

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THE FOLLOWING APPLIES TO THE PRELIMINARY OFFERING MEMORANDUM FOLLOWING THIS PAGE AND YOU ARE THEREFORE ADVISED TO READ THIS CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PRELIMINARY OFFERING MEMORANDUM. IN ACCESSING THE PRELIMINARY OFFERING MEMORANDUM, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS PRELIMINARY OFFERING MEMORANDUM HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THIS PRELIMINARY OFFERING MEMORANDUM MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THIS PRELIMINARY OFFERING MEMORANDUM, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THIS PRELIMINARY OFFERING MEMORANDUM BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS EMAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This Preliminary Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Clavis 2006-1 NIM plc (the “**Issuer**”), Macquarie Bank Limited, London Branch (“**Arranger**”), nor any person who controls any such person nor any director, officer, employee or agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the preliminary Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from Macquarie Bank Limited, London Branch.

Clavis 2006-1 NIM plc

(incorporated as a public limited company under the laws of England and Wales)

£10,000,000 Asset Backed Variable Coupon Notes due 2039

Clavis 2006-1 NIM plc (the “**Issuer**”) will issue £10,000,000 Asset Backed Variable Coupon Notes due 2039 (the “**Notes**”) under the terms and conditions set forth in this offering memorandum (the “**Offering Memorandum**”). Capitalised terms used and not defined in any section of this Offering Memorandum will have the meanings ascribed to them elsewhere in this Offering Memorandum.

The Notes and the Coupons (if any) will be secured by: (i) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Deed of Assignment and Accession, and all its rights, title, interest and benefit (present and future) in the Charged Assets assigned to it by Basinghall thereunder, including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder; (ii) an assignment by way of security of the Issuer's rights to all funds held from time to time by the Principal Paying Agent to meet payments due under the Notes and the Coupons (if any); (iii) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Agency Agreement and all sums derived therefrom; (iv) an assignment by way of security of all the Issuer's rights, title, benefit and interest (present and future) in, to and under the Issuer Corporate Services Agreement and all sums derived therefrom; (v) an assignment by way of security all the Issuer's rights, title, benefit and interest (present and future) in, to and under (a) the Account Bank Agreement and all sums derived therefrom and (b) all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Account and any other bank or other account in which the Issuer may at any time acquire any right, title, interest or benefit (whether as holder of such account, by way of assignment or as beneficiary under any trust) together with all interest accruing from time to time thereon and the debt represented by each such account or trust; and (vi) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Subscription Agreement and all sums derived therefrom (together, the “**Mortgaged Property**”).

The Notes constitute limited recourse obligations of the Issuer, and claims against the Issuer by Noteholders and the other Secured Parties (as defined in Condition 4(a) (*Security*)), will be limited to the Mortgaged Property. The priority of claims of the Secured Parties prior to an enforcement of the security is set out in Condition 6(c) (*Payments from the Available Collections Ledger on any Interest Payment Date or any Early Redemption Date occurring prior to enforcement of the security*) and following an enforcement of the security is set out in Condition 4(e) (*Application on enforcement of the security*). If the net proceeds received by the Issuer in respect of the Charged Assets (together with any other amounts standing to the credit of the Issuer Bank Account or held by the Principal Paying Agent on behalf of the Issuer) (prior to enforcement of the security) or realisation of the Mortgaged Property (upon enforcement of the security) are not sufficient to make all payments due to the Secured Parties in respect of the Secured Obligations, no other assets of the Issuer or any other party will be available to meet such shortfall and the claims of the Secured Parties in respect of any such shortfall shall be extinguished.

Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market (“**GEM**”) which is the exchange regulated market of the Irish Stock Exchange. GEM is not a regulated market for the purposes of Directive 2004/39/EC. There can be no assurance that any such applications will be successful or that any such listings will be granted or maintained.

This Offering Memorandum constitutes Listing Particulars (the “**Listing Particulars**”) for the purposes of GEM. The term “Offering Memorandum” should be taken to mean Listing Particulars as such term is defined in the Irish Stock Exchange's rules relating to GEM.

This Offering Memorandum is not a prospectus prepared in compliance with the Prospectus Directive and has not been approved by a competent authority for the purposes of the Prospectus Directive (where “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the PD Amending Directive, to the extent implemented in the relevant Member State of the European Economic Area which has implemented the Prospectus Directive) and “**PD Amending Directive**” means Directive 2010/73/EU).

The Notes will be issued in bearer form represented by definitive bearer notes and/or a bearer note in global form.

The attention of investors is drawn to “Risk Factors” commencing on page 11.

Arranger

Macquarie Bank Limited, London Branch

The date of this Offering Memorandum is 10 December 2014.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that this is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith at any time shall, under any circumstances, create the implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied.

The Charged Assets Obligor accepts responsibility for the information set out in the section headed "*Description of the Charged Assets Obligor*". To the best of the knowledge and belief of the Charged Assets Obligor (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Charged Assets Obligor as to the accuracy or completeness of any information contained in this prospectus (other than in the section referred to above) or any other information supplied in connection with the notes or their distribution.

Basinghall accepts responsibility for the information set out in the section headed "*Description of Basinghall Finance Limited*". To the best of the knowledge and belief of Basinghall (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Basinghall as to the accuracy or completeness of any information contained in this prospectus (other than in the section referred to above) or any other information supplied in connection with the notes or their distribution.

The Corporate Services Provider accepts responsibility for the information set out in the section headed "*Description of the Corporate Services Provider*". To the best of the knowledge and belief of the Corporate Services Provider (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Corporate Services Provider as to the accuracy or completeness of any information contained in this prospectus (other than in the section referred to above) or any other information supplied in connection with the notes or their distribution.

Holdings accepts responsibility for the information set out in the section headed "*Description of Holdings*". To the best of the knowledge and belief of Holdings (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Holdings as to the accuracy or completeness of any information contained in this prospectus (other than in the section referred to above) or any other information supplied in connection with the notes or their distribution.

The information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Offering Memorandum has been accurately reproduced (and is clearly sourced where it appears in this Offering Memorandum) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Notes

and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Arranger or the Trustee.

None of the Arranger, Trustee, Paying Agents, Collateral Administrator, Account Bank, Corporate Services Provider or Common Depository (each as defined herein and together, the “Parties”) has separately verified the information contained herein and accordingly none of the Parties makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and none of them accepts any responsibility or liability thereof. This Offering Memorandum does not purport to be investment advice. None of the Parties is acting as an investment adviser or is providing advice of any other nature to any investor in Notes. None of the Parties has reviewed or undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum or to advise any investor or potential investor in the Notes of any information coming to the attention of any of such Parties. No websites that are cited or referred to in this Offering Memorandum shall be deemed to form part of, or to be incorporated by reference into, this Offering Memorandum.

