class F-1 Combination Notes Nominal Amount Outstanding**" means, as of the Closing Date, the aggregate of the principal amount outstanding of the respective Components of the Class F-1 Combination Notes and thereafter such amount as reduced on each Payment Date in accordance with Condition 2(c)(ii)(a), Condition 2(c)(vii)(a) and Condition 2(c)(vii)(b);

"**Class F-2 Combination Notes Nominal Amount Outstanding**" means, as of the Closing Date the aggregate of the principal amount outstanding of the respective Components of the Class F-2 Combination Note and thereafter such amount, as reduced on each Payment Date in accordance with Condition 2(c)(iii)(a)(i), Condition 2(c)(viii)(a) and Condition 2(c)(viii)(b);

"**Class F-3 Combination Notes Nominal Amount Outstanding**" means as of the Closing Date the aggregate of the principal amount outstanding of the respective Components of the Class F-3 Combination Note and thereafter such amount, as reduced on each Payment Date in accordance with Condition 2(c)(iv)(a), Condition 2(c)(ix)(a) and Condition 2(c)(ix)(b);

"**Collection Accounts**" shall mean the Interest Proceeds Account and the Principal Proceeds Account;

"**Combination Notes Nominal Amount Outstanding**" means, in respect of the Class F-1 Combination Notes, the Class F-1 Combination Notes Nominal Amount Outstanding; in respect of the Class F-2 Combination Notes, the Class F-2 Combination Notes Nominal Amount Outstanding, and in respect of the Class F-3 Combination Notes, the Class F-3 Combination Notes Nominal Amount Outstanding;

"**Controlling Class**" means the Class A-1 Notes or, following redemption and payment in full of the Class A-1 Notes, the Class A-2 Notes or, following redemption and payment in full of the Class A-2 Notes, the Class B Notes or, following redemption and payment in full of the Class A Notes and the Class B Notes, the Class C Notes or, following redemption and payment in full of the Class A Notes, the Class B Notes and the Class C Notes, the Class D Notes or following redemption and payment in full of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Class E Notes;

"**Currency Swap Termination Account**" means the accounts with the Account Bank and established in the name of the Issuer (i) with account number 24934107 and designated “Sterling Currency Swap Termination Account” in respect of sterling amounts and (ii) account number 24934108 and designated "Euro Currency Swap Termination Account" in respect of euro amounts;

"**Defaulted Interest**" means the Class A-1 Defaulted Interest, the Class A-2 Defaulted Interest and the Class B Defaulted Interest;

"**Deferred Interest**" means the Class A-2 Deferred Interest, the Class B Deferred Interest and the Mezzanine Notes Deferred Interest;

"**Expected Maturity Date**" means the Payment Date falling approximately twelve years from the Closing Date, such date scheduled to be 20th November, 2015;

"**Extraordinary Administrative Expenses**" means amounts due and payable (on a *pari passu* basis):

(a) on account of fees and expenses payable to or incurred by the Administrator pursuant to the Administration Agreement or on account of fees and expenses payable to or incurred by the Issuer in obtaining a listing of the Notes or payable to or incurred by the accountants of the Issuer, if any, or process agents in meeting their respective obligations or on account of legal fees and expenses payable by or incurred by the Issuer in respect of its establishment or in connection with the creation and issuance of the Notes; such amounts to be paid from Interest Proceeds or Principal Proceeds in accordance with Condition 2(c);

(b) on account of any fees and expenses, including, without limitation, any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceedings or other liability whatsoever (including without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and fees and expenses of any legal advisors or accounting or investment banking firms employed by the Trustee pursuant to the Trust Deed in respect thereof on a full indemnity basis (the "**Liability**" or "**Liabilities**") or indemnified amounts owing to the Trustee, the Agents, the Collateral Administrator or any other Person including any broker, in accordance with the Collateral Management and Advice Agreement in connection with the Notes;

(c) to the Collateral Manager and the Collateral Adviser as reimbursement for any of the extraordinary fees and expenses (including indemnities provided thereto) contemplated in paragraph (b) above which have been paid thereby on behalf of the Issuer; and

(d) to any other Person in respect of any governmental fee or charge (other than withholding taxes and other than taxes provided for elsewhere) or any statutory indemnity,

provided that it shall not include any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date which are payable either out of the proceeds of the issue of the Notes or, otherwise on the Redemption Date; and "**Extraordinary Administrative Expense**" shall be construed accordingly;

"**Extraordinary Administrative Expenses Cap**" means, in respect of the Extraordinary Administrative Expenses, for any Payment Date, an amount equal (when taken together with any Extraordinary Administrative Expenses paid during the period since the preceding Payment Date) to £30,000;

"**Extraordinary Resolution**" means, in relation to any Class of Noteholders, (i) a resolution passed at a meeting of such Class of Noteholders (including the holders of the relevant Component of the Combination Notes) duly convened and held in accordance with the Trust Deed by a majority of at least $66^2/_3$ per cent. of the votes cast from the relevant Class of Notes or (ii) a resolution in writing signed by or on behalf of the holders of not less than $66^2/_3$ per cent. of the Principal Amount Outstanding of the Notes for the time being Outstanding which shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Noteholders duly convened and held;

"**Insolvency Law**" means any liquidation, insolvency, bankruptcy, general settlement or composition with creditors, moratorium or reprieve from payment, controlled management, fraudulent conveyance, reorganisation or other similar laws;

"**Interest Proceeds**" means, with respect to any Due Period or any day during such Due Period (without duplication) the sum of (1) all payments of interest (including, for the avoidance of doubt, deferred interest) received in cash by the Issuer during the related Due Period on the Collateral Debt Securities and Eligible Investments, (other than any interest accrued on Collateral Debt Securities or Eligible Investments to the date of acquisition thereof by the Issuer and purchased with Principal Proceeds); (2) all accrued interest received in cash by the Issuer during the related Due Period with respect to Collateral Debt Securities or Eligible Investments sold by the Issuer (other than any interest accrued on Collateral Debt Securities or Eligible Investments to the date of acquisition thereof by the Issuer and purchased with Principal Proceeds); (3) all payments of principal received in cash by the Issuer during the related Due Period on Eligible Investments to the extent such Eligible Investments were acquired with Interest Proceeds; (4) all amendment and waiver fees, all late payment fees and all other fees and commissions received (other than (a) call, redemption and prepayment premiums, (b) origination, syndication, facility or other up-front fees, (c) all yield maintenance payments and (d) any amendment, waiver or other similar fees payable, or other compensation received, in connection with a workout or restructuring of any Defaulted Security) in cash by the Issuer during the related Due Period in connection with the Collateral Debt Securities and the Eligible Investments except to the extent that the Collateral Manager elects, in its sole discretion, to treat such amounts as "Principal Proceeds" pursuant to paragraph (7) of the definition of "Principal Proceeds"; (5) all amounts on deposit in the Expense Account that are transferred to the Interest Proceeds Account for application as Interest Proceeds as described in the Agency Agreement; (6) all amounts on deposit in the Unused Proceeds Account that are transferred to the Interest Proceeds Account for application as Interest Proceeds as described in the Agency Agreement; (7) interest and principal received in cash by the Issuer during the related Due Period on any Collateral Debt Security with a Fitch Rating, a S&P Rating or a Moody's Rating which addresses return of principal only, if the sum of cash received by the Issuer since purchasing such Collateral Debt Security exceeds its original Principal Balance as determined by the Collateral Administrator; and (8) all Advances during the Reinvestment Period, designated as Interest Proceeds pursuant to Clause 1.6(b) of the Issuer Liquidity Agreement;;

"**Junior Class of Covered Notes**" means:

(i) on any day on which the Aggregate Principal Balance is greater than £137,000,000, the Class E Notes (including the Components of the Combination Notes);

(ii) on any day on which the Aggregate Principal Balance is lower than or equal to £137,000,000 but greater than £131,250,000, the Class D Notes (including the Components of the Combination Notes);

(iii) on any day on which the Aggregate Principal Balance is lower than or equal to £131,250,000 but greater than £126,750,000, the Class C Notes (including the Components of the Combination Notes);

(iv) on any day on which the Aggregate Principal Balance is lower than or equal to £126,750,000 but greater than £117,000,000, the Class B Notes (including the Components of the Combination Notes);

(v) on any day on which the Aggregate Principal Balance is lower than or equal to £117,000,000 but greater than £64,450,000, the Class A-2 Notes; and

(vi) on any day on which the Aggregate Principal Balance is lower than or equal to £64,450,000, the Class A-1 Notes;

"**London Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Majority**" means, with respect to any Class or Classes of Notes, the holders of more than 50 per cent. of the Principal Amount Outstanding of the Notes of such Class or Classes of Notes, as the case may be;

"**Managing Directors**" means persons who may be appointed as directors of the Issuer from time to time and "**Managing Director**" shall be construed accordingly;

"**Officer**" means (if applicable) with respect to the Issuer and any corporation, the chairman of the Board of Directors or any director, the president, any vice president, the secretary, an assistant secretary, the treasurer or an assistant treasurer of such entity; with respect to any partnership, any general partner thereof; with respect to any limited liability company (other than the Issuer), any managing member thereof or any person to whom the rights and powers of the management thereof are delegated in accordance with the limited liability company agreement of such limited liability company; and with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer;

"**Person**" means an individual, corporation (including a business trust), partnership, collective investment scheme, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;

"**Principal Balance**" means, with respect to any Collateral Debt Securities or Eligible Investments, as of any date of determination, the outstanding principal amount of such Collateral Debt Securities or Eligible Investments;

"**Principal Proceeds**" means, with respect to any Due Period or any day during such Due Period, the sum (without duplication) of (1) all payments of principal (including prepayments) received in cash by the Issuer during the related Due Period on the Collateral Debt Securities and the Eligible Investments (other than (a) Unused Proceeds or (b) amounts defined as Interest Proceeds pursuant to paragraph (3) of the definition thereof); (2) all payments of interest received in cash by the Issuer during the related Due Period on the Collateral Debt Securities and the Eligible Investments to the extent such payments constitute proceeds from accrued interest purchased with Principal Proceeds; (3) all call, redemption and prepayment premiums received in cash by the Issuer during the related Due Period on the Collateral Debt Securities and the Eligible Investments; (4) with respect to the Due Period corresponding to the Payment Date on which the last day of the Reinvestment Period occurs, any Unused Proceeds on deposit in the Unused Proceeds Account on the last day of the Reinvestment Period which shall be transferred by the Account Bank to the Principal Proceeds Account in accordance with the terms of the Agency Agreement; (5) all Sale Proceeds received by the Issuer during the related Due Period, including without limitation amounts received in respect of original issue or market discount, but excluding accrued interest constituting "Interest Proceeds" under paragraphs (1) or (2) of the definition of "Interest Proceeds" and excluding fees and commissions of the type referred to in paragraph (4) of the definition of "Interest Proceeds" (subject to the proviso to the definition of "Interest Proceeds") unless the Collateral Manager elects, in its sole discretion, to treat such fees and commissions as "Principal Proceeds" pursuant to paragraph (7) below; (6) all call, redemption and prepayment premium, all syndication, origination, facility or other up-front fees, all yield maintenance payments and all amendment, waiver or other similar fees payable, or other compensation received, in connection with a workout or restructuring of any Defaulted Security, in cash; (7) any amounts described in paragraph (4) of the definition of "Interest Proceeds" that the Collateral Manager elects to have treated as "Principal Proceeds" in a written notice to the Trustee and the Collateral Administrator delivered not later than the last day of the related Due Period; (8) interest and principal received in cash by the Issuer during the related Due Period on any Collateral Debt Security with a Fitch Rating a S&P Rating or a Moody's Rating which addresses return of principal only until the sum of cash received by the Issuer since purchasing such Collateral Debt Security is equal to its original Principal Balance; (9) any other amounts received by the Issuer during the related Due Period which are not included in the definition of "Interest Proceeds"; (10) all Advances designated as Principal Proceeds pursuant to Clause 1.6(b) of the Issuer Liquidity Agreement, and (11) any other amounts not falling within the definition of Interest Proceeds as determined by the Collateral Administrator;

"**Proceedings**" means any suit in equity, action at law or other judicial or administrative proceedings;

"**Ramp-Up Effective Date**" means the date falling on the earlier of (i) the date falling six months after the Closing Date and (ii) the date on which the Aggregate Principal Balance of the Collateral Debt Securities is equal to £144,000,000;

"**Rating Event**" means any downgrade, withdrawal or non-confirmation by either Fitch or S&P or, in respect of the Class A-1 Notes only, Moody's, within 10 days from the Ramp-Up Effective Date of the ratings assigned to any of the Senior and Mezzanine Notes on the Closing Date, following the request by the Collateral Manager on behalf of the Issuer to confirm such ratings;

"**Receiver**" means a receiver, trustee, administrator, custodian, conservator or other similar official appointed in relation to the Issuer (whether appointed pursuant to the Trust Deed, pursuant to any statute, by a court or otherwise);

"**Redemption Date**" means a scheduled date for redemption of the Notes in accordance with Condition 6;

"**Redemption Notice**" means a redemption notice in the form available from any of the Paying Agents and which specifies, amongst other things, the scheduled date for redemption and "**Redemption Notices**" shall be construed accordingly;

"**Reinvestment Period**" means the period commencing on and including the Closing Date and ending on but excluding the Payment Date falling in November, 2010;

"**Sale Proceeds**" means all proceeds received as a result of sales of Collateral Debt Securities and Eligible Investments pursuant to Clause 2.4 of the Collateral Management and Advice Agreement, net of any out-of-pocket expenses of the Collateral Manager or the Trustee in connection with any such sale;

"**Senior Exchangeable Notes Interest Account**" means the Sterling Account established in the name of the Issuer with JP Morgan Chase Bank with account number 24934102 designated "Sterling Senior Exchangeable Notes Interest Account" (including any replacement for and sub-accounts of such account);

"**Transaction Creditors**" means each of the Noteholders, the Trustee, the Arranger, the Collateral Manager, the Collateral Administrator, the Collateral Adviser, the Liquidity Lender, the Agents and the Managing Directors and any other Person to whom the Issuer owes any obligations from time to time and "**Transaction Creditor**" shall be construed accordingly;

"**Transaction Party**" means each party to each of the Transaction Documents and "**Transaction Parties**" shall be construed accordingly;

"**Trust Corporation**" means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee; and

"**Trust Officer**" means, when used with respect to the Trustee, any Officer within the Trust Corporation (or any successor group of the Trustee) authorised to act for and on behalf of the Trustee, including any vice president, assistant vice president or other Officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such Officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust office because of such person's knowledge of and familiarity with the particular subject.

1. FORM AND DENOMINATION, TITLE, TRANSFER, LISTING AND EXCHANGE OF COMBINATION NOTES

(a) Each Class of Notes will be issued in bearer form, and will be initially represented by a temporary global note (each a "**Temporary Global Note**"). Each Global Note (as defined below) is in bearer form without Coupons attached. The Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes will each be issued in the denomination of £50,000, the Class F-1 Combination Notes will be issued in the denomination of £3,400,000, the Class F-2 Combination Notes will be issued in the denomination of £7,000,000 and the Class F-3 Combination Notes will be issued in the denomination of £600,000 (each a "**Minimum Denomination**").

Each Temporary Global Note will be deposited with a common depositary (the "**Common Depositary**") on behalf of Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchanged for interests in a permanent global note (each, a

"**Permanent Global Note**" and, together with the Temporary Global Notes, in global form, the "**Global Notes**"), without Coupons, of the same Class of Notes on or after the 40th day after the completion of the distribution of the Notes and upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes of a Class represented by a Permanent Global Note with a principal amount of Notes of such Class equal to the principal amount for which it has subscribed and paid. The Permanent Global Notes will only be exchangeable for Notes in definitive form (the "**Definitive Notes**") in limited circumstances, as described in the Trust Deed.

For so long as any of the Notes is represented by a Global Note which is held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes or interests in such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interests in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Notes or interests in such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes or interests in such Notes, for which purpose the holder of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such principal amount of such Notes or interests in such Notes in accordance with and subject to the terms of the relevant Global Note. The expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Title to the Global Notes and to any Definitive Notes will pass by delivery.

(b) The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

(c) The Issuer shall use its reasonable endeavours to maintain the listing of the Notes on the Luxembourg Stock Exchange or, if it is unable to do so having used its reasonable endeavours or if the maintenance of listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of Noteholders will not thereby be materially prejudiced, use all reasonable endeavours promptly to obtain and thereafter to maintain a quotation or listing for such Notes on such other stock exchange or exchanges or securities market or markets as the Issuer and Arranger may (with the approval of the Trustee, such approval not to be unreasonably withheld) decide and shall also, upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets, enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed, and do such other things, as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market. The Trustee shall bear no responsibility for the obtaining and/or maintenance of listings under this Condition 1(c).

(d) The Combination Notes may be exchanged, in whole but not in part, for the Components thereof at the specified offices of the Principal Paying Agent or the Luxembourg Paying Agent in accordance with the provisions set out herein and in the Trust Deed but not before the Additional Payments are made in respect of the Class A-2 Notes and Class E-1 Notes (as described in Condition 5(k)).

A Class F-1 Combination Note may be exchanged for Class B Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-1 Combination Note's Class B Component, for Class C Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-1 Combination Note's Class C Component, for Class D Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-1 Combination Note's Class D Component and for Class E-1 Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-1 Combination Note's Class E-1 Component; provided that the Class F-1 Combination Note may only be exchanged for the Components thereof to the extent that the original principal amounts of the Notes to which such Components relate and in respect of which such exchange is to be effected are equal to the Minimum Denominations thereof.

A Class F-2 Combination Note may be exchanged for Class D Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-2 Combination Note's Class D Component and for Class E-1 Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-2 Combination Note's Class E-1 Component; provided that the Class F-2 Combination Note may only be exchanged for the Components thereof to the extent that the original principal amounts of the Notes to which such Components relate and in respect of which such exchange is to be effected are equal to the Minimum Denominations thereof.

A Class F-3 Combination Note may be exchanged for Class B Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-3 Combination Note's Class B Component and for Class E-2 Notes in an original principal amount (determined by reference to the date of issuance thereof) equal to such Class F-3 Combination Note's Class E–2 Component; provided that the Class F-3 Combination Note may only be exchanged for the Components thereof to the extent that the original principal amounts of the Notes to which such Components relate and in respect of which such exchange is to be effected are equal to the Minimum Denominations thereof.

2. STATUS AND PRE-ENFORCEMENT PRIORITIES OF PAYMENT

(a) Status

The Notes of each Class constitute direct, general, secured, unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 3(c). The Notes of each Class are secured in the manner described in Condition 3 and, within each Class, shall at all times rank *pari passu* and without any preference amongst themselves.

The Components of the Combination Notes are not separately transferable. The Combination Notes constitute direct, general, secured, unconditional obligations of the Issuer, to the extent of each of their respective Components, and recourse in respect of the Issuer is limited in the manner described in Condition 3(c) in respect of each such Component. The Combination Notes are secured to the extent their respective Components are secured in the manner described in Condition 3.

The Combination Notes shall not, except as otherwise provided in these Conditions, be treated as a separate Class, but Components of the Combination Notes shall be treated as Notes of the Classes represented by such Components.

For the purposes of determining the principal amount Outstanding of each of the Components of a Combination Note, such principal amount Outstanding shall be deemed to be the corresponding amount of each Component as of the Closing Date, regardless of any redemption of principal that may have taken place in accordance with Conditions 2(c)(ii), 2(c)(iii), 2(c)(iv), 2(c)(vii), 2(c)(viii) and Condition 2(c)(ix) but taking into account any redemption of principal that has occurred in accordance with Conditions 2(c)(i) and 2(c)(vi).

(b) **Relationship Among the Classes**

The Notes are constituted by the Trust Deed and secured on the Mortgaged Property as further described in the Trust Deed.

Payments of interest (if any) on the Class A-1 Notes will rank senior to payments of interest in respect of each other Class of Notes. Payments of interest (if any) on the Class A-2 Notes will be subordinated in right of payment to payments of interest in respect of the Class A-1 Notes, but senior in right of payment to payments of interest on the Class B Notes, Class C Notes, Class D Notes and the Class E Notes. Payments of interest (if any) on the Class B Notes will be subordinated in right of payment to payments of interest in respect of the Class A Notes, but senior in right of payment to payments of interest (if any) on the Class C Notes, Class D Notes and the Class E Notes. Payments of interest (if any) on the Class C Notes will be subordinated in right of payment to payments of interest in respect of the Class A Notes and the Class B Notes, but senior in right of payment to payments of interest on the Class D Notes and Class E Notes. Payments of interest (if any) on the Class D Notes will be subordinated in right of payment to payments of interest in respect of the Class A Notes, the Class B Notes and the Class C Notes, but senior in right of payment to payments of interest on the Class E Notes. Payments of interest (if any) in respect of the Class E Notes will be subordinated in right of payment to payments of interest on all of the other Classes of Notes.

For the purposes of payment of interest and payment of any Additional Payments, each of the Components of the Combination Notes shall be treated as Notes of the Classes represented by such Components.

No amount of principal in respect of the Class A-2 Notes (excluding any principal attributable to any Class A-2 Defaulted Interest and Class A-2 Deferred Interest) shall become due and payable until redemption and payment in full of all amounts (including principal and interest) payable in respect of the Class A-1 Notes. No amount of principal in respect of the Class B Notes (excluding any principal attributable to any Class B Defaulted Interest and Class B Deferred Interest) shall become due and payable until redemption and payment in full of all amounts (including principal and interest) payable in respect of the Class A Notes. No amount of principal in respect of the Class C Notes (excluding any principal attributable to any Class C Deferred Interest) shall become due and payable until redemption and payment in full of all amounts (including principal and interest) payable in respect of the Class A Notes and the Class B Notes. No amount of principal in respect of the Class D Notes (excluding any principal attributable to any Class D Deferred Interest) shall become due and payable until redemption and payment in full of all amounts (including principal and interest) payable in respect of the Class A Notes, the Class B Notes and the Class C Notes. No amount of principal in respect of the Class E Notes shall become due and payable until redemption and payment in full of all amounts (including principal and interest) payable in respect of all of the other Classes of Notes.

For the purposes of payment of principal, each of the Components of the Combination Notes shall be treated as Notes of the Classes represented by such Components.

(c) **Pre-Enforcement Priorities of Payment**

With respect to any Payment Date (which, for the purposes of this Condition 2(c) shall include the Final Redemption Date and any other date on which the Notes are to be redeemed in full), collections received on the Mortgaged Property (as defined in Condition 3 below) during the period (a "**Due Period**") commencing immediately following the fifth Business Day prior to the preceding Payment Date (or commencing on the Closing Date, in the case of the first Due Period) and ending on (and including) the fifth Business Day (the "**Determination Date**") prior to such Payment Date (or, in the case of the Due Period that ends immediately prior to the Final Redemption Date or such other date on which the Notes are to be redeemed in full, ending on such Final Redemption Date or other date as aforesaid) will be divided into Interest Proceeds and Principal Proceeds (each as defined below), shall be deposited, upon receipt, into the Interest Proceeds Account or the Principal Proceeds Account, respectively, and shall be applied in the following order of priority (in each case only if and to the extent that such funds are available and payments of a higher priority have been made in full) on the relevant Payment Date:

(i) *Application of Interest Proceeds*

On each Payment Date, Interest Proceeds held in the Interest Proceeds Account with respect to the related Due Period shall be applied as follows (the "**Interest Priority of Payments**"):

(A) to the retention by the Issuer on a *pro rata* basis of (1) amounts necessary for the payment of taxes (if any) owing by the Issuer (payable to the relevant tax authority, and not to any other person) and (2) amounts necessary for the payment of any governmental filing fees in the Cayman Islands (payable to the relevant tax or other governmental authority, and not to any other person) all as certified by an Authorised Officer of the Issuer to the Trustee;

(B) to the payment firstly to the Trustee and subsequently on a *pro rata* basis to the Agents of their respective fees and expenses incurred, due and payable but unpaid;

(C) to the payment on a *pro rata* basis (1) to the Collateral Manager, the Collateral Administrator and the Collateral Adviser of 50 per cent. of their respective fees and expenses, due and payable but unpaid; and (2) any due and payable but unpaid Extraordinary Administrative Expenses up to the Extraordinary Administrative Expenses Cap;

(D) to the payment on a *pro rata* basis of any amounts due and payable under the Issuer Liquidity Agreement (first in payment of accrued commitment fees and interest, then in payment of principal);

(E) to the payment on a *pro rata* basis of (i) the interest then due and payable on the Class A-1 Notes in respect of the relevant Due Period and any Class A-1 Defaulted Interest and (ii) the Class A-1 Commitment Fee;

(F) to the payment on a *pro rata* basis of the interest then due and payable on the Class A-2 Notes in respect of the relevant Due Period and any Class A-2 Defaulted Interest;

(G) to the payment on a *pro rata* basis of any Class A-2 Deferred Interest then due and payable;

(H) to the payment on a *pro rata* basis of the interest then due and payable on the Class B Notes in respect of the relevant Due Period and any Class B Defaulted Interest;

(I) to the payment on a *pro rata* basis of any Class B Deferred Interest then due and payable;

(J) (to the extent not paid under (C) above) to the payment on a *pro rata* basis to the Collateral Manager, the Collateral Administrator and the Collateral Adviser of the remainder of their respective fees and expenses due and payable but unpaid;

(K) to the payment on a *pro rata* basis of the interest then due and payable on the Class C Notes in respect of the relevant Due Period;

(L) to the payment on a *pro rata* basis of any Class C Deferred Interest then due and payable;

(M) to the payment on a *pro rata* basis of interest then due and payable on the Class D Notes in respect of the relevant Due Period; and

(N) to the payment on a *pro rata* basis of the Class D Deferred Interest then due and payable;

(O) if the Overcollateralisation Ratio Test is not satisfied on the relevant Determination Date, to the payment of principal (in whole or part) of, first the Class A-1 Notes, second, the Class A-2 Notes, third, the Class B Notes, fourth, the Class C Notes and fifth the Class D Notes, until the Overcollateralisation Ratio Test is met;

(P) (to the extent not paid under (C) above) to the payment of any unpaid Extraordinary Administrative Expenses;

(Q) except on the Payment Date which falls on the Final Redemption Date or such other date on which the Notes are to be redeemed in full, for deposit into the Expense Account of such amount as will cause the balance of all Eligible Investments and cash in the Expense Account, immediately after such deposit, to equal £30,000;

(R) in the event of the occurrence of the Rating Event, unless each of Fitch and S&P and, in respect of the Class A-1 Notes only, Moody's has confirmed in writing that each such rating has been reinstated, to redeem the Class A-1 Notes and, upon redemption in full thereof, the Class A-2 Notes and, upon redemption in full thereof, the Class B Notes and upon redemption in full thereof, the Class C Notes and upon redemption in full thereof, the Class D Notes until redeemed in full or, in each case, redeemed to such lesser extent as enables each of Fitch and S&P and, in respect of the Class A-1 Notes only, Moody's to confirm in writing that each such rating is reinstated, and to the extent the Interest Proceeds are insufficient, the Unused Proceeds, on the Payment Date following the date of such Rating Event and on each subsequent Payment Date; and

(S) to the payment on a *pro rata* basis of interest on the Class E Notes in respect of the relevant Due Period.

(ii) *Classification of interest on the Class F-1 Combination Notes*

On each Payment Date the holders of the Class F-1 Combination Notes may receive, in accordance with the Priorities of Payments, an amount of interest in respect of the Class B Component, Class C Component, Class D Component and Class E-1 Component of each Class F-1 Combination Note, and such amounts shall be applied on each Payment Date as follows:

(a) firstly, an amount up to the amount as indicated in the table below for such Payment Date, less any payment made prior to such Payment Date under this Condition 2(c)(ii)(a) and Condition 2(c)(vii)(b) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment;

	Class F-1 Combination Notes £17,000,000
Payment Date	17 semi-annual payments (cumulative amounts)
20th May, 2004	£294,118
20th November, 2004	£588,235
20th May, 2005	£882,353
20th November, 2005	£1,176,471
20th May, 2006	£1,470,588
20th November, 2006	£1,764,706
20th May, 2007	£2,058,824
20th November 2007	£2,352,941
20th May, 2008	£2,647,059
20th November, 2008	£2,941,176
20th May, 2009	£3,235,294
20th November, 2009	£3,529,412
20th May, 2010	£3,823,529
20th November 2010	£4,117,647
20th May, 2011	£4,411,765
20th November, 2011	£4,705,882
20th May, 2012	£4,999,995

(b) secondly, to the extent that any amounts of Interest Proceeds from the Components remain after the allocation in (a) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-1 Combination Notes.

The fact that the Class F-1 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-1 Combination Notes.

(iii) *Classification of interest on the Class F-2 Combination Notes*

On each Payment Date, the holders of the Class F-2 Combination Notes may receive in accordance with the Priorities of Payments, an amount of interest in respect of the Class D Component and the Class E-1 Component of such Class F-2 Combination Note and such amounts, shall be applied on such Payment Date as follows:

(a) an amount equal to 95 per cent. of the Interest Proceeds from the Components shall be applied as follows:

(i) firstly, in an aggregate amount up to £6,449,999 less any payment of principal made prior to such Payment Date under this Condition 2(c)(iii)(a)(i) and Condition 2(c)(viii)(b) as a repayment of the Class F-2 Combination Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment; and

(ii) thereafter, any excess shall be treated as and shall be paid as additional interest on the Class F-2 Combination Notes, and

(b) an amount equal to 5 per cent. of the Interest Proceeds from the Components shall be treated as and shall be paid as interest on the Class F-2 Combination Notes.

The fact that the Class F-2 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-2 Combination Notes.

(iv) *Classification of interest on the Class F-3 Combination Notes*

On each Payment Date the holders of the Class F-3 Combination Notes may receive in accordance with the Priorities of Payment, an amount of interest in respect of the Class B Component and the Class E-2 Component of each Class F-3 Combination Note, and such amounts shall be applied on each Payment Date as follows:

(a) firstly, an amount up to the amount as indicated in the table below for such Payment Date, less any payment made prior to such Payment Date under this Condition 2(c)(iv)(a) and Condition 2(c)(ix)(b) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly, provided that the principal amount of the Components shall not be affected by any such payment;

Payment Date	Class F-3 Combination Notes £6,000,000 17 semi-annual payments (cumulative amounts)
20th May, 2004	£29,412
20th November, 2004	£58,824
20th May, 2005	£88,235
20th November, 2005	£117,647
20th May, 2006	£147,059
20th November, 2006	£176,471
20th May, 2007	£205,882
20th November 2007	£235,294
20th May, 2008	£264,706
20th November, 2008	£294,118
20th May, 2009	£323,529
20th November, 2009	£352,941
20th May, 2010	£382,353
20th November 2010	£411,765
20th May, 2011	£441,176
20th November, 2011	£470,588
20th May, 2012	£499,990

(b) secondly, to the extent that any amounts of Interest Proceeds in respect of the Components remain after the allocation in (a) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-3 Combination Notes.

The fact that the Class F-3 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-3 Combination Notes.

(v) *Application of Principal Proceeds during the Reinvestment Period*

On each Payment Date falling during the Reinvestment Period, Principal Proceeds held in the Principal Proceeds Account with respect to the related Due Period shall be applied in the following order of priority (in each case only if and to the extent that such funds are available and payments of a higher priority have been made in full) (the "**Reinvestment Period Priority of Payments**"):

(A) to the payment, on a sequential basis, of the amounts described in paragraphs (A) to (R) (inclusive) of Condition 2(c)(i) (*Application of Interest Proceeds*) above, to the extent not paid in full thereunder; and

(B) to the purchase of additional Collateral Debt Securities or to be deposited in the Principal Proceeds Account or to be invested in Eligible Investments pending reinvestment in additional Collateral Debt Securities as determined by the Collateral Manager (in accordance with the advice of the Collateral Adviser).