THE NOTES AND THE COUPONS AND TALONS (IF ANY) WILL BE OBLIGATIONS SOLELY OF THE ISSUER AND WILL NOT BE GUARANTEED BY, OR BE THE RESPONSIBILITY OF, ANY OTHER ENTITY. THE NOTES CONSTITUTE SECURED LIMITED RECOURSE OBLIGATIONS OF THE ISSUER, AND CLAIMS AGAINST THE ISSUER BY NOTEHOLDERS, COUPONHOLDERS, TALONHOLDERS (IF ANY) AND ANY OTHER SECURED PARTY IN RESPECT OF THE NOTES, WILL BE LIMITED TO THE MORTGAGED PROPERTY FOR THE NOTES IN THE MANNER SET OUT HEREIN. THE PRE-ENFORCEMENT PRIORITY OF PAYMENTS IS SET OUT IN CONDITION 6(C) (*PAYMENTS FROM THE AVAILABLE COLLECTIONS LEDGER ON ANY INTEREST PAYMENT DATE OR ANY EARLY REDEMPTION DATE OCCURRING PRIOR TO ENFORCEMENT OF THE SECURITY*) AND THE POST ENFORCEMENT PRIORITY OF PAYMENTS AND CLAIMS OF THE SECURED PARTIES TO THE PROCEEDS OF ENFORCEMENT OF THE MORTGAGED PROPERTY ARE SET OUT IN CONDITION 4 (*SECURITY*). IF THE NET PROCEEDS RECEIVED BY THE ISSUER IN RESPECT OF THE CHARGED ASSETS (TOGETHER WITH ANY OTHER AMOUNTS STANDING TO THE CREDIT OF THE ISSUER BANK ACCOUNT OR HELD BY THE PRINCIPAL PAYING AGENT ON BEHALF OF THE ISSUER) (PRIOR TO ENFORCEMENT OF THE SECURITY) OR REALISATION OF THE MORTGAGED PROPERTY (UPON ENFORCEMENT OF THE SECURITY) FOR THE NOTES ARE NOT SUFFICIENT TO MAKE ALL PAYMENTS DUE TO THE SECURED PARTIES IN RESPECT OF THE SECURED OBLIGATIONS, NO OTHER ASSETS OF THE ISSUER WILL BE AVAILABLE TO MEET SUCH SHORTFALL AND THE CLAIMS OF SECURED PARTIES IN RESPECT OF ANY SUCH SHORTFALL SHALL BE EXTINGUISHED.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for, or purchase, any Notes. The distribution of this Offering Memorandum and the offering or sale of, or grant of a participation in, the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Arranger and the Trustee to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where such action is required.

Certain restrictions on offers and sales of the Notes and on distribution of this Offering Memorandum are set out in the section herein entitled “*Terms and Conditions of the Notes - Form, Denomination and Title*” and “*Subscription and Sale*”.

The Notes will be admitted to trading on GEM and the minimum denomination of the Notes shall be £100,000.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, references to “**GBP**”, “**pounds sterling**” and “**£**” are to the lawful currency of the United Kingdom and references to “**euro**”, “**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 by the Treaty on European Union.

The Issuer is not and will not be regulated by the Irish Central Bank as a result of issuing Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Irish Central Bank.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”). THE NOTES MAY BE OFFERED AND SOLD IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS. THE NOTES MAY NOT BE OFFERED, SOLD, RESOLD, DELIVERED OR TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

Unless otherwise specified, each purchaser or holder of a Note shall be deemed to have represented by such purchase and/or holding that it is not a Benefit Plan Investor, is not using the assets of a Benefit Plan Investor to acquire the Notes, and shall not at any time hold such Notes for or on behalf of a Benefit Plan Investor. For the purposes of this Offering Memorandum, “**Benefit Plan Investor**” means (a) an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)), whether or not subject to ERISA, (b) a plan described in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended (the “**Internal Revenue Code**”) or (c) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity under U.S. Department of Labor Regulations § 2510.3-101 (29 C.F.R. § 2510.3-101).

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OVERVIEW OF THE TRANSACTION

Issuer:	Clavis 2006-1 NIM plc.
Description of the Notes:	£10,000,000 aggregate principal amount of Asset Backed Variable Coupon Notes.
Issue Date:	11 December 2014.
Initial Principal Amount:	£10,000,000.
Arranger:	Macquarie Bank Limited, London Branch.
Mortgaged Property:	<p>The Notes will be secured in the manner set out in Condition 4 (<i>Security</i>), by way of: (i) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Deed of Assignment and Accession, and all its rights, title, interest and benefit (present and future) in the Charged Assets assigned to it by Basinghall thereunder; (ii) an assignment by way of security of the Issuer's rights to all funds held from time to time by the Principal Paying Agent to meet payments due under the Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons; (iii) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Agency Agreement and all sums derived therefrom; (iv) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Issuer Corporate Services Agreement and all sums derived therefrom; (v) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Account Bank Agreement and all sums derived therefrom; (vi) a first fixed charge over all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Account and any other bank or other account in which the Issuer may at any time acquire any right, title, interest or benefit (whether as holder of such account, by way of assignment or as beneficiary under any trust) together with all interest accruing from time to time thereon and the debt represented by each such account or trust; (vii) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Subscription Agreement and all sums derived therefrom; and (viii) a first floating charge over the whole of the Issuer's undertaking and all the Issuer's property and assets whatsoever and wheresoever situate, present and future (including, without limitation, its uncalled capital and any property held on trust for its benefit by a third party), other than any property or assets from time to time or for the time being effectively charged by way of fixed charge, or otherwise effectively conveyed, transferred or assigned as security, by Clause 6.1 (<i>Assignment or charge</i>) of the Trust Deed.</p>

Currencies:	Notes are denominated and payable in pounds sterling.
Trustee:	Citicorp Trustee Company Limited.
Principal Paying Agent:	Citibank, N.A., London Branch.
Paying Agents:	Citibank, N.A., London Branch, together with each other paying agent as may be appointed pursuant to the Agency Agreement from time to time.
Collateral Administrator:	Citibank, N.A., London Branch.
Account Bank:	Citibank, N.A., London Branch.
Issue Price:	100.00%.
Share Trustee:	SFM Corporate Services Limited
Form of Notes:	The Notes will be issued in bearer form and will initially be represented by a Temporary Global Note on the Issue Date. The Temporary Global Note will be exchangeable for a Permanent Global Note or definitive Bearer Notes in certain limited circumstances.
Denomination of Notes:	£100,000
Coupon:	<p>Each Note bears interest on its Principal Amount Outstanding from and including the Issue Date until the date that it is redeemed in full at the rate per annum of 1 per cent (the “Fixed Interest”). In addition, Noteholders will be entitled to receive as variable interest all amounts received by the Issuer that remain after the Principal Amount Outstanding of each Note has been reduced to £1 and all other amounts owed by the Issuer under the Transaction Documents have been paid in full (the “Variable Interest”).</p> <p>Prior to any enforcement of the security, all amounts of interest and principal owed by the Issuer to the Noteholders under the Notes shall be paid on each Interest Payment Date and any Early Redemption Date in accordance with the Pre-Enforcement Priority of Payments. Fixed Interest will only be payable to the extent that the Issuer has sufficient amounts available to it after paying all amounts ranking equal, or in priority, to such Fixed Interest pursuant to the Pre-Enforcement Priority of Payments. Any accrued but unpaid Fixed Interest on any Interest Payment Date will be deferred until the next Interest Payment Date without any Event of Default occurring and such deferred Fixed Interest shall itself accrue interest at a rate per annum of 1 per cent. provided that all accrued but unpaid Fixed Interest will be due and payable in full on the Maturity Date or any Early Redemption Date.</p> <p>Following any enforcement of the security, all amounts of interest and principal owed by the Issuer to the</p>

Noteholders under the Notes shall be paid in accordance with the Post-Enforcement Priority of Payments.

Maturity Date:	18 December 2039.
Interest Payment Date:	Each date which falls 3 Business Days after a Clavis Interest Payment Date, commencing on 18 December 2014, with the final Interest Payment Date falling on the Maturity Date.
Clavis Interest Payment Date:	15 March, 15 June, 15 September and 15 December in each year, prior to an enforcement of the security in respect of the Series 2006-01 Notes, or if any such day is not a Business Day, the next following Business Day.
Business Days:	London and each day on which the TARGET2 System is open.
Pre-Enforcement Priority of Payments:	On (i) each Interest Payment Date and (ii) any Early Redemption Date, in each case occurring prior to the enforcement of the security, all amounts standing to the credit of the Available Collections Ledger on (in respect of any such Interest Payment Date) the immediately preceding Determination Date or (in respect of any such Early Redemption Date) the Early Redemption Determination Date shall be applied by the Issuer in accordance with the Pre-Enforcement Priority of Payments. For further information relating to the Pre-Enforcement Priority of Payments, see " <i>Cash flows of the Issuer</i> " below.
Post Enforcement Priority of Payments:	Following any enforcement of the security, the net proceeds of the realisation of the Mortgaged Property will be applied in accordance with the Post Enforcement Priority of Payments. For further information relating to the Post Enforcement Priority of Payments, see " <i>Cash flows of the Issuer</i> " below.
Mandatory Redemption on each Interest Payment Date:	Prior to the enforcement of the security, the Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Funds available for such purpose in accordance with the Pre-Enforcement Priority of Payments, provided that prior to the occurrence of the Maturity Date or an Early Redemption Date, the Principal Amount Outstanding of each Note shall not be reduced to less than £1.
Early Redemption:	Except as provided in Condition 8(b) (<i>Mandatory Redemption on each Interest Payment Date</i>), the Notes will be redeemable prior to maturity only (i) following a Charged Assets default; (ii) following the occurrence of a Mandatory Redemption Regulatory Event or an Optional Redemption Regulatory Event where the Noteholders elect to redeem the Notes early in accordance with Condition 8(l)(<i>Optional Redemption Regulatory Events</i>); (iii) in the event that it becomes illegal for the Issuer to perform its obligations under the Notes; (iv) for taxation

reasons; or (v) in such circumstances as are specified in Condition 11 (*Events of Default*).

Status of Notes:

The Notes are limited recourse obligations of the Issuer ranking *pari passu* and without preference among themselves.

Charged Assets:

The Charged Assets in relation to the Notes are those which are specified as such in the Trust Deed and comprise the DPC Rights, which are rights to receive deferred purchase consideration in respect of the Series 2006-01 Notes. For further information relating to the DPC Rights, see "*Description of the Charged Assets*" below.

Purchase:

The Issuer shall not be permitted to purchase any Notes.

Restrictions:

So long as any Notes remain outstanding, the Issuer will not, among other things, without the prior written consent of the Trustee or unless permitted under the Transaction Documents, incur any indebtedness for borrowed moneys whatsoever or engage in any business; create any lien, encumbrance, charge or security interest over any of its assets; have any subsidiaries or employees; declare or pay any dividends or make any distribution to its shareholders except in accordance with the Payments Priorities; purchase, own, lease or otherwise acquire any real property; consolidate or merge with any other person; dispose, convey or transfer its properties or assets to any person; or issue any shares (other than such shares as were in issue on the date of this Offering Memorandum).

Taxation:

Each Noteholder and (if the Global Note is exchanged for definitive Bearer Notes) each Couponholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other expenses, assessments or charges that may be applicable to any payment to it in respect of the Notes or Coupons (as applicable). The Issuer will not pay any additional amounts to Noteholders or Couponholders (if any) to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes or Coupons (as applicable) by the Issuer (see Condition 18 (*Taxation*)).

Events of Default:

The Events of Default which apply to the Notes are set out in Condition 11 (*Events of Default*).

Limited Recourse and non-petition:

The obligations of the Issuer to the Noteholders and the other Secured Parties are limited recourse obligations.

Only the Trustee may pursue the remedies available under the Trust Deed and the Conditions to enforce the rights of the Secured Parties. No Secured Party other than the Trustee is entitled to proceed directly against the Issuer or the Mortgaged Property, unless the Trustee,

having become bound to proceed in accordance with the terms of the Trust Deed or the Conditions, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

After liquidation of the Charged Assets (prior to enforcement of the security) or after realisation of the Mortgaged Property (upon the enforcement of the security) and, in either case, distribution of the net proceeds thereof (together with, prior to enforcement of the security, any other amounts standing to the credit of the Issuer Bank Account or held by the Principal Paying Agent on behalf of the Issuer) in accordance with the applicable Payments Priorities and save for lodging a claim in the liquidation of the Issuer initiated by another person or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer, neither the Trustee nor any of the other Secured Parties may take any further steps against the Issuer or any of its assets to recover any sum still unpaid in respect of the Secured Obligations and, in each case, all claims against the Issuer in respect of such sums unpaid shall be extinguished. It is a fundamental term of any debt comprising amounts due to any Secured Party that such Secured Party shall not be entitled to exercise any right to set-off, lien, consolidation of accounts or other similar right arising by operation of law or otherwise against the Issuer or any person entitled to receive any payment under the Notes or Coupons (if any) or against the Mortgaged Property in priority to such security or other claims or to institute against the Issuer, at any time, any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver or manager pursuant to the Trust Deed) or other similar proceeding under any law (and the Noteholders and the Couponholders (if any) agree by subscribing for or purchasing the Notes or Coupons appertaining thereto (if any) and each of the other Secured Parties agrees by execution of the Transaction Documents to which it is a party to severally waive all such rights) and no claim shall be brought against any director, officer, employee or shareholder of the Issuer (other than in the case of fraud), in any such case, in respect of such debt (save as aforesaid).