(vi) *Application of Principal Proceeds after the Reinvestment Period*

On each Payment Date falling after the expiration of the Reinvestment Period, Principal Proceeds held in the Principal Proceeds Account with respect to the related Due Period shall be applied in the following order of priority (in each case only if and to the extent that such funds are available and payments of a higher priority have been made in full) (in each case, to the extent not paid under Condition 2(c)(i)) (the "**Post-Reinvestment Period Priority of Payments**") and together with the Reinvestment Period Priority of Payments, the "**Principal Priority of Payments**":

(A) to the retention by the Issuer on a *pro rata* basis of (1) amounts necessary for the payment of taxes (if any) owing by the Issuer (payable to the relevant tax authority, and not to any other person) and (2) amounts necessary for the payment of any governmental filing fees in the Cayman Islands (payable to the relevant tax or other governmental authority, and not to any other person) all as certified by an Authorised Officer of the Issuer to the Trustee;

(B) to the payment firstly to the Trustee and subsequently on a *pro-rata* basis to the Agents of their respective fees and expenses, accrued and unpaid;

(C) to the payment on a *pro rata* basis (1) to the Collateral Manager, the Collateral Administrator and the Collateral Adviser of 50 per cent. of their respective fees and expenses due and payable but unpaid; and (2) of any due and payable but unpaid Extraordinary Administrative Expenses up to the Extraordinary Administrative Expenses Cap;

(D) to the payment, on a *pro rata* basis, of any amounts due and payable under the Issuer Liquidity Agreement (firstly in payment of accrued commitment fee and interest, then in payment of principal);

(E) to the payment on a *pro rata* basis of interest then due and payable on the Class A-1 Notes in respect of the relevant Due Period and any Class A-1 Defaulted Interest;

(F) to the redemption on a *pro rata* basis of the Class A-1 Notes;

(G) to the payment on a *pro rata* basis of interest then due and payable on the Class A-2 Notes in respect of the relevant Due Period and any Class A-2 Defaulted Interest;

(H) to the payment on a *pro rata* basis of any Class A-2 Deferred Interest then due and payable;

(I) to the redemption on a *pro rata* basis of the Class A-2 Notes;

(J) to the payment on a *pro rata* basis of interest then due and payable on the Class B Notes in respect of the relevant Due Period and any Class B Defaulted Interest;

(K) to the payment on a *pro rata* basis of any Class B Deferred Interest then due and payable;

(L) to the redemption on a *pro rata* basis of the Class B Notes;

(M) to the extent not paid under (C) above, to the payment on a *pro rata* basis to the Collateral Manager, the Collateral Administrator and the Collateral Adviser of the remaining amounts of their respective fees and expenses due and payable but unpaid;

(N) to the payment on a *pro rata* basis of interest then due and payable on the Class C Notes in respect of the relevant Due Period;

(O) to the payment on a *pro rata* basis of any Class C Deferred Interest then due and payable;

(P) to the redemption on a *pro rata* basis of the Class C Notes;

(Q) to the payment on a *pro rata* basis of interest then due and payable on the Class D Notes in respect of the relevant Due Period;

(R) to the payment on a *pro rata* basis of the Class D Deferred Interest then due and payable;

(S) to the redemption on a *pro rata* basis of the Class D Notes;

(T) to the extent not paid under (C) above, to the payment of any due and payable but unpaid Extraordinary Administrative Expenses;

(U) except on the Payment Date which falls on the Final Redemption Date or such other date on which the Notes are to be redeemed in full, for deposit into the

Expense Account of such amount as will cause the balance of all Eligible Investments purchased with cash from the Expense Account and cash in the Expense Account, immediately after such deposit, to equal £30,000; and

(V) to redeem the Class E Notes in full and upon redemption in full thereof to pay the balance (if any) to the holders of the Class E Notes, provided that all payments made hereunder are to be made on a *pro rata* basis.

(vii) Classification of principal on the Class F-1 Combination Notes

On each Payment Date the holders of the Class F-1 Combination Notes may receive in accordance with the Priorities of Payments an amount of principal in respect of the Class B Note Component, the Class C Component, the Class D Component and the Class E-1 Component of such Class F-1 Combination Notes. No other payments will be made on the Class F-1 Combination Notes. Any such amounts shall be applied on such Payment Date as follows:

(a) an amount equal to £12,000,000 less any payment made prior to such Payment Date under this Condition 2(c)(vii)(a) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly;

(b) an amount equal to £4,999,995 less any payments made prior to such Payment Date under Condition 2(c)(ii)(a) and this Condition 2(c)(vii)(b) shall be treated as a repayment of the Class F-1 Combination Notes Nominal Amount Outstanding and the Class F-1 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-1 Combination Notes.

The fact that the Class F-1 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-1 Combination Notes.

(viii) Classification of principal on the Class F-2 Combination Notes

On each Payment Date, the holders of the Class F-2 Combination Notes may receive in accordance with the Priorities of Payment, an amount of principal in respect of the Class D Component and the Class E-1 Component of such Class F-2 Combination Notes and such amounts shall be applied on such Payment Date as follows:

(a) an amount equal to £550,000 less any payment of principal made prior to such Payment Date under this Condition 2(c)(viii)(a) shall be treated as a repayment of the Class F-2 Combination Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly;

(b) an aggregate amount equal to £6,449,999 less any payments made prior to such Payment Date under Condition 2(c)(iii)(a)(i) and this Condition 2(c)(viii)(b) shall be treated as a repayment of the Class F-2 Combination

Notes Nominal Amount Outstanding and the Class F-2 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-2 Combination Notes.

The fact that the Class F-2 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-2 Combination Notes.

(ix) Classification of principal on the Class F-3 Combination Notes

On each Payment Date the holders of the Class F-3 Combination Notes may receive in accordance with the Priorities of Payment, an amount of principal in respect of the Class B Component and the Class E-2 Component of such Class F-3 Combination Notes. No other payments will be made on the Class F-3 Combination Notes. Any such amounts shall be applied on such Payment Date as follows:

(a) an amount equal to £5,500,000 less any payment of principal made prior to such Payment Date under this Condition 2(c)(ix)(a) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(b) an amount equal to £499,990 less any payments made prior to such Payment Date under Condition 2(c)(iv)(a) and this Condition 2(c)(ix)(b) shall be treated as a repayment of the Class F-3 Combination Notes Nominal Amount Outstanding and the Class F-3 Combination Notes Nominal Amount Outstanding will be reduced accordingly; and

(c) to the extent that any amounts of principal from the Components remain after the allocations in (a) and (b) above, any such excess shall be treated as and shall be paid as additional interest on the Class F-3 Combination Notes.

The fact that the Class F-3 Combination Notes Nominal Amount Outstanding has been reduced will not affect the Issuer's obligation to make payments on the Components of the Class F-3 Combination Notes.

(d) **Non-payment of Amounts**

Save in the case of non-payment in full of (i) the principal amount of any Class of Notes on any Redemption Date, and (ii) (subject to the Class A-2 Defaulted Interest and the Class B Defaulted Interest being deferred and capitalised in accordance with Condition 5(d)(i)) any interest due and payable in respect of the Senior Notes on the applicable Payment Date, failure on the part of the Issuer to pay any of the amounts referred to in Conditions 2(c)(i), 2(c)(v) or 2(c)(vi) solely by reason of the fact that there are insufficient funds standing to the credit of the Collection Accounts shall not constitute an Event of Default (as defined in Condition 9 below).

(e) **Determination and Payment of Amounts**

The Collateral Administrator will, in consultation with the Collateral Manager and the Account Bank, as promptly as possible on the date on which the Issuer is in receipt of any funds, allocate such funds to the relevant Collection Account, and in respect of each Payment Date, on the Determination Date immediately preceding such Payment Date, determine the amounts payable on each such date pursuant to Conditions 2(c)(i), 2(c)(v) and 2(c)(vi) and 10(b), as the case may be.

(f) **De Minimis Amounts**

The Collateral Administrator may, in consultation with the Collateral Manager, adjust the amounts required to be applied in payment of principal or interest on the Notes from time to time pursuant to the Priorities of Payment, so that the amount to be so applied in respect of each Note is a whole amount, not involving any fraction of a penny.

(g) **Publications of Amounts**

The Collateral Administrator shall cause details of the amounts of interest and principal to be paid on each Payment Date in respect of the Notes to be notified to the Issuer at its registered office, the Trustee, each Paying Agent, the Collateral Adviser, the Collateral Manager, Euroclear and Clearstream, Luxembourg and the Luxembourg Stock Exchange (for so long as the Notes are listed on the Luxembourg Stock Exchange) by not later than 11:00 am (London time) on the Business Day following the applicable Determination Date. The Principal Paying Agent shall cause the details of the amounts of interest and principal to be paid to be notified to the Noteholders of each Class in accordance with Condition 15 as soon as possible after notification thereof to the Principal Paying Agent in accordance with the above but in no event later than (to the extent applicable) the Business Day after the last day of the applicable Due Period.

(h) **Notifications to be Final**

All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition will (in the absence of manifest or proven error) be binding on the Issuer, the Collateral Manager, the Collateral Administrator, the Collateral Adviser, the Trustee, the Agents, the Liquidity Lender and all Noteholders and (in the absence of manifest or proven error as referred to above) no liability to the Issuer or the Noteholders shall attach to the Collateral Manager, the Collateral Adviser or the Collateral Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

3. SECURITY

(a) **Security**

Pursuant to the Trust Deed, the obligations of the Issuer under the Notes and each Transaction Document are secured in favour of the Trustee for itself, the Noteholders, the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Liquidity Lender, the Arranger, the Agents and the Administrator, (each a "**Secured Party**" and together, the "**Secured Parties**") by:

(i) an assignment by way of first fixed security all of the Issuer's rights, title, interest to and benefit in, the Collateral Debt Securities and the Eligible Investments and all rights, entitlement, interests or other benefits relating thereto (other than such rights, title, interest and benefit as are pledged under the Euroclear Pledge Agreement) and a charge by way of first fixed charge and first priority security interest over all rights of the Issuer whether present or future in respect of the Collateral Debt Securities and the Eligible Investments and all rights, entitlement, interest or other benefits relating thereto whether present or future in respect of the Collateral Debt Securities and Eligible Investments and all rights, entitlement, interest or other benefits relating thereto (other than such rights, title, interest and benefit as are pledged under the Euroclear Pledge Agreement and excluding, for the avoidance of doubt, the Issuer's bank accounts in the Cayman Islands or elsewhere containing the paid up ordinary share capital and any transaction fees of the Issuer and any moneys available to the Issuer after application of the proceeds of the Mortgaged Property in respect of the Notes in accordance with the Enforcement Priority of Payments), including, without limitation, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof;

(ii) an assignment by way of first fixed security of all of the Issuer's rights, title, interest and benefit, present and future, in and to all sums of money which are now or hereafter from time to time standing to the credit of any bank or other account (including, for the avoidance of doubt, the Accounts and the Eligible Investments but excluding, for the avoidance of doubt, the Issuer's bank accounts in the Cayman Islands or elsewhere containing the paid up ordinary share capital of the Issuer, and any transaction fees of the Issuer and any moneys available to the Issuer after application of the proceeds of the Mortgaged Property in respect of the Notes in accordance with the Enforcement Priority of Payments) in which the Issuer may at any time acquire any right, title, interest or benefit including, without limitation, all interest accrued and other moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof;

(iii) an assignment by way of first fixed security of all of the Issuer's rights whether present or future against the Custodian under the Agency Agreement and a charge by way of first fixed charge over the Accounts established on the books of the Custodian in accordance with the Agency Agreement, each cash account relating thereto, any cash held therein and the debts represented thereby;

(iv) an assignment by way of first fixed security the Issuer's rights whether present or future under each of the other Transaction Documents;

(v) a charge by way of first fixed charge all moneys held from time to time by each Paying Agent for payment of principal, interest or other amounts on the Notes and Coupons and talons (if any);

(vi) an assignment by way of first fixed security the remainder of the Issuer's rights under the Agency Agreement not assigned pursuant to (iii) above; and

(vii) a charge by way of floating charge over the whole of the Issuer's undertaking and assets to the extent that such undertaking and assets are not subject to the security set out in paragraphs (i) to (vi) (inclusive) above (excluding, for the avoidance of doubt, the Issuer's bank accounts in the Cayman Islands or elsewhere containing the paid up ordinary share capital of the Issuer and any transaction fees of the Issuer and any moneys available to the Issuer after application of the proceeds of the Mortgaged Property in respect of the Notes in accordance with the Enforcement Priority of Payments or subject to the Security created under the Euroclear Pledge Agreement) which will become enforceable upon an application to the court for an administration order or the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator, subject, however, to the charges and assignments set out above which shall rank prior to such floating charge in relation to the assets subject to such charges and assignments. The floating charge created under the Trust Deed is a qualifying floating charge for the purpose of paragraph 14 of Schedule B 1 of the Insolvency Act 1986 (as amended).

The assets and rights described in paragraphs (i) to (vii) (inclusive) above, together with the assets and rights in respect of which security is created under the Euroclear Pledge Agreement, are together referred to as the "**Mortgaged Property**".

On the Closing Date, the Issuer will also create security in favour of the Trustee pursuant to the Euroclear Pledge Agreement as security for the Secured Parties in respect of its rights, title, interest and benefit to the Collateral Debt Securities and Eligible Investments from time to time held in Euroclear.

All deeds, documents, assignments, instruments, bonds, notes, negotiable instruments, papers and any other instruments comprising, evidencing, representing and/or transferring the Portfolio will be deposited with or held by or on behalf of the Custodian until the security over such obligations is irrevocably discharged in accordance with the provisions of the Trust Deed.

Pursuant to the terms of the Trust Deed the Trustee is exempted from (amongst other things) any liability in respect of any loss or theft of the Mortgaged Property, from any obligation to insure the Mortgaged Property and from any claim arising from the fact that the Mortgaged Property is held in a clearing system or in safe custody by the Custodian, a bank or other custodian. The Trustee has no responsibility for the management or administration of the Portfolio by the Collateral Manager, the Collateral Adviser, the Collateral Administrator or any other party and is entitled to rely on the certificates or notices of any relevant party without further enquiry. The Trust Deed also provides that the Trustee shall accept without investigation, requisition or objection such rights, benefit, title and interest, if any, as the Issuer may have in and to any of the Mortgaged Property and is not bound to make any investigation into the same or into the Mortgaged Property in any respect. Further, the Trustee shall have no responsibility for the continuity, existence, adequacy or sufficiency of the Mortgaged Property.

(b) **Application of Proceeds upon Enforcement**

The Trust Deed provides that the net proceeds of realisation of, or enforcement with respect to, the security over the Mortgaged Property constituted by the Trust Deed shall (subject to the specific provisions of Clause 5.1 of the Trust Deed in relation to the floating charge described in Condition 3(a)(vii)) be applied in accordance with the Enforcement Priority of Payments as set out in Condition 10(b).

(c) **Limited Recourse**

If the net proceeds of realisation of the security constituted by the Trust Deed or the Euroclear Pledge Agreement, upon enforcement thereof in accordance with Condition 10 and the provisions of the Trust Deed or the Euroclear Pledge Agreement, are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Transaction Creditors (such negative amount being referred to herein as a "**shortfall**"), the obligations of the Issuer in respect of the Notes of each Class and its obligations to the other Transaction Creditors in such circumstances will be limited to such net proceeds which shall be applied in accordance with the Enforcement Priority of Payments. In such circumstances the other assets (if any) of the Issuer will not be available for payment of such shortfall which shall be borne by the Noteholders of each Class, the Trustee and the other Transaction Creditors in accordance with the order of priorities set out in the Enforcement Priority of Payments (applied in reverse order) and the rights of the Transaction Creditors to receive any further amounts in respect of such obligations shall be extinguished and none of the Noteholders or the other Transaction Creditors may take any further action to recover such amounts. None of the Noteholders, the Trustee or the other Transaction Creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency, winding-up or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Trust Deed or otherwise owed to the Transaction Creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

None of the Trustee, the Agents, the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Account Bank, the Liquidity Lender, the Arranger, or the Custodian has any obligation to any Noteholder for payment of any amount due by the Issuer in respect of any of the Notes of the relevant Class (including the Components of the Combination Notes).

4. COVENANTS OF AND RESTRICTIONS ON THE ISSUER

Under the Trust Deed, and as more fully described therein, for so long as any of the Notes remain Outstanding, save as contemplated in the Transaction Documents, the Issuer covenants to the holders of such Notes that (to the extent applicable) it will not, without the prior written consent of the Trustee:

(a) sell, factor, discount, transfer, assign, lend or otherwise dispose of any of its rights, title or interest in or to its assets comprising the Mortgaged Property other than, in accordance with these Conditions, the Trust Deed, the Euroclear Pledge Agreement and the Collateral Management and Advice Agreement, nor will it create or permit to be outstanding any mortgage, pledge, lien, charge, encumbrance or other security interest over its assets comprising the Mortgaged Property except in accordance with the Trust Deed, the Euroclear Pledge Agreement or these Conditions;

(b) sell, factor, discount, transfer, assign, lend or otherwise dispose of, or create or permit to be outstanding any mortgage, pledge, lien, charge, encumbrance or other security interest over, any of its other property or assets or any part thereof or interest therein other than in accordance with the Trust Deed, the Euroclear Pledge Agreement or these Conditions;

(c) engage in any business other than:

    (i) acquiring, holding and disposing of the assets comprised in the Mortgaged Property;

    (ii) issuing and performing its obligations under the Notes;

    (iii) entering into, exercising its rights, performing its obligations or enforcing its rights under each of the Transaction Documents and any agreements ancillary thereto to; or

    (iv) performing any act incidental to or necessary in connection with any of the above;

(d) amend any term or condition of the Notes of any Class (save in accordance with these Conditions and the Trust Deed where such amendment shall be constituted by a supplement to the Offering Memorandum and the Luxembourg Stock Exchange shall be advised accordingly);

(e) agree to any amendment to any provision of, or grant any waiver or consent under, any Transaction Document (or any other agreement ancillary thereto);

(f) incur any indebtedness for borrowed money other than in respect of the Notes, or any document entered into in connection with the Notes, or the sale thereof, including the Issuer Liquidity Agreement and any document entered into in connection with the Exchangeable Notes during the Warehousing Period;

(g) amend its constitutional documents;

(h) have any subsidiaries;

(i) have any employees;

(j) enter into any reconstruction, amalgamation, merger or consolidation;

(k) convey or transfer all or a substantial part of its properties or assets (in one or a series of transactions) to any person, otherwise than as contemplated in these Conditions and except for dividends (if any) payable to the Share Trustee;

(l) issue any shares (other than such shares as are in issue as at the Closing Date) nor redeem or purchase any of its issued share capital;

(m) otherwise than as contemplated in these Conditions or the Transaction Documents, release from or terminate the appointment of the Paying Agents, the Custodian, the Calculation Agent or the Account Bank under the Agency Agreement, the Collateral Manager or Collateral Adviser under the Collateral Management and Advice Agreement, or the Collateral Administrator under the Collateral Administration Agreement (including in each case any transactions entered into thereunder) or, in each case, from any executory obligation thereunder;

(n) enter into any lease in respect of, or own, premises.

(o) offer the Notes to the public in the Cayman Islands unless the Issuer is listed on the Cayman Islands Stock Exchange; or

(p) carry on its business operations mainly inside of the Cayman Islands nor carry on a trade through an established place of business in Jersey that would cause a Transaction Document to become subject to stamp duty in the relevant jurisdiction.

"**Outstanding**" means in relation to the Notes of a Class as of any date of determination all of the Notes of such Class issued other than:

(i) those Notes of the relevant Class which have been redeemed pursuant to the Trust Deed;

(ii) those Notes of each Class in respect of which the date for redemption in accordance with the relevant Conditions has occurred and the redemption moneys (including premium (if any) and all interest due and payable in respect thereof and any interest payable under the relevant Conditions after such date) have been duly paid to the Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders) and remain available for payment against presentation of the relevant Notes;

(iii) those Notes which have become void in accordance with these Conditions;

(iv) those Notes of such Class represented by any Global Note to the extent that such Global Note shall have been exchanged for Definitive Notes in accordance with its provisions;

(v) those Combination Notes which have been cancelled as a result of the exchange for interests in the Classes of Notes to which the Components of such Combination Notes correspond pursuant to Condition 1(d);

(vi) those mutilated or defaced Notes of such Class which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 12; and

(vii) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes of such Class and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 12;

provided that for the purposes of the Conditions and the Transaction Documents, the Principal Amount Outstanding of Notes of each Class corresponding to the principal amount Outstanding of the Components shall not be treated as being issued and Outstanding for so long as they are comprised in such Combination Notes, but shall be deemed to be issued and Outstanding for the purposes of determining the rights attaching to the Components corresponding thereto and the amounts payable in respect thereof, and such rights and amounts payable shall be determined by reference to the Notes corresponding thereto as if such Notes were issued and Outstanding in a principal amount equal to the principal amount of the related Components, less any principal amounts which have been paid in respect of such Components in accordance with the Conditions;

and further provided that for each of the following purposes, namely:

(A) the right to attend and vote at any meeting of the Noteholders of a Class;

(B) the determination of how many and which of the relevant Notes are Outstanding for the purposes of Condition 9, Condition 10 and Condition 13;

(C) any discretion, power or authority (whether contained in the Trust Deed or vested by operation of law) which the Trustee is required, expressly or implicitly, to exercise in or by reference to the Noteholders or any of them; and

(D) the determination (where relevant) by the Trustee whether any event, circumstance, matter or thing, in its opinion, is materially prejudicial to the Noteholders of any Class,

Notes (if any) which are for the time being held by, for the benefit or on behalf of the Issuer and not cancelled shall (unless and until ceasing to be so held) be deemed not to remain Outstanding and the Trustee shall be entitled to assume that there are no such holdings except to the extent that it is otherwise expressly aware thereof and shall not be bound or concerned to make any enquiry; and provided further that for the purposes of votes required in connection with the termination of the appointment of the Collateral Adviser pursuant to Clause 13 of the Collateral Management and Advice Agreement, those Notes (if any) which are for the time being held by, or for the benefit of, the Collateral Adviser shall (unless and until ceasing to be so held) be deemed not to remain Outstanding.

The aggregate of the principal amount Outstanding (including any Deferred Interest) of each Class of Notes is referred to in these Conditions as the "**Principal Amount Outstanding**" of the relevant Class. The aggregate of all Principal Amounts Outstanding of all Classes of Notes is referred to in these Conditions as the "**Aggregate Principal Amount Outstanding**". References to principal amount Outstanding in respect of any Class of Notes or all Classes of Notes shall, to the extent such references are to the Class F-1 Combination Notes, Class F-2 Combination Notes or Class F-3 Combination Notes, be deemed, where the context requires, to be references to the Class F-1 Combination Notes Nominal Amount Outstanding, Class F-2 Combination Notes Nominal Amount Outstanding or Class F-3 Combination Notes Nominal Amount Outstanding, as applicable.

5. INTEREST

(a) **Payment Dates:**

(i) Class A Notes, Class B Notes Class C Notes and Class D Notes: The Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes each bear interest from and including the Closing Date and any Class A-1 Notes bear interest from and including the date of issuance of such Class A-1 Notes and such interest will be payable semi-annually in arrear on 20th May and 20th November 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 "**Payment Date**"). Subject as provided in the preceding sentence, the first Payment Date shall fall on 20th May, 2004 and the final Payment Date shall fall on the Final Redemption Date or, if earlier, the Redemption Date on which the Notes shall have been redeemed, as the case may be, and will be payable in respect of the relevant Interest Period.

(ii) Class E Notes: Interest shall be payable in respect of the Class E Notes on an available funds basis in accordance with Conditions 2(c)(i), 2(c)(v) and 2(c)(vi) on each Payment Date to and including the Final Redemption Date or, if earlier, the relevant Redemption Date, as the case may be.

(b) **Interest Accrual:**

(i) Interest in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes shall accrue in respect of each period (each an "**Interest Period**") commencing on (and including) a Payment Date (or, in the case of the first Interest Period, the Closing Date, provided however, that in respect of any Class A-1 Notes, the first Interest Period shall commence on (and include) the date that such Class A-1 Notes are issued) and ending on (but excluding) the next Payment Date.

(ii) Class A Notes, Class B Notes, Class C Notes and Class D Notes: Each Class A Note, Class B Note, Class C Note and Class D Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Trustee or the Principal Paying Agent has notified the Noteholders of such Class of Notes in accordance with Condition 15 of receipt of all sums due in respect of all the Notes of such Class up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(iii) Class E Notes: Interest will cease to be payable in respect of each Class E Note upon the date that all of the Mortgaged Property has been realised and no Interest Proceeds or Principal Proceeds remain available for distribution in accordance with the Interest Priority of Payments and the Principal Priority of Payments.

(c) **Defaulted Interest**

If any interest due and payable in respect of the Class A-1 Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class A-1 Defaulted Interest**") or if any interest due and payable in respect of the Class A-2 Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class A-2 Defaulted Interest**") or if any interest due and payable on the Class B Notes is not punctually paid or duly provided for when due on the applicable Payment Date ("**Class B Defaulted Interest**") an Event of Default shall occur, provided however that, any Class A-2 Defaulted Interest or Class B Defaulted Interest may be deferred and capitalised in accordance with Condition 5(d)(i), and an Event of Default shall be deemed not to have occurred.

(d) **Deferral of Interest**

(i) **Deferral of Interest on Class A-2 Notes and Class B Notes**

If, due to a shortfall in the Interest Amount due and payable on the Class A-2 Notes and/or the Class B Notes pursuant to Condition 2(c)(i), an Event of Default has occurred under Condition 9(a)(ii) while the Class A-2 Notes and/or the Class B Notes are Outstanding, and if the holders of all of the Notes of the Defaulted Class (as defined below) direct the Trustee to annul the notice of Acceleration given, in accordance with Condition 9(d), then an amount of interest equal to any such shortfall in payment of the Interest Amount due and payable in respect of (i) the Class A-2 Notes on any Payment Date (the "**Class A-2 Deferred Interest**" and/or (ii) the Class B Notes on any Payment Date (the "**Class B Deferred Interest**") (as the case may be) shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Notes of the applicable Class and the Principal Amount Outstanding of each such Note shall be increased by the amount of its *pro rata* share of such Class A-2 Deferred Interest and/or Class B Deferred Interest, which shall itself bear interest in accordance with these Conditions from and including such date.

"**Defaulted Class**" means the Class A-1 Notes, the Class A-2 Notes and the Class B Notes.

(ii) **Deferral of Interest on Class C Notes and Class D Notes**

The Issuer shall, and shall only be obliged to, pay any Interest Amount payable in respect of the Class C Notes and the Class D Notes, to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the relevant Interest Priority of Payments or the Principal Priority of Payments.

In each case, an amount of interest equal to any such unpaid amount (the "**Class C Deferred Interest**" or the "**Class D Deferred Interest**", as the case may be and, together, the "**Mezzanine Notes Deferred Interest**"), which has not been paid on any Payment Date shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Notes of the applicable Class and the Principal Amount Outstanding of each such Note shall be increased by the amount of its *pro rata* share of such Mezzanine Notes Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(e) **Payment of Deferred Interest on the Class A-2 Notes, Class B Notes and Mezzanine Notes:**

Deferred Interest in respect of the Class A-2 Notes, Class B Notes and the Mezzanine Notes shall only become payable by the Issuer in accordance with Condition 2(c)(i), Condition 2(c)(v) or Condition 2(c)(vi) to the extent that Interest Proceeds or Principal Proceeds are available to make such payment in accordance with the relevant Interest Priority of Payments or the Principal Priority of Payments.

(f) **Interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes:**

(i) Rate of Interest: Subject as provided in sub-paragraph (iii) below, the rate of interest from time to time in respect of the Class A-1 Notes (the "**Class A-1 Floating Rate of Interest**"), the Class A-2 Notes (the "**Class A-2 Floating Rate of Interest**"), the Class B Notes (the "**Class B Floating Rate of Interest**"), the Class C Notes (the "**Class C Floating Rate of Interest**"), the Class D Notes (the "**Class D Floating Rate of Interest**" and, together with the Class A-1 Floating Rate of Interest, the Class A-2 Floating Rate of Interest, the Class B Floating Rate of Interest, and the Class C Floating Rate of Interest, the "**Floating Rate of Interest**") will be determined on the following basis:

(A) On the first day of each Interest Period or, if such a day is not a London Business Day, the previous London Business Day (each, an "**Interest Determination Date**") the Calculation Agent will determine the offered rate for six-month (the "**Designated Maturity**") Sterling deposits save that the applicable rate for any Class A-1 Notes for the first Interest Period shall be an interpolation of the rate determined by linear interpolation between two quoted rates for Sterling deposits as selected by the Calculation Agent in good faith) as at 11.00 a.m. (London time) on the Interest Determination Date in question. Such offered rate will be that which appears on the display designated as Telerate page 3750. The Floating Rate of Interest for such Interest Period in respect of any Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, as the case may be, shall be the aggregate of the relevant Margin (as defined below) and the rate which so appears (or in the case of the Class A-1 Notes in respect of the first Interest Period, the rate as so determined) (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)), all as determined by the Calculation Agent.

(B) If for any reason such offered rate as described in paragraph (A) above does not so appear, or if the relevant page is unavailable, the Calculation Agent will request each of four major banks in the London interbank market acceptable to the Collateral Manager, acting on behalf of the Issuer in each case through its London office (the "**Reference Banks**") to provide the Calculation Agent with its offered quotation to leading banks for Sterling deposits in the London interbank market for a period of the Designated Maturity (save that, in the case of the Class A-1 Notes in respect of the first Interest Period, the offered quotation for such first Interest Period shall be for a period of deposits equal to the relevant Interest Period) as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Floating Rate of Interest for each Interest Period in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, and the Class D Notes as the case may be, shall be the aggregate of the relevant Margin and the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of the relevant quotations (or of such of them, being at least two), all as determined by the Calculation Agent.

(C) If on any Interest Determination Date one only or none of the Reference Banks provides such quotation, the Floating Rate of Interest for such Interest Period in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, as the case may be, shall be the aggregate of the relevant Margin and the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of the Sterling lending rates which major banks in London selected by the Calculation Agent and acceptable to the Collateral Manager (acting on behalf of the Issuer) are quoting, on the relevant Interest Determination Date, for loans in Sterling for a period of the Designated Maturity (save that, in respect of any Class A-1 Notes and the first Interest Period, the offered quotation for such first Interest Period shall be for a period of deposits equal to the relevant Interest Period) as at 11.00 am (London time) to leading European banks.

(D) In these Conditions, "**Margin**" means:

(I) in respect of the Class A-1 Notes and any Interest Period (including for the avoidance of doubt, the first Interest Period) ending on or prior to the Expected Maturity Date, 0.47 per cent. per annum;

(II) in respect of the Class A-1 Notes and any Interest Period ending after the Expected Maturity Date, 0.90 per cent. per annum;

(III) in respect of the Class A-2 Notes and any Interest Period ending on or prior to the Expected Maturity Date, 0.50 per cent. per annum;

(IV) in respect of the Class A-2 Notes and any Interest Period ending after the Expected Maturity Date, 1.00 per cent. per annum;

(V) in respect of the Class B Notes and any Interest Period ending on or prior to the Expected Maturity Date, 0.75 per cent. per annum;

(VI) in respect of the Class B Notes and any Interest Period ending after the Expected Maturity Date, 1.50 per cent. per annum;

(VII) in respect of the Class C Notes and any Interest Period ending on or prior to the Expected Maturity Date, 1.00 per cent. per annum;

(VIII) in respect of the Class C Notes and any Interest Period ending after the Expected Maturity Date, 1.75 per cent. per annum;

(IX) in respect of the Class D Notes and any Interest Period ending on or prior to the Expected Maturity Date, 1.70 per cent. per annum; and

(X) in respect of the Class D Notes and any Interest Period ending after the Expected Maturity Date, 2.50 per cent. per annum.

(ii) Determination of the Floating Rate of Interest and Calculation of Interest Amount: The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the Business Day after such date, determine the Floating Rate of Interest for the relevant Interest Period in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and the amount of interest payable in respect of each Class A-1 Note, Class A-2 Note, Class B Note, Class C Note and Class D Note shall be calculated by applying the relevant Floating Rate of Interest to an amount equal to the Principal Amount Outstanding of such Note, multiplying the product by the actual number of days in the relevant Interest Period concerned divided by 365 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

(iii) Reference Banks and Calculation Agent: The Issuer will procure that, so long as any Class A Note, Class B Note, Class C Note or Class D Note remains Outstanding:

(A) a Calculation Agent shall be appointed and maintained for the purposes of determining the relevant Floating Rate of Interest and interest amount payable in respect of any such Notes; and

(B) in the event that the Floating Rate of Interest is to be calculated pursuant to paragraph (B) of Condition 5(f)(i), that the number of Reference Banks required pursuant to such Condition are appointed.

If the Calculation Agent is unable or unwilling to continue to act for the purpose of calculating interest hereunder or fails duly to establish the Floating Rate of Interest for any Note in any Interest Period or to calculate the Interest Amount in respect of any Class A-1 Note, Class A-2 Note, Class B Note, Class C Note or Class D Note in respect of any Interest Period, the Issuer shall (with the prior approval of the Trustee) appoint some other leading bank to act as such in its place and shall notify the Luxembourg Stock Exchange for so long as the Notes are listed on the Luxembourg Stock Exchange of such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed in accordance with the terms of the Agency Agreement.

(g) **Interest on the Class E Notes**

The Collateral Administrator will on each Interest Determination Date calculate the Interest Amount payable on the related Payment Date in respect of the Principal Amount Outstanding of the Class E Notes for the relevant Interest Period pursuant to Condition 2(c)(i).

(h) **Interest on the Combination Notes**

Interest shall be paid in respect of each Combination Note on the same terms as are applicable to a principal amount of each Class of Notes which is equal to the principal amount of each Component of the Combination Note corresponding thereto.

Deferred Interest and Defaulted Interest (if any) will be allocated to the Combination Notes in the proportion that the principal amount of such Components bear to the Principal Amount Outstanding of the relevant Class of Notes and any such amount will be in respect of, and not in addition to, the Deferred Interest and Defaulted Interest on the relevant Class.