Listing:

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange ("**GEM**"). No assurance can be given that such an application to admit Notes to the Official List and to trading on GEM will be accepted and, if accepted, maintained. GEM is not considered to be a regulated market for the purposes of the Prospectus Directive.

ISIN:

XS1144475016.

Clearing Systems:

Euroclear and Clearstream, Luxembourg.

Rating:	The Notes will not be rated.
Governing Law:	England and Wales.
Selling Restrictions:	There are restrictions on the offer or sale of the Notes and the distribution of offering materials relating to the Notes, as described in “ <i>Condition 2 – Form, Denomination and Title</i> ” and the section herein entitled “ <i>Subscription and Sale</i> ” below.
Irish Listing Agent:	Arthur Cox Listing Services Limited.

RISK FACTORS

THE NOTES INVOLVE SUBSTANTIAL RISKS AND ARE 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 SUCH AN INVESTMENT IN THE CONTEXT OF SUCH INVESTOR AND ITS FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES. THE NOTES ARE NOT PRINCIPAL PROTECTED AND PURCHASERS OF NOTES ARE EXPOSED TO FULL LOSS OF PRINCIPAL. ONLY PROSPECTIVE PURCHASERS WHO CAN WITHSTAND THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD BUY THE NOTES. BEFORE MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN THE LIGHT OF THEIR OWN FINANCIAL, FISCAL AND OTHER CIRCUMSTANCES AND INVESTMENT OBJECTIVES, ALL THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND REACH THEIR OWN VIEWS PRIOR TO MAKING ANY INVESTMENT DECISION.

THE FOLLOWING RISK FACTORS ARE A NON-EXHAUSTIVE LIST OF FACTORS FOR INVESTORS TO CONSIDER BEFORE INVESTING IN NOTES. PURCHASERS OF NOTES SHOULD ALSO CONDUCT SUCH INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE ISSUER, THE NOTES AND ALL OTHER RELEVANT PERSONS AND ALL OTHER RELEVANT MARKET AND ECONOMIC FACTORS AND THEIR OWN PERSONAL CIRCUMSTANCES AS THEY DEEM APPROPRIATE TO EVALUATE THE MERIT AND RISKS OF AN INVESTMENT IN THE NOTES.

EACH PROSPECTIVE INVESTOR SHOULD ENSURE THAT IT FULLY UNDERSTANDS THE NATURE OF THE TRANSACTION INTO WHICH IT IS ENTERING AND THE NATURE AND EXTENT OF ITS EXPOSURE TO THE RISK OF LOSS OF ALL OR A SUBSTANTIAL PART OF ITS INVESTMENT. ATTENTION IS DRAWN, IN PARTICULAR, TO THE ITALICISED PARAGRAPHS SET OUT IN THE SECTIONS ENTITLED “*TERMS AND CONDITIONS OF THE NOTES – SECURITY*” AND “*TERMS AND CONDITIONS OF THE NOTES – ENFORCEMENT AND LIMITED RECOURSE*”.

Risks relating to the Issuer

The Issuer is a special purpose vehicle

The Issuer is a special purpose vehicle established only to issue the Notes, purchase the Charged Assets and enter into the Transaction Documents. The Issuer has covenanted to observe certain restrictions on its activities which are set out in the Conditions.

Accordingly, the Issuer has, and will have, no assets other than its issued and paid-up share capital, any profit retained by the Issuer in the Issuer Bank Account from time to time and credited to the Retained Profit Ledger, any sums standing to the Issuer Bank Account and any other Mortgaged Property.

No registration under the Investment Company Act

The Issuer has not registered with the U.S. Securities and Exchange Commission as an investment company pursuant to the Investment Company Act.

If the U.S. Securities and Exchange Commission or a court of competent jurisdiction were to find that the Issuer is required but, in violation of the Investment Company Act, had failed to register as an investment company, possible consequences include, but are not limited to the following: the U.S. Securities and Exchange Commission could apply to a district court to enjoin the violation; investors in the Issuer could sue the Issuer and recover any damages caused by the violation; and any contract to which the Issuer is party that is made in, or whose performance

involves a, violation of the Investment Company Act would be unenforceable by any party to the contract. Should the Issuer be subjected to any of the foregoing, the Issuer would be materially and adversely affected.

Anti-money laundering

The Issuer is subject to anti-money laundering legislation in its jurisdiction of incorporation. If the Issuer were determined to be in violation of any such legislation, it could become subject to substantial criminal penalties. Any such violation could materially and adversely affect the timing and amount of payments made by the Issuer to Noteholders in respect of the Notes held by such Noteholders.

Centre of main interests

The Issuer has its registered office in the United Kingdom. As a result, there is a rebuttable presumption that its centre of main interest is in the United Kingdom and it may therefore be subject to insolvency proceedings under the laws of England and Wales.

Company voluntary arrangement and small companies moratorium

Under the company voluntary arrangement procedure set out in the Insolvency Act 1986, certain “small companies” are permitted to seek court protection from their creditors by way of a moratorium for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State may, by order, extend or reduce the duration of either period).

A “**small company**” is defined by reference to whether the company meets certain tests contained in section 382(3) of the Companies Act 2006, relating to a company’s balance sheet total, turnover and average number of employees in a particular period. The position as to whether or not a company is a “small company” may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State may, by regulation, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a “small company”. Accordingly, the Issuer may, at any given time, come within the ambit of the “small companies” provisions, such that the Issuer may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of security (the “**chargee**”) created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee’s consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10,000,000 is incurred and which involves the issue of a capital market investment. The definitions of “capital market arrangement” and “capital market investment” are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10,000,000 of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Trustee’s ability to enforce the Secured Obligations to the extent that: firstly, if the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

Security and insolvency considerations

The Issuer will enter into the Trust Deed pursuant to which it will grant security in respect of the Secured Obligations (as to which, see Condition 4(a) (*Security*)). If certain insolvency proceedings (including administrations or liquidations) are commenced in respect of the Issuer, the ability to realise the Mortgaged Property may be delayed and/or the value of the Mortgaged Property impaired.

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it is likely that these would not be applicable to the floating charge created by the Issuer and granted by way of security to the Trustee. In this event, the Issuer would be subject to administration if it became insolvent. In such circumstances, the primary emphasis may be to rescue the Issuer as a going concern which may lead to the ability to realise the Mortgaged Property being delayed, the value of the Mortgaged Property being impaired and/or conflict with the interests of the Noteholders.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986 (as noted further below), certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Trust Deed may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Trust Deed, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

While the transaction structure (through the use of limited recourse provisions and non-petition clauses) is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of the insolvency laws.

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment or assignation in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Mortgaged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

The interest of the Secured Parties in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but section 176A of the Insolvency Act 1986 requires a “prescribed part” (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

Risks relating to Limited Recourse

Limited recourse

The Notes constitute direct, secured, limited recourse obligations of the Issuer and no parties other than the Issuer will be obliged to make payments under the Notes.

All payments to be made by the Issuer in respect of the Notes and the Coupons appertaining thereto (if any) and to the other Secured Parties in respect of its other Secured Obligations will only be due and payable from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer in respect of the Charged Assets and any other amounts credited to the Issuer Bank Account or held by the Principal Paying Agent on behalf of the Issuer (prior to enforcement of the security) or the Trustee in respect of the Mortgaged Property (upon enforcement of the security) in relation to such Notes (the “**Relevant Sums**”). The Issuer will have no other assets or sources of revenue available for payment of any of its Secured Obligations.

To the extent that the Relevant Sums are less than the amount in aggregate of the Secured Obligations of the Issuer (the difference being referred to herein as a “**shortfall**”), such shortfall will be borne, following enforcement of the security for the Notes, in the inverse of the order of priorities set out in the Post Enforcement Priority of Payments.

Each holder of Notes or Coupons (if any), by subscribing for or purchasing such Notes or the Coupons appertaining thereto (if any) and any other Secured Party will be deemed to accept and acknowledge by its execution of the Transaction Documents to which it is a party that it is fully aware that:

- (1) each Secured Party shall look solely to the Relevant Sums, as applied in accordance with the relevant Payment Priorities, for payment of all of the Secured Obligations;
- (2) the Secured Obligations will be limited to the Relevant Sums and the Secured Parties shall have no further recourse to the Issuer or any other Parties or person and, without limiting the generality of the foregoing, any right of the Secured Parties to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and

- (3) the Secured Parties shall not be entitled to petition for the winding up of the Issuer as a consequence of any such shortfall or otherwise.

No guarantee of performance

None of the parties to the Transaction Documents other than the Issuer are obliged to make payments on the Notes, and none of them guarantees the value of the Notes or is obliged to make good on any losses suffered as a result of an investment in the Notes.

Investors must rely solely on the relevant Mortgaged Property for payment under the Notes. There can be no assurance that amounts received by the Issuer from the Mortgaged Property in respect of the relevant Notes will be sufficient to pay all amounts when due, if at all. Neither the Issuer nor any of the other parties to the Transaction Documents will have any liability to the holders of any Notes as to the amount, or value of, or any decrease in the value of, the relevant Mortgaged Property.

Trustee indemnity, security and/or pre-funding

Noteholders may, in certain circumstances, be dependent on the Trustee to take actions in respect of the Notes, in particular if the Notes become capable of being accelerated as a result of an Event of Default and/or the security becomes enforceable under the Conditions. Prior to taking such action, the Trustee is entitled to require to be indemnified, secured and/or pre-funded to its satisfaction. If the Trustee is not indemnified, secured and/or prefunded to its satisfaction it may decide not to take such action and such inaction will not constitute a breach by it of its obligations under the relevant Transaction Document. Noteholders should be prepared to bear the costs associated with any such indemnity, security and/or pre-funding, and/or the consequences of any such inaction by the Trustee. Such inaction by the Trustee will not entitle Noteholders to take action directly against the Issuer to pursue remedies for any breach by the Issuer of the Notes.

Risks relating to the Charged Assets

Charged Assets

The performance of the Notes is entirely dependent on the performance of the Charged Assets, which comprise the DPC Rights only. The DPC Rights are themselves entirely dependent on the Series 2006-01 Mortgage Portfolio performing in a manner that results in excess interest being available to the Charged Assets Obligor in respect of the Series 2006-01 Notes, after all other amounts owed by the Charged Assets Obligor in respect of the Series 2006-01 Notes have been paid in full. There is no guarantee that any amounts will be payable by the Charged Assets Obligor on any Interest Payment Date in respect of the DPC Rights and past performance is no indication of future performance.

The amount of interest paid to the Charged Assets Obligor in respect of the Series 2006-01 Mortgage Portfolio depends on, among other things, the rate that the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio are prepaid by borrowers, the performance of the borrowers in respect of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio and the relevant interest rate applied in respect of such mortgage loans from time to time. The Charged Assets Obligor also has the right to optionally redeem the Series 2006-01 Notes in certain circumstances. Any refinancing of the Series 2006-01 Notes in order to fund an optional early redemption of the Series 2006-01 Notes would result in no further amounts becoming due in respect of the DPC Rights.

Basinghall will agree, pursuant to the Deed of Assignment and Accession, not to directly solicit borrowers of mortgage loans comprised in the Series 2006-01 Mortgage Portfolio (and for these purposes, directly soliciting does not include any refinancing resulting from a referral to Basinghall by a third party broker or a reverse enquiry from a borrower in response to general marketing). It will also agree not to assist in the facilitation of any exercise of any optional redemption right by

the Charged Assets Obligor unless the Issuer has provided its prior consent and it will agree, subject always to applicable law and regulation, that the interest rate setting policy applied by it, while it remains Series Special Servicer and the interest rate setting power in respect of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio continues to be delegated to it by the Charged Assets Obligor, will contain restrictions on the interest rate applied by it in respect of any mortgage loans comprised in the Series 2006-01 Mortgage Portfolio that apply a standard variable rate, so that the applicable standard variable rate will not be reduced below 3.5% above the Bank of England base rate from time to time, and to require Basinghall to seek the consent of the Issuer (which in turn will seek an instruction from the Majority Noteholders in accordance with the Conditions) in respect of any change in the standard variable rate of relevant mortgage loans comprised in the Series 2006-01 Mortgage Portfolio that are recommended by it. However, each of these restrictions is subject to the terms and conditions set out in the Deed of Assignment and Accession, the Conditions of the Notes, the Clavis transaction documents and, in the case of the interest rate setting restrictions, to the overriding obligations of Basinghall as to applicable law and regulation, the terms and conditions of the applicable mortgage loans and the requirements of a prudent residential mortgage lender. Basinghall will not be required to withdraw any recommended interest rate change, even if the Issuer does not consent to such interest rate change, unless the Issuer, based on information provided by the Noteholders only, demonstrates to Basinghall's reasonable satisfaction that the relevant recommended interest rate change is not in accordance with these conditions. Typical circumstances prescribed in the mortgage conditions of standard variable rate mortgage loans in which Basinghall can amend the standard variable rate include (a) reflecting a change which has occurred, or which Basinghall reasonably expects to occur, in the Bank of England base rate or interest rates generally; (b) to reflect a change which has occurred, or which Basinghall reasonably expects to occur, in the cost of the funds it uses in its mortgage lending business; (c) to reflect a change which has occurred, or which it reasonably expects to occur, in the interest rates charged by other mortgage lenders; (d) to reflect a change in the law or a decision by a court; or (e) to reflect a decision or recommendation by an ombudsman, regulator or similar body.