(i) **Publication of Floating Rates of Interest, Interest Amounts and Deferred Interest:**

The Calculation Agent will cause (a) the Class A-1 Floating Rate of Interest, the Class A-2 Floating Rate of Interest, the Class B Floating Rate of Interest, the Class C Floating Rate of Interest and the Class D Floating Rate of Interest, the Interest Amount payable in respect of each Class of Senior Notes and Mezzanine Notes to be notified to the Issuer, the Collateral Adviser, the Collateral Manager and the Collateral Administrator, each Paying Agent, the Trustee, Euroclear and Clearstream, Luxembourg and for so long as the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange, as soon as possible after the relevant Interest Determination Date but in no event later than 11:00 a.m. (London time) on the Business Day after the relevant Interest Determination Date. The Principal Paying Agent shall cause each such rate, to be notified to the Noteholders of each Class in accordance with the notice provisions in Condition 15 as soon as possible following notification to the Principal Paying Agent but in no event later than the Business Day after such Interest Determination Date. The Interest Amounts so published in respect of the Notes of any Class may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment). Any such amendment will be promptly notified to each stock exchange on which the Notes are for the time being listed and to the Noteholders in accordance with Condition 15. If any of the Notes become due and payable under Condition 9, interest shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition but no publication of the applicable Interest Amounts shall be made unless the Trustee so requires.

(j) **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason so determine any Floating Rate of Interest or calculate any Interest Amount as described in Condition 5(i) or if the Collateral Administrator does not at any time for any reason determine the amounts as described in Condition 2(e), the Trustee (or an Appointee appointed by it for the purpose) shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent or Collateral Administrator, as the case may be, and shall be binding on the Noteholders. In doing so, the Trustee, or such Appointee, shall apply the foregoing provisions of this Condition, with any necessary amendments, to the extent that, in the Trustee's or such Appointee's opinion, it should properly, in such circumstances, make and, in all other respects it shall do so in such manner as it in its sole and absolute discretion shall deem fair and reasonable in all the circumstances and in reliance on such persons as it has appointed for the purpose hereof. The Trustee shall have no liability to any person in connection with any determination, appointment or calculation made pursuant to this Condition 5(j).

(k) **Additional payment in respect of the Class A-2 Notes and the Class E-1 Notes**

The Issuer shall, on 4th December, 2003 (the "**Additional Payment Date**"), make the following payments (the "**Additional Payments**"):

(i) in respect of each Class A-2 Note, an amount equal to each such Note's *pro rata* share of the cash amount (if any) standing to the credit of the Senior Exchangeable Notes Interest Account, which was accrued in relation to the Class A-1 Exchangeable Notes; and

(ii) in respect of each Class E-1 Note an amount equal to its *pro rata* share of the cash amount (if any) standing to the credit of (i) the Class D-1 Sterling Interest Account and (ii) the Class D-2 Sterling Interest Account, which was accrued in relation to the Class D-1 Exchangeable Notes and the Class D-2 Exchangeable Notes respectively.

(iii) in respect of the Class D Component and Class E-1 Component of the Class F-2 Combination Notes, an amount equal to such Class D Component's and Class E-1 Component's *pro rata* share of the cash amount (if any) standing to the credit of the Class D-2 Sterling Interest Account, the Class D-2 Euro Interest Account and/or the Currency Swap Termination Account, which is payable in relation to the excess (if any) which the Principal Amount Outstanding of the Class F-2 Combination Notes bears over the Principal Amount Outstanding of the Class D-2 Exchangeable Notes being exchanged for such Class F-2 Combination Notes in accordance with the Notes Purchase Agreement.

Immediately following such Additional Payments in respect of the Class E-1 Notes, the Class E-1 Notes and the Class E-2 Notes shall be consolidated and form a single Class, and thereafter all references to Class E-1 Notes or Class E-2 Notes shall be deemed to apply to the Class E Notes.

For the avoidance of doubt, the provisions of Condition 2(c) shall not apply to the payments described above in this Condition 5(k).

(l) **Notifications, etc to be Final**

All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Calculation Agent, the Collateral Administrator or the Trustee, will (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Noteholders and no liability to the Issuer or the Noteholders of any Class shall attach to the Reference Banks, the Calculation Agent, the Collateral Administrator or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition.

For the purposes of these Conditions, "**Interest Amount**" means:

(i) in respect of any Class A Note, Class B Note, Class C Note or Class D Note, the amount of interest accrued in respect of the Principal Amount Outstanding of such Note for any Interest Period, being the amount calculated by the Calculation Agent as soon as practicable after 11.00 a.m. (London time) on the relevant Interest Determination Date in accordance with Condition 5(f)(ii); and

(ii) in respect of any Class E Note, the amount of interest payable in respect of the Principal Amount Outstanding of such Note, being the amount calculated pursuant to Condition 5(g).

6. REDEMPTION AND PURCHASE

(a) **Final Redemption**

Save to the extent previously exchanged or redeemed and cancelled, the Notes of each Class will be redeemed on 20th November, 2102 or, if not a Business Day, the next following Business Day (the "**Stated Maturity Date**"). The date on which the Notes are to be redeemed pursuant to this Condition 6(a) shall be referred to as the "**Final Redemption Date**".

In the case of a redemption pursuant to this Condition 6(a) each Class A Note, Class B Note, Class C Note, Class D Note and Class E Note will be redeemed at its Redemption Price on an available funds basis in accordance with the Post-Reinvestment Period Priority of Payments.

"**Redemption Price**" means, when used with respect to:

(i) any Class A Note, Class B Note, Class C Note or Class D Note, 100 per cent. of the Principal Amount Outstanding of such Note together with interest accrued and unpaid thereon to the date of redemption; and

(ii) any Class E Note, such Class E Note's *pro rata* share (based on the percentage which the Principal Amount Outstanding of such Class E Note bore to the Principal Amount Outstanding of all the Class E Notes immediately prior to such redemption) of the aggregate proceeds of the realisation of Mortgaged Property remaining following application thereof in meeting all prior ranking claims in accordance with the Post-Reinvestment Period Priority of Payments,

provided that, in the event that the Notes become subject to redemption in whole pursuant to more than one of the redemption provisions described above or an Event of Default, the Redemption Price applicable upon redemption thereof shall be that which relates to the redemption of the Notes (a) upon the occurrence of an Event of Default, if an Event of Default has occurred, and (b) which would occur first in time pursuant to the relevant provisions thereof if no Event of Default has occurred.

In respect of any Combination Note, the Redemption Price payable, is the Redemption Price in respect of the principal amount Outstanding of each of the Components of such Combination Note.

(b) **Redemptions Prior to Expiry of the Reinvestment Period**

No principal payments will be made on the Senior Notes and the Mezzanine Notes until the termination of the Reinvestment Period except (a) upon the failure of the Issuer to satisfy the Overcollateralisation Ratio Test on any Measurement Date (with any required prepayment resulting therefrom being applied to the Senior Notes and the Mezzanine Notes, until the Overcollateralisation Ratio Test is met, to the extent set forth in the Priorities of Payments), (b) in respect of the payment of the portion of the Principal Amount Outstanding of such Class of Notes which is attributable to the Class A-2 Deferred Interest and the Class B Deferred Interest and the Mezzanine Notes Deferred Interest (to the extent set forth in the Priorities of Payments) and (c) upon the occurrence of the Rating Event (with any required prepayment resulting therefrom being applied to the Senior and Mezzanine Notes, in accordance with the following application: (i) first, paragraphs (A) to (R) of the Interest Priority of Payments, and (ii) second, paragraph (A) of the Reinvestment Period Priority of Payments, until the Notes are either fully redeemed or are redeemed to such lesser extent as enables each of S&P and Fitch and, in respect of the Class A-1 Notes only, Moody's to confirm in writing that each such rating is reinstated).

(c) **Optional Redemption of the Senior Notes and the Mezzanine Notes**

(i) The Class A Notes, Class B Notes, Class C Notes and Class D Notes Outstanding shall be redeemed (in whole but not in part) by the Issuer upon receipt of a Redemption Notice from 100 per cent. of the holders of the Principal Amount

Outstanding of the Junior Class of Covered Notes (including the Components of the Combination Notes, as applicable).

(ii) Any such redemption is subject to the following conditions:

(A) the Redemption Notice given by 100 per cent. of the holders of the Principal Amount Outstanding of the Junior Class of Covered Notes must be addressed to the Issuer and copied to the Trustee and must specify a Redemption Date, which must also be a Payment Date and which must fall at least 20 Business Days after the Redemption Notice is delivered to the Issuer;

(B) no Redemption Date specified pursuant to this Condition 6(c) may occur prior to the end of the Reinvestment Period; and

(C) the conditions to such redemption of the Class A Notes, Class B Notes, Class C Notes and Class D Notes described in Condition 6(h) below are satisfied.

Any such redemption may be effected from proceeds of the sale of Collateral Debt Securities and Eligible Investments and all other funds in the Interest Proceeds Account, the Principal Proceeds Account and the Expense Account (including for the avoidance of doubt all such Eligible Investments purchased with funds on deposit in such Accounts). Any such optional redemption will be made at the applicable Redemption Price.

The Trustee shall within one Business Day of receipt of the Redemption Notice, give notice of such Redemption Notice to the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Liquidity Lender, the Rating Agencies and each Paying Agent (whereupon the Principal Paying Agent shall notify the Noteholders).

(d) **Optional Redemption of Class E Notes after the Reinvestment Period**

On any Payment Date falling on or after payment in full of the Senior Notes and the Mezzanine Notes, all of the holders of the Principal Amount Outstanding of the Class E Notes (including holders of the relevant Components of the Combination Notes, as applicable) may, by written direction given in a Redemption Notice to the Issuer and copied to the Trustee, require the Issuer to redeem the Class E Notes (in whole but not in part) at the applicable Redemption Price. The Redemption Notice must specify a the Redemption Date which must also be a Payment Date and which must fall at least 20 Business Days after the Redemption Notice is delivered to the Issuer.

Any such redemption shall be effected from proceeds of the sale of the Collateral Debt Securities and Eligible Investments and all other funds in the Interest Proceeds Account, the Principal Proceeds Account and the Expense Account (including, for the avoidance of doubt, all such Eligible Investments purchased with funds on deposit in such Accounts). Any such optional redemption will be made at the applicable Redemption Price.

The Trustee shall within one Business Day of receipt by it of the Redemption Notice, give notice of such Redemption Notice to the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Liquidity Lender, the Rating Agencies and each Paying Agent (whereupon the Principal Paying Agent shall notify the Noteholders).

(e) **Optional Redemption of the Notes after the Expected Maturity Date**

The Notes may be redeemed (in whole but not in part) by the Issuer at the written direction of any Noteholder (including the holders of the Components of the Combination Notes) given in a Redemption Notice. The Redemption Notice must specify the Redemption Date, which must also be a Payment Date and which must fall at least 20 Business Days after the Redemption Notice is delivered to the Issuer.

Any such redemption is subject to the following conditions: (a) no such redemption may occur on any date other than a Payment Date, (b) no such redemption may occur prior to the Payment Date falling on or around the Expected Maturity Date, and (c) the other conditions to such redemption of the Notes described in Condition 6(h) are satisfied.

Any such redemption shall be effected from proceeds of the sale of Collateral Debt Securities and Eligible Investments and all other funds in the Interest Proceeds Account, the Principal Proceeds Account and the Expense Account (including, for the avoidance of doubt, all such Eligible Investments purchased with funds on deposit in such Accounts). Any such optional redemption will be made at the applicable Redemption Price.

The Trustee shall within one Business Day of receipt of the Redemption Notice, give notice of such Redemption Notice to the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Liquidity Lender, the Rating Agencies and each Paying Agent (whereupon the Principal Paying Agent shall notify the Noteholders).

(f) **Optional Redemption of the Combination Notes**

The Class F-1 Combination Notes will be redeemed, (i) with respect to the Class B Component, by allocation of principal payments in respect of the Class B Notes to such Component, (ii) with respect to the Class C Component, by allocation of principal payments in respect of the Class C Notes to such Component, (iii) with respect to the Class D Component, by allocation of principal payments in respect of the Class D Notes to such Component, and (iv) with respect to the Class E-1 Component, by allocation of principal payments in respect of the Class E-1 Notes to such Component. The Class F-1 Combination Notes will be fully redeemed when the Class E-1 Notes constituting the Class E-1 Component have been redeemed.

The Class F-2 Combination Notes will be redeemed, (i) with respect to the Class D Component, by allocation of principal payments in respect of the Class D Notes to such Component, and (ii) with respect to the Class E-1 Component, by allocation of principal payments in respect of the Class E-1 Notes to such Component. The Class F-2 Combination Notes will be fully redeemed when the Class E-1 Notes constituting the Class E-1 Component have been redeemed.

The Class F-3 Combination Notes will be redeemed, (i) with respect to the Class B Component, by allocation of principal payments in respect of the Class B Notes to such Component, and (ii) with respect to the Class E-2 Component, by allocation of principal payments in respect of the Class E-2 Notes to such Component. The Class F-3 Combination Notes will be fully redeemed when the Class E-2 Notes constituting the Class E-2 Component have been redeemed.

For the avoidance of doubt, a Combination Note shall be deemed redeemed in whole on the day its Components have been redeemed in whole, regardless of whether or not there is any Combination Note Nominal Amount Outstanding.

Any proceeds of the optional redemption of the Notes to which the Components relate (if applicable) will be passed through to the holders of each Combination Note on the related Payment Date to the extent of the proportion that the principal amount of such Components bear to the principal amount of the relevant Class that is to be redeemed.

(g) **Optional Redemption upon Withholding Tax Event**

(i) General:

Subject to the provisions of Condition 6(g)(ii) and Condition 6(h), all (but not some only) of the Notes shall be redeemed by the Issuer, in whole but not in part, at the applicable Redemption Prices, from the proceeds of liquidation and/or realisation of the Mortgaged Property in accordance with the Post-Reinvestment Period Priority of Payments:

(A) upon the occurrence of a Collateral Tax Event, at the request in writing given in a Redemption Notice by the holders of at least a Majority of the Junior Class of Covered Notes (as defined below) (including the Components of the Combination Notes, as applicable); or

(B) upon the occurrence of a Note Tax Event, at the request in writing given in a Redemption Notice by the Majority of the holders of the Controlling Class of Notes (including the Components of the Combination Notes, as applicable),

in each case in accordance with the procedures described in paragraph (ii) below.

If the Controlling Class does not exercise the right to call for redemption of the Notes upon the occurrence of a Note Tax Event, all future payments in respect of the Notes shall be made subject to, and after deduction of, all applicable taxes.

The Trustee shall within one Business Day of receipt by it of the Redemption Notice, give notice to the Collateral Manager, the Collateral Administrator, the Liquidity Lender, the Rating Agencies and each Paying Agent (whereupon the Principal Paying Agent shall notify the Noteholders).

(ii) Conditions to optional redemption upon Withholding Tax Event:

Any such redemption is subject to the following conditions:

(A) the Redemption Notice of the relevant Noteholders must specify a Redemption Date which must also be a Payment Date falling at least 20 Business Days after the delivery of such Redemption Notice; and

(B) the conditions to such redemption of the Class A Notes, Class B Notes, Class C Notes and Class D Notes described in Condition 6(h) below must be satisfied.

A "**Collateral Tax Event**" is the introduction of a new, or any change in, home jurisdiction or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation (whether proposed, temporary or final) which results in payments due from the issuers or obligors of any Collateral Debt Securities and any Eligible Investments thereunder representing in excess of 5 per cent. of the Aggregate Principal Balance becoming properly subject to the imposition of home jurisdiction or foreign withholding tax which withholding tax is not compensated for by a "gross-up" provision in the terms of the Collateral Debt Security or the Eligible Investment that holds the holder completely harmless from the full amount of such withholding tax on an after tax basis.

A "**Note Tax Event**" is the introduction of a new, or any change in, home jurisdiction or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation (whether proposed, temporary or final) which results in (or would on the next relevant Payment Date result in) any payment of principal or interest on the Notes of any Class becoming properly subject to any withholding tax.

A "**Withholding Tax Event**" means each of a Collateral Tax Event and a Note Tax Event.

(iii) Notice of Withholding Tax Event:

Promptly upon becoming aware of the occurrence of any Collateral Tax Event or of any event which is or, but for the provisions of paragraphs (a) to (d) of Condition 8, would be a Note Tax Event, the Issuer shall cause notice to be given to the Trustee and the Agents, and to the Noteholders in accordance with Condition 15.

(h) **Conditions to, and Mechanics of, Optional Redemption under Conditions 6(c), 6(e) and 6(g)**

(i) Total Redemption Amount

Following receipt of confirmation from the Trustee of receipt of a Redemption Notice from the requisite amount of holders of the Principal Amount Outstanding of the Junior Class of Covered Notes as provided in Conditions 6(c) and 6(g)(i)(A), or from any Noteholder as provided in Condition 6(e), or the Principal Amount Outstanding of the Controlling Class, as provided in Condition 6(g)(i)(B) to exercise any right of optional redemption pursuant thereto (the day on which such notice is received or confirmation given being the "**Notice Date**"), the Collateral Administrator shall, not less than five Business Days and in any event not later than the day (the "**Redemption Determination Date**") falling 17 Business Days prior to the scheduled Redemption Date, calculate the Total Redemption Amount (as defined below) payable on the relevant scheduled Redemption Date.

The "**Total Redemption Amount**" means, in respect of any scheduled Redemption Date, the aggregate of all the amounts to be paid under (A) to (U) of the Post-Reinvestment Period Priority of Payments.

(ii) Conditions to Optional Redemption

None of the Class A Notes, Class B Notes, Class C Notes or Class D Notes may be optionally redeemed under Conditions 6(c), 6(e) or Condition 6(g) unless:

(A) at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager (on behalf of the Issuer) has entered into a binding agreement or agreements with a financial institution or institutions whose short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating applicable for a period of 30 Business Days prior to such scheduled Redemption Date of at least "F-1+" by Fitch, at least "A-1+" by S&P and at least "P-1" by Moody's to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a sale price (including in such price the sale of accrued interest) at least equal to an amount sufficient, together with the Eligible Investments maturing on or prior to the scheduled Redemption Date and all cash, to pay the Total Redemption Amount; and

on or before the Business Day immediately preceding the scheduled Redemption Date, the Collateral Manager on behalf of the Issuer will have received such aggregate purchase price;

(B) If any of the conditions to redemption referred to in Conditions 6(c), 6(e) or 6(g) (as the case may be) or paragraph (A) above are not satisfied in respect of any scheduled Redemption Date, or any Redemption Notice is withdrawn in accordance with Condition 6(h)(iii)(A) below, no redemption of the Notes shall occur on such Redemption Date and all Redemption Notices delivered in connection with such proposed redemption shall be void and of nil effect. Nothing in the foregoing sentence shall operate to prevent a Noteholder from making a request, giving a direction or delivering a Redemption Notice in accordance with the provisions of Conditions 6(c), 6(e), or 6(g) on any other occasion.

(iii) Mechanics of Redemption:

(A) Any Redemption Notice given by the Issuer may be withdrawn up to the second Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Issuer and the Collateral Manager only if:

(I) the Collateral Manager is unable to deliver the sale agreement or agreements or certifications referred to above, as the case may be, in form satisfactory to the Trustee; or

(II) the Issuer and the Trustee receive written direction from the requisite amount of holders of the Principal Amount Outstanding of the Junior Class of Covered Notes, pursuant to Condition 6(c) or Condition 6(g)(i)(A), or any Noteholder pursuant to Condition 6(e), or the Principal Amount Outstanding of the Controlling Class pursuant to Condition 6(g)(i)(B) or from the relevant Noteholder pursuant to Condition 6(e), (including the holders of the Components of the Combination Notes, as applicable) to withdraw the notice of redemption. Notice of any such withdrawal will be given by the Trustee to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

Save as provided above, no Redemption Notice delivered may be withdrawn prior to the relevant scheduled Redemption Date without the prior consent of the Issuer.

(B) Following calculation of the Total Redemption Amount, the Collateral Administrator shall make such other calculations as it is required to make pursuant to the Collateral Administration Agreement and shall notify the Issuer, the Trustee, the Collateral Manager, the Rating Agencies and each Paying Agent, whereupon the Principal Paying Agent shall notify the Noteholders (in accordance with Condition 15) of such amounts.

(C) The Collateral Manager shall notify the Issuer, the Trustee, the Collateral Administrator, the Collateral Adviser, the Liquidity Lender, the Rating

Agencies and each Paying Agent (whereupon the Principal Paying Agent shall notify the Noteholders and for so long as the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange), upon satisfaction of the conditions to redemption of the Notes pursuant Condition 6(h)(ii) and shall thereafter arrange for liquidation and/or realisation of the Mortgaged Property on behalf of the Issuer in accordance with the Collateral Management and Advice Agreement, and to the extent of such liquidation or realisation the security constituted over such assets (but not over the proceeds of liquidation or realisation) by the Trust Deed shall be released. The Issuer shall deposit, or cause to be deposited, the Interest Proceeds and Principal Proceeds received following such liquidation or realisation in the Principal Proceeds Account on or before the Business Day prior to the scheduled Redemption Date. All monies received in connection with such redemption shall be payable in accordance with the Post-Reinvestment Period Priority of Payments.

(i) **Redemption Following Expiry of the Reinvestment Period**

Following the expiry of the Reinvestment Period, the Issuer shall, on each Payment Date occurring thereafter, apply Principal Proceeds transferred to the Principal Proceeds Account in redemption of Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes in accordance with Condition 2(c)(vi) (and subject to payment of any prior ranking amounts as provided for therein).

(j) **Redemption**

All Notes which are to be redeemed pursuant to this Condition 6 shall be redeemed on the relevant Redemption Date at their applicable Redemption Prices and to the extent specified in such notice and in accordance with the requirements of this Condition.

(k) **Purchase of Notes by the Issuer**

The Issuer may not purchase or hold any Notes at any time.

(l) **Cancellation**

All Notes redeemed in full in accordance with this Condition 6, will be cancelled and may not be reissued or resold.

7. PAYMENTS

(a) **Payments in respect of Definitive Notes**

Payments of principal of and interest on the Notes will be made in Sterling. Payment will be made against, in the case of payment in full of the Principal Amount Outstanding of the Notes and interest due and payable thereon, presentation and surrender of the Definitive Notes and Coupons and, in the case of any other payment, presentation and endorsement of the Definitive Notes, or surrender of Coupons, at the specified office of any Paying Agent. Payments of principal and/or interest in respect of the Definitive Notes shall be made by wire transfer in immediately available funds on the due date to a Sterling account, maintained by the payee with a bank in London and specified by the payee unless the Paying Agent has previously agreed to make payments by Sterling cheque, drawn on a bank in London. Each Note should be presented together with all relative unmatured Coupons. Upon the date on which any Definitive Note becomes due and repayable, unmatured Coupons shall become void and no payment shall be made in respect thereof.

(b) **Payments Subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission shall be charged to the Noteholders.

(c) **Business Days**

In these Conditions, a "**Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and the Cayman Islands.

(d) **Payments on Presentation Dates**

A holder shall be entitled to present a Note for payment only on a Presentation Date and shall not, except as provided in Condition 5, be entitled to any further interest or other payment if a Presentation Date is after the due date.

"**Presentation Date**" means, (subject to Condition 11) a day on which commercial banks and foreign exchange markets settle payments and are open for general business in the relevant place where the Note is presented for payment and:

(i) is a Business Day;

(ii) is or falls after the relevant due date or, if the due date is not or was not a business day in the place where the Note is presented for payment, is or falls after the next following business day which is a business day in the place of presentation;

(iii) (in the case of payment by wire transfer as provided in paragraph (a) above) is a day on which transfers to the account (if any) specified by the payee may be made.

If a Note is presented for payment at a time when, as a result of differences in time zones it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant Presentation Date, the Issuer shall not be obliged to do so but shall be obliged to transfer the relevant amount to the account for value on the first practicable date after the Presentation Date.

(e) **Payments on Combination Notes**

On each Payment Date on which payments of principal, interest or other payments are made on any Class of Notes that is represented by a Component, such payments shall be allocated to the Combination Notes in the proportion that the principal amount of such Component bears to the principal amount of the Class of Notes represented by such Component (including the relevant Component). No other payments shall be made on a Combination Note.

(f) **Paying Agents**

The Principal Paying Agent is JPMorgan Chase Bank, whose specified office (as at the Closing Date) is at Trinity Tower, 9 Thomas More Street, London, England E1W 1YT. The

Luxembourg Paying Agent is J.P. Morgan Bank Luxembourg S.A. whose specified office (as at the Closing Date) is at 5 rue Plaetis, L-2338 Luxembourg, Grand Duchy of Luxembourg.

The Issuer is entitled (with the prior written consent of the Trustee) to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that, so long as any of the Notes is outstanding, the termination of the appointment of any Agent (whether by the Issuer or by the resignation of such Agent) shall not be effective unless upon the expiry of the relevant notice there is and provided that it will at all times maintain:

(i) a Principal Paying Agent of the Required Rating;

(ii) Paying Agents having specified offices in at least two European cities approved by the Trustee (including Luxembourg for so long as the Notes of any Class are listed on the Luxembourg Stock Exchange and the rules of that exchange so require);

(iii) a Paying Agent in a Member State of the European Union 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 on 26th - 27th November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive;

(iv) a Custodian of the Required Rating;

(v) a Collateral Manager, a Collateral Administrator and a Collateral Adviser;

(vi) a Calculation Agent; and

(vii) an Account Bank of the Required Rating.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement and except as otherwise provided in the Trust Deed, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

8. TAXATION

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, or any political sub-division or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. For the avoidance of doubt, the Issuer shall not be required to gross up any payments made to Noteholders of any Class and shall withhold or deduct from any such payments any amounts on account of tax where so required by law or any relevant taxing authority. Any such withholding or deduction shall not constitute an Event of Default under Condition 9(a).

Subject as provided below, if the Issuer satisfies the Trustee that it has or will on the occasion of the next payment due in respect of the Notes of any Class become obliged by the laws of the Cayman Islands to withhold or account for tax so that it would be unable to make payment of the full amount that would otherwise be due but for the imposition of such tax, the Issuer (with the consent of the Trustee and save as provided below) shall use all reasonable endeavours to arrange for the substitution of a company incorporated in another jurisdiction approved by the Trustee as the principal obligor under the Notes of such Class, or to change its tax residence to another jurisdiction approved by the Trustee subject to the Trustee being satisfied that neither it nor the Noteholders may be materially prejudiced by any such change.

Notwithstanding the above, if any taxes referred to in this Condition 8 are required to be withheld or deducted:

(a) due to the connection of any Noteholder with the Cayman Islands otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof;

(b) by reason of the failure of the relevant Noteholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax;

(c) in respect of a payment to an individual which is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th and 27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; or

(d) as a result of presentation of the Notes for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the Notes to another Paying Agent in another European Union member state,

the requirement to substitute the Issuer as a principal obligor and/or change its residence for taxation purposes shall not apply.

9. EVENTS OF DEFAULT

(a) Events of Default

Subject to Condition 2(d), the occurrence of any of the following events shall constitute an "**Event of Default**":

(i) Non-payment of principal:

the Issuer fails to pay any principal when the same becomes due and payable on any Note on the Final Redemption Date or any Redemption Date pursuant to Condition 6;

(ii) Non-payment of interest:

the Issuer fails to pay any interest when the same becomes due and payable on the Class A Notes or the Class B Notes on such Payment Date and such failure continues for a period of three Business Days (the "**Defaulting Interest Event of Default**");

(iii) Default under Condition 2(c)(i) and/or Condition 2(c)(v) and/or Condition 2(c)(vi):

other than a failure already referred to in paragraphs (i) or (ii) above, the Issuer fails on any Payment Date to disburse amounts available in the Collection Accounts in accordance with Condition 2(c)(i), Condition 2(c)(v) or Condition 2(c)(vi), as the case may be, and such failure continues for a period of two Business Days;

(iv) Breach of Other Obligations:

the Issuer does not perform or comply with any other of its material covenants, warranties or other obligations under the Notes or any of the Transaction Documents (other than (A) a covenant, warranty or other agreement a default in the performance or breach of which is dealt with elsewhere in this Condition 9(a); or (B) the failure to meet the Overcollateralisation Ratio Test), or any material representation, warranty or statement of the Issuer made in the Trust Deed or in any certificate or other writing delivered pursuant thereto or in connection therewith ceases to be correct in all material respects when the same shall have been made, (as determined by the Trustee) and such default, breach or failure continues for a period of 5 days after notice thereof shall have been given by registered or certified mail or overnight courier, to the Issuer by the Trustee specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a "**Notice of Default**" hereunder;

(v) Insolvency Proceedings:

Proceedings are initiated against the Issuer under any applicable Insolvency Law, or an application is made (or documents filed with a court) for the appointment of a Receiver in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer; or a winding up petition is presented in respect of, or a distress or execution or other process is 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) shall not be discharged or otherwise cease to apply within 30 days; or the Issuer becomes or is, or could be deemed by law or a court to be, insolvent or bankrupt or unable to pay its debts as and when they fall due or initiates or consents to judicial proceedings relating to itself under any applicable insolvency law, or seeks the appointment of a Receiver, or makes a conveyance or assignment (other than the issuance of additional Notes) for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Trustee);

(vi) Illegality:

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Notes; or

(vii) Failure of Security:

the Trustee, in its reasonable opinion, no longer has a first priority security interest in or other lien on the Collateral Debt Securities and the Eligible Investments; or

(viii) Failure to Overcollateralise:

the Net Portfolio Collateral Balance is less than the aggregate of the Principal Amount Outstanding of the Class A-1 Notes and the Class A-2 Notes.

(b) **Acceleration**

(i) If an Event of Default occurs and is continuing the Trustee may, at its discretion, and shall, at the request in writing by (1) at least $66^2/_3$ per cent. of the holders of the Principal Amount Outstanding of the Notes of the Controlling Class at such time (including the holders of the relevant Components of the Combination Notes, as applicable); or (2) as so directed by an Extraordinary Resolution of the holders of the Controlling Class at such time (including the holders of the relevant Components of the Combination Notes, as applicable) (subject to the Trustee first being indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith), give notice to the Issuer that all the Notes are to be immediately due and payable (in each case referred to herein as "**Acceleration**").

(ii) Upon any such notice being given to the Issuer in accordance with paragraph (i) of this Condition 9(b), all of the Notes shall immediately become due and repayable at their applicable Redemption Prices, provided that no such notice shall be required in the case of the Event of Default referred to in Condition 9(a)(v), the occurrence of which shall result in automatic Acceleration of the Notes in accordance with this Condition.

(c) **Curing of Default**

At any time after (i) a notice of Acceleration of any of the Notes has been made following the occurrence of an Event of Default or (ii) there has been an automatic Acceleration of the Notes following the occurrence of an Event of Default referred to in Condition 9(a)(v), in each case, and prior to enforcement of the security pursuant to Condition 10, the Trustee, at its discretion may or, if requested in writing by at least $66^2/_3$ per cent. of the holders of the Principal Amount Outstanding of the Notes of the Controlling Class at such time (including the Components of the Combination Notes, as applicable) shall (in each case, subject to the Trustee first being indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith) rescind and annul such notice of Acceleration under (i) above or automatic Acceleration under (ii) above and its consequences if:

(i) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue payments of principal and interest on the Notes, other than the Class E Notes and the Components of the Combination Notes corresponding to the Class E Notes;

(B) all due but unpaid taxes and filing fees owing by the Issuer as certified by an Authorised Officer of the Issuer to the Trustee;

(C) all fees and expenses owing by the Issuer to the Trustee, the Agents, the Collateral Manager, the Collateral Administrator, the Collateral Adviser and any other unpaid Extraordinary Administrative Expenses;

(D) all amounts due and payable under the Issuer Liquidity Agreement; and

(ii) the Trustee has determined that all Events of Default, other than the non-payment of principal in respect of the Notes that have become due solely as a result of the

Acceleration thereof under paragraph (b) above due to such Events of Default, have been cured or waived.

Any previous recission and annulment of a notice of Acceleration or automatic Acceleration pursuant to this paragraph (c) shall not prevent the subsequent Acceleration of the Notes if the Trustee at its discretion or as subsequently requested to accelerate the Notes in accordance with paragraph (b)(i) above, accelerates them, or upon subsequent automatic Acceleration in accordance with paragraph (b)(ii) above.

(d) **Curing a Defaulting Interest Event of Default**

At any time after a notice of Acceleration of maturity of the Notes has been made following the occurrence of a Defaulting Interest Event of Default in respect of Class A-2 Notes and Class B Notes only, and prior to enforcement of the security pursuant to Condition 10, the Trustee, if requested in writing by the holders of all of the Notes of the relevant Defaulted Class (as defined in Condition 5(d)(i)) at such time, shall notwithstanding the provisions of Condition 9(c), (in each case, subject to being indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which maybe incurred by it in connection therewith) rescind and annul such notice of Acceleration under Condition 9(b)(i). Any previous recission and annulment of a notice of Acceleration or automatic Acceleration pursuant to this paragraph shall not prevent the subsequent Acceleration of the Notes if the Trustee at its discretion or as subsequently requested to accelerate the Notes in accordance with Condition 9(b)(i) above, accelerates, or upon subsequent automatic Acceleration in accordance with Condition 9(b)(ii) above.