There can be no guarantee that Noteholders will, in all circumstances, be able to prevent, or require, an exercise of any optional redemption right held by the Charged Assets Obligor in respect of the Series 2006-01 Notes, or a change in the interest rate of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio.

Performance of the Series 2006-01 Mortgage Portfolio

The performance of the DPC Rights is dependent, among other things, on the performance of the Series 2006-01 Mortgage Portfolio. The collectability of amounts due under the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio are subject to credit, liquidity and interest rate risks. Such collectability as well as prepayment rates will generally fluctuate in response to, among other things, market interest rates, general economic conditions, homeowner mobility, changes in laws, inflation, the availability of financing, yields on alternative investments, political developments, government policies, the financial standing of borrowers and other similar factors. While Basinghall will, subject to conditions, agree to certain restrictions in respect of its implementation of the interest rate setting policy in respect of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio, this is restricted to mortgage loans that are subject to a standard variable rate (and therefore excludes mortgage loans that are subject to fixed, capped or tracker rates) and by applicable law and regulation. Mortgage loans that impose a fixed rate of interest, a rate of interest that cannot be increased above a capped rate during a capped rate period or which have a rate of interest set at a fixed margin over the relevant specified reference rate from time to time, may result in the Charged Assets Obligor being exposed to the risk of an adverse interest differential between the rate of interest receivable in respect of such mortgage loans, on the one hand, and the rate of interest payable on the Series 2006-01 Notes on the other hand. This differential will not be hedged and could result in less (or no) interest being available for application under the DPC Rights.

Other factors (which may not affect real estate values) may have an impact on the ability of borrowers to repay mortgage loans and meet interest payments. Loss of earnings, illness, divorce

and other similar factors may lead to an increase in delinquencies and bankruptcy filings by borrowers and could ultimately have an adverse impact on the ability of borrowers to repay their mortgage loans. In addition, certain mortgage loans comprised in the Series 2006-01 Mortgage Portfolio are:

- (A) "non-conforming mortgage loans" to borrowers who:
 - (1) may previously have been subject to one or more county court judgments, individual voluntary arrangements or bankruptcy orders or similar orders;
 - (2) may previously have been in arrears under a mortgage loan;
 - (3) may at the time of application for a mortgage loan have been self-employed; and/or
 - (4) are or were at the time of application for a mortgage otherwise considered by bank and building society lenders to be non-standard borrowers; and/or
- (B) in significant arrears.

Non-conforming mortgage loans and mortgage loans in arrears are generally likely to experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to standard borrowers and therefore carry a higher degree of risk. The Series 2006-01 Mortgage Portfolio also contains buy-to-let mortgage loans, where the relevant property the subject of the mortgage related to the relevant mortgage loan is not owner-occupied and may be let by the relevant borrower to tenants. The borrower's ability to service payment obligations in respect of buy-to-let mortgages is likely to depend on the borrower's ability to lease the relevant properties on appropriate terms. However, there can be no guarantee that any tenancy which is granted will subsist throughout the life of the relevant mortgage loan and/or that the rental income achievable from such tenancy will be sufficient to provide the borrower with sufficient income to meet the borrower's interest obligations in respect of the mortgage loan. This dependency on leasing income increases the likelihood during difficult market conditions that the rate of delinquencies and losses on buy-to-let mortgage loans will be higher than those on owner occupied mortgage loans.

All of these factors could reduce the amount available to the Charged Assets Obligor in respect of the DPC Rights and could reduce it to zero.

The rate of prepayments on mortgage loans comprised in the Series 2006-01 Mortgage Portfolio may increase due to borrowers refinancing their mortgage loans and sales of mortgaged properties by borrowers (either voluntarily or as a result of enforcement action taken) as well as the receipt of proceeds from buildings policies and life insurance policies and the presence or absence of mortgage prepayment charges. While Basinghall will agree that neither it nor its affiliates will specifically solicit borrowers to refinance their mortgage loans, there can be no guarantee that this will not be the case in respect of any other third party mortgagee. The terms of certain mortgage loans comprised in the Series 2006-01 Mortgage Portfolio allow the borrowers a right to "port" the mortgage loan from the current property to another and the exercise of such rights will involve the existing mortgage loan being prepaid (and it and any replacement would not then form part of the Series 2006-01 Mortgage Portfolio) and would, therefore, increase the rate of prepayments on the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio. Increased prepayment rates on mortgage loans comprised in the Series 2006-01 Mortgage Portfolio would reduce the amount of interest income received by the Charged Assets Obligor during the life of the Series 2006-01 transaction and reduce the amount paid in respect of the DPC Rights.

No investigation

No investigations, searches or other enquiries have been or will be made by or on behalf of the Issuer, the Arranger or the Trustee in respect of the Charged Assets. No representations or warranties, express or implied, have been given by the Issuer, the Arranger, the Trustee or any other person on their behalf in respect of the Charged Assets or the Charged Assets Obligor.

Provision of information

None of the Issuer, any of the other parties to the Transaction Documents or any of their respective affiliates makes any representation as to the credit quality of the Charged Assets Obligor. Any of the foregoing persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Charged Assets Obligor or the Charged Assets. Except as otherwise required by law, none of such persons is under any obligation to make such information available to Noteholders.

Risks relating to the Notes

Early redemption of the Notes

The Notes may become subject to early redemption under Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*) (in which case each Note shall become due and payable at its Early Redemption Amount on the relevant Early Redemption Date) or under Condition 11(c) (*Events of Default*) (in which case each Note shall become immediately due and repayable at its Principal Amount Outstanding).

If the Notes become subject to early redemption under Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), the Early Redemption Amount of each Note shall be the Principal Amount Outstanding of such Note on the Charged Assets Liquidation Cut-Off Date, unless the Charged Assets have been liquidated on or before the Charged Assets Liquidation Cut-Off Date, in which case it shall be the lesser of (i) the Principal Amount Outstanding of such Note on the Early Redemption Determination Date and (ii) the amount determined by the Collateral Administrator to be the amount available for redemption of such Note by applying the proceeds of liquidation of the Charged Assets and any other amounts comprising Available Funds on the Early Redemption Date pursuant to the Pre-Enforcement Priority of Payments in accordance with Condition 8(f) (*Liquidation of the Charged Assets prior to the enforcement of the security*).

If the Notes become subject to early redemption under Condition 11(c), an Enforcement Event will occur and the security will be enforced. In such event, the net proceeds of the realisation of the Mortgaged Property may not be sufficient for the Issuer to meet in full its payment obligations under the Notes and its other Secured Obligations and the Noteholders' right to payment under the Notes shall be limited in recourse in the manner set out in Condition 12 (*Enforcement and limited recourse*).

Accordingly, if the Notes are subject to early redemption under any of Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11 (*Events of Default*), investors are exposed to the loss of a substantial part or, even, all of their investment in the Notes, including both principal and accrued interest.

No secondary market for the Notes

There is no secondary market for the Notes, and no secondary market is expected to develop in respect thereof. In the unlikely event that a secondary market in the Notes develops, there can

be no assurance that it will provide holders of Notes with liquidity of investment or that such liquidity will continue for the life of the Notes. Neither the Arranger nor any of their respective affiliates is under any obligation to make a market in, or otherwise offer to repurchase or unwind the terms of any Notes. In the event that the Arranger or any of their affiliates commences any market making, it may discontinue doing so at any time without notice. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in, and the financial and other risks associated with an investment in such Notes. Investors must be prepared to hold the Notes for an indefinite period of time or until the final redemption or maturity of the Notes.

Meetings of Noteholders, modification, waiver and substitution

The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally (including amendments to the Conditions). It should be noted that Extraordinary Resolutions (including to amend the Conditions) may be effected in circumstances where not all Noteholders agree with the terms thereof and an Extraordinary Resolution in respect of any such amendments once passed in accordance with the provisions of the Trust Deed will be binding on all Noteholders.

The Trust Deed also provides that the Trustee may, without the consent of Noteholders:

- (A) agree (subject to certain limitations) to any modification of any of the Conditions or any of the provisions of the Transaction Documents that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or (for so long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange) is made in order to address any requirements of the Irish Stock Exchange and any other modification of any of the Conditions or the Transaction Documents that is in the opinion of the Trustee not materially prejudicial to the interest of the Noteholders; and
- (B) waive or authorise, any breach or proposed breach by the Issuer of any of the covenants or provisions in the Conditions or any Transaction Document or determine that any Event of Default shall not be treated as such, but only if and insofar as in its opinion the interests of the Noteholders or the Couponholders (if any) shall not be materially prejudiced thereby and provided always that the Trustee shall not exercise such powers in contravention of any express direction given by an Extraordinary Resolution, but no such direction shall affect any waiver, authorisation or determination previously given or made.

The terms of the Notes provide that the Trustee may agree, without the consent of the Noteholders, to the substitution of any other company in place of the Issuer as principal obligor under the Notes, the Coupons (if any) and the Transaction Documents (the **"New Issuer"**). In such situation, the Noteholders will assume the insolvency risk with regard to the New Issuer in the same way as they assumed the risk with regard to the initial Issuer.

Notes in global form

The Temporary Global Note and any Permanent Global Note for which it is exchanged (the Temporary Global Note or Permanent Global Note for the time being representing the Notes, the **"Global Note"**) will be held by or on behalf of Euroclear and/or Clearstream, Luxembourg and, as such, investors in the Notes will have to rely on the procedures of the clearing system through which the Notes are held for transfer, payment and communication with the Issuer. Any clearing system through which the Global Note is held will maintain records of the beneficial interests in the Global Note and, whilst the Notes are in global form, investors will be able to trade their beneficial interests in the Global Note only through the clearing system through which they are held.

While the Notes are represented by the Global Note, the Issuer will discharge its payment obligations under the Notes by making payments to Euroclear and/or Clearstream, Luxembourg

through which such Notes are held, for distribution to their accountholders. A holder of an interest in the Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note.

Holders of beneficial interests in the Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg, as the case may be, to appoint appropriate proxies.

Legality of purchase

None of the Issuer, any of the other parties to the Transaction Documents or any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

Volatility

The market value of the Notes (whether indicative or firm) will vary over time and may be significantly less than par (or even zero) in certain circumstances. The Notes may not trade at par or at all.

Regulatory risk and redemption for Regulatory Event

The events in the financial markets since 2007 have led to the increased involvement of governmental and regulatory authorities in the financial sector and in the operation of financial institutions and products offered and/or arranged by them. In particular, governmental and regulatory authorities in a number of jurisdictions have imposed stricter regulatory controls around certain financial activities and/or have indicated that they intend to impose such controls in the future. The United States of America, the European Union and other jurisdictions have implemented, and are still in the process of implementing various reform measures. Such regulatory changes and the method of their implementation may have a significant impact on the operation of the financial markets and may also affect the value, characterisation and/or treatment of the Notes and/or the characterisation and/or treatment of any of the transactions or agreements relating thereto.

Certain of the regulatory developments may also impose obligations on the Issuer, and/or other applicable parties. The ability of the Issuer, and/or other applicable parties to comply with such regulatory obligations may depend on, among other things, the initial and/or ongoing implementation of such regulations by the applicable authorities, the status and/or nature of the Issuer, and/or other applicable parties, the activities of such parties and/or other matters that may be outside the control of such parties (including contractual restrictions to which they may be subject).

It is uncertain how a changed regulatory environment will affect the Issuer, the treatments of instruments such as the Notes, or the activities of other parties that have roles with respect to the Notes, such as (without limitation) the Trustee and the Arranger. Investors should note that if there is a change in the regulatory environment, or the Issuer reasonably anticipates an imminent change in the regulatory environment, likely to have or having (as the case may be) the effect of altering the Issuer's compliance requirements in respect of the Notes, the Notes may redeem early at their Early Redemption Amount in the circumstances set out in Condition 8(c)(i)(2).

Alternative Investment Fund Managers Directive

EU Directive 2011/61/EU on Alternative Investment Fund Managers (“**AIFMD**”) came into force on 21 July 2011 and the requirements thereunder were broadly implemented into the national laws of the Member States of the European Union by 22 July 2013.

AIFMD provides, amongst other things, that all alternative investment funds (each an “**AIF**”) must have a designated alternative investment fund manager (an “**AIFM**”) with responsibility for portfolio and risk management. The application of the AIFMD to securitisation vehicles such as the Issuer is unclear. The Issuer does not operate in the same manner as a typical alternative investment fund. The Issuer has been established solely for the purposes of entering into, performing or serving as a vehicle for this securitisation transaction. However, the definition of AIF and AIFM in the context of AIFMD is broad and there is only limited guidance as to how such definition should be applied in the context of a securitisation vehicle. If the Issuer were to be found to be an AIF, or were any other transaction party acting in any capacity in respect of the Notes and/or the Trustee to be found to be acting as an AIFM with respect to the AIF, the AIFM would be subject to the AIFMD. Owing to the nature of the Issuer, it would be unlikely the AIFM could comply fully with the requirements of the AIFMD and, as such, the Issuer would be likely to exercise its early redemption right as a result of a Regulatory Event.

No assurance can be given as to how European Securities and Markets Association or national regulators might, in the future, interpret the AIFMD or whether any such interpretation might find the Issuer to be an AIF, or any other transaction party acting in any capacity with respect to the Notes and/or the Trustee to be acting as an AIFM in any jurisdiction either where the AIF is managed or marketed.

Investors should therefore be aware of the risk that the requirements of AIFMD may result in the Notes being redeemed early at their Early Redemption Amount in the circumstances set out in Condition 8(c)(i)(2).