(e) **Restriction on Acceleration of Notes**

No Acceleration of the Notes shall be permitted pursuant to this Condition 9 by any Class of Noteholders other than the holders of the Controlling Class as provided in Condition 9(b), or unless the Acceleration of any other Class of Notes is simultaneous with, or occurs subsequent to, Acceleration by such Controlling Class.

(f) **Notification and Confirmation of No Default**

The Issuer shall promptly notify in writing the Trustee, the Collateral Manager, the Collateral Adviser, the Collateral Administrator, the Liquidity Lender and the Rating Agencies promptly upon becoming aware of the occurrence of an Event of Default or Potential Event of Default. The Trust Deed contains provision for the Issuer to provide written confirmation to the Trustee and each Rating Agency and the Collateral Manager on request and in any event on each anniversary of the date of execution of the Trust Deed, that no Event of Default or Potential Event of Default has occurred and that no other matter which is required (pursuant thereto) to be brought to the Trustee's attention has occurred.

10. ENFORCEMENT

(a) **Security Becoming Enforceable**

The security constituted under the Trust Deed over the Mortgaged Property shall become enforceable upon an Acceleration of the maturity of any of the Notes pursuant to Condition 9.

(b) **Enforcement of the Security**

At any time after the security under the Trust Deed becomes enforceable, the Trustee may, at its discretion and without further notice but subject to any restrictions specified in the Trust Deed, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes and pursuant to and subject to the terms of the Trust Deed realise and/or otherwise liquidate the Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of the Mortgaged Property and/or take any other action to enforce the security over the Mortgaged Property, in each case without any liability as to the consequence of any action and without having regard (save to the extent provided in Condition 13(d)) to the effect of such action on individual Noteholders of such Class or on any other Secured Party.

The Trustee shall not be bound to institute any such proceedings or take any such other action unless it is requested in writing by at least $66^2/_3$ per cent. of the holders of the Principal Amount Outstanding of the Notes of the Controlling Class at such time (including the Components of the Combination Notes, as applicable) or as so directed by an Extraordinary Resolution of the holders of the Controlling Class at such time (including the Components of the Combination Notes, as applicable); and, in each case the Trustee is first indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith. Following redemption and payment in full of the issued Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Trustee shall (provided it is first indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith) if so directed, act upon the directions of the holders of at least $66^2/_3$ per cent. of the aggregate Principal Amount Outstanding of the Class E Notes as a single Class (including the Components of the Combination Notes, as applicable) or as directed by an Extraordinary Resolution of the Class E Noteholders as a single Class (including the Components of the Combination Notes, as applicable).

The net proceeds of enforcement of the security over the Mortgaged Property shall be credited to the Payment Account or such other account as the holders of the Class of Notes entitled to direct the Trustee with respect to enforcement (in accordance with the previous paragraph) shall designate to the Trustee and shall be distributed in accordance with the following priorities of payment (the "**Enforcement Priority of Payments**") to the extent not otherwise paid:

(i) to the payment of the fees, costs, charges, expenses and liabilities incurred by the Trustee or any receiver in connection with the enforcement of security or the early redemption of the Notes; and

(ii) to the payment of the amounts due under (A) to (U) of the Post-Reinvestment Period Priority of Payments.

On the relevant Redemption Date the holders of the Class F-1 Combination Notes will receive an amount of principal and interest in respect of the Class B Component, Class C Component, Class D Component and Class E-1 Component in the proportion that the principal amount of each of such Components bears to the Class B Notes, Class C Notes, Class D Notes and Class E-1 Notes and to the extent described in Condition 10(c). The holders of the Class F-2 Combination Notes will receive an amount of principal and interest in respect of the Class D Component and Class E-1 Component in the proportion that the principal amount of each of such Components bears to the Class D Notes and Class E-1 Notes and to the extent described in Condition 10(d). The holders of the Class F-3 Combination Notes will receive an amount of principal and interest in respect of the Class B Component and Class E-2 Component in the proportion that the principal amount of each of such Components bears to the Class B Notes and Class E-2 Notes and to the extent described in Condition 10(e).

(c) **Classification of Proceeds of Enforcement on Class F-1 Combination Notes**

The payment of principal and interest received from the Components of the Class F-1 Combination Notes pursuant to Condition 10(b), will be applied in accordance with Condition 2(c)(ii) or Condition 2(c)(vii), as the case may be.

(d) **Classification of Proceeds of Enforcement on Class F-2 Combination Notes**

The payment of interest and principal received from the Components of the Class F-2 Combination Notes pursuant to Condition 10(b), will be applied in accordance with Condition 2(c)(iii) or Condition 2(c)(viii), as the case may be.

(e) **Classification of Proceeds of Enforcement on Class F-3 Combination Notes**

The payment of interest and principal received from the Components of the Class F-3 Combination Notes pursuant to Condition 10(b), will be applied in accordance with Condition 2(c)(iv) or Condition 2(c)(ix), as the case may be.

(f) **Only Trustee to Act**

Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders or of any of the other Secured Parties under the Trust Deed and the Notes and no Noteholder or other Secured Party is entitled to proceed directly against the Issuer or any of its assets unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so within a reasonable period of time following the instance of the obligation to proceed having arisen and such failure or neglect is continuing. After realisation of the security which has become enforceable and distribution of the net proceeds in accordance with the Enforcement Priority of Payments, no Noteholder or other Transaction Creditor may take any further steps against the Issuer to recover any sum still unpaid in respect of the Notes or the Issuer's obligations to such Transaction Creditor and all claims against the Issuer to recover any sum still unpaid in respect of the Notes or the Issuer's obligations to such Transaction Creditor and all claims against the Issuer in respect of such sums unpaid shall be extinguished. In particular, none of the Trustee, any Noteholder or any other Transaction Creditor shall be entitled in respect thereof to petition or take any other step for the winding-up of the Issuer.

(g) **Purchase of Mortgaged Property by Noteholders**

Upon any sale of any part of the Mortgaged Property following the occurrence of an Event of Default, whether made under the power of sale under the Trust Deed or by virtue of judicial proceedings, any Noteholder may (but shall not be obliged to) bid for and purchase the Mortgaged Property or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability. In addition, any purchaser in any such sale which is a Noteholder may deliver Notes held by it in lieu of payment of the purchase price for such Mortgaged Property where the amount payable to such Noteholder in respect of such Notes pursuant to the Enforcement Priority of Payments, as determined by the Collateral Administrator, out of the net proceeds of such sale is equal to or exceeds the purchase moneys so payable.

11. PRESCRIPTION

Claims in respect of principal and interest payable on redemption in full of the relevant Notes will become void unless presentation for payment is made as required by Condition 7 within a period of 5 years, in the case of interest, and 10 years, in the case of principal, from the appropriate payment due date.

12. REPLACEMENT OF DEFINITIVE NOTES

If any Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Luxembourg Paying Agent for the time being, subject in each case to all applicable laws, and if any of the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange requirements and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). A mutilated or defaced Definitive Note must be surrendered before a replacement will be issued.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders of each Class to consider matters affecting the interests of such Noteholders, including the sanctioning by Extraordinary Resolution of the Noteholders of a Class of a modification of certain of these Conditions or certain provisions of the Trust Deed. Meetings of the Noteholders of a Class may be convened by Noteholders of such Class holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes of that Class. Subject to certain provisions of the Trust Deed, the quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders of such Class will be one or more persons holding or representing at least $66^2/_3$ per cent. of the Principal Amount Outstanding of the Notes of such Class, or at any adjourned meeting two or more persons holding or representing Notes of such Class whatever the Principal Amount Outstanding of the Notes of such Class held or represented. An Extraordinary Resolution passed at any meeting of the holders of the most senior ranking Class of Notes shall be binding on all holders of Notes ranking junior to the Notes of such Class irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of, amongst other things:

(i) the exchange or substitution for the Notes of the relevant Class, or the conversion of the Notes of the relevant Class into, shares, bonds or other obligations or securities of the Issuer or any other entity;

(ii) the modification of any provision relating to the timing and/or circumstances of redemption of the Notes of the relevant Class at maturity or otherwise (including the circumstances in which payments on such Notes may be accelerated);

(iii) the modification of the timing and/or determination of the amount of interest, principal or other amounts payable in respect of the Notes of the relevant Class from time to time;

(iv) the adjustment of the Principal Amount Outstanding of the Notes of the relevant Class other than in connection with a further issue of Notes pursuant to Condition 16;

(v) the alteration of the currency of payment of the Notes of the relevant Class or any other amounts payable under the Priorities of Payments;

(vi) any change in the Priorities of Payments or in the calculation or determination of any amounts payable thereunder;

(vii) the alteration of the provisions concerning the quorum required at any meeting of Noteholders of the relevant Class or the majority required to pass an Extraordinary Resolution or any other provision of these Conditions which requires the written consent of the holders of a requisite Principal Amount Outstanding of the Notes of any Class;

(viii) the modification of any provision relating to the security over the Mortgaged Property constituted by the Trust Deed and/or the Euroclear Pledge Agreement except as contemplated by these Conditions, the Trust Deed and/or the Euroclear Pledge Agreement, as the case may be;

(ix) the direction to the Trustee to take enforcement proceedings pursuant to Clause 8.2 of the Trust Deed; and

(x) the appointment and removal of the Trustee pursuant to Clause 2 of the Trust Deed,

shall not take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each Class of Notes ranking junior to such Class or it shall not, in the opinion of the Trustee, be materially prejudicial to the interests of all such Noteholders.

Any Extraordinary Resolution of the Noteholders of a Class duly passed shall be binding on all Noteholders of such Class (whether or not they were present at the meeting at which such resolution was passed). An Extraordinary Resolution shall be passed by at least $66^2/_3$ per cent. of the votes cast from the relevant Class of Notes. The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than $66^2/_3$ per cent. of the Principal Amount Outstanding of Notes of a Class for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Noteholders duly convened and held. In addition, the Luxembourg Stock Exchange shall be notified of such Extraordinary Resolution if the Notes are listed thereon and provided with a supplement to the Offering Memorandum reflecting such modification to the Conditions.

An Extraordinary Resolution passed at any meeting of the Combination Noteholders shall not be treated as an Extraordinary Resolution passed at a meeting of a separate Class of Noteholders save where the modification sanctioned by such Extraordinary Resolution relates solely to such Class of Combination Notes and, if so sanctioned, would have no material adverse effect on the rights of the Noteholders of any other Class of Notes. For the purpose of this Condition, the Components of the Combination Notes will be treated as Notes of the Classes to which such Components relate. Accordingly, holders of the Combination Notes shall not be deemed to have an interest in the Combination Notes as a separate Class except to the extent set forth above and to the extent of each of the Components of the Combination Notes and the Components will be treated as Notes of the Classes to which such Components relate.

For these purposes the Combination Noteholders shall not be deemed to have a separate interest, except to the extent of the Components of the Combination Notes, save as specified above.

(b) **Modification and Waiver**

The Trust Deed provides that the Trustee may agree, subject to satisfaction of certain conditions (including Rating Agency Confirmation), without the consent of the Noteholders, to:

(i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest or proven error; and

(ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders of any Class (as evidenced by an officer's certificate of the Issuer).

Any such modification, authorisation or waiver shall be binding on all Noteholders and the other Secured Parties and shall be notified to the Rating Agencies and, unless the Trustee agrees otherwise, Noteholders in accordance with Condition 15 as soon as practicable thereafter.

Any agreement to such modification, authorisation or waiver need not be given by the Trustee within 21 days of being sought by any person and the Trustee shall be entitled to take such advice and seek such opinions as it reasonably deems appropriate or desirable, the cost of such advice and opinions shall be treated as Extraordinary Administrative Expenses payable by the Issuer to the Trustee.

(c) **Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes of each Class, if required for taxation purposes as provided in Condition 8. In the case of such substitution, the Trustee may agree, subject to receipt by the Trustee of any applicable Rating Agency Confirmation, to a change of the law governing the Notes and/or the Trust Deed and/or any other Transaction Document proposed by the Issuer, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders of any Class. No consent of the Noteholders shall be required for any substitution of the Issuer where the Trustee has given its consent pursuant to this Condition and the Trust Deed. Any substitution agreed by the Trustee pursuant to this Condition 13(c) shall be binding on the Noteholders, and shall be notified to the Noteholders by the Trustee as soon as practicable in accordance with Condition 15. In addition, any stock exchange on which the Notes are listed shall be notified of such substitution and provided with a supplement to the Offering Memorandum reflecting such substitution.

The Trustee may, subject to the satisfaction of certain conditions, including receipt of the Rating Agency Confirmation and opinions from legal counsel acceptable to and addressed to the Trustee (which opinions shall be at the cost of the Issuer and paid as Extraordinary Administrative Expenses), agree to a change in the place of residence of the Issuer for taxation purposes without the consent of the Noteholders of any Class, provided the Issuer does all such things as the Trustee may reasonably require in order that such change in the place of residence of the Issuer for taxation purposes is fully effective and complies with such other requirements which are in the interests of the Noteholders as it may reasonably direct.

(d) **Entitlement of the Trustee and Conflicts of Interest**

In connection with the exercise by it of any of its trusts, powers, authorities, duties and discretions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the interests of the holders of each Class of Noteholders as a Class and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders of such Class and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8.

The Trust Deed provides that in the event of any conflict of interest between the holders of Notes of different Classes, the interests of the holders of the Controlling Class will prevail. If the holders of the Controlling Class (where such Controlling Class comprises the Class A-1 Notes) do not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class A-2 Noteholders over the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders and where the Class A-2 Noteholders do not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class B Noteholders over the Class C Noteholders, the Class D Noteholders and the Class E Noteholders and where the Class B Noteholders do not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class C Noteholders over the Class D Noteholders and the Class E Noteholders and where the Class C Noteholders do not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class D Noteholders over the Class E Noteholders. The Combination Noteholders will in all circumstances be treated as the holders of the Notes of the Classes represented by the respective Components thereof. In the event that the Trustee shall receive conflicting or inconsistent requests from two or more groups of holders of the Controlling Class (or other Class given priority as described in this paragraph), each representing less than the majority of holders of the aggregate Principal Amount Outstanding of the Controlling Class (or other Class given priority as described in this paragraph), the Trustee shall give priority to the group which holds the greater Principal Amount Outstanding of Notes of such Class. The Trust Deed provides further that the Trustee will act upon the directions of the holders of the Controlling Class (or other Class given priority as described in this paragraph) in such circumstances, and shall not be obliged to consider the interests of the holders of any other Class of Notes.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from instituting proceedings to enforce repayment or to enforce the security constituted by or pursuant to the Trust Deed, unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee is exempted from any liability in respect of any loss or theft of the Mortgaged Property, from any obligation to insure, or to monitor the provisions of any insurance arrangements in respect of, the Mortgaged Property (for the avoidance of doubt, under the Trust Deed the Trustee is under no such obligation) and from any claim arising from the fact that certain of the Mortgaged Property is held by the Custodian or is otherwise held in safe custody by a bank or other custodian, except in the case of the Trustee's negligence, bad faith or wilful misconduct. The Trustee shall not be responsible for the performance by the Custodian of any of its duties under the Agency Agreement, for the performance by the Collateral Manager of any of its duties under the Collateral Management and Advice Agreement, for the performance by the Collateral Administrator of any of its duties under the Collateral Administration Agreement, for the performance by the Collateral Adviser of any of its duties under the Collateral Management and Advice Agreement or for the performance by any other person appointed by the Issuer in relation to the Notes. The Trustee shall not have any responsibility for the administration, management or operation of the Mortgaged Property including the request by the Collateral Manager to release any of the Mortgaged Property from time to time.

15. NOTICES

Notices regarding the Notes will be deemed duly given if published (i) in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and (ii) if, and only for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange (or any other relevant authority) so require, if published in a daily newspaper of general circulation in Luxembourg which is expected to be the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall ensure that notices are duly published in a manner which complies with the rules and regulations of the Luxembourg Stock Exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such delivery or if published more than once or upon different dates, on the first date on which such publication shall have been made in the manner required.

Until such time as any Definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders, and for so long as the Notes are listed on the Luxembourg Stock Exchange, such notice shall be published in a daily newspaper with general circulation in Luxembourg, according to the rules of the Luxembourg Stock Exchange.

The holders of the Coupons shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 15.

16. ADDITIONAL ISSUANCES

(a) Subject to paragraph (b) below, the Issuer may from time to time without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as existing Classes of Notes.

(b) Any additional issuances hereunder are subject to the following conditions:

(i) such additional Notes must be issued on a Payment Date for a cash sale price and the net proceeds applied to the purchase of additional Collateral Debt Securities or to the Principal Proceeds Account or to be invested in Eligible Investments pending reinvestment in additional Collateral Debt Securities as determined by the Collateral Manager (in accordance with the advice of the Collateral Adviser and in satisfaction of the Overcollateralisation Ratio Test);

(ii) such additional Notes must be of each Class of Notes and issued in a proportionate amount among the Classes so that the respective proportions of the Principal Amount Outstanding of the Classes of Notes existing immediately prior to such issuance remain unchanged following such additional issuance;

(iii) save to the extent otherwise provided below, the terms (other than the date of issuance, the issue price and the date from which interest will accrue) of such Notes must be identical to the terms of the previously issued Notes of the relevant Class and consolidated so as to form a single series with the Outstanding Notes of such Class;

(iv) the Issuer must receive Rating Agency Confirmation in respect of such additional issuance;

(v) in the case of additional Notes which are to be consolidated with the Class E Notes, the holders of the Outstanding Notes of such Class shall have been notified in writing 30 days prior to the issuance of such additional Notes and shall have been afforded the opportunity to purchase, on the same terms offered to investors generally, a proportion of such additional Notes which is equal to or less than the proportion that the Principal Amount Outstanding of the Outstanding Class E Notes immediately prior to such purchase of the relevant Class held by such holder bears to the aggregate Principal Amount Outstanding of all the Outstanding Class E Notes of the relevant Class at such time; and

(vi) such additional issuance is in accordance with all applicable laws including, without limitation, the securities and banking laws and regulations of the Cayman Islands.

Subject to Rating Agency Confirmation, such Classes of Notes may be combined into Combination Notes.

References in these Conditions to the "**Notes**" include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the relevant Class of Notes. Any further securities forming a single series with Notes constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. For the avoidance of doubt, the Trustee shall be indemnified and/or secured to its satisfaction in respect of its fees, costs and expenses (including reasonable legal fees) in respect of such further issue.

17. COMBINATION NOTES

Except as otherwise expressly provided in the Conditions, the Components of each Combination Note will be treated as Notes of the Classes represented by such Components for the purposes of requests, demands, authorisations, directions, notices, consents, waivers or other actions. The Combination Noteholders shall be entitled to vote in respect of each Class of Notes related to a Component of such Combination Notes, in the proportion that the principal amount Outstanding of such Component bears to the Principal Amount Outstanding of the relevant Class of Notes.

18. THIRD PARTY RIGHTS

No rights are conferred on any person 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.

19. GOVERNING LAW

(a) Governing Law

The Transaction Documents (other than the Euroclear Pledge Agreement which is governed by and construed in accordance with Belgian law and the Administration Agreement which is governed by and construed in accordance with Cayman Islands law) and each Class of Notes are governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any Proceedings which may arise out of or in connection with the Notes, and accordingly any legal action or Proceedings arising out of or in connection with the Notes may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and the Trustee and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

The Issuer has appointed Fleetside Legal Representative Services Limited of 9 Cheapside, London EC2V 6AD, for the time being to receive service of process on its behalf as its authorised agent for service of process in England and, in the event of such agent ceasing to act, shall appoint such other person as such agent as the Trustee may approve to accept service of process on its behalf in respect of any such proceedings in England. If for any reason the Issuer does not have such an agent in England it shall promptly appoint a substitute process agent and deliver to all other Transaction Parties a written notice in English attesting to the new agent's acceptance of such appointment, such notice to set out equivalent details, where possible, as have been notified to the Transaction Parties in respect of the immediately preceding agent. Prior to the receipt by the Transaction Parties of such notice, service of process on the above mentioned agent for process (or any successor appointed pursuant hereto) shall be effective and subsequent to the receipt of such notice, service on the agent named therein shall be effective. The Issuer (i) agrees that failure by a process agent to give notice of service of process in England to it shall not impair the validity of service or of any judgment based thereon; (ii) consents to the service of process in England by airmail of copies, postage prepaid, to it in accordance with the provisions for the giving of notices of the relevant Transaction Document; and (iii) agrees that the foregoing shall not affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The gross proceeds received by the Issuer from the issuance and sale of the Notes are expected to amount to approximately £39,550,000. £52,550,000 in principal amount of the Class A-2 Notes, £1,950,000 in principal amount of the Class B Notes, £5,000,000 in principal amount of the Class F-1 Combination Notes, £7,000,000 of the Class F-2 Combination Notes and £6,000,000 of the Class F-3 Combination Notes, will be exchanged for the relevant class of Exchangeable Notes on the Closing Date and an additional payment of £500,000 shall be paid to the Issuer in respect of the exchange of the Class A-1 Exchangeable Notes. The Class A-1 Notes will be issued during the Class A-1 Drawdown Period to the extent required as described in the Notes Purchase Agreement.

These gross proceeds will be applied on the Closing Date in payment of:

(a) certain fees and expenses payable by the Issuer on the Closing Date (including the structuring fee payable to the Arranger pursuant to the Notes Purchase Agreement and the first Collateral Adviser Fee);

(b) payment of all amounts due and payable in connection with the Warehousing Arrangements (including the repayment, or the making of provision for repayment, of amounts owing under the Revolving Credit Facility applied in the purchase of Collateral Debt Securities); and

(c) a deposit of £870,000 into the Expense Account which will cover certain of the expenses of the issuance and sale of the Notes and legal fees and rating agency fees.

The net proceeds, after making such deductions, are expected to amount to approximately £4,640,000 and will on the Closing Date be paid by the Issuer into the Unused Proceeds Account and may be used by the Issuer to acquire Collateral Debt Securities during the Reinvestment Period.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Notes and the Class A-2 Notes be rated "AAA" by Fitch and S&P, the Class B Notes be rated "AA" by Fitch and S&P, the Class C Notes be rated "A" by S&P, and the Class D Notes be rated "BBB" by S&P. The ratings on the Class A Notes address the timely payment of interest due and payable and the ultimate repayment of principal thereon. The S&P Rating of the Class B Notes addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the Fitch Rating on the Class B Notes addresses the ultimate payment of the principal and interest thereon. The S&P Rating of the Class C Notes addresses the timely payment of interest due and payable and the ultimate repayment of principal thereon and the S&P Rating of the Class D Notes addresses the ultimate payment of the principal and interest thereon. The Class A-1 Notes have received a private rating from Moody's. The Class E Notes will be unrated. The ratings of the Notes shall need to be confirmed by the Rating Agencies on the Ramp-Up Effective Date, including Moody's private rating of the Class A-1 Notes. The Issuer or the Collateral Manager on its behalf will request that each of S&P and Fitch and, in respect of the Class A-1 Notes only, Moody's confirm the ratings on the Senior and Mezzanine Notes within 10 days after the Ramp-Up Effective Date. Upon the occurrence of a Rating Event, all Interest Proceeds, and to the extent insufficient, Unused Proceeds will be used to pay principal of the Senior and Mezzanine Notes in accordance with paragraph (R) of the Interest Priority of Payments, until the Senior and Mezzanine Notes are either fully redeemed or are redeemed to such lesser extent as enables each of S&P and Fitch and, in respect of the Class A-1 Notes only, Moody's to confirm in writing that each such rating is reinstated.

The Issuer will inform the Luxembourg Stock Exchange for so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the exchange so require and cause such notice to be published by the Trustee in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxembourg Wort* or the *Tageblatt*), if the rating assigned to any of the Senior or Mezzanine Notes is reduced or withdrawn.

Fitch Ratings

The ratings assigned by Fitch to the Senior Notes are based largely upon Fitch's statistical analysis of historical default rates on debt obligations with similar characteristics to the Collateral Debt Securities and the various eligibility requirements that the Collateral Debt Securities are required to satisfy.

Fitch assigns ratings to securities backed by debt obligations through a statistical analysis that measures the likelihood that a portion of the Collateral Debt Securities included in the Portfolio will default. The level of default determined by the analysis is based on historical default rates for similar debt obligations with comparable credit ratings and terms of maturity, historical volatility of such default rates (which increases as Collateral Debt Securities with lower ratings are added to the Portfolio), historical recovery rates and an additional default assumption to account for potential excess concentrations in the Portfolio based on allowable levels of diversification by region, issuer and industry. The results of a statistical analysis are incorporated into a cash flow model built to mimic the structure of the transaction. In this regard, the results of several default scenarios, in conjunction with various qualitative tests (e.g., analysis of the strength of the Collateral Adviser), are used to determine the credit enhancement required to support a particular rating.

Fitch's ratings of the Notes were established under various assumptions and scenario analyses. There can be no assurance that actual defaults on the Collateral Debt Securities will not exceed those assumed by Fitch in its analysis or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those assumed by Fitch.

S&P Ratings

S&P will rate the Notes (except for the Class E Notes which will not be rated) in a manner similar to the manner in which it rates other structured issues. This requires an analysis of the following:

(a) the credit quality of the Collateral Debt Securities securing the Notes;

(b) the cash flow used to pay liabilities and the priorities of these payments; and

(c) legal considerations.

Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its S&P CDO Evaluator, which is used to estimate the default rate S&P projects the Collateral Debt Securities comprised in the Portfolio are likely to experience and which will be provided to the Collateral Manager and the Collateral Adviser on or before the Closing Date. The S&P CDO Evaluator calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The S&P CDO Evaluator takes into consideration the rating of each issuer or obligor, the number of obligors, the obligor industry concentration and the remaining weighted average maturity of each of the Collateral Debt Securities included in the Portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the Portfolio must withstand. For example, the higher the obligor industry concentration or the longer the weighted average maturity, the higher the default level is assumed to be.

Credit enhancement to support a particular rating is then provided on the results of the S&P CDO Evaluator, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of over-collateralisation/subordination, cash collateral/reserve account, excess spread/interest and amortisation. A cash flow model (the "**Transaction-Specific Cash Flow Model**") prepared by the Collateral Manager, based on information supplied by the Collateral Adviser, is used to evaluate the Portfolio and determine whether it can comfortably withstand the estimated level of default while fully repaying the Class of Notes under consideration. The Collateral Manager assumes no responsibility in respect of any projections, forecasts and estimates contained in the Transaction-Specific Cash Flow Model.

There can be no assurance that actual losses on the Collateral Debt Securities will not exceed those assumed in the application of the S&P CDO Evaluator or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. None of S&P, the Issuer, the Trustee, the Collateral Manager, the Collateral Adviser or any other person makes any representation as to the expected rate of defaults on the Portfolio or as to the expected timing of any defaults that may occur.

S&P's ratings of the Notes (except for the Class E Notes which will not be rated) will be established under various assumptions and scenario analyses. There can be no assurance that actual defaults on the Collateral Debt Securities will not exceed those assumed by S&P in its analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those assumed by S&P.

Moody’s Ratings

Moody's assigns ratings to securities backed by debt obligations that are intended to equate the expected loss associated with such securities with the expected loss on corporate debt obligations with equivalent ratings. The expected loss on the rated securities is calculated by simulating various default and recovery scenarios and weighing each scenario by the probability (as estimated by Moody's) for the scenario occurring and then aggregating those amounts to procure a total expected loss. Moody's analyses the default and recovery assumptions, based on historical rates for similar debt obligations, the historical volatility of such rates (which increases as securities with lower ratings are added to the portfolio) and additional assumptions to account for future fluctuations. Moody's then determine the level of credit protection necessary to achieve the default probability associated with the rating of the structures securities, taking into account the expected volatility of the default rate of the portfolio based on the level of diversification by region, industry and issuer under different interest rate scenarios.

In addition to these quantitative tests, the ratings by Moody's take into account qualitative features of a transaction, including the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

Definitions

"**Rating Agency Confirmation**" means, with respect to any specified action, determination or appointment, receipt of written confirmation from S&P and Fitch and, in respect of the private rating of the Class A-1 Notes only, Moody's, for so long as any Notes Outstanding are rated by S&P and Fitch and Moody's, that such specified action, determination or appointment will not result in the reduction or withdrawal of the ratings assigned by Fitch, S&P or Moody's to such Notes.

STERLINGMAX I MBS LTD.

General

The Issuer was registered and incorporated on 12th November, 2002 under the Companies Law (2002 Revision) of the Cayman Islands, under the name STERLINGMAX I MBS LTD. The registered number of STERLINGMAX I MBS LTD is CR-121016. The Issuer has been incorporated for an indefinite period. The registered office of the Issuer is P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The authorised share capital of the Issuer is £30,000 divided into 30,000 Ordinary Shares of £1.00 nominal or par value each, 650 of which have been issued (the "**Ordinary Shares**"). All of the issued shares are fully-paid and are in the legal ownership of Maples Finance Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 12th November, 2002 under which the Share Trustee holds them on trust for general charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit other than its fees for acting as Share Trustee from its holding of the Ordinary Shares.

Under the terms of the Trust Deed, STERLINGMAX I MBS LTD. may issue notes. The objects of the Issuer, as described in Article 3 of its Memorandum of Association, are to issue notes, acquire, dispose of and invest in a diversified portfolio of securities and other assets, to enter into swap transactions and to do all such things as are incidental thereto.

Business

So long as any of the Notes remain Outstanding, the Issuer will be subject to the restrictions set out in Condition 4 and the Trust Deed.

The Issuer has, and will have, no assets other than the sum of £650 representing the issued and paid-up share capital, such fees (as agreed) per issue payable to it in connection with the issue of Notes or the purchase, sale or incurring of other obligations and any Mortgaged Property and any other assets on which the Notes are secured. Save in respect of the fees generated in connection with each issue of Notes, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the Issuer's issued and paid-up share capital, the Issuer will not accumulate any surpluses.

Activities since formation

On 12th December, 2002 (the "**Warehousing Period Closing Date**"), the Issuer issued the Class D-1 Exchangeable Notes and the Class D-2 Exchangeable Notes and on 6th January, 2003 the Issuer issued the Initial Class A-1 Exchangeable Notes and on 25th April, 2003 the Issuer issued the Additional Class A-1 Exchangeable Notes, each constituted by a trust deed as supplemented from time to time (the "**Exchangeable Note Trust Deed**") dated 12th December, 2002 and made between *inter alios* the Issuer and J.P. Morgan Corporate Trustee Services Limited as trustee for the holders of the Exchangeable Notes (the "**Exchangeable Note Trustee**").

Each Exchangeable Note is, pursuant to the Notes Purchase Agreement, mandatorily exchangeable for £52,550,000 in principal amount of the Class A-2 Notes, £1,950,000 in principal amount of the Class B Notes and £6,000,000 in principal amount of the Class F-3 Combination Notes (in the case of the Class A-1 Exchangeable Notes and an additional payment of £500,000 shall be paid to the Issuer in respect of such exchange), £6,800,000 in principal amount of the Class F-1 Combination Notes (in the case of the Class D-1 Exchangeable Notes) and £7,000,000 in principal amount of the Class F-2 Combination Notes (in the case of the Class D-2 Exchangeable Notes), and it is expected that, on the Closing Date, each Exchangeable Note will be so exchanged.

On 12th December, 2002 the Issuer entered into certain arrangements relating to the intended acquisition by the Issuer, during the period from the Warehousing Period Closing Date up to, but excluding, the Closing Date (such period, the "**Warehousing Period**"), on the advice of Hypo Real Estate Bank AG (as Collateral Adviser) of certain securities which, with effect from the Closing Date, would constitute Collateral Debt Securities and form the initial Portfolio (the "**Warehousing Arrangements**"). As part of the Warehousing Arrangements, the Issuer entered into a revolving credit facility agreement (the "**Revolving Credit Facility Agreement**") dated 12th December, 2002 and made between the Issuer, the Exchangeable Note Trustee and Canadian Imperial Bank of Commerce, London Branch.

Save as described above, the Issuer has not previously carried on any business or activities other than those incidental to its incorporation, the acquisition of the Mortgaged Property, the authorisation and issue of the Exchangeable Notes and activities incidental to the exercise of its rights and compliance with its obligations under the Exchangeable Notes, and all other documents and agreements entered into in connection with the issue of the Exchangeable Notes and the purchase of the Mortgaged Property.

The Notes are obligations of the Issuer alone and not of, or guaranteed in any way by, the Share Trustee or the Trustee. Furthermore, they are not obligations of, or guaranteed in any way by, the Arranger, the Collateral Manager, Collateral Adviser or any of their respective Affiliates, (all as defined herein).

Capitalisation and Indebtedness

The following table sets out the capitalisation and indebtedness of the Issuer as of the date of this Offering Memorandum, adjusted for the issue of the Notes (or, in the case of the Class A-1 Exchangeable Notes, the Class D-1 Exchangeable Notes and the Class D-2 Exchangeable Notes, their exchange for the £52,550,000 in principal amount of the Class A-2 Notes, £1,950,000 in principal amount of the Class B Notes, £6,800,000 in principal amount of the Class F-1 Combination Notes, £7,000,000 in principal amount of the Class F-2 Combination Notes and £6,000,000 in principal amount of the Class F-3 Combination Notes):

Share Capital of the Issuer	
Issued Ordinary Share Capital	£650
Indebtedness	
Principal Amount Outstanding of the Class A-1 Notes	£26,000,000
Principal Amount Outstanding of the Class A-2 Notes	£52,550,000
Principal Amount Outstanding of the Class B Notes (including the Class B Components of the relevant Combination Notes)	£9,750,000
Principal Amount Outstanding of the Class C Notes (including the Class C Component)	£4,500,000

Principal Amount Outstanding of the Class D Notes (including the Class D Components of the relevant Combination Notes)	£5,750,000
Principal Amount Outstanding of the Class E-1 Notes (including the Class E Components of the relevant Combination Notes)	£11,450,000
Principal Amount Outstanding of the Class E-2 Notes (including the Class E Components of the relevant Combination Notes)	£1,550,000
Total Capitalisation and Indebtedness of the Issuer	£111,550,000

Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuer and no material change in the financial position or prospects of the Issuer since the date of its incorporation as at the date of this Offering Memorandum. As at the date of this Offering Memorandum, and save as described herein, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Directors and Company Secretary

The Directors of the Issuer are as follows:

Colin Borman

Liam Jones

Michelle McMahon

Steven Wilderspin

Colin Borman, Liam Jones, Michelle McMahon and Steven Wilderspin are officers and/or employees of Maples Finance Jersey Limited.

The business address of Colin Borman, Liam Jones, Michelle McMahon and Steven Wilderspin is Maples Finance Jersey Limited, Le Masurier House, La rue le Masurier, St Helier, Jersey JE2 4YE.

The Company Secretary is Maples Secretaries Limited.

Financial Statements

Since its date of incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands' law, and does not intend, to publish any financial statements. The Issuer is required to and will provide the Trustee and the Rating Agencies with written confirmation, on an annual basis, that to the best of its knowledge and belief no Event of Default or Potential Event of Default or other matter which is required to be brought to the Trustee's attention has occurred or, if one has, specifying the same.

DESCRIPTION OF THE COLLATERAL ADVISER

Westfälische Hypothekenbank AG ("**WestHyp**") was incorporated as a German-based mortgage bank with headquarters in Dortmund, Germany in 1961. As at the beginning of 2003, majority ownership of WestHyp was with Bayerische Hypo- und Vereinsbank AG ("**HVB**"), and the remainder with Deutscher Herold, a German insurance company currently owned by Zurich Financial Services Group. Following a strategic review of its business during 2003, HVB has restructured its real-estate operations, which includes WestHyp, forming a separate holding entity for these operations - Hypo Real Estate Holding, AG. Hypo Real Estate Holding AG is the holding company for Hypo Real Estate Bank International Dublin, Hypo Real Estate Bank AG and Wuerttembergische Hypothekenbank. Pfandbrief bank International ("**PBI**") is a subsidiary of Hypo Real Estate Bank International Dublin. As of 3rd November , 2003 Westhyp's operations have been merged into Hypo Real Estate Bank AG.

The primary business of Hypo Real Estate Bank AG is a mortgage bank holding a license to offer general banking services. As such, it concentrates on commercial real estate finance within Germany with a special focus on finance for property developers and investors. It currently maintains offices in Munich, Dortmund and Nuremberg.

Wuerttembergische Hypothekenbank is headquartered in Stuttgart, Germany and is a mid size mortgage bank in Germany. Its business is limited by the Mortgage Bank Act to granting property and public sector loans to corporations and institutions governed by public law in Germany, the EU and the European Economic Area.

The primary business of PBI is a pure Pfandbriefbank, a "Banque d´Emission de Lettre de Gage Luxembourgois" according to Luxembourg law. It is focused on public sector lending activities in Europe and other OECD countries offering financing to governments as well as to regional and local authorities. PBI creates a high rated and diversified cover pool as underlying collateral for its Pfandbrief issuance. PBI therefore limits itself to investments in countries that have at least an AA-credit quality.

Notwithstanding the merger of WestHyp operations into Hypo Real Estate Bank AG, the business model and investment philosophy of the new entity, relating in particular to the management of third party assets and its securitization business will be in line with the previous Westhyp strategy and business model described below.

This strategy and business model is expected to be formally approved and published following the Hypo Real Estate Holding, AG board meeting that is currently scheduled for the first week in December 2003. A more complete/detailed statement will be published by HVB after this date.

As such, the information presented below is a summary description of WestHyp's previous Business Model and Investment Philosophy. These guidelines are now being followed by the new merged entity Hypo Real Estate Bank AG.

BUSINESS MODEL

Asset management originated within WestHyp in 1999 with the management of a high quality MBS portfolio for the bank's balance sheet. Since that time, a number of other funding sources and securitizations have been used to allow WestHyp to expand its investment management capabilities.

WestHyp's dominant funding source was from issuance of Hypothekenpfandbriefe (mortgage bonds) and Öffentliche Pfandbriefe (public sector bonds). These bonds were issued from the refinancing of mortgages and public sector loans made by the bank. From these origins, WestHyp has issued Jumbos but has also tapped the securitization market, the most recent transaction undertaken being a CDO of MBS.

The securitization and structured finance group, a team of nine led by Dirk Bergander, are responsible for the portfolio management. This includes the management of its CDOs of MBS. Of these nine people, five are focused specifically on CDOs of MBS, including Mr. Bergander himself. Mr. Bergander has ten years of experience and is one of the founding members of the securitization and structured finance group.

From this platform the group launched its European Dream series in 2000 to expand its portfolio management capabilities. As the team built its knowledge of structured products and further diversified its portfolio, new markets were approached.

The Euromax series were WestHyp's first experience as investment adviser for third party CDO transactions. While CIBC, the arranging bank, retains the role of portfolio manager, WestHyp is ultimately responsible for investment decisions. In its credit research process, the CDO team looks to leverage WestHyp's real-estate professionals' specialist knowledge. Investment guidelines were initially used to screen securities prior to a bottom-up fundamental review of potential opportunities. Recommendations were presented to WestHyp's executive board of three where majority agreement is required for investment. All investments required board approval prior to purchase and trading limits were assigned at the time of approval. However, a security may be sold at any time and does not need board approval. Mr. Bergander typically directed all trading activity. Compliance monitoring falls within the responsibility of CIBC, and trades were checked by CIBC prior to execution. An independent back-office analyst within WestHyp completed credit monitoring.

As of the date hereof, the three Euromax CDOs remained in compliance with their transaction specific tests and there were no reported defaults in the underlying portfolios. Euromax III was the most recent CDO, which closed in December 2002. As of the date hereof, there are no defaulted assets in the underlying portfolio.

It is expected that Hypo Real Estate Bank AG will continue with the Business Model described above.

Investment Philosophy

As a buy and hold manager, the team aimed to leverage the bank's real-estate knowledge to make careful investment decisions. In line with the team's growth, a six-step investment process has been developed for investment recommendations. While the investment process is the same regardless of credit quality of the security, the depth of research completed by the analyst depends on the credit quality. A standardized summary report was written for all recommendations, which were presented to WestHyp's executive board for approval. Securities were monitored by the team's independent back-office analyst and also by the recommending analyst.

As described by the managers, their investment style was as follows:

- All investment opportunities were initially screened to determine whether the security met the team's investment guidelines and whether a fair risk/reward profile was offered. Factors considered at initial screening included geographic diversification, originator diversification, credit quality and whether information was easily available. The analyst and Mr. Bergander reviewed each investment opportunity to decide whether to undertake formal analysis of the transaction.

- Taking a bottom-up approach in their fundamental research, the second step considered security specific information. Sales memorandums, rating agency reports and preliminary offering material were reviewed in addition to meetings with the arranger and/or originator. The servicer was considered an important factor for investment and consideration was given to the servicer's historical track record. Factors considered in the servicer review included volume and length of business, prominence and profitability of the servicer. If considering a security in the secondary market, trustee and performance reports were reviewed to identify performance trends. The third step considered the market environment. The team's macroeconomic analyst provided an opinion on economic developments in countries and regions with future outlooks. Research papers and rating agency reports were used in development of an economic outlook. In addition to the macroeconomic factors, property specific information was also considered in the economic outlook.

- Step four reviewed the strengths and weaknesses of the security and includes a peer analysis based on transaction specific, credit enhancement and geographical distribution information. Key structural features of the security such as levels of subordination, excess spread retention, and reserve accounts were also considered. Stress testing was completed to review the levels of credit enhancement needed for the levels of expected loss. Breakeven analysis was combined with different macroeconomic forecasts and assumptions for scenario analysis. Step five considered how the investment would affect portfolio characteristics with regards to diversification. The final step was the completion of the standard formal report that was presented by Mr. Bergander to the executive board for approval. The formal report was developed over time and included details on the transaction, the underlying portfolio, peer analysis, country analysis, listed the strengths and weaknesses of the transaction, provided additional information and concluded with a recommendation including which portfolio the security should be added to. Agreement from two of the three board members was required for a recommendation to be approved. To date, the executive board has approved most securities presented to them due to strong adherence to meeting investment guidelines at the beginning of the investment process. When approving a recommendation the executive board set trading guideline limits for the security. Once a recommendation was approved it remained the responsibility of Mr. Bergander and his team to trade the security and complete surveillance. There was no requirement for board approval to sell a credit, any member of the team had authority to sell a credit within guideline limits.

- Optimal portfolio diversification was considered the key factor in portfolio construction. Geographic exposure was a focal point of portfolio construction as the team considered macroeconomic forecasts. While assets held were mainly denominated in Euros, any non-Euros denominated securities purchased would have currency swaps attached to them since the team aimed to remove currency risk. The team aimed also to optimally diversify by underlying asset type and to date has favoured residential backed securities over commercial backed securities.

The majority of purchases were taken from the primary market. For a new investment, the analysitic process generally took about a week to complete prior to presentation to the executive board. Review of investment opportunities in the secondary market could be completed in a shorter time frame due to the need to take quick action. While a secondary market review could be completed in 24 hours, the approach used was generally no different whether the investment opportunity was in the primary or secondary market.

The executive board met on a weekly basis for review of new investment proposals. Over the last year, of the 200-250 opportunities initially reviewed, the executive board approved approximately 100. In conjunction with the CDO team, the executive board set ranges for country allocations given macroeconomic outlooks.

The team's back-office analyst monitored each security held in WestHyp's MBS portfolio on the release of new performance reports. WestHyp had standard monitoring guidelines for each security and the team's back office analyst for surveillance effectively created an independent check. Factors that were monitored through the surveillance effort were delinquencies, prepayments, realized losses and ratings stability. If a security's performance was not meeting WestHyp's guidelines, the original recommending analyst and Mr. Bergander reviewed the security. Also, if WestHyp's outlook on a specific country changed, then securities from that country would be reviewed. There were no automatic sell decisions and a watch list was used for credits considered to be of concern where fundamental analysis was completed prior to a decision being made.

It is expected that Hypo Real Estate Bank AG will continue with the Investment Philosophy described above.

DESCRIPTION OF THE PORTFOLIO AND OTHER MORTGAGED PROPERTY

1. General

The Mortgaged Property securing the Issuer's obligations under the Notes and the Transaction Documents will consist of (i) the Collateral Debt Securities owned from time to time by the Issuer; (ii) the rights of the Issuer under the Transaction Documents; (iii) amounts on deposit in the Payment Account, the Interest Proceeds Account, the Principal Proceeds Account, the Unused Proceeds Account, the Expense Account and Eligible Investments purchased with funds on deposit in such Accounts; and (iv) all proceeds of the foregoing.

The Collateral Debt Securities are subject to credit, liquidity and interest rate risk.

After the Closing Date and for the remainder of the Reinvestment Period (save for any Suspension Period), the Collateral Manager, (acting on behalf of the Issuer), and upon the advice of the Collateral Adviser, will be permitted to acquire additional Collateral Debt Securities that satisfy the Portfolio Criteria and which fall within the definition of "Collateral Debt Securities" or invest in Eligible Investments, which fall within the definition of "Eligible Investments" pending reinvestment in Collateral Debt Securities during the Reinvestment Period. The Collateral Manager and the Collateral Adviser may however find that, as a practical matter, these investment opportunities or investments in Collateral Debt Securities are not available for a variety of reasons such as the limitations imposed by the Portfolio Criteria. For instance, at any time there may be a limited universe of investments that would satisfy the Portfolio Criteria given the other investments in the Portfolio. Although the Issuer does not generally intend to sell Collateral Debt Securities prior to their maturity (and any such sale is subject to certain restrictions under the Trust Deed and Collateral Management and Advice Agreement), the market value of the Collateral Debt Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Debt Securities or, with respect to Synthetic Securities, of the obligors on or issuers of the Reference Obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. To the extent that a default occurs with respect to any Collateral Debt Security securing the Notes and the Issuer sells such Collateral Debt Security, it is unlikely that the proceeds of such sale will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

2. Eligibility of Collateral Debt Securities

A "**Collateral Debt Security**" means a security which is either:

(a) a RMBS; or

(b) a CMBS; or

(c) a Synthetic Security; or

(d) a Non-Conforming Security;

each as defined below and which at the time of acquisition:

(i) bears interest at a floating rate computed by reference to LIBOR;

(ii) is not subject to any lien, security interest or other encumbrance other than pursuant to the Trust Deed;

(iii) is not a Defaulted Security or a Deferring Security;

(iv) is, expected to mature no later than the Expected Maturity Date and has a legal maturity that occurs on or before the Stated Maturity Date of the Notes;

(v) provides for periodic payments of interest in cash at least semi-annually (subject to provisions permitting the deferral of payment of any such interest);

(vi) is rated by at least two of S&P, Fitch and Moody's;

(vii) has not been placed on negative watch by any applicable rating agency unless such security has a minimum rating of at least "A-" by S&P, "A-" by Fitch and "A-3" by Moody's; and

(viii) such obligation or security has a minimum public, confidential, private or estimated Rating by at least one Rating Agency of at least "BBB-" by Fitch, "BBB-" by S&P and "Baa3" by Moody's,

provided that in no event will Collateral Debt Securities include:

(i) any obligation or security that does not provide for a fixed amount of principal payable in cash no later than its stated maturity;

(ii) any obligation or security that is not eligible under the instrument or agreement pursuant to which it is issued or created to be purchased by the Issuer or, if so purchased by the Issuer, is not eligible to have the beneficial interest in it placed on trust in favour of the Trustee pursuant to the Trust Deed;

(iii) any obligation or security denominated in, or convertible into an obligation or security denominated in, a currency other than Sterling;

(iv) any obligation or security that requires the Issuer to make future advances to the obligor or issuer under the instrument or agreement pursuant to which such obligation or security was issued or created;

(v) any obligation or security that is (x) an Equity Security or (y) the subject, on the date on which it is secured pursuant to the Trust Deed, of an offer of exchange, or tender by its issuer, for cash, securities or any other type of consideration;

(vi) any obligation the ownership of which would subject the Issuer to net income tax in any jurisdiction where it would not otherwise be subject to tax or which would cause any stamp duties, registration or other documentary taxes or fees to be payable on acquisition;

(vii) a synthetic security other than a Synthetic Security; or

(viii) any obligation or security in respect of which withholding tax is imposed by any jurisdiction, unless the obligor thereunder is required to make "gross-up" payments that cover the full amount of any such withholding tax on an after-tax basis.

3. Portfolio Criteria

Subject to satisfaction of the criteria set forth below, during the Reinvestment Period (save for any Suspension Period) the Collateral Manager may, on behalf of the Issuer, (in accordance with the advice provided in respect thereof by the Collateral Adviser) invest Principal Proceeds and Unused

Proceeds in Collateral Debt Securities. Principal Proceeds and Unused Proceeds may be invested in a Collateral Debt Security for inclusion in the Mortgaged Property secured pursuant to the Trust Deed if, immediately after giving effect to such acquisition, the following criteria are satisfied or if any of the limitations set forth below are not satisfied prior to the purchase of such Collateral Debt Security, each such limit is not further from being satisfied after giving effect to such acquisition (the "**Portfolio Criteria**"):

(1) (a) the Overcollateralisation Ratio must equal or exceed 103%; and (b) each Collateral Quality Test must be satisfied or, if immediately prior to such acquisition one or more such Collateral Quality Tests were not satisfied, (i) the extent of compliance with at least one such Collateral Quality Test must be improved and (ii) the extent of compliance with such Collateral Quality Test must be maintained or improved;

(2) the Aggregate Principal Balance of CMBSs shall be not more than 50% of the Net Portfolio Collateral Balance;

(3) the Aggregate Principal Balance of RMBSs shall comprise not less than 50% of the Net Portfolio Collateral Balance;

(4) the Aggregate Principal Balance of Non-Conforming Securities shall comprise not more than 20% of the Net Portfolio Collateral Balance, provided however that any such purchase shall only be made with the approval of all of the Class E Noteholders;

(5) Collateral Debt Securities with an Aggregate Principal Balance equal to at least 70% of the Net Portfolio Collateral Balance at such time must be rated by S&P, and Collateral Debt Securities with an Aggregate Principal Balance equal to at least 80% of the Net Portfolio Collateral Balance at such time must be rated by Moody's, provided however, that all notes constituting Synthetic Securities included in the Portfolio at any time must have a Fitch Rating or, if they do not have a Fitch Rating available, such notes shall not be purchased by the Issuer unless (i) the Issuer shall have received the prior written consent of Fitch;

(6) the Fitch Weighted Average Rating Factor is not greater than 4.48;

(7) not less than 10% of the Net Portfolio Collateral Balance will consist of Collateral Debt Securities rated at least "A-" by Fitch, "A-" by S&P or "A3" by Moody's;

(8) each asset must have a public, or confidential S&P Rating or be notched according to S&P's rating criteria;

(9) each asset must have a public, private or estimated Moody's Rating or be notched according to Moody's rating criteria;

(10) the percentage of the Aggregate Principal Balance of all Collateral Debt Securities without a timely interest rating shall not exceed 5% of the Aggregate Principal Amount Outstanding of the Notes (provided that any excess of such limit shall be subject to confirmation by Fitch of its ratings of the Senior Notes and with respect to S&P its ratings of all the Notes and to a confirmation by Moody's that the rating of the Class A-1 Notes will not be affected);

(11) each Collateral Debt Security that is a CMBS (a) shall not be subject to any Available Funds Cap or similar provision, or (b) if subject to such Available Funds Cap, the interest coupon payable thereon will be deemed to be zero unless otherwise agreed by S&P prior to any purchase thereof, where "Available Funds Cap" shall mean, in respect of a CMBS that, if on any interest payment date thereunder, there are insufficient funds to pay interest in respect of the tranche which the Issuer proposes to acquire, then such shortfall shall be extinguished and

the Issuer would have no further claim against the issuer of such CMBS in respect of such amounts;

(12) such Collateral Debt Security shall not be (i) a combination note; or (ii) a first-loss piece; (each as determined by S&P);

(13) the Aggregate Principal Balance of all RMBS issued by the same obligor must not exceed £12,500,000;

(14) the Aggregate Principal Balance of all CMBS issued by the same obligor must not exceed £9,000,000, provided that this limit shall apply only to one obligor and the limits for all remaining obligors shall be (i) £7,500,000 for obligors with a Fitch Rating of at least "A-", an S&P Rating of at least "A-", or a Moody's Rating of at least "A3"; and (ii) £5,000,000 for all remaining obligors;

(15) the Aggregate Principal Balance of all Non-Conforming Securities issued by the same obligor must not exceed £5,000,000;

(16) no Collateral Debt Security may be purchased at a price of less than 85% of its original par value; and

(17) the Aggregate Principal Balance of all RMBS administered by the same servicer must not exceed £30,000,000; and

(18) the Weighted Average Life Test must be satisfied.

If the Issuer has previously entered into a commitment to acquire an obligation or security for inclusion in the Mortgaged Property, then the Issuer need not comply with any of the Portfolio Criteria on the date of such acquisition if the Issuer complied with each of the Portfolio Criteria on the date on which the Issuer entered into such commitment. Moreover, for purposes of determining satisfaction of the Portfolio Criteria and each Collateral Quality Test, any Collateral Debt Security with respect to which the Issuer has previously entered into a commitment to acquire shall be treated as being owned by the Issuer from the date on which the Issuer entered into such commitment.

Notwithstanding the foregoing provisions, (i) cash on deposit in the Unused Proceeds Account or Principal Proceeds Account may be invested in Eligible Investments pending investment during the Reinvestment Period in Collateral Debt Securities and (ii) if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

The Issuer may not acquire any Collateral Debt Security or Eligible Investment from the Collateral Manager or the Collateral Adviser except on the terms and conditions described herein and in the Collateral Management and Advice Agreement.

4. Description of CMBS, RMBS, Synthetic Securities and Non-Conforming Securities

Commercial Mortgage Backed Securities

"**Commercial Mortgage Backed Securities**" or "**CMBS**" are Sterling-denominated securities (capable of being cleared through Euroclear or Clearstream, Luxembourg and, where cleared through Euroclear, subject to the Euroclear Pledge Agreement) issued by mortgage banks or special purpose vehicles that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of commercial mortgage loans issued in the United Kingdom relating to

United Kingdom based properties and, in each case, made to finance the acquisition, construction and improvement of properties and generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property; (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively less diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

Residential Mortgage Backed Securities

"**Residential Mortgage Backed Securities**" or "**RMBS**" are Sterling-denominated securities which are not Non-Conforming Securities, (capable of being cleared through Euroclear or Clearstream, Luxembourg and, where cleared through Euroclear, subject to the terms of the Euroclear Pledge Agreement) issued by mortgage banks or special purpose vehicles that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of residential mortgage loans issued in the United Kingdom relating to United Kingdom-based properties and, in each case, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) and generally having the following characteristics: (1) the mortgage loans have standardised payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a relatively diversified pool of obligor credit risk; and (3) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

Synthetic Securities

A portion of the Collateral Debt Securities may consist of Synthetic Securities. "**Synthetic Security**" means Sterling-denominated securities in the form of notes (capable of being cleared through Euroclear or Clearstream, Luxembourg and where cleared through Euroclear, subject to the terms of the Euroclear Pledge Agreement) issued by a mortgage bank or special purpose vehicle, payments in respect of which are primarily dependent upon the extent that the underlying Reference Obligors make payments on the related Reference Obligations to the Synthetic Security Issuer. The performance of a Synthetic Security may or may not be equivalent to that of the underlying Reference Obligations. However, it may provide for a different maturity, interest rate or loss in the event of default than such Reference Obligations. "**Synthetic Security Issuer**" means the mortgage bank or special purpose vehicle which has issued a Synthetic Security and which is required to make payments on such Synthetic Security to the extent that the related Reference Obligors make payments on the related Reference Obligations. "**Reference Obligation**" means a CMBS, RMBS and a Non-Conforming Security or a pool of mortgages that could otherwise be collateral for a CMBS or RMBS, none of which are physically transferred to, held by or owned by the relevant Synthetic Security Issuer and to which reference is made in determining the payment obligations of a Synthetic Security Issuer under a Synthetic Security. "**Reference Obligor**" means the obligor under a Reference Obligation. Although a Synthetic Security may have a Reference Obligation that requires the underlying mortgagee to make future advances to the Reference Obligor under the related CMBS, RMBS or Non-Conforming Security, such Synthetic Security may not require the Issuer to make any payment to the Synthetic Security Issuer after the initial purchase thereof by the Issuer.

For the purposes of determining the principal balance of a Synthetic Security at any time, the principal balance of such Synthetic Security shall be equal to the amount that the Synthetic Security Issuer is obligated at such time to repay the holder thereof on its maturity date.

Non-Conforming Securities

A portion of the Collateral Debt Securities may consist of securities in the form of notes denominated in Sterling and issued by either a mortgage bank or special purpose vehicle, the repayment of which is linked whether synthetically or not, to the performance of a pool of residential mortgages to borrowers who may not satisfy the typical requirements of banks, building societies or high street lenders (each a "**Non-Conforming Security**"). Such Non-Conforming Securities cannot on their own exceed 20 per cent. of the Portfolio. Further, a Non-Conforming Security shall only form part of the Portfolio if all of the Class E Noteholders (including holders of the relevant Components of the Combination Notes) approve such selection or acquisition in writing.

5. The Collateral Quality Tests and Overcollateralisation Ratio Test

Measurement of the degree of compliance with the Collateral Quality Tests and the Overcollateralisation Ratio Test will be required on each of the following dates, provided however, such date falls after the earlier of the Ramp-Up Effective Date and the first Payment Date, (i) on any date on which the Issuer acquires any Collateral Debt Security (providing such date falls after the date on which the first Monthly Report is delivered), (ii) on any date on which a Collateral Debt Security becomes a Defaulted Security, (iii) on each date as of which a Monthly Report is prepared by the Collateral Administrator, in consultation with the Collateral Manager, under the Collateral Management and Advice Agreement (the first such Monthly Report to be available on 20th January, 2004), (iv) on each Determination Date, (v) on the date of any drawing under the Issuer Liquidity Agreement and (vi) with reasonable notice to the Issuer, the Collateral Manager, the Collateral Administrator and the Trustee, on any other Business Day requested by holders of Notes representing the Majority of any Class of Notes (including the holders of the relevant Components of the Combination Notes, as applicable) (each such date a "**Measurement Date**"); *provided* that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the first following day that is a Business Day.

Ledger

For the purpose of calculation of several Collateral Quality Tests (the Minimum Moody's Diversity Score Test, the Moody's Minimum Average Recovery Rate Test, Maximum Moody's Weighted Rating Factor Test and Minimum Weighted Average Spread Test) (each a "**Relevant Collateral Quality Test**") the Collateral Administrator shall, on a real time basis, keep a record of all Collateral Debt Securities on a register (the "**Ledger**"). When a Collateral Debt Security makes principal payments (either scheduled or unscheduled) or is sold, the respective Principal Balance in the Ledger is not reduced by such principal payments or sale proceeds. Only if any new Collateral Debt Security is added to the Portfolio, the Collateral Administrator shall accordingly reduce the Principal Balance of one or several Collateral Debt Securities in the Ledger. In order to verify:

(i) if a Relevant Collateral Quality Test is satisfied; or

(ii) if the extent of compliance with respect to a Relevant Collateral Quality Test is maintained or improved,

each such verification should be made on the basis of a comparison of the Ledger before and after the addition.

The Collateral Quality Tests

The "**Collateral Quality Tests**" will be used primarily as criteria for purchasing Collateral Debt Securities. The Collateral Quality Tests will comprise the Maximum Fitch Weighted Average Rating Factor Test, the Minimum Weighted Average Spread Test, the Weighted Average Life Test, the S&P

Minimum Average Recovery Rate Test, the Minimum Moody's Diversity Score Test, the Maximum Moody's Weighted Average Rating Factor Test, the Moody's Minimum Average Recovery Rate Test and the S&P CDO Evaluator Test described below.

S&P CDO Evaluator Test

"**S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, each of the Class A-1 S&P CDO Evaluator Test, the Class A-2 S&P CDO Evaluator Test, the Class B S&P CDO Evaluator Test, the Class C S&P CDO Evaluator Test, the Class D S&P CDO Evaluator Test and if any Combination Notes are rated by S&P, the Class F-1 Combination Notes S&P CDO Evaluator Test, the Class F-2 Combination Notes S&P CDO Evaluator Test and the Class F-3 Combination Notes S&P CDO Evaluator Test are satisfied. The S&P CDO Evaluator Test will not apply until the later of (a) the date on which S&P confirm their ratings of the Notes (except the Class E Notes which will not be rated) and (b) the receipt by the Collateral Manager of the S&P CDO Evaluator.

Definitions:

"**Class A-1 S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class A-1 S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class A-1 S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class A-1 S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class A-1 Notes Outstanding rated by S&P.

"**Class A-2 S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class A-2 S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class A-2 S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class A-2 S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class A-2 Notes Outstanding rated by S&P.

"**Class B S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class B S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class B S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class B S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class B Notes Outstanding rated by S&P.

"**Class C S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class C S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class C S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class C S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class C Notes Outstanding rated by S&P.

"**Class D S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class D S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class D S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class D S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class D Notes Outstanding rated by S&P.

"**Class F-1 Combination S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class F-1 Combination S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class F-1 Combination S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class F-1 Combination S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class F-1 Combination Notes Outstanding rated by S&P.

"**Class F-2 Combination S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class F-2 Combination S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class F-2 Combination S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class F-2 Combination S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class F-2 Combination Notes Outstanding rated by S&P.

"**Class F-3 Combination S&P CDO Evaluator Test**" means a test satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (a) the Class F-3 Combination S&P Loss Differential of the S&P Proposed Portfolio is positive, or (b) the Class F-3 Combination S&P Loss Differential of the S&P Proposed Portfolio is greater than the Class F-3 Combination S&P Loss Differential of the S&P Current Portfolio, or (c) there are no more Class F-3 Combination Notes Outstanding rated by S&P."**Class A-1 S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class A-1 S&P Scenario Default Rate at such time from the Class A-1 S&P Break-Even Default Rate.

"**Class A-1 S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with an "AAA" rating of the Class A-1 Notes by S&P, determined by application of the S&P CDO Evaluator at such time.

"**Class A-1 S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments, will result in sufficient funds remaining for the payment of the Class A-1 Notes in full on the Stated Maturity Date and the timely payment of interest on the Class A-1 Notes.

"**Class A-2 S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class A-2 S&P Scenario Default Rate at such time from the Class A-2 S&P Break-Even Default Rate.

"**Class A-2 S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with an "AAA" rating of the Class A-2 Notes by S&P, determined by application of the S&P CDO Evaluator at such time.

"**Class A-2 S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class A-2 Notes in full on the Stated Maturity Date and the timely payment of interest on the Class A-2 Notes.

"**Class B S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class B S&P Default Rate at such time from the Class B S&P Break-Even Default Rate.

"**Class B S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with an "AA" rating of the Class B Notes by S&P, determined by application of the S&P CDO Evaluator at such time.

"**Class B S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class B Notes in full on the Stated Maturity Date and the timely payment of interest on the Class B Notes.

"**Class C S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class C S&P Default Rate at such time from the Class C S&P Break-Even Default Rate.

"**Class C S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with an "A" rating of the Class C Notes by S&P, determined by application of the S&P CDO Evaluator at such time.

"**Class C S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class C Notes in full on the Stated Maturity Date and the timely payment of interest on the Class C Notes.

"**Class D S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class D S&P Default Rate at such time from the Class D S&P Break-Even Default Rate.

"**Class D S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with a "BBB" rating of the Class D Notes by S&P, determined by application of the S&P CDO Evaluator at such time.

"**Class D S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class D Notes in full on the Stated Maturity Date and the ultimate payment of interest on the Class D Notes.

"**Class F-1 Combination S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class F-1 Combination S&P Default Rate at such time from the Class F-1 Combination S&P Break-Even Default Rate.

"**Class F-1 Combination S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with the current rating (if any), of the Class F-1 Combination Notes by S&P determined by application of the S&P CDO Evaluator at such time.

"**Class F-1 Combination S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class F-1 Combination Notes in full on the Stated Maturity Date and the ultimate payment of interest on the Class F-1 Combination Notes.

"**Class F-2 Combination S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class F-2 Combination S&P Default Rate at such time from the Class F-2 Combination S&P Break-Even Default Rate.

"**Class F-2 Combination S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with the current rating (if any), of the Class F-2 Combination Notes by S&P determined by application of the S&P CDO Evaluator at such time.

"**Class F-2 Combination S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class F-2 Combination Notes in full on the Stated Maturity Date and the ultimate payment of interest on the Class F-2 Combination Notes.

"**Class F-3 Combination S&P Loss Differential**" means, at any time, the rate calculated by subtracting the Class F-3 Combination S&P Default Rate at such time from the Class F-3 Combination S&P Break-Even Default Rate.

"**Class F-3 Combination S&P Scenario Default Rate**" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with the current rating (if any), of the Class F-3 Combination Notes by S&P determined by application of the S&P CDO Evaluator at such time.

"**Class F-3 Combination S&P Break-Even Default Rate**" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Evaluator), which after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priorities of Payments will result in sufficient funds remaining for the payment of the Class F-3 Combination Notes in full on the Stated Maturity Date and the ultimate payment of interest on the Class F-3 Combination Notes.

"**S&P CDO Evaluator**" means the dynamic, analytical computer program developed by S&P and used to determine the credit risk of a portfolio of Collateral Debt Securities and provided to the Collateral Manager, the Collateral Administrator and the Issuer on or before the date on which S&P confirms its ratings of the Senior and Mezzanine Notes and the Combination Notes (if any are rated by S&P), as the same may be modified by S&P from time to time, or such other model as designated by S&P.

"**S&P Current Portfolio**" means, on any Measurement Date, the Collateral Debt Securities (measured by their Aggregate Principal Balance) and the proceeds of the disposition thereof held as cash and Eligible Investments purchased with the proceeds of the disposition of Collateral Debt Securities or immediately prior to the acquisition of a substitute Collateral Debt Obligation, as the case may be.

"**S&P Proposed Portfolio**" means the Collateral Debt Securities (measured by their Aggregate Principal Balance) and the proceeds of the disposition thereof held as cash and Eligible Investments purchased with the proceeds of the disposition of Collateral Debt Securities resulting from the sale, maturity or other disposition of a Collateral Debt Security or a proposed reinvestment of Principal Proceeds in a substitute Collateral Debt Security, as the case may be.

Maximum Fitch Weighted Average Rating Factor Test

The "**Maximum Fitch Weighted Average Rating Factor Test**" means a test satisfied as of any Measurement Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities on such Measurement Date is not more than 4.48.

The "**Fitch Weighted Average Rating Factor**" on any Measurement Date is the number obtained by dividing (i) the summation of the series of products obtained, for any Collateral Debt Security that is not a Defaulted Security, by multiplying the Principal Balance on such Measurement Date of each such Collateral Debt Security by its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities, and rounding the result up to the nearest whole number.

The "**Fitch Rating Factor**" relating to any Collateral Debt Security is the number set forth in the table below opposite the Fitch Rating of such Collateral Debt Security:

Fitch Rating	**Fitch Rating Factor**	**Fitch Rating**	**Fitch Rating Factor**
AAA	0.19	BB	13.53
AA+	0.57	BB-	18.46
AA	0.89	B+	22.84
AA-	1.15	B	27.67
A+	1.65	B-	34.98
A	1.85	CCC+	43.36
A-	2.44	CCC	48.52
BBB+	3.13	CC	77.00
BBB	3.74	C	95.00
BBB-	7.26	DDD-D	100.00
BB+	10.18		

Minimum Weighted Average Spread Test

The "**Minimum Weighted Average Spread Test**" will be satisfied if, on the applicable Measurement Date, the Weighted Average Spread equals or exceeds 1.45%.

The "**Weighted Average Spread**" means, as of any Measurement Date, a fraction (expressed as a percentage) obtained by (i) multiplying the Principal Balance of each Floating Rate Collateral Debt Security (other than Defaulted Securities) or the Principal Balance of each Eligible Investment, in case as of such Measurement Date, by the current per annum spread over LIBOR applicable thereto, (ii) summing the amounts determined pursuant to clause (i), and (iii) dividing such sum by the Aggregate Principal Balance of all such Floating Rate Collateral Debt Securities (other than Defaulted Securities) and Eligible Investments.

Weighted Average Life Test

The "**Weighted Average Life Test**" means a test that is satisfied as of any date of determination if the remaining weighted average life of the Collateral Debt Securities in the Portfolio as of such date is less than or equal to the number of years (including any fraction of a year) between such date and 1st November, 2012;

S&P Minimum Average Recovery Rate Test

"**S&P Minimum Average Recovery Rate Test**" means a test satisfied if, as of the applicable Measurement Date, the S&P Minimum Average Recovery Rate on such Measurement Date equals or exceeds 28% in respect of Notes rated "AAA" by S&P, 33% in respect of Notes rated "AA" by S&P, 38% in respect of Notes rated "A" by S&P and 43% in respect of Notes rated "BBB" by S&P.

The "**S&P Minimum Average Recovery Rate**", as of any Measurement Date, is the percentage obtained by (a) summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security that is not a Defaulted Security by its S&P Applicable Average Recovery Rate, (b) dividing such sum by the Aggregate Principal Balance of all such Collateral Debt Securities that are not Defaulted Securities, (c) multiplying the result by 100 and (d) rounding up to the first decimal place.

Minimum Moody's Diversity Score Test

The "**Minimum Moody's Diversity Score Test**" means a test satisfied as of any Measurement Date if Moody's Diversity Score of the Collateral Debt Securities on such Measurement Date equals or exceeds 5 *provided that* for the purpose of the calculation of the Moody's Diversity Score the Principal Balance of any Collateral Debt Security (other than a Defaulted Security) is used.

"**Moody's Diversity Score**" is the number of independent assets with identical notional amount which as a portfolio have the same total notional amount, expected loss and variance as the Portfolio. Moody's divides assets according to their industry classification and assigns a correlation among assets in different industries.

Moody's Diversity Score is computed as follows:

(i) (a) multiply the Principal Balance of each Collateral Debt Security by the Default Probability of such Collateral Debt Security and the Loss Severity of such Collateral Debt Security, then sum the results for all Collateral Debt Securities;

(b) multiply the Principal Balance of each Collateral Debt Security by one minus the Default Probability of such Collateral Debt Security and the Loss Severity of such Collateral Debt Security, then sum the results for all Collateral Debt Securities;

(ii) multiply (i)(a) by (i)(b);

(iii) (a) for each Collateral Debt Security (also referred to as the first Collateral Debt Security):

(1) multiply the Default Probability of the first Collateral Debt Security by one minus the Default Probability of the first Collateral Debt Security, then take the square root of the result;

(2) multiply (iii)(a)(1) by the Principal Balance of the first Collateral Debt Security and the Loss Severity of the first Collateral Debt Security;

(b) for each other Collateral Debt Security (other than the first Collateral Debt Security):

(1) multiply the Default Probability of the other Collateral Debt Security by one minus the Default Probability of the other Collateral Debt Security, then take the square root of the result;

(2) multiply (iii)(b)(1) by the Principal Balance of the other Collateral Debt Security and the Loss Severity of the other Collateral Debt Security and the correlation of the other Collateral Debt Security with the first Collateral Debt Security, then sum the results for all other Collateral Debt Securities;

(c) multiply (iii)(a) by (iii)(b) then sum the results for all first Collateral Debt Securities;

(iv) divide (ii) by (iii)

$$D = \frac{\left\{\sum_{j=1}^{T}\left(N_j * p_j * S_j\right)\right\} * \left\{\sum_{j=1}^{T}\left(N_j * (1-p_j) * S_j\right)\right\}}{\sum_{j=1}^{T}\left\{\left(\sum_{k=1}^{T}\left(r_{jk} * N_k * S_k * \sqrt{(p_k * (1-p_k))}\right)\right) * N_j * S_j * \sqrt{(p_j * (1-p_j))}\right\}}$$

D	=	Moody's Diversity Score
N_j	=	Notional Amount of (first) Collateral Debt Security
N_k	=	Notional Amount of other Collateral Debt Security
p_j	=	Default Probability of (first) Collateral Debt Security
p_k	=	Default Probability of other Collateral Debt Security
S_j	=	Loss Severity of (first) Collateral Debt Security
S_k	=	Loss Severity of other Collateral Debt Security
T	=	Total number of Collateral Debt Securities
r_{jk}	=	Correlation of other Collateral Debt Security with first Collateral Debt Security

The correlation between two Collateral Debt Securities shall be determined in accordance with the Moody's correlation matrix. If a security rating has been derived by notching the rating of another Rating Agency and this notching is a non-integer number, the number of notches is rounded down to the nearest integer to derive the rating used in the Diversity Test.

In order to take account of issuer concentration and vintage effects, the following assumptions apply:

(a) If two Mortgage Backed Securities are guaranteed by the same guarantor, assume the maximum theoretical correlation between them.

(b) If two Mortgage Backed Securities are managed by the same collateral manager, assume the maximum theoretical correlation between them.

(c) If two Mortgage Backed Securities are issued in the same transaction and neither of them is guaranteed, assume the maximum theoretical correlation between them.

(d) If two Mortgage Backed Securities are issued in the same transaction and only one of them is guaranteed, then no adjustment need be made.

(e) If two Mortgage Backed Securities are not supported by the same collateral and are of different Specified Types, then no adjustment need be made.

(f) If two Mortgage Backed Securities are rated at least "Baa3" by Moody's and are not supported by the same collateral and are of the same Specified Type (see Moody's Recovery Rate) and the same Person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Mortgage Backed Securities, assume the lesser of 75% and the maximum theoretical correlation between them if they are issued within one year of one another, the lesser of 50% and the maximum theoretical correlation between them if they are not issued within one year of one another but are issued within two years of one another and the lesser of 25% and the maximum theoretical correlation otherwise.

(g) If two Mortgage Backed Securities are not rated at least "Baa3" by Moody's and are not supported by the same collateral and are of the same Specified Type, the same Person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Mortgage Backed Securities, assume the maximum theoretical correlation between them if they are issued within one year of one another, the lesser of 70% and the maximum theoretical correlation between them if they are not issued within one year of one another but are issued within two years of one another and the lesser of 40% and the maximum theoretical correlation otherwise.

For the purposes of the above:

"**Default Probability**" means the cumulative probability that a Collateral Debt Security defaults over its Tenor. The calculation is to divide the Expected Loss by (1 minus the Moody's Recovery Rate);

"**Expected Loss**" is assigned to a Collateral Debt Security based on its Moody's Rating and its Tenor;

"**Tenor**" means, in respect of any Collateral Debt Security, the weighted average life of such security as calculated from information from any public information source.

"**Loss Severity**" means, 1 minus the Moody’s Recovery Rate.

Maximum Moody’s Weighted Average Rating Factor Test

The "**Maximum Moody’s Weighted Average Rating Factor Test**" means a test satisfied as of any Measurement Date if the Moody’s Weighted Average Rating Factor of the Collateral Debt Securities on such Measurement Date is not more than 5.70.

The "**Moody’s Weighted Average Rating Factor**" on any Measurement Date is the number obtained by dividing (i) the summation of the series of products obtained, for any Collateral Debt Security that is not a Defaulted Security, by multiplying the Principal Balance on such Measurement Date of each such Collateral Debt Security by its respective Moody’s Rating Factor on such Measurement Date by (ii) the sum of the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities, and rounding the result up to the nearest whole number.

The "**Moody’s Rating Factor**" relating to any Collateral Debt Security is the number set forth in the table below opposite the Fitch Rating of such Collateral Debt Security:

Moody’s Rating	**Moody’s Rating Factor**	**Moody’s Rating**	**Moody’s Rating Factor**
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720

Moody’s Rating	Moody’s Rating Factor	Moody’s Rating	Moody’s Rating Factor
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca	10,000

Moody’s Minimum Average Recovery Rate Test

The "**Moody’s Minimum Average Recovery Rate Test**" means a test satisfied if, as of the applicable Measurement Date, the Moody' Minimum Average Recovery Rate on such Measurement Date equals or exceeds 35%.

The "**Moody’s Minimum Average Recovery Rate**", as of any Measurement Date, is the percentage obtained by (a) summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security that is not a Defaulted Security by its Moody’s Applicable Average Recovery Rate, (b) dividing such sum by the Aggregate Principal Balance of all such Collateral Debt Securities that are not Defaulted Securities, (c) rounding up to the first decimal place.

"**Moody's Recovery Rate**" means, in respect of any Collateral Debt Security, the recovery rate determined in respect of such Specified Type of Collateral Debt Security as set out below (and, for this purpose, the Collateral Administrator shall allocate such Collateral Debt Security to an appropriate category in accordance with Moody's then-current published guidance as at the Closing Date of the Notes) or as otherwise specified by Moody's from time to time.

For the purposes of the table below:

"**Diversified Securities**" primarily include (i) Automobile Security; (ii) Car Rental Receivable Security; (iii) Credit Card Security; and Student Loan Security.

"**Residential Securities**" primarily include (i) Home Equity Loan Security; (ii) Manufactured Housing Security; (iii) Residential A Mortgage Security; and (iv) Residential B/C Mortgage Security.

"**Undiversified Securities**" primarily include (i) CMBS Conduit; (ii) CMBS CTL; (iii) CMBS Large Loan; (iv) those sectors not included in Diversified Securities.

"**High Diversity CDOs**" are CDOs with a diversity score in excess of 20.

"**Low Diversity CDOs**" are CDOs with a diversity score of 20 or less.

Moody's Recovery Rate Assumptions

For the purpose of defining Moody's recovery rate assumptions, we categorise multisector securities in four distinct sectors:

Diversified Securities primarily include (1) Automobile Security; (2) Car Rental Receivable Security; (3) Credit Card Security; (4) Student Loan Security.

Residential Securities primarily include (1) Home Equity Loan Security; (2) Manufactured Housing Security; (3) Residential A Mortgage Security; (4) Residential B/C Mortgage Security.

Undiversified Securities primarily include (1) CMBS Conduit; (2) CMBS CTL; (3) CMBS Large Loan; (4) Those ABS sectors not included in Diversified Securities.

CDOs include (1) High-diversity CDOs (diversity score in excess of 20); (2) Low-Diversity CDOs (diversity score of 20 or less).

For Diversified Securities, the recovery rate is assumed as follows:

	Rating of a Tranche					
Tranche as % of capital structure	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
>70%	85%	80%	70%	60%	50%	40%
(70%, 10%)	75%	70%	60%	50%	40%	30%
<=10%	70%	65%	55%	45%	35%	25%

For Residential Securities, the recovery rate is assumed as follows:

	Rating of a Tranche					
Tranche as % of capital structure	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
>70%	85%	80%	65%	55%	45%	30%
(70%, 10%)	75%	70%	55%	45%	35%	25%
(10%, 5%)	65%	55%	45%	40%	30%	20%
(5%, 2%)	55%	45%	40%	35%	25%	15%
<=2%	45%	35%	30%	25%	15%	10%

For Undiversified Securities, the recovery rate is assumed as follows:

	Rating of a Tranche					
Tranche as % of capital structure	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
>70%	85%	80%	65%	55%	45%	30%
(70%, 10%)	75%	70%	55%	45%	35%	25%

(10%, 5%)	65%	55%	45%	35%	25%	15%
(5%, 2%)	55%	45%	35%	30%	20%	10%
<=2%	45%	35%	25%	20%	10%	5%

For Low-Diversity CDOs, the recovery rate is assumed as follows:

	Rating of a Tranche					
Tranche as % of capital structure	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
>70%	80%	75%	60%	50%	45%	30%
(70%, 10%)	70%	60%	55%	45%	35%	25%
(10%, 5%)	60%	50%	45%	35%	25%	15%
(5%, 2%)	50%	40%	35%	30%	20%	10%
<=2%	30%	25%	20%	15%	7%	4%

For High-Diversity CDOs, the recovery rate is assumed as follows:

	Rating of a Tranche					
Tranche as % of capital structure	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
>70%	85%	80%	65%	55%	45%	30%
(70%, 10%)	75%	70%	60%	50%	40%	25%
(10%, 5%)	65%	55%	50%	40%	30%	20%
(5%, 2%)	55%	45%	40%	35%	25%	10%
<=2%	45%	35%	30%	25%	10%	5%

We recognise the limitation of relying simply on deal type and bond size as the key indicators for determining the recovery rate assumption. As more data becomes available, we will update our assumption accordingly. The impact of a particularly recovery assumption is mitigated by the fact that expected loss for the asset is preserved. Moreover, for the purpose of determining whether overcollateralisation tests are met in the multisector CDO, the par value attributed to a defaulted asset will be haircut to the lesser of assumed recovery rate and market value of defaulted security, as in typical high-yield CDOs.

The Overcollateralisation Ratio Test

The "**Overcollateralisation Ratio Test**" means for so long as any Senior and Mezzanine Notes remain Outstanding, a test satisfied on any Measurement Date (as defined above), if the Overcollateralisation Ratio is equal to or exceeds 103 per cent.

"**Overcollateralisation Ratio**" means, as of any Measurement Date, an amount expressed as a percentage equal to the Net Portfolio Collateral Balance divided by the Principal Amount Outstanding of the Senior and Mezzanine Notes.

6. Sale and Reinvestment of Collateral Debt Securities and Eligible Investments

The Collateral Debt Securities and Eligible Investments may be retired at any time prior to their respective final maturities due to the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Debt Securities and Eligible Investments. In addition, pursuant to the Trust Deed and the Collateral Management and Advice Agreement and so long as no Event of Default has occurred and is continuing and subject to the requirements set out below, the Collateral Manager (if so advised by the Collateral Adviser and in accordance with such advice), on behalf of the Issuer:

(1) may sell or procure the sale of any Defaulted Security;

(2) may sell or procure the sale of any Collateral Debt Security that has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security *provided* that, the Collateral Debt Security has been downgraded by at least one subcategory by an internationally recognised rating agency or put on a watch list for possible downgrade by an internationally recognised rating agency since it was acquired by the Issuer, or the Collateral Debt Security must have experienced a decrease in market value to 99.50 per cent. of its original purchase price;

in each case from the date on which the Collateral Debt Security was purchased (a "**Credit Risk Security**");

(3) may sell or procure the sale during the Reinvestment Period, of any Collateral Debt Security that has significantly improved in credit quality, *provided* that the Collateral Debt Security has been upgraded or put on a watch list for possible upgrade by an internationally recognised rating agency, or the Collateral Debt Security must have experienced an increase in market value to 100.50 per cent. of its original purchase price:

in each case from the date on which such Collateral Debt Security was purchased, in order to be such a security (a "**Credit Improved Security**"); and

(4) may sell or procure the sale of any Collateral Debt Security that is a Synthetic Security with respect to which the Synthetic Security Issuer has defaulted in the performance of any of its payment obligations under the Synthetic Security (a "**Synthetic Security Issuer Defaulted Obligation**").

"**Defaulted Security**" means any Collateral Debt Security:

(1) with respect to which (a) a default as to the payment of principal and/or interest has occurred (without regard to any grace period applicable thereto or any waiver thereof) or (b) a default as to the payment of principal and/or interest has occurred and is continuing on Other Indebtedness of the obligor thereon that is senior or *pari passu* in right of payment to such Collateral Debt Security and such default on such Other Indebtedness causes a default that is continuing on such Collateral Debt Security pursuant to the terms of the instrument or agreement pursuant to which it was issued or created, provided that no such default shall be deemed to have occurred (i) prior to the passage of any applicable notice or grace period or (ii) if current interest payments on such Other Indebtedness have resumed in cash; provided, further that

such Collateral Debt Security or security shall not be a Defaulted Security if it receives Rating Agency Confirmation;

(2) there has occurred any bankruptcy, insolvency, receivership or similar event (including, but not limited to, administration, winding-up or liquidation) initiated in connection with the issuer of such Collateral Debt Security or security, or there has been proposed or effected any distressed exchange or other debt restructuring where the issuer of such Collateral Debt Security or security has offered the holders of such Collateral Debt Security or security a new security or package of securities that either (i) amounts to a diminished financial obligation or (ii) has the purpose of helping the issuer to avoid default.

The Collateral Manager, on behalf of the Issuer, may if so advised and in accordance with the advice of the Collateral Adviser sell any Collateral Debt Security during the Reinvestment Period which is not a Credit Improved Security, a Credit Risk Security, a Defaulted Security or a Synthetic Security Issuer Defaulted Obligation (which are permitted to be sold in the circumstances described above) and reinvest the Sale Proceeds thereof in additional Collateral Debt Securities or to investment in Eligible Investments pending such reinvestment. Such sale and reinvestment being subject to:

(a) the Collateral Manager not having received notification or not having actual knowledge that an Event of Default having occurred which is continuing;

(b) the ratings assigned to the Class A-1 Notes not having been reduced by one or more rating sub-categories or not having been withdrawn by Fitch or S&P or Moody's;

(c) the Collateral Manager (acting on behalf of the Issuer and upon the advice of the Collateral Adviser) using all reasonable efforts to reinvest the Sale Proceeds of the Collateral Debt Securities in additional Collateral Debt Securities within 45 Business Days from the settlement date of the Collateral Debt Security being sold ;

(d) the Collateral Administrator certifying to the Collateral Manager that

the Aggregate Principal Balance of all sales of Collateral Debt Securities (excluding any Credit Improved Securities, Credit Risk Securities or Defaulted Securities or Synthetic Security Issuer Defaulted Obligations) sold in any year (each such year being a year from, but excluding, the Closing Date or, as the case may be an anniversary thereof, to, but excluding, the next succeeding anniversary thereof) when aggregated with the Principal Balances of the Collateral Debt Securities (excluding any Credit Improved Securities, Credit Risk Securities or Defaulted Securities or Synthetic Security Issuer Defaulted Obligations) to be sold in such year (i) does not exceed 15 per cent. of the Aggregate Principal Balance of the Collateral Debt Securities as at the beginning of such year (and, with respect to the year 2003, the Closing Date) and (ii) does not exceed 50 per cent. of the Aggregate Principal Balance during the Reinvestment Period; and

(e) the Collateral Manager's reasonable belief that the Portfolio Criteria will be satisfied upon such sale and reinvestment; and

(f) the Collateral Manager having received advice from the Collateral Adviser that the Sale Proceeds of the Collateral Debt Securities sold can be reinvested in Collateral Debt Securities with a price equal to or greater than the purchase price of the Collateral Debt Security being sold.

Credit Improved Securities may be sold at any time during the Reinvestment Period by the Collateral Manager (on behalf of the Issuer) if so advised and in accordance with the advice of the Collateral

Adviser, at any time subject to no Event of Default having occurred which is continuing. During the Reinvestment Period the Collateral Manager may apply the Sale Proceeds thereof to reinvestment in additional Collateral Debt Securities or to investment in Eligible Investments pending such reinvestment. Such sale and reinvestment being subject to:

(a) the Collateral Manager (acting on behalf of the Issuer and upon the advice of the Collateral Adviser) using all reasonable efforts to reinvest the Sale Proceeds of such Credit Improved Securities in one or more additional Collateral Debt Securities within 45 Business Days from the settlement date of the Credit Improved Security being sold; and

(b) the Collateral Manager having received advice from the Collateral Adviser that the Sale Proceeds of the Credit Improved Securities sold can be reinvested in additional Collateral Debt Securities with a purchase price equal to or greater than the purchase price of the Credit Improved Security being sold; and

(c) the Collateral Manager's reasonable belief that the Portfolio Criteria will be satisfied upon such sale and reinvestment.

Following the expiry of the Reinvestment Period, the Sale Proceeds of Credit Improved Securities shall be deposited in the Principal Proceeds Account and disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

Credit Risk Securities may be sold at any time by the Collateral Manager (on behalf of the Issuer) if so advised and in accordance with the advice of the Collateral Adviser, subject to no Event of Default having occurred which is continuing. During the Reinvestment Period the Collateral Manager may apply the Sale Proceeds thereof to reinvestment in additional Collateral Debt Securities or to investment in Eligible Investments into pending such reinvestment. Such sale and reinvestment will be subject to:

(a) the Collateral Manager (acting on behalf of the Issuer and upon the advice of the Collateral Adviser) using all reasonable efforts to reinvest the Sale Proceeds of such Credit Risk Securities in one or more additional Collateral Debt Securities within 45 Business Days from the settlement date of the Credit Risk Security being sold; and

(b) the Collateral Manager's reasonable belief that the Portfolio Criteria will be satisfied upon such sale and reinvestment.

Following the expiry of the Reinvestment Period, the Sale Proceeds of any Credit Risk Securities shall be deposited in the Principal Proceeds Account and disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

Defaulted Securities may be sold by the Collateral Manager (on behalf of the Issuer) at any time if so advised and in accordance with the advice of the Collateral Adviser, subject to the Collateral Manager's reasonable belief that the Portfolio Criteria will be satisfied upon such sale.

During the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer and in accordance with the advice of the Collateral Adviser) shall use all reasonable efforts to apply Sale Proceeds of any Defaulted Security to the acquisition of additional Collateral Debt Securities prior to the end of the Due Period in which such Sale Proceeds were received or to investment in Eligible Investment pending such reinvestment. Following the expiry of the Reinvestment Period, such Sale Proceeds shall be deposited in the Principal Proceeds Account and disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

Upon receipt of a notice from the Trustee indicating that the Notes shall be redeemed pursuant to Conditions 6(c), 6(d), 6(e) and 6(g), and requiring the Manager so to do, the Collateral Manager and on behalf of the Issuer, shall realise the Mortgaged Property (including but not limited to the sale or liquidation of the Collateral Debt Securities and Eligible Investments) without regard to the foregoing limitations; (*provided* that in respect of Conditions 6(c), 6(e) and 6(g) as the case may be, the Sale Proceeds will be at least sufficient to pay all amounts referred to in such Conditions), and to redeem in whole but not in part the relevant Notes pursuant to Conditions 6(c), 6(d), 6(e) and 6(g) as the case may be, in accordance with the Post-Reinvestment Period Priority of Payments and upon such sale or liquidation the Trustee shall release the Mortgaged Property in accordance with Clause 5 of the Trust Deed.

In respect of an optional redemption of the Notes pursuant to Condition 6(c), Condition 6(e) or Condition 6(g), the Collateral Manager may not sell or liquidate a Collateral Debt Security or an Eligible Investment on behalf of the Issuer as above, unless the Collateral Manager: (i) at least four Business Days before the scheduled Redemption Date, shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager (on behalf of the Issuer), has entered into a binding agreement or agreements with financial institution or institutions whose short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating applicable for a period of 30 Business Days prior to such scheduled Redemption Date of at least "F1" by Fitch, at least "A-1+" by S&P and at least "P-1" by Moody's to sell not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a sale price (including in such price, the sale of accrued interest) at least equal to an amount sufficient, together with the Eligible Investments maturing on or prior to the scheduled Redemption Date and all cash, to pay the Total Redemption Amount and (ii) on or before the Business Day immediately preceding the scheduled Redemption Date, shall have furnished to the Trustee evidence in form satisfactory to the Trustee that the Collateral Manager on behalf of the Issuer, will have received such aggregate purchase price.

Any acquisition, purchase, liquidation or sale of a Collateral Debt Security or Eligible Investment shall be subject to the requirements that (i) all purchases and sales of Collateral Debt Securities and Eligible Investments shall be on an arm's–length basis, (ii) the Collateral Manager will not execute any acquisition, liquidation or sale order on behalf of the Issuer unless the proposed acquisition, sale or liquidation of such Collateral Debt Security or Eligible Investment has been recommended by the Collateral Adviser and (iii) in the case of an acquisition or purchase of a Collateral Debt Security or Eligible Investment only, the Collateral Adviser has procured that a request be made for supporting information in respect of such proposed selection or acquisition (including without limitation, the offering memorandum or similar document or trustee or other performance report available with respect to such Collateral Debt Security) to be provided to the Trustee, Collateral Manager and the Collateral Administrator.

The Issuer or the Collateral Manager or the Custodian on the Issuer's behalf, as the case may be, shall (acting on the instruction of the Collateral Administrator), deposit any proceeds received by it from the sale or liquidation of a Collateral Debt Security or Eligible Investment in the Interest Proceeds Account (if Interest Proceeds) or Principal Proceeds Account (if Principal Proceeds), unless simultaneously applied to the purchase of or investment in other Collateral Debt Securities or Eligible Investments, as permitted under and in accordance with the requirements of the Collateral Management and Advice Agreement.

In the event that any Collateral Debt Security (or any coupon relating thereto) is required to be presented and/or surrendered to the issuer thereof or any of the agents in connection with the exercise of any option or other right (other than as provided in Clause 2.8 of the Collateral Management and Advice Agreement) thereunder or the acceptance of any offer by the issuer of such security or by any other Person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the relevant agreement regarding such security) or to convert or exchange such security into or for cash, securities or any other type of consideration or any solicitation by the issuer of such security or any other Person to amend, modify or waive any provision of such security or any relevant agreement regarding such security (such options and offers being referred to herein as an "**Offer**"), the Collateral Manager (acting on the advice of the Collateral Adviser) shall complete an Issuer Order setting out in reasonable detail the requirement to present and/or surrender such Collateral Debt Security or any evidence thereof and the procedures required (if applicable) in order to exercise such option or accept such Offer, and subject to any contrary instructions from the Issuer, the Collateral Manager shall take such other action (on behalf of the Issuer) as may be required in connection therewith and deliver such Issuer Order to the Trustee (with a copy to the Collateral Administrator and the Custodian) at least two Business Days prior to the date on which any presentation or surrender of such obligation or other action is required. Upon receipt of such Issuer Order, the Trustee shall countersign the same, which countersignature shall operate to release the applicable security from the security constituted pursuant to Clause 5 of the Trust Deed. The Trustee shall promptly thereafter forward a copy of such Issuer Order to the Custodian and delivery thereof shall constitute instructions to the Custodian to present and/or surrender such security to the extent required pursuant to the terms in order to exercise any such option or accept any such Offer provided that the Sale Proceeds of such Collateral Debt Security shall be reassigned to the Issuer automatically and shall be deemed to be Mortgaged Property in accordance with Clause 5 of the Trust Deed.

So long as no Equity Event has occurred and is continuing, unless holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) have delivered a notice to the Collateral Manager permanently releasing the Collateral Manager from certain of its obligations under Clause 2.8 of the Collateral Management and Advice Agreement and the Trust Deed, the Collateral Manager will not exercise and will refrain from exercising any voting rights or any remedies, with respect to any Collateral Debt Security or Eligible Investment under the Collateral Management and Advice Agreement without first seeking the recommendation of the holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes). Holders of the Notes will be dependent upon the judgement of and ability of the holders of a Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) as to the exercise of any voting rights or remedies with respect to the Collateral Debt Securities and/or Eligible Investments. An "**Equity Event**" is defined in the Master Interpretation and Construction Schedule to mean that the amount on any date, of the excess, if any, of (a) the Net Portfolio Collateral Balance on such date over (b) the Principal Amount Outstanding of the Senior and Mezzanine Notes (including the relevant Components of the Combination Notes) on such date (the "**Class E Book Value Amount**") is less than £0. Any determination of whether an Equity Event has occurred and is continuing is a factual one and shall be made by the Collateral Manager in good faith.

Prior to the end of the Reinvestment Period (save for any Suspension Period) and subject to satisfaction of the Portfolio Criteria and the definition of "Collateral Debt Security" and the terms of the Collateral Management and Advice Agreement, Principal Proceeds (including those resulting from sales, maturities or redemptions of Collateral Debt Securities and Eligible Investments as aforesaid) and Unused Proceeds may be invested in Collateral Debt Securities. If, however, at the time of sale, maturity or redemption the Collateral Adviser has not been able to propose Collateral Debt Securities for purchase by the Collateral Manager, the Collateral Adviser may advise the Collateral Manager to use Principal Proceeds and Unused Proceeds to invest in Eligible Investments which fall within the definition of "Eligible Investment" (and make recommendations as to the selection of such Eligible Investments), pending reinvestment during the Reinvestment Period in Collateral Debt Securities or otherwise to redeem the Senior and Mezzanine Notes and any Unused

Proceeds not used by the end of the Reinvestment Period shall on the last day of the Reinvestment Period be transferred to the Principal Proceeds Account.

Notwithstanding anything to the contrary set forth in this section "Sale and Reinvestment of Collateral Debt Securities and Eligible Investments" or above under "Portfolio Criteria", the Issuer will have the right to effect any transaction that has been approved by holders of Notes evidencing 100 per cent. of the Principal Amount Outstanding of each Class of Notes.

7. Definitions

"**Applicable Average Recovery Rate**" means either the Fitch Applicable Average Recovery Rate or the S&P Applicable Average Recovery Rate or the Moody's Applicable Average Recovery Rate, each as applicable;

"**Aggregate Calculation Amount**" means, the sum of all the Calculation Amounts for such Collateral Debt Security;

"**Aggregate Principal Amount Outstanding**" means when used with respect to any of the Notes at any time, the aggregate of all Principal Amounts Outstanding of all Classes of Notes at such time;

"**Aggregate Principal Balance**" means when used with respect to any Collateral Debt Securities or Eligible Investments, or with respect to a particular class of Collateral Debt Securities or Eligible Investments, the sum of the Principal Balances of all such Collateral Debt Securities or Eligible Investments, as applicable;

"**Balance**" means, at any time, with respect to cash or Eligible Investments in any Account at such time, the aggregate of the (i) current balance of cash, demand deposits, time deposits, certificates of deposit and federal funds; (ii) principal amount of interest-bearing corporate and government securities, money market accounts, repurchase obligations; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper;

"**Calculation Amount**" means, in respect to an individual Collateral Debt Security, an amount equal to the lesser of (i) the fair market value of such security (as determined in good faith by the Collateral Manager in its absolute discretion); and (ii) the Principal Balance of such security multiplied by the lower of the Fitch Applicable Average Recovery Rate, the S&P Applicable Average Recovery Rate and the Moody's Applicable Average Recovery Rate;

"**Deferring Securities**" means any Collateral Debt Security for which interest has been deferred (including by reason of any right of holders of senior indebtedness to block the payment of such interest under any subordination provisions) on any two scheduled interest payment dates occurring after the date of the acquisition of such Collateral Debt Security by the Issuer and as to which all deferred interest thereon has not been paid in full in cash within 24 months after such scheduled interest payment date; provided that a Collateral Debt Security will not be a Deferring Security if (a) all previously deferred interest has been paid in full in cash; or (b) such Collateral Debt Security is a Defaulted Security, and "**Deferring Security**" shall be construed accordingly;

"**Downgraded Security**" means any Collateral Debt Security or Eligible Investment that has been downgraded by the Rating Agencies or any other rating agency that has provided a rating for such Collateral Debt Security or Eligible Investment;

"**Equity Security**" means shares issued by any entity;

"**Fitch Applicable Average Recovery Rate**" means, with respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile and seniority of such Defaulted Security, as applicable, as set forth in the Fitch Recovery Rate Matrix; provided that, the applicable percentage shall be the percentage corresponding to the most senior Outstanding Class of Notes then rated by Fitch:

Fitch Recovery Rate Matrix	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**
ABS Senior (> 10%)	60%	65%	75%	85%	90%	95%
ABS Senior (< 10%)	48%	56%	64%	72%	76%	80%
ABS Mezzanine IG (> 10%)	30%	38%	46%	54%	65%	75%
ABS Mezzanine IG (< 10%)	20%	27%	35%	42%	50%	55%
ABS Non IG (> 10%)	15%	18%	21%	26%	32%	35%
ABS Non IG (< 10%)	0%	4%	8%	12%	16%	20%

"**Fitch Rating**" means, in respect of any Collateral Debt Securities:

(a) (i) if there is an issuer credit rating of the issuer by Fitch as published by Fitch, such rating (regardless of whether there is a published rating by Fitch on the Collateral Debt Securities of such issuer held by the Issuer); or

(ii) if there is no issuer credit rating of the issuer by Fitch, but there is a senior Fitch rating on any obligation or security of the issuer, such rating;

(b) with respect to any Collateral Debt Security that is a Synthetic Security, the rating of such Synthetic Security shall be the rating assigned thereto by Fitch in connection with the acquisition thereof by the Issuer;

(c) with respect to any Collateral Debt Security that is a senior secured loan of an obligor in Western Europe, the rating shall be the public or shadow rating by Fitch as sought by, and communicated to, the Collateral Manager; or

(d) if there is not a rating by Fitch on an obligation of the issuer, then the rating may be determined using any one of the methods below:

(i) if an obligation of the issuer is rated by Moody’s and/or S&P, then the Fitch Rating of such obligation will be either the equivalent of the Moody’s senior implied rating of such issuer or the S&P local issuer rating of such issuer if only one such rating exists or if such obligation or issuer is rated by both Moody’s and S&P then the Fitch Rating of such obligation will be the equivalent of the lower of the Moody’s senior implied rating and the S&P local issuer rating; or

(ii) a shadow rating (an undisclosed internal rating) by Fitch as communicated to the Collateral Manager, if available.

"**Moody's Notched Rating**" means, in respect of any Collateral Debt Security which is not publicly rated by Moody's but is publicly rated by S&P and/or Fitch, the rating determined in accordance with Moody's published guidance applicable to the related Collateral Debt Security.

Currently:

UK Residential Mortgages

- minus 1 notch if the rating is equal to or better than BBB-

- minus 2 notches if the rating is below BBB-

UK Commercial Mortgage Backed Securities

- for investment grade classes rated by both S&P and Fitch meeting certain criteria 2.5 notches off the lower of the two ratings;

- for all other instances obtain a rating estimate from Moody's.

"**Moody's Rating**" means, in respect of any Collateral Debt Security, either:

(a) if such Collateral Debt Security is publicly rated by Moody's, such public rating, provided that:

(i) if such Collateral Debt Security is on the public watch list for downgrade or upgrade, the applicable Moody's Rating shall be one subcategory below or above such public rating, as applicable; or

(b) if such Collateral Debt Security is not publicly rated by Moody's, either:

(i) the applicable Moody's Private Rating; or

(ii) if no Moody's Private Rating has been obtained in respect of the relevant Collateral Debt Security by the Collateral Administrator, the applicable Moody's Notched Rating (if any).

"**Moody's Private Rating**" means, in respect of any Collateral Debt Security which is not publicly rated by Moody's, the applicable confidential estimate assigned thereto by Moody's on the request of the Collateral Administrator.

"**Net Portfolio Collateral Balance**" means on any relevant Measurement Date an amount equal to:

$w + x + y - z$

where

w means the Aggregate Principal Balance of all Collateral Debt Securities provided however that for purposes of calculating the Overcollateralisation Ratio Test only in respect of Collateral Debt Securities rated "B+" by S&P or Fitch or "B1" by Moody's or lower, "w" shall mean the lower of market value and the Moody's Recovery Rate; any Collateral Debt Securities purchased at a price of 85% or less of market value, the market value;

x means the Aggregate Calculation Amount of all Collateral Debt Securities that are (a) Defaulted Securities, (b) Deferring Securities, or (c) Collateral Debt Securities in respect of which the principal payment is scheduled to occur after the date falling three Business Days prior to the Expected Maturity Date;

y means the Aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments; and

z means the Aggregate Principal Balance of all Collateral Debt Securities that are (a) Defaulted Securities, (b) Deferring Securities or (c) Collateral Debt Securities in respect of which the principal payment is scheduled to occur after the date falling three Business Days prior to the Expected Maturity Date;

"**Other Indebtedness**" means any other indebtedness of any obligor of the Collateral Debt Securities which is in excess of EUR1,000,000 or its equivalent in any other currency;

"**Principal Balance**" means, with respect to any Collateral Debt Securities or Eligible Investments, as of any date of determination, the outstanding principal amount of such Collateral Debt Securities or Eligible Investments;

"**Rating**" means a rating assigned to an institution by Fitch, S&P and, in respect of the Class A-1 Notes only, Moody's, and "**Ratings**" shall be construed accordingly;

"**Required Ratings**" or "**Required Rating**" means, for so long as the Rating Agencies have assigned any rating to the Notes Outstanding, a short term unsecured debt ratings of at least "F1+" by Fitch or "A-1" by S&P or "P-1" by Moody's or, in the case of the Custodian, "F2" by Fitch, "A-1" by S&P and "P-1" Moody's or, in the case of the Account Bank, "F1+" by Fitch, "A-1+" by S&P and "P-1" by Moody's;

"**S&P Applicable Average Recovery Rate**" means, with respect to any Collateral Debt Security on any Measurement Date, an amount equal to the percentage for such Collateral Debt Security set forth in the S&P Recovery Rate Matrix (set forth below):

S&P Recovery Rate Matrix							
ABS/CBO*s	Liability rating => (%)						
Senior	AAA	AA	A	BBB	BB	B	CCC
AAA	80.00	85.00	90.00	90.00	90.00	90.00	90.00
AA	70.00	75.00	85.00	90.00	90.00	90.00	90.00
A	60.00	65.00	75.00	85.00	90.00	90.00	90.00
BBB	50.00	55.00	65.00	75.00	85.00	85.00	85.00
Junior	AAA	AA	A	BBB	BB	B	CCC
AAA	65.00	70.00	80.00	85.00	85.00	85.00	85.00
AA	55.00	65.00	75.00	80.00	80.00	80.00	80.00
A	40.00	45.00	55.00	65.00	80.00	80.00	80.00

BBB	30.00	35.00	40.00	45.00	50.00	60.00	70.00
BB	10.00	10.00	10.00	25.00	35.00	40.00	50.00
B	2.50	5.00	5.00	10.00	10.00	20.00	25.00
CCC	0.00	0.00	0.00	0.00	2.50	5.00	5.00
*Excluded from above are: project finance, future flows, synthetics, CDO repackagings of ABS or CDOs guaranteed ABS, distressed debt CDOs, synthetic CDOs, emerging markets CDOs and market value CDOs. (ABS - Asset Backed Securities; CDOs - Collateral Debt Obligations). All such excluded assets shall have he S&P recovery rate applicable to such assets as shall be confirmed by S&P on a case-by-case basis.							

"**S&P Rating**" means, in respect of any Collateral Debt Security, a rating determined as follows:

(a) with respect to any Collateral Debt Security with a public or private issuer credit rating by S&P, such S&P issuer credit rating, provided that if the rating of a Collateral Debt Security has been placed on credit watch for possible downgrade by S&P, it shall be one subcategory below the rating assigned by S&P until such Collateral Debt Security is no longer on credit watch for possible downgrade, whereupon such Collateral Debt Security's actual rating by S&P shall apply and further provided that if the rating of a Collateral Debt Security has been placed on credit watch or possible upgrade by S&P, it shall be one subcategory above the rating assigned by S&P until such Collateral Debt Security is no longer on credit watch for possible upgrade whereupon such Collateral Debt Security's actual rating by S&P shall apply;

(b) with respect to any Collateral Debt Security not covered in (a) above, the S&P credit estimate, if so requested by the Collateral Manager or the Issuer;

(c) with respect to any RMBS not covered in (a) or (b) above, if such RMBS has a Moody's Rating and a Fitch Rating, then the S&P Rating of such RMBS will be:

   (i) one subcategory below the S&P equivalent of the lowest of the ratings assigned by Moody's and Fitch if such RMBS is rated "Baa3" or higher by Moody's or "BBB-" or higher by Fitch; or

   (ii) two subcategories below the S&P equivalent of the lowest of the ratings assigned by Moody's and Fitch if such RMBS is rated lower than "Baa3" by Moody's or "BBB-" by Fitch, with the exception of a RMBS that benefits from interest sub-participation, the lower of the long term S&P issuer rating of the originator or the deemed rating from either (i) or (ii) above,

provided that the Aggregate Principal Balances of the Collateral Debt Securities that may be deemed to have a S&P Rating based on a rating assigned by another rating agency as provided in this paragraph (c) may not exceed 20% per cent. of the Aggregate Principal Balances of all Collateral Debt Securities.

"**Synthetic Security Issuer**" means the mortgage bank or special purpose vehicle, which has issued a Synthetic Security and which is required to make payments on such Synthetic Security to the extent that the related Reference Obligors make payments on the related Reference Obligations.

8. The Issuer Liquidity Agreement

On the Closing Date, the Issuer will enter into a liquidity agreement (the "**Issuer Liquidity Agreement**") with Canadian Imperial Bank of Commerce (the "**Liquidity Lender**") in order to (i) purchase any interest which has accrued on each Collateral Debt Security to be acquired, or (ii) during the Reinvestment Period, to fund interest due and payable on the Senior and Mezzanine Notes due to a shortfall of the Interest Proceeds to pay the interest due and payable on the Senior and Mezzanine Notes on such Payment Dates during the Reinvestment Period due to a timing mismatch between interest received under the Collateral Debt Securities and Eligible Investments and interest due and payable on the Senior and Mezzanine Notes, or (iii) to pay the Class A-1 Commitment Fee as such amounts become due and payable on the first Payment Date to the extent that funds are not available in the Interest Proceeds Account provided that the amounts in the case of (ii) above, shall be the lesser of (a) the interest accrued but unpaid on the Collateral Debt Securities and Eligible Investments to the relevant Payment Date, and (b) the interest payable on the Senior Notes and Mezzanine Notes plus any other amounts payable prior to the payment of interest on such Notes in accordance with the Interest Priority of Payments minus any other Interest Proceeds available for payment of interest on Senior Notes and Mezzanine Notes on the relevant Payment Date. On the Closing Date or the issue date of any further Notes, the Liquidity Lender will have a Fitch Rating of its short-term debt, deposit or similar obligations of at least "F1", a S&P Rating of "A-1" and a Moody's Rating of "P-1". The commitment of the Liquidity Lender to provide funds to the Issuer under the Issuer Liquidity Agreement will be limited to £5,000,000. Any amount drawn under the Issuer Liquidity Agreement (a) if drawn down for the purpose described in (i) above will be deposited in the Principal Proceeds Account on the Business Day immediately preceding the date on which the applicable Collateral Debt Security is to be acquired, or (b) if drawn down for purpose of (ii) and (iii) above, will be deposited in the Interest Proceeds Account on the Business Day immediately preceding the relevant Payment Date and in all cases, will bear interest, from and including the date drawn to but excluding the date repaid in full, at a rate per annum equal to LIBOR plus 0.30 per cent. per annum and any undrawn amount shall bear interest at a rate per annum equal to LIBOR plus 0.15 per cent. per annum from and including the Closing Date to but excluding the date on which the Issuer Liquidity Agreement is terminated, which interest shall be payable in arrear on each Payment Date.

9. The Euroclear Pledge Agreement

On the Closing Date, the Issuer will enter into a Euroclear pledge agreement (the "**Euroclear Pledge Agreement"**) with the Trustee and the Custodian. The Collateral Debt Securities and Eligible Investments held by the Custodian on behalf of the Trustee through its account with Euroclear will be the subject of a commercial pledge under Belgian law created by the Issuer pursuant to the Euroclear Pledge Agreement. The effect of this security interest will be to enable the Custodian, on enforcement, to sell the securities in the pledged account on behalf of the Trustee. The Euroclear Pledge Agreement will not entitle the Trustee to require delivery of the relevant securities from the depositary or depositaries that have physical custody of such securities or allow the Trustee to rehypothecate such securities. Under the Euroclear Pledge Agreement, the Issuer and each of the Secured Parties agree that the Trustee shall be a joint creditor (together with the relevant Secured Party) (or its corresponding law concept under Belgian law ("*actieve hoofdelijkheid*"/ "*solidarité active*") of each and every obligation of the Issuer towards each of the Secured Parties under each Transaction Document and that accordingly the Trustee will have its own independent right to demand performance by the Issuer of its obligations.

10. The Accounts

Collection Accounts

All distributions on the Collateral Debt Securities and Eligible Investments and any proceeds received from the sale of any such Collateral Debt Securities and Eligible Investments to the extent such distributions or proceeds constitute Interest Proceeds (unless simultaneously used to purchase Eligible Investments) and any other Interest Proceeds will be remitted to an account designated the Interest Proceeds Account with the Account Bank and established in the name of the Issuer with account number 24934109, pursuant to Clause 4.2 of the Collateral Management and Advice Agreement and Clause 6 of the Agency Agreement (the "**Interest Proceeds Account**").

All distributions on the Collateral Debt Securities and Eligible Investments, all amounts drawn under the Issuer Liquidity Agreement and any proceeds received from the sale or liquidation of any such Collateral Debt Securities and Eligible Investments to the extent such distributions or proceeds constitute Principal Proceeds (unless simultaneously reinvested in Collateral Debt Securities or Eligible Investments) and any other Principal Proceeds will be remitted to an account established at the Account Bank in the name of the Issuer with account number 24934110 and maintained under the Collateral Management and Advice Agreement by the Collateral Administrator (on behalf of the Issuer) (the "**Principal Proceeds Account**" and, together with the Interest Proceeds Account, the "**Collection Accounts**").

The Collection Accounts will be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment" and for the acquisition of Collateral Debt Securities and Eligible Investments under the circumstances and in accordance with the requirements described herein and in the Collateral Management and Advice Agreement. Amounts constituting Interest Proceeds may also be withdrawn from the Interest Proceeds Account and Principal Proceeds may also be withdrawn from the Principal Proceeds Account, in each case, in connection with an optional redemption of the Notes as described in Condition 6. All Mortgaged Property deposited from time to time in the Interest Proceeds Account and the Principal Proceeds Account pursuant to the Collateral Management and Advice Agreement shall be held by the Trustee as part of the Mortgaged Property and shall be applied for the purposes provided herein and in the Collateral Management and Advice Agreement. The Collateral Administrator (on behalf of the Issuer) agrees to give the Trustee and the Account Bank immediate notice if either Collection Account or any funds on deposit therein, or otherwise to the credit of either Collection Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuer shall not have any equitable or beneficial interest in either Collection Account other than in the order of priority set forth above under "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment".

Amounts received in the Collection Accounts during a Due Period and not otherwise invested in Collateral Debt Securities and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment" may be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Determination Date. All such proceeds will be retained in the Collection Accounts pending reinvestment (in the case of Principal Proceeds) in Collateral Debt Securities during the Reinvestment Period (save for any Suspension Period), or otherwise in Eligible Securities in accordance with the Portfolio Criteria or to make extensions of credit in respect of Collateral Debt Securities pursuant to contracts entered into during the Reinvestment Period or used as otherwise permitted under the Collateral Management and Advice Agreement. (See "Description of the Portfolio and Other Mortgaged Property - Portfolio Criteria").

The Account Bank shall on the Closing Date and at all times thereafter be a financial institution whose ratings satisfy the Required Ratings. In the event that the ratings of the Account Bank fall below the Required Ratings at any time or are withdrawn, the Account Bank shall notify the Issuer, the Trustee, the Principal Paying Agent, the Collateral Manager and the Collateral Administrator, and shall as soon as practicable thereafter, with the consent of the Trustee (such consent not to be unreasonably withheld), at its own expense, use its reasonable endeavours, within 30 days of such downgrade or withdrawal, to procure the appointment of a replacement Account Bank satisfying the Required Rating.

"**Eligible Investments**" include any Sterling-denominated investment that, at the time it becomes Mortgaged Property pursuant to the Trust Deed, is one or more of the following obligations or securities:

(i) cash;

(ii) direct obligations of, and obligations the timely payment of principal of and interest on which is fully and expressly guaranteed by, the United Kingdom or any agency or instrumentality of the United Kingdom the obligations of which are expressly backed by the full faith and credit of the United Kingdom;

(iii) demand and time deposits in, certificates of deposit of, or bankers' acceptances payable within 30 days of issuance by, any depositary institution or trust company incorporated under the laws of the United Kingdom and subject to supervision and examination by governmental banking authorities so long as the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "AAA" by Fitch, and S&P and "Aaa" by Moody's, in the case of long-term debt obligations, or "F1" by Fitch, "A-1" by S&P and "P-1" by Moody's, in the case of commercial paper and short debt obligations;

(iv) unleveraged repurchase obligations with respect to (a) any security described in clause (ii) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United Kingdom (in each case without regard to the stated maturity of such security), in either case entered into with a depositary institution or trust company (acting as principal) described in clause (iii) above or entered into with a corporation (acting as principal) whose long-term rating is not less than "AAA" by Fitch and S&P and "Aaa" by Moody's or whose short-term credit rating is "F1" by Fitch and "A-1+" by S&P and "P-1" by Moody's;

(v) debt securities (other than mortgage-backed securities) bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United Kingdom that have a credit rating of not less than "F1" by Fitch and "A-1+" by S&P and "P-1" by Moody's;

(vi) commercial paper or other short-term obligations with a maturity of not more than 30 days from the date of issuance and having at the time of such investment a short term credit rating of "F1" by Fitch and "A-1" by S&P and "P-1" by Moody's;

(vii) reinvestment agreements issued by any bank (if treated as a deposit by such bank) or reinvestment agreements issued by any insurance company or other corporation or entity organised under the laws of the United Kingdom (if treated by the issuer thereof as debt for tax purposes), in each case, the payments from which are not subject to withholding tax and the issuer of which has a short-term credit rating of not less than "F1" by Fitch and "A-1+" by S&P and "P-1" by Moody's; and

(viii) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Fitch and a credit rating of "AAAm" by S&P and a credit rating of "MR1+" by Moody's; *provided* that (x) the mere ownership of such investment will not subject the Issuer to net income tax in any jurisdiction where it would not otherwise be subject to tax and (y) no amount earned by the Issuer with respect to such investment will be subject to withholding tax;

and, in each case, with a stated maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the following Determination Date; *provided* that Eligible

Investments may not include any interest-only security, any security purchased at a price in excess of 100 per cent. of the par value thereof or any security the repayment of which is subject to material non-credit related risk as determined in the sole judgement of the Collateral Adviser or any investment under any of paragraphs (i) to (viii) above which could give rise to a charge to stamp duty or stamp duty reserve tax in the United Kingdom on acquisition and, provided however that Eligible Investments may not include any security whose S&P Rating includes an "r" or "t" subscript and any security that is subject to withholding or similar taxes without gross-up to compensate fully for such taxes and provided, further, that in the case of commercial paper, short-term debt obligations or securities with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AAA" by Fitch and S&P and "Aaa" by Moody's.

Payment Account

On or prior to the Business Day prior to each Payment Date, the Collateral Administrator, on behalf of Issuer will deposit into a payment account established with the Account Bank in the name of the Issuer with account number 24934111, pursuant to Clause 4.4 of the Collateral Management and Advice Agreement and Clause 6 of the Agency Agreement (the "**Payment Account**") for the benefit of the Secured Parties all funds in the Collection Accounts (other than (i) proceeds received after the end of the Due Period with respect to such Payment Date and (ii) amounts that the Issuer is entitled to reinvest in accordance with the Portfolio Criteria and which satisfy the definition of a "Collateral Debt Security" or "Eligible Investment", as the case may be, which may be retained in the Collection Accounts for subsequent reinvestment, if the Issuer so elects as set forth in the Collateral Management and Advice Agreement), required for payments to holders of the Notes and payments of other fees and expenses in accordance with the priority described under "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment". Upon receipt of such deposit and on such Payment Date, the Collateral Administrator, acting on behalf of the Issuer (and on the basis of the Monthly Report), shall disburse such amounts in accordance with Conditions 2(c)(i), 2(c)(v) and 2(c)(vi).

The only permitted withdrawals from or application of funds on deposit in, or otherwise standing to the credit of the Payment Account, shall be those specified in Clause 6.4 of the Agency Agreement.

If the Trustee enforces the security over the Mortgaged Property, the net proceeds of such enforcement shall be credited to the Payment Account or such other account as the holders of the Class of Notes entitled to direct the Trustee with respect to enforcement (as described in Condition 10(b)) shall designate to the Trustee and shall be distributed in accordance with the Enforcement Priority of Payments to the extent not otherwise paid.

Expense Account

On or prior to the Closing Date, an amount at least equal to £870,000 (which amount shall be deducted from the gross sale proceeds of the Notes) will be deposited by the Collateral Administrator (on behalf of the Issuer) into an account established and designated the expense account with the Account Bank in the name of the Issuer with account number 24934112, pursuant to Clause 4.5 of the Collateral Management and Advice Agreement and Clause 6 of the Agency Agreement (the "**Expense Account**") for the benefit of the Secured Parties. The only permitted withdrawals from or application of funds on deposit in or otherwise standing to the credit of the Expense Account shall be those specified in Clause 6.5 of the Agency Agreement. On each Payment Date, to the extent that funds are available for such purpose in accordance with the Priorities of Payments and subject to the limitation set forth in paragraph 2(c)(i)(Q) under "Conditions of the Notes – Status and Pre-Enforcement Priorities of Payment", the Collateral Administrator (on behalf of the Issuer) will procure the deposit into the Expense Account of an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal £30,000. Thereafter, the Account Bank shall transfer to the Expense Account from the Payment Account amounts required to be deposited therein pursuant to the Priorities of Payments and in accordance with the calculations and the instructions contained in each Monthly Report prepared by the Collateral Administrator pursuant to Clause 3.2 of the Collateral Management and Advice Agreement. All funds on deposit in the Expense Account during a Due Period and amounts received in prior Due Periods and retained in the Expense Account to the extent not applied from the Collection Accounts will be invested in Eligible Investments which are demand and time deposits. All interest and other income from such investments shall be deposited in the Expense Account and any gain realised from such investment shall be credited to the Expense Account. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Account Bank to the Payment Account for application pursuant to Condition 2 as Interest Proceeds on the immediately following Payment Date.

Unused Proceeds Account

On or prior to the Closing Date, the Collateral Administrator (acting on behalf of the Issuer) shall establish an account with the Account Bank in the name of the Issuer with account number 24934113 and maintained by the Collateral Administrator (on behalf of the Issuer) for the benefit of the Secured Parties in accordance with Clause 4.3 of the Collateral Management and Advice Agreement and Clause 6 of the Agency Agreement (the "**Unused Proceeds Account)**. The Collateral Administrator (on behalf of the Issuer) shall procure that the following amounts are paid into the Unused Proceeds Account pursuant to the Agency Agreement:

(A) the net proceeds of issuance of the Notes, to the extent not otherwise applied on the Closing Date;

(B) any amounts received by the Issuer under the Warehousing Arrangements after the Closing Date relating to the acquisition of the Initial Collateral Debt Securities; and

(C) the net issue proceeds of any further issue of Notes during the Reinvestment Period pursuant to Condition 16.

The Collateral Administrator (acting on behalf of the Issuer) shall procure payment of the following amounts (and shall ensure that payment of no other amount is made) out of the Unused Proceeds Account during the Reinvestment Period pursuant to the Collateral Management and Advice Agreement:

(1) at any time up to but excluding the last day of the Reinvestment Period (save for any Suspension Period) in accordance with the terms of, and to the extent permitted under the Collateral Management and Advice Agreement, in payment of amounts in connection with the acquisition of or entry into Collateral Debt Securities, to the extent applicable;

(2) at any time, amounts (if any) payable by the Issuer under the Warehousing Arrangements after the Closing Date and relating to the acquisition of the Initial Collateral Debt Securities; and

(3) in the event of a Rating Event, amounts shall be transferred to the Payment Account on or before the Payment Date immediately following a Rating Event, solely for the purpose of reinstating such rating, in accordance with paragraph (R) of the Interest Proceeds Priority of Payments.

The Account Bank shall transfer, on the last day of the Reinvestment Period, the Balance (if any) standing to the credit of the Unused Proceeds Account (except for accrued interest which will be transferred to the Interest Proceeds Account) to the Principal Proceeds Account and will close the Unused Proceeds Account.

The Senior Exchangeable Notes Interest Account, the Class D-1 Sterling Interest Account, Class D-2 Sterling Interest Account, the Class D-2 Euro Interest Account and the Currency Swap Termination Account

The Collateral Administrator (on behalf of the Issuer) will procure that the amounts (if any) as described in Condition 5(k) are paid from the Senior Exchangeable Notes Interest Account, the Class D-1 Sterling Interest Account, the Class D-2 Sterling Interest Account, the Class D-2 Euro Interest Account and the Currency Swap Termination Account on the Additional Payment Date.

The Account Bank shall immediately, after the Additional Payments pursuant to Condition 5(k) have been made, close and terminate each of the Senior Exchangeable Notes Interest Account, the Class D-1 Sterling Interest Account, the Class D-2 Sterling Interest Account, the Class D-2 Euro Interest Account and the Currency Swap Termination Account.

THE COLLATERAL MANAGER, THE COLLATERAL ADVISER, AND THE COLLATERAL MANAGEMENT AND ADVICE AGREEMENT

Pursuant to a collateral management and advice agreement dated as of the Closing Date (the "**Collateral Management and Advice Agreement**") between *inter alios*, the Issuer and CIBC World Markets plc (the "**Collateral Manager**") and Hypo Real Estate Bank AG (the "**Collateral Adviser**"), the Collateral Manager will act as Collateral Manager for the Issuer and the Collateral Adviser will act as Collateral Adviser for the Issuer.

Pursuant to the Collateral Management and Advice Agreement, the Collateral Manager will be responsible for verifying the Collateral Debt Securities and the Eligible Investments, including executing the purchase and sale of Collateral Debt Securities and Eligible Investments, and in respect of the Collateral Debt Securities, in accordance with the Portfolio Criteria and, if appropriate, negotiating the terms of any amendment to the Issuer Liquidity Agreement (as amended and/or supplemented from time to time), subject to compliance with the applicable provisions of the Trust Deed and the Collateral Management and Advice Agreement. Pursuant to the Collateral Management and Advice Agreement, the Collateral Manager will have all authority and powers as are reasonably incidental to the performance of its obligations thereunder. Pursuant to the Collateral Management and Advice Agreement, the Collateral Adviser will render advice and make proposals to the Issuer (copied to the Collateral Manager) as to the selection, acquisition, sale or liquidation of the Collateral Debt Securities and Eligible Investments and the exercise of rights and remedies associated therewith. The Collateral Manager (with the assistance of the Collateral Administrator), shall verify (i) in the case of an acquisition proposed by the Collateral Adviser constituting a Collateral Debt Security that the relevant proposed security falls within the definition of "Collateral Debt Securities" and that the Portfolio Criteria will be satisfied on the date such Collateral Debt Security becomes subject to the security constituted under the Trust Deed and (ii) in the case of any investment proposed by the Collateral Adviser constituting an Eligible Investment, that such proposed investment falls within the definition of "Eligible Investments", and upon such verification shall execute the purchase. The Collateral Adviser shall use reasonable efforts to provide the Issuer (with notice to the Trustee, the Collateral Manager and the Collateral Administrator) with supporting information in respect of such proposed Collateral Debt Security or Eligible Investment (including, without limitation, the offering memorandum or similar document or trustee or other performance report available in respect of the relevant proposed Collateral Debt Security or Eligible Investment). The Issuer upon being given notice by the Collateral Manager shall notify the Class E Noteholders (including holders of such Combination Notes which include a Class E Component) at least five Business Days prior to the selection or acquisition of any Collateral Debt Security or Eligible Investment where (i) the Collateral Adviser or any of its Affiliates has acted as dealer or arranger in the issuance of such Collateral Debt Security or Eligible Investment, (ii) it is a Principal Transaction, a Client Cross Transaction or an Agency Cross Transaction, or (iii) the Collateral Debt Security is a Non-Conforming Security. Any such proposed selection or acquisition referred to in (i) to (iii) above shall first be approved by all of the Class E Noteholders (including holders of such Combination Notes which include a Class E Component).

Except as otherwise expressly permitted or required by the Collateral Management and Advice Agreement, the Trust Deed and the Euroclear Pledge Agreement, the Collateral Manager will not be authorised to liquidate any Collateral Debt Security or any Eligible Investment or amend the terms of the Issuer Liquidity Agreement (as amended or supplemented from time to time); *provided that*, subject to satisfaction of any applicable conditions set out in Clause 2.4 of the Collateral Management and Advice Agreement, and so long as no Event of Default has occurred and is continuing, the Collateral Manager (if so advised by the Collateral Adviser and in accordance with such advice), acting on behalf of the Issuer:

(1) may sell or procure the sale of any Defaulted Security;

(2) may sell or procure the sale of any Credit Risk Security;

(3) may sell or procure the sale during the Reinvestment Period, of any Credit Improved Security; and

(4) may sell or procure the sale of any Synthetic Security Issuer Defaulted Obligation;

The Collateral Manager, on behalf of the Issuer, may if so advised and in accordance with the advice of the Collateral Adviser sell any Collateral Debt Security during the Reinvestment Period which is not a Credit Improved Security, a Credit Risk Security or a Defaulted Security or a Synthetic Security Issuer Defaulted Obligation (which are permitted to be sold in the circumstances described in the Collateral Management and Advice Agreement) and reinvest the Sale Proceeds thereof in additional Collateral Debt Securities or invest in Eligible Investments pending such reinvestment. Such sale and reinvestment being subject to:

(a) the Collateral Manager not having received notification or not having actual knowledge that an Event of Default having occurred which is continuing;

(b) the ratings assigned to the Class A-1 Notes not having been reduced by one or more rating sub-categories or not having been withdrawn by Fitch or S&P or Moody's;

(c) the Collateral Manager (acting on behalf of the Issuer and upon the advice of the Collateral Adviser) using all reasonable efforts to reinvest the Sale Proceeds of the Collateral Debt Securities in additional Collateral Debt Securities within 45 Business Days of the sale thereof;

(d) the Collateral Administrator certifying to the Collateral Manager that:

    (i) the Aggregate Principal Balance of all sales of Collateral Debt Securities (excluding any Credit Improved Securities, Credit Risk Securities, Defaulted Securities or Synthetic Security Issuer Defaulted Obligations) sold in any year (each such year being a year from, but excluding, the Closing Date or, as the case may be an anniversary thereof, to, but excluding, the next succeeding anniversary thereof) when aggregated with the Principal Balances of the Collateral Debt Securities (excluding any Credit Improved Securities, Credit Risk Securities, Defaulted Securities or Synthetic Security Issuer Defaulted Obligations) to be sold in such year (i) does not exceed 15 per cent. of the Aggregate Principal Balance of the Collateral Debt Securities as at the beginning of such year (and, with respect to the year 2003, the Closing Date) and (ii) does not exceed 50 per cent. of the Aggregate Principal Balance during the Reinvestment Period; and

(e) the Collateral Manager's reasonable belief that the Portfolio Criteria will be satisfied upon such sale and reinvestment; and

(f) the Collateral Manager having received advice from the Collateral Adviser that the Sale Proceeds of the Collateral Debt Securities sold can be reinvested in Collateral Debt Securities with a purchase price equal to or greater than the purchase price of the Collateral Debt Security being sold.

For a description of the Collateral Manager’s rights and obligations in respect of the purchase and sale from time to time of Collateral Debt Securities, please see "Description of the Portfolio and Other Mortgaged Property – Sale and Reinvestment of Collateral Debt Securities and Eligible Investments".

So long as no Equity Event has occurred and is continuing, unless holders of more than the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) have delivered a notice to the Collateral Manager permanently releasing the Collateral Manager from certain of its obligations under the Trust Deed and the Collateral Management and Advice Agreement, the Collateral Manager will not exercise and will refrain from exercising any voting rights, or remedies, with respect to any Collateral Debt Security or Eligible Investment under the Collateral Management and Advice Agreement without first seeking the recommendation of the holders of the Majority of the Principal Amount Outstanding of the Class E Notes (including holders of the relevant Components of the Combination Notes). An "**Equity Event**" is defined in the Master Interpretation and Construction Schedule to mean that the Class E Book Value Amount (also as defined in the Master Interpretation and Construction Schedule) is less than £0. Any determination of whether an Equity Event has occurred and is continuing shall be made by the Collateral Manager in good faith.

Purchasers of the Notes will be dependent upon the judgement and the ability of the holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes), as to the exercise of any voting rights or remedies with respect to the Collateral Debt Securities and Eligible Investments. No assurance can be given that the Collateral Adviser will render appropriate advice to the Issuer as to suitable investments (or that such advice will permit the Issuer to obtain investments originated on terms and conditions similar to the origination terms applicable to investments acquired on the Closing Date) or that, if such investments are made, the objectives of the Issuer will be achieved or that the judgement of the holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) as to the exercise of any voting rights or remedies will lead to the best result in the circumstances.

As compensation for the performance of its obligations under the Collateral Management and Advice Agreement, the Collateral Manager is entitled to receive a fee (inclusive of value added tax or other similar tax) (the "**Collateral Management Fee**"), payable on each Payment Date, in accordance with the Priorities of Payments. The Collateral Management Fee will be equal to a fraction, the numerator of which is the actual number of days in such Due Period and the denominator of which is 365 multiplied by the greater of (a) £100,000 and (b) 0.0667 per cent. of the Aggregate Principal Amount Outstanding on the first day of the Due Period to which such Payment Date relates, payable by the Issuer in accordance with the Priorities of Payments. Any Collateral Management Fee accrued but not paid prior to the resignation or removal of the Collateral Manager or termination of the Collateral Management and Advice Agreement will continue to be payable to the Collateral Manager on the Payment Date immediately following the effectiveness of such resignation, removal or termination. On each Payment Date, the Collateral Adviser will be entitled to receive a fee (inclusive of value added tax or other similar tax) equal to a fraction, the numerator of which is the actual number of days in such Due Period and the denominator of which is 365 multiplied by the greater of (a) £130,000 and (b) 0.0867 per cent. of the Aggregate Principal Amount Outstanding on the first day of the Due Period to which such Payment Date relates, payable by the Issuer in accordance with the Priorities of Payments (the "**Collateral Adviser Fee**"). Any Collateral Adviser Fee accrued but not paid prior to the removal of the Collateral Adviser or termination of the Collateral Management and Advice Agreement will continue to be payable to the Collateral Adviser on the Payment Date immediately following the effectiveness of such removal or termination.

In the Collateral Management and Advice Agreement, each of the Collateral Manager and the Collateral Adviser, respectively, has agreed with the Issuer that it will perform its obligations under the Collateral Management and Advice Agreement, in accordance with its customary and usual administrative policies and procedures for its own portfolio of securities comparable to the Collateral Debt Securities (such standard of care, subject to the following provisos, is herein referred to as the "**Standard of Care**"). Such agreement provides that the Standard of Care will change from time to time to reflect changes by the Collateral Manager or the Collateral Adviser, as the case may be, to the customary and usual administrative policies and procedures applicable to its own portfolio of securities comparable to the Collateral Debt Securities.

The Issuer will indemnify and hold harmless the Collateral Manager, the Collateral Adviser, their respective Affiliates and each of their respective officers, directors, employees, representatives and agents of the Collateral Manager, the Collateral Adviser or any of their respective Affiliates (such parties collectively in such case, the "**Issuer Indemnified Parties**" and each an "**Issuer Indemnified Party**"), from and against any and all Liabilities insofar as such Liability resulted from (i) any material breach by the Issuer of its express duties or obligations under the Collateral Management and Advice Agreement, (ii) any material inaccuracy or misrepresentation in, or breach of, any of the warranties, representations, covenants or agreements made by the Issuer in the Collateral Management and Advice Agreement, (iii) any act or omission by the Issuer or any of its officers or directors constituting bad faith, negligence or wilful misconduct or (iv) the performance by such Issuer Indemnified Party of its obligations under the Collateral Management and Advice Agreement or any other Transaction Document, except for any Collateral Manager Breach or Collateral Adviser Breach (both as defined in the Collateral Management and Advice Agreement), and will reimburse each such Issuer Indemnified Party for all reasonable fees and expenses (including reasonable fees and expenses of counsel) (collectively, the "**Expenses**") as such Expenses are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation (collectively, the "**Actions**"), caused by, or arising out of or in connection with, the issuance of the Notes, the transactions contemplated by this Offering Memorandum, the Trust Deed or the Collateral Management and Advice Agreement, and/or any action taken by, or any failure to act by, such Issuer Indemnified Party. Notwithstanding anything contained in the Collateral Management and Advice Agreement to the contrary, the obligations of the Issuer under Clause 7 of that Agreement shall be payable solely out of the Mortgaged Property in accordance with the Priorities of Payments.

Subject to the conditions to termination, resignation or removal below, the Collateral Manager may resign upon 90 days' written notice to each of the Issuer, the Collateral Adviser, the Rating Agencies and the Trustee. For the avoidance of doubt, the Collateral Adviser may not resign from its obligations under the Collateral Management and Advice Agreement.

At any time after an Event of Default or Potential Event of Default shall have occurred and be continuing or the Notes shall otherwise have become due and repayable or the Trustee shall have received any money which it proposes to pay under Clause 9 of the Trust Deed to the Noteholders and/or holders of the Coupons (if any) the Trustee may, by notice in writing to the Issuer, Collateral Manager and the Collateral Adviser, terminate the appointment of the Collateral Adviser under this Agreement.

In addition, subject to the conditions to termination, resignation or removal below, the Issuer (and in the case of a termination of the appointment of the Collateral Adviser, the Issuer or the Collateral Manager on behalf of the Issuer) may after obtaining the consent of 66 $^{2}/_{3}$ per cent. of the holders of the Controlling Class and the Junior Class (including holders of the relevant Components of the Combination Notes if any), upon no less than 10 days' prior written notice from the Issuer to the Collateral Manager or the Collateral Adviser, as the case may be, terminate the appointment of such Collateral Manager or Collateral Adviser if: (i) a Basic Termination Event (as defined in the Master Interpretation Schedule) with respect to the Collateral Manager or Collateral Adviser shall have occurred and be continuing; or (ii) a Collateral Manager Termination Event (as defined in the Master Interpretation Schedule) or a Collateral Adviser Termination Event (as defined in the Master Interpretation Schedule) shall have occurred and be continuing. In addition, subject to the conditions to termination, resignation or removal below, the Issuer or the Collateral Manager (acting on behalf of the Issuer) may at any time without cause, after obtaining the consent of 75 per cent. of the holders of each Class of Notes, provided that, in such a case, any Class of Notes held by the Collateral Adviser or any of its Affiliates shall not be deemed Outstanding for purpose of exercising such right to direct the Issuer, upon no less than 10 days prior written notice from the Issuer to the Collateral Adviser terminate the appointment of the Collateral Adviser. In such events, (the fees payable to the Collateral Manager and Collateral Adviser shall be paid in accordance with Clause 9.3 of the Collateral Management and Advice Agreement.

No termination of the Collateral Management and Advice Agreement (save pursuant to Clause 13.1 thereof), and no removal, termination or resignation of the Collateral Manager or removal or termination of the Collateral Adviser under the Collateral Management and Advice Agreement will be effective (i) unless an Eligible Successor (as defined below) has agreed in writing to assume all of the Collateral Manager's or the Collateral Adviser's, as the case may be, duties and obligations under the Collateral Management and Advice Agreement, (ii) without not less than 10 days' prior written notice to the Rating Agencies and the Trustee, which notice shall specify the action proposed to be taken by the Issuer (and the Trustee shall promptly make a copy of such notice available to the Noteholders during normal business hours on each weekday (except Saturday, Sunday and public holidays) at the specified office of each Paying Agent) and (iii) unless such termination satisfies the Rating Agency Confirmation. An "**Eligible Successor**" shall mean an established institution that (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager or the Collateral Adviser, as the case may be, under the Collateral Management and Advice Agreement and with a substantially similar (or better) level of expertise, (ii) is legally qualified and has the capacity to act as Collateral Manager or the Collateral Adviser, as the case may be, and as successor to the Collateral Manager or the Collateral Adviser, as the case may be, under the Collateral Management and Advice Agreement in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager or the Collateral Adviser, as the case may be, under the Collateral Management and Advice Agreement and under the applicable terms of the Trust Deed, (iii) will perform its duties as Collateral Manager or Collateral Adviser, as the case may be, under such Agreement without causing the Issuer (or the Collateral Manager or Collateral Adviser on the Issuer's behalf) or any holder of any Notes to become subject to tax in any jurisdiction where such successor Collateral Manager or successor Collateral Adviser, as the case may be, is incorporated, established, doing business, has a permanent establishment or is otherwise considered tax resident, and (iv) has received the approval of the Issuer (after consultation with the Majority of holders of the Class E Notes), (including holders of the relevant Components of the Combination Notes) to become an Eligible Successor. The Issuer, the Trustee, the retiring Collateral Manager or the Collateral Adviser, as the case may be, and the Eligible Successor shall take such action consistent with the Collateral Management and Advice Agreement and the terms of the Trust Deed as shall be necessary to effect any such succession. No Affiliate of the Collateral Manager or the Collateral Adviser, as the case may be, shall be an Eligible Successor. If the Collateral Manager shall resign but an Eligible Successor shall not have assumed all of the Collateral Manager's duties and obligations within 60 days after such resignation by reason of an objection of the holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) as aforesaid, then the resigning Collateral Manager may petition any court of competent jurisdiction for the appointment of an Eligible Successor.

The Collateral Manager is not permitted to assign or delegate any of its obligations or duties under the Collateral Management and Advice Agreement (i) without not less than 10 days' prior written notice to the Rating Agencies and the Trustee and (ii) unless such assignment or delegation receives Rating Agency Confirmation. Pursuant to the Collateral Management and Advice Agreement such delegation releases the Collateral Manager from its duties or obligations thereunder, except with respect to its obligations arising under Clause 7 and Clause 14 of the Collateral Management and Advice Agreement prior to such assignment or delegation. The Collateral Adviser is not permitted to assign or delegate any of its obligations or rights under the Collateral Management and Advice Agreement without the prior written consent of the Issuer, the Collateral Manager and the holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes).

Pursuant to the Trust Deed, the Trustee is entitled to exercise the rights and remedies of the Issuer under the Collateral Management and Advice Agreement (a) upon the occurrence of an Event of Default until such time, if any, as such Event of Default is cured or waived, (b) upon the occurrence of an event specified in the Collateral Management and Advice Agreement pursuant to which the Issuer is entitled to remove the Collateral Manager or the Collateral Adviser or (c) upon the occurrence and continuation of a default in the performance, or breach, of any covenant, representation, warranty or other agreement of the Collateral Manager or Collateral Adviser under the Collateral Management and Advice Agreement or in any certificate or writing delivered pursuant thereto if (i) holders of the Majority of the Class E Notes (including holders of the relevant Components of the Combination Notes) give notice of such default or breach to the Trustee and the Collateral Manager and (ii) such default or breach (if remediable) continues for a period of 30 days thereafter.

Conflicts of Interest

For a detailed discussion of the various potential and actual conflicts of interest which may arise from the overall investment activities of the Collateral Manager, the Collateral Adviser and their respective Affiliates, please see "Risk Factors – Certain Conflicts of Interest".

Collateral Administration Agreement

Pursuant to the terms of the Collateral Administration Agreement, the Issuer will retain the Collateral Administrator, amongst other things, (a) monitor the Portfolio Database and the Mortgaged Property which is capable of being monitored on an ongoing basis and the collection of amounts received, (b) determine the amounts payable under the Trust Deed to the holders of each Class of Notes in accordance with the Priorities of Payments, (c) provide to the Issuer certain reports, schedules and other data (including but not limited to the Monthly Reports) which the Collateral Administrator is required to prepare and deliver under Clause 3 of the Collateral Management and Advice Agreement in the form and containing all information required thereunder and in reasonable time for the Issuer to review such reports, schedules and other data and to deliver them to the party or parties entitled to receive them thereunder on a timely basis, (d) perform certain other functions with respect to the Collateral Debt Securities as required pursuant to the Conditions, the Trust Deed or the other Transaction Documents and (e) monitor the levels of compliance in respect of the Portfolio Criteria. The ordinary fees and expenses and any related Extraordinary Administrative Expenses payable to the Collateral Administrator, the Trustee, the Account Bank and/or the Agents for such services will be payable by the Issuer in accordance with the Priorities of Payments specified above. See "Description of the Portfolio and Other Mortgaged Property – The Accounts – Expense Account". The Collateral Administration Agreement will be governed by, and construed in accordance with, the law of England.

Reporting Duties of the Collateral Administrator

Pursuant to the terms of the Collateral Management and Advice Agreement, the Collateral Administrator shall be responsible for the following:

1. Monthly Reports

Not later than the relevant Payment Date in the month when a Payment Date occurs and on the 20th calendar day of every other month, (unless such day is not a Business Day, in which case the report shall be made on the next following Business Day) (each such day a "**Report Date**"), commencing 20th January, 2004, the Collateral Administrator, in consultation with the Collateral Manager and, to the extent applicable or appropriate, the Collateral Adviser shall compile and provide to the Issuer at its registered office, the Rating Agencies, the Trustee, the Collateral Manager, the Collateral Adviser and the Paying Agents a monthly report (the "**Monthly Report**") which such report may be delivered by e-mail. Each Paying Agent shall as soon as is reasonably practicable, make such Monthly Reports available for collection by any Noteholder or prospective Noteholder at its specified office. The Monthly Report shall contain the following information with respect to the Mortgaged Property, determined as of the fifth Business Day prior to the relevant Payment Date (or, in the case of a month in which a Payment Date falls, the Determination Date) :

Portfolio:

(a) the Aggregate Principal Balance of all Collateral Debt Securities;

(b) the Principal Balance, interest rate, interest period, stated maturity, issuer and the Fitch Rating, S&P Rating and Moody's Rating (to the extent that each Rating is available), of each Collateral Debt Security (as to Collateral Debt Securities, grouped by a Rating and by a servicer) and Eligible Investments purchased with funds from the Principal Proceeds Account or the Unused Proceeds Account;

(c) the number of and identity of any Collateral Debt Securities and any Eligible Investments that were released for sale or liquidation (indicating the sale price or liquidation proceeds thereof and whether any such Collateral Debt Security is a Defaulted Security, Deferring Security, or a security which the Collateral Manager has designated as a Credit Improved Security, or Credit Risk Security or a Synthetic Security Issuer Defaulted Obligation) or which have become Mortgaged Property pursuant to the Trust Deed since the date of publication of the last Monthly Report, or in the case of the first Monthly Report, the Closing Date;

(d) the identity of each Collateral Debt Security which became a Defaulted Security or Deferring Security since the date of publication of the last Monthly Report, or in the case of the first Monthly Report, the Closing Date;

(e) the Aggregate Principal Balance of all Defaulted Securities, and the Aggregate Principal Balance and aggregate Calculation Amount of all Defaulted Securities and Deferring Securities;

(f) the Aggregate Principal Balance of all Collateral Debt Securities that have a Fitch Rating, a S&P Rating and a Moody's Rating of (A) "A-", "A-" or "A3" or higher, (B) between "BBB+", "BBB+" or "Baa1" and "BBB-","BBB-" or "Baa3" or (C) "BB+","BB+" or "Ba1" or lower;

(g) with respect to each Collateral Debt Security that is a Synthetic Security, (A) the Principal Balance thereof and (B) the rating (if any) of the long-term and short-term debt obligations (as applicable) of the related obligor of the Synthetic Security, (C) the rating of such Synthetic Security and (D) the Aggregate Principal Balance of all Collateral Debt Securities constituting Synthetic Securities acquired from such obligor and its Affiliates;

(h) the Aggregate Principal Balance of all Collateral Debt Securities constituting Non-Conforming Securities and individual size of each exposure;

(i) the Aggregate Principal Balance of all Collateral Debt Securities constituting RMBS;

(h) the Aggregate Principal Balance of all Collateral Debt Securities constituting CMBS (including breakdown of large loan and diversified);

(i) in respect of each obligor and each servicer, the Aggregate Principal Balance of all Collateral Debt Securities originated by such obligor or servicer, as the case may be, together with the corresponding Rating for such obligor or servicer and/or such Collateral Debt Securities;

(j) the number and identity of each Collateral Debt Security held by the Issuer on the last day of the Due Period most recently ended (indicating whether such Collateral Debt Security is a Defaulted Security, Deferring Security, or a security which the Collateral Manager has designated as a Credit Improved Security or Credit Risk Security or a Synthetic Security Issuer Defaulted Obligation; and

(k) for each Collateral Debt Security sold during the related Due Period, the amount, if any, by which the Sale Proceeds received by the Issuer in connection with such sale exceed the price at which the Issuer purchased such Collateral Debt Security.

Accounts:

(a) the Balance of all Eligible Investments and cash in each of the Interest Proceeds Account, the Principal Proceeds Account, the Unused Proceeds Account, the Payment Account and the Expense Account; and

(b) the nature, source and amount of any proceeds in the Collection Accounts, including Interest Proceeds, Principal Proceeds and Sale Proceeds, received since the date of publication of the last Monthly Report, or in the case of the first Monthly Report, the Closing Date.

Collateral Quality Tests:

(a) a calculation of the Overcollateralisation Ratio Test; and

(b) details of the results of each Collateral Quality Test and a statement as to whether each such test is satisfied.

Notes:

(a) in respect of a Report Date falling in the month when a Payment Date occurs, only (i) the Principal Amount Outstanding of the Notes of each Class and as a percentage of the original Principal Amount Outstanding of the Notes of such Class on the first day of the immediately preceding Interest Period (or in the case of the first Interest Period, the Closing Date), the portion of such Principal Amount Outstanding of the Senior Notes which is attributable to Defaulted Interest and the portion of such Principal Amount Outstanding of the Class A-2 Notes, Class B Notes and Mezzanine Notes (including the Components of the Combination Notes) which is attributable to Deferred Interest if any, the amount of principal payments to be made on the Notes of each Class on the relevant Payment Date (including the Components of the Combination Notes), (including in respect of any Defaulted Interest or any Deferred Interest thereon), and the Principal Amount Outstanding of the Notes of each Class and as a percentage of the original Principal Amount Outstanding of the Notes of such Class after giving effect to the principal payments, if any, on the relevant Payment Date; and

(b) in respect of a Report Date falling in the month when a Payment Date occurs only, the Interest Amounts payable to the holders of the Notes (in the aggregate and by Class including the Components of the Combination Notes) for the relevant Payment Date.

Payment Date Payments:

(a) the Extraordinary Administrative Expenses payable on the next Payment Date on an itemised basis;

(b) the amounts payable pursuant to Condition 2(c)(i), Condition 2(c)(v) and Condition 2(c)(vi) on the related Payment Date; and

(c) the Class A-1 Floating Rate of Interest, the Class A-2 Floating Rate of Interest, the Class B Floating Rate of Interest, the Class C Floating Rate of Interest and the Class D Floating Rate of Interest for the relevant Interest Period.

Accounts:

(a) in respect of a Report Date, falling in the month when a Payment Date occurs only, for the Interest Proceeds Account:

(i) the Balance on deposit in the Interest Proceeds Account at the end of the related Due Period;

(ii) the amounts payable from the Interest Proceeds Account pursuant to paragraphs (A) through (R) of Condition 2(c)(i) on the next Payment Date;

(iii) the Balance remaining in the Interest Proceeds Account immediately after all payments and deposits to be made on such Payment Date; and

(iv) the amount of any Defaulted Interest that may arise on the Senior Notes and the amount of Deferred Interest that may arise on the Class A-2 Notes, the Class B Notes and the Mezzanine Notes in respect of such Due Period;

(b) in respect of a Report Date falling in the month when a Payment Date occurs only, for the Principal Proceeds Account:

(i) the Balance on deposit in the Principal Proceeds Account at the end of the related Due Period;

(ii) the amounts (if any) payable from the Principal Proceeds Account pursuant to Conditions 2(c)(v) and 2(c)(vi) on the next Payment Date; and

(iii) the Balance (if any) remaining in the Principal Proceeds Account immediately after all payments and deposits to be made on such Payment Date.

General:

(a) the Balance on deposit in the Expense Account and the amount, if any, required to be transferred therefrom to pay amounts owing pursuant to subparagraphs (A), (B) and (D) of Condition 2(c)(i) of the Conditions;

(b) the Balance on deposit in the Unused Proceeds Account; and

(c) in respect of a Report Date falling in the month when a Payment Date occurs, the amount, if any, drawn down under the Issuer Liquidity Agreement to provide for payments under Condition 2(c)(i).

Each of these Monthly Reports shall be made publicly available at the specified office of the Luxembourg Paying Agent.

2. Publication of Amounts

Each of the Monthly Reports shall be made publicly available at the specified office of the Luxembourg Paying Agent on the relevant Report Date. The Collateral Administrator shall cause details of the amounts of interest and principal to be paid, in respect of the Notes to be notified to the Issuer at its registered office, the Trustee, each Paying Agent, the Collateral Adviser, the Collateral Manager, Euroclear and Clearstream, Luxembourg and the Luxembourg Stock Exchange by no later than 11.00 am (London time) on the Business Day following the applicable Determination Date and the Principal Paying Agent shall procure that details of such amounts are notified to the Noteholders of each Class in accordance with Condition 15 as soon as possible after notification thereof to the Principal Paying Agent in accordance with the above but in no event later than (to the extent applicable) the Business Day after the last day of the applicable Due Period.

3. Redemption Date Statements

Not less than five Business Days after receiving a request from the Issuer for information regarding a redemption of the Notes of a Class as of a proposed Redemption Date, the Collateral Administrator shall provide the following information (to the extent it is available) to the Paying Agents, the Issuer at its registered office, the Rating Agencies, the Collateral Manager, the Collateral Adviser and the Trustee (the "**Redemption Date Statement**"):

(i) the Principal Amount Outstanding of the Notes of the Class or Classes to be redeemed as of such Redemption Date;

(ii) the amount of accrued interest due on such Notes as of the last day of the Interest Period immediately preceding such Redemption Date; and

(iii) the amount of Deferred Interest (if any) which has not yet been paid on such Notes as of such Redemption Date.

TAX CONSIDERATIONS

General

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Note.

Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer or exercise of any Note should consult their own tax adviser. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority.

Cayman Islands Taxation

This summary is of a general nature and is included herein solely for information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their own tax advisers with respect to their particular circumstances and the effects of state, local or foreign laws to which they may be subject.

Under Cayman Islands laws at the date of this Offering Memorandum:

(a) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note or Coupon and gains derived from the sales of Notes or Coupons will not be subject to Cayman Islands tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(b) no stamp duty is payable in respect of the issue or transfer of the Notes, although duty may be payable if Notes are executed in or brought into the Cayman Islands.

STERLINGMAX I MBS LTD. has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor in Council of the Cayman Islands in the following form:

"THE TAX CONCESSIONS LAW

(1999 REVISION)

UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Council undertakes with:-

STERLINGMAX I MBS LTD. ("the Company")

(a) that no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable

(i) on or in respect of the shares debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The concessions shall be for a period of TWENTY years from the 12th day of November 2002.

GOVERNOR IN COUNCIL"

Jersey

STERLINGMAX I MBS LTD. is deemed to be tax resident in Jersey by virtue of having board level control in Jersey. As a result, STERLINGMAX I MBS LTD. has applied for and has been or may be expected to be granted exempt company status. Jersey law provides that an exempt company shall be:

(i) treated for all purposes of the income tax law as not resident in Jersey; and

(ii) exempt from income tax on the profits of a trade, unless that trade is carried on through "an established place of business" in Jersey.

Holders of any Note or Coupon (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, sale or other disposition of such Note or Coupon. Interest on the Notes may be paid by STERLINGMAX I MBS LTD., without withholding or deduction for or on account of Jersey income tax.

To maintain exempt company status, the STERLINGMAX I MBS LTD. must make an annual filing electing such status and pay an exempt company fee currently levied at £600 per annum. The Administrator in Jersey has agreed to make such filing and payment annually so as to maintain such exempt company status. In addition, STERLINGMAX I MBS LTD. is prohibited from offering or selling securities to be purchased or held by persons resident for income tax purposes in Jersey.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposition of Notes.

EU Savings Directive

On 3rd June 2003, the European Council of Economics and Finance Ministers adopted a Directive regarding the taxation of savings income under which Member States will be required from a date not earlier than 1st January, 2005 to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid to a person within its jurisdiction to an individual resident in another Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during such 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.

SUBSCRIPTION AND SALE

Subject to the terms and conditions set out in the Notes Purchase Agreement , the Issuer has agreed to sell and the Purchasers (as defined therein) have agreed to purchase £64,450,000 in principal amount of the Class A-1 Notes, provided however, that the Class A-1 Notes will be issued at any time and from time to time to the extent required as described in the Notes Purchase Agreement during the Class A-1 Drawdown Period, £1,050,000 of the Class E-2 Notes on the Closing Date and £12,000,000 in principal amount of the Class F-1 Combination Notes on the Closing Date. The Notes Purchase Agreement is subject to certain conditions precedent and the Parties to the Notes Purchase Agreement are entitled to terminate the Notes Purchase Agreement if any of the conditions therein are not satisfied on or prior to the Closing Date.

The Class A-2 Notes in a principal amount equal to £52,550,000, the Class B Notes in a principal amount equal to £1,950,000 and the Class F-3 Combination Notes in a principal amount equal to £6,000,000 shall be exchanged in whole and not in part for the Class A-1 Exchangeable Notes on the Closing Date and an additional amount of £500,000 will be paid to the Issuer in respect of such exchange.

The Class F-1 Combination Notes in principal amount equal to £6,800,000 shall be exchanged for the Class D-1 Exchangeable Notes on the Closing Date.

The Class F-2 Combination Notes in principal amount equal to £7,000,000 shall be exchanged in whole and not in part for the Class D-2 Exchangeable Notes on the Closing Date.

United States of America

The Notes have not been and will not be registered under the Securities Act and the Issuer will not be registered under the Investment Company Act. Accordingly, subject to certain exceptions when certain transactions are exempt from the registration requirements of the Securities Act, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US Persons.

The Arranger has represented that it has not offered and sold the Notes, and agreed that it will not offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 calendar days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, US persons. In addition, the Arranger has represented and agreed that it will have sent to each prospective purchaser 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are in bearer form and are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

In addition, until the later of 40 calendar days after the commencement of the Offering and the Closing Date, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

"**United States person**" means persons that are citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United

States Federal income taxation regardless of its source and "**United States persons**" and "**United States person(s)**" and "**US person(s)**" shall be construed accordingly;

United Kingdom

The Arranger has represented and agreed with the Issuer in the Notes Purchase Agreement that:

(i) it has not offered or sold and shall not offer or sell prior to six months after their date of issue, any Notes, having a legal maturity of one year or greater, to persons in the United Kingdom, except to persons whose ordinary activities involve them in 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);

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and

(iii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

No invitation may be made, directly or indirectly, to the public in the Cayman Islands to subscribe for any of the Notes unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange.

Jersey

The Arranger has represented and agreed in the Notes Purchase Agreement that (i) it has not offered or sold, and will not offer or sell, any Notes to any person resident for income tax purposes in Jersey; (ii) no prospectus, explanatory memorandum or other invitation offering the Notes for subscription sale or exchange at any time has been or will be issued by it on behalf of the Issuer to any person other than a financial institution, dealer or market maker, and (iii) it will not make any offering of the Notes at any time in circumstances which could constitute the circulation of a prospectus within the meaning of Article 29 of the Companies (Jersey) Law 1991 by the relevant Issuer.

Germany

In connection with the initial placement of any Notes in Germany, the Arranger has agreed in the Notes Purchase Agreement that such Notes will not be offered for sale (i) unless otherwise provided in the relevant subscription agreement or the applicable pricing supplement in the case of an issue made on a syndicated basis, only for an aggregate purchase price per purchaser of at least EUR 40,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

General

The Arranger has represented and agreed in the Notes Purchase Agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Memorandum or any supplement hereto and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Issuer nor the Arranger represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

The Arranger has agreed with the Issuer that it will only offer, sell or transfer the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes in denominations of £50,000 and the Class F-1 Combination Notes in the denomination of £3,400,000, the Class F-2 Combination Notes in the denomination of £7,000,000 and the Class F-3 Combination Notes in the denomination of £600,000.

No action has been taken by the Issuer or the Arranger 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, the Arranger 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 Memorandum 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 applicable laws and regulations.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

The Issuer (or the Collateral Manager acting on its behalf) may purchase Collateral Debt Securities from the Collateral Adviser to the extent that it determines that such purchases are consistent with the Portfolio Criteria, the restrictions contained in the Trust Deed and applicable law. In any event, all purchases of Collateral Debt Securities from the Collateral Adviser or any of its Affiliates will be on an arm's-length basis.

The Arranger and its Affiliates may also act as counterparty with respect to one or more Synthetic Securities. Canadian Imperial Bank of Commerce, an Affiliate of the Arranger, will be the Liquidity Lender.

LISTING AND GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes, the Transaction Documents and the Administration Agreement and the creation and operation of the security comprised in the Trust Deed (together, the "**Transaction Agreements**"). The issue of the Notes, the creation of the security relating thereto and the entry into of the Transaction Documents and the other relevant documents to which it is a party was authorised by a resolution of the Board of Directors of the Issuer passed on 20th November, 2003.

2. Application has been made to list the Notes on the Luxembourg Stock Exchange. Prior to the listing of the Notes on the Luxembourg Stock Exchange a legal notice relating to the issue and a copy of the Memorandum and Articles of Association of the Issuer will have been filed with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg)* (where a copy of such notice and of such Memorandum and Articles of Association may be examined and copies obtained by the public).

3. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Stock Exchange shall so require, copies of the Transaction Documents and articles of incorporation will be available for inspection and collection free of charge, during usual business hours, at the offices of the Luxembourg Paying Agent referred to in paragraph 7 below and at the registered office of the Issuer.

4. The Issuer was incorporated in the Cayman Islands on 12th November, 2002.

5. Save as disclosed herein under "The Issuer - Activities Since Formation"; since the date of its formation, there has been no material adverse change, or any development reasonably likely to involve any material change, in the condition (financial or otherwise) of the Issuer.

6. No legal or arbitration proceedings are pending or threatened against the Issuer, nor has the Issuer been involved with any legal or arbitration proceedings, which may have had since its formation a significant effect on its financial position.

7. The Issuer has appointed J.P. Morgan Bank Luxembourg S.A., whose specified office is, at the date hereof, at 5, rue Plaetis, L-2338 Luxembourg, as its Paying Agent in Luxembourg. For so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will maintain a Paying Agent in Luxembourg.

8. For so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices to the Noteholders shall be published in a leading newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort* or the *Tageblatt*.

9. Each Monthly Report shall be publicly available at the specified office of the Luxembourg Paying Agent, commencing on or around 20th January, 2004.

10. The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. As of the date of issuance, the Class E-1 Notes and the Class E-2 Notes shall be allocated a temporary ISIN, Common Code and WKN numbers until the Additional Payment Date. After such date, the Class E-1 Notes and the Class E-2 Notes shall become fungible and form a single Class of Class E Notes and shall be allocated the ISIN, Common Code and WKN numbers, applicable to the Class E Notes.

The international securities identification numbers (ISINs), common codes and WKN numbers allocated to the Notes are as follows:

	TEMPORARY ISIN	**TEMPORARY COMMON CODE**	**TEMPORARY WKN**
CLASS E-1 NOTES	XS0177868816	017786881	908740
CLASS E-2 NOTES	XS0177869111	017786911	908741

Class	**ISIN**	**Common Code**	**WKN**
A-1	XS0177867255	017786725	908735
A-2	XS0177867503	017786750	908736
B	XS0177868063	017786806	908737
C	XS0177868220	017786822	908738
D	XS0177868576	017786857	908739
E	XS0180953514	018095351	816739
F-1 Combination	XS0177869202	017786920	908742
F-2 Combination	XS0177869384	017786938	908758
F-3 Combination	XS0177869467	017786946	908759

11. Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange provides that the Notes must be freely transferable. Accordingly, no transactions made on the Luxembourg Stock Exchange may be cancelled.

INDEX OF DEFINED TERMS

Following is an index of defined terms used in this Offering Memorandum and the page number where each definition appears.

PRINCIPAL OFFICES OF THE ISSUER

STERLINGMAX I MBS LTD.
P.O. Box 1093 GT
Queensgate House,
South Church Street
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PAYING AGENT, CUSTODIAN, COLLATERAL ADMINISTRATOR AND ACCOUNT BANK

JPMorgan Chase Bank
Trinity Tower
9 Thomas More Street
London E1W 1YT

TRUSTEE

J.P. Morgan Corporate Trustee Services Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT

LISTING AGENT AND LUXEMBOURG PAYING AGENT

J. P. Morgan Bank, Luxembourg S.A.
5 rue Plaetis
L-2338 Luxembourg

ARRANGER AND COLLATERAL MANAGER

CIBC World Markets plc
Cottons Centre
Cottons Lane
London SE1 2QL

COLLATERAL ADVISER

Hypo Real Estate Bank AG
Florianstraße 1
44139 Dortmund
Germany

LEGAL ADVISERS

To the Issuer
as to Cayman Islands Law

Maples and Calder Europe
7 Princes Street
London
EC2R 8AQ

To the Arranger, the Issuer
and the Collateral Manager
as to English Law

Allen & Overy
One New Change
London EC4M 9QQ

To the Trustee and the Collateral Administrator
as to English Law

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

ICM:703987.6