Given the material and presently unknown extent of the risks which may affect the Notes as a consequence of the implementation of AIFMD, potential investors in the Notes should take independent advice and make an independent assessment about such risks in the context of any potential investment decision with respect to the Notes.

Credit Risk

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Issuer and the Charged Assets Obligor. None of the Issuer, any of the other parties to the Transaction Documents or any of their respective affiliates will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the prospective purchasers of the Notes with any information in relation to such matters or to advise as to the attendant risks.

If no amounts are payable under the Charged Assets, the Charged Assets Obligor fails to make payments under the Charged Assets, or the Charged Assets Obligor otherwise fails to honour its obligations under the Charged Assets, a loss of principal and/or interest under the Notes will result. Accordingly, the Noteholders assume the credit risk of the Charged Assets Obligor under the Charged Assets.

None of the Issuer, any of the other parties to the Transaction Documents or any of their affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to, (i) the existence or financial or other condition of the Charged Assets Obligor or the Charged Assets or (ii) whether the Charged Assets constitute legal, valid and binding obligations of the Charged Assets Obligor.

The Noteholders and any prospective purchasers of the Notes will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of the Charged Assets Obligor.

Taxation

EU Directive on the Taxation of Savings Income

Under European Directive 2003/48/EC on taxation of savings income Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State, except that for a transitional period Luxembourg and Austria instead operate a withholding system unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). The rate of withholding tax in those jurisdictions is 35%. In April 2013, the Luxembourg government announced its intention to end its transitional period and move to automatic exchange of information under the Directive with effect from 01 January 2015. Certain other jurisdictions, including Switzerland, have enacted equivalent legislation which imposes a withholding tax in substantially the same circumstances as envisaged by the Directive.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Directive on the Taxation of Savings Income to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Directive on the Taxation of Savings Income, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 01 January 2016 (which national legislation must apply from 01 January 2017).

Withholding Tax under the Notes

In the event that withholding taxes are imposed by or in any jurisdiction in respect of payments to Noteholders of amounts due pursuant to the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such withholding taxes.

Securitisation Company Tax Regime

The Issuer has been advised that it should fall within the UK's rules for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 SI 2006/3296), and accordingly should be taxed only on the amount of its cash profit which it is entitled to retain under the Transaction Documents. Investors should note, however, that the Securitisation Regulations are in short form and advisers rely significantly upon guidance from the United Kingdom's tax authorities when advising on the scope and operation of the Securitisation Regulations, including as to whether a company falls to be treated as a securitisation company under the Securitisation Regulations. If the Issuer does not (or subsequently does not) satisfy the conditions of the Securitisation Regulations, then depending on the Issuer's accounting treatment, the Issuer's profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. For example, the interest paid on the Notes could be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits in the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

The Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, and US Treasury regulations promulgated thereunder that took effect on 28 January 2013, as amended from time to time (together **"FATCA"**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **"foreign financial institution"**, or **"FFI"** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service (**"IRS"**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether such investor is a U.S. person or should otherwise be treated as holding a "United States account" (as defined under FATCA) of the Issuer (a **"Recalcitrant Holder"**).

FATCA implementation is being phased in from 01 July 2014 for payments from sources within the United States and is currently proposed to apply to "foreign passthru payments" (a term not yet defined) made by an FFI to a non-participating FFI or Recalcitrant Holder no earlier than 01 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes issued or materially modified on or after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term 'foreign passthru payment' are filed with the Federal Register; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an **"IGA"**). In some cases such IGAs have been signed; in other cases, negotiations are still ongoing. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, most FFIs in an IGA signatory country should be treated as a "Reporting FI" that would generally not be subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA or agreement with the IRS relating to FATCA) (any such withholding being a **"FATCA Withholding"**) from payments it makes (except in certain limited circumstances, where the payments are made to a Recalcitrant Holder). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required, as a Participating FFI, to make FATCA Withholdings on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS unless it is treated as exempt from having "financial accounts" for FATCA purposes. As announced in Notice 2013-43 and Notice 2014-17, the US IRS is maintaining a list of jurisdictions that are treated as having in effect or agreed in substance with the US an IGA, even though that IGA may not have entered into force as of 01 July 2014.

The United States and the United Kingdom have entered into an agreement (the **"US-UK IGA"**) based largely on the Model 1 IGA. As such, the Issuer will be required to comply with FATCA under national legislation implementing the US-UK IGA.

The Issuer is currently not expected to be required to make any FATCA Withholdings before 01 January 2017 from the payments it makes. There can be no assurance, however, that the Issuer would not in the future be required to deduct FATCA Withholding from future payments. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold a FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If a FATCA Withholding were to be made from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any other person would, pursuant to the conditions of the Notes, be required to pay any additional amounts as a result of the FATCA Withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within a clearing system, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer for such clearing system, given that each of the entities in the payment chain between the Issuer and the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that, in certain specific circumstances, the Notes may convert into definitive Bearer Notes and therefore cease to be held through a clearing system. If this were to happen then, depending on the circumstances, payments to a non-FATCA compliant holder could be subject to FATCA Withholding.

However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure that each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms and/or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the depositary for the clearing system (as legal owner of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER AND THE NOTES IS UNCERTAIN AT THIS TIME. THE ABOVE DESCRIPTION IS BASED IN PART ON REGULATIONS, OFFICIAL GUIDANCE AND MODEL IGAS, ALL OF WHICH ARE SUBJECT TO CHANGE OR MAY BE IMPLEMENTED IN A MATERIALLY DIFFERENT FORM. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND NOTEHOLDERS ARE NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR THE PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCES.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain

dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 01 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

Risks relating to the Agents

No obligations owing by the Principal Paying Agent and Collateral Administrator

Neither the Principal Paying Agent nor the Collateral Administrator shall have any obligations to the Noteholders and shall only have the obligations expressed to be binding on it pursuant to the Agency Agreement. All designations and calculations made by the Principal Paying Agent and Collateral Administrator in respect of any Notes shall (in the absence of wilful default, gross negligence, fraud, or manifest error) be conclusive and binding on the Noteholders.

Risks relating to the Realisation Agent and liquidation of the Charged Assets

Where the Notes are to be redeemed other than on the Maturity Date or on each Interest Payment Date in accordance with Condition 8(b) (*Mandatory Redemption on each Interest Payment Date*), the Realisation Agent is generally required to sell or otherwise liquidate (prior to enforcement of the security) the Charged Assets or (following enforcement of the security) the Mortgaged Property.

No Realisation Agent will be appointed by the Issuer as at the Issue Date. If, prior to the enforcement of the security, the Notes are to be redeemed or become due and payable prior to their Maturity Date pursuant to Condition 8(c) (*Mandatory Redemption following a Charged Assets default or other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), the Issuer will notify the Noteholders and request that the Noteholders nominate a realisation agent, being a leading international investment bank, as the Realisation Agent. If, within 10 Business Days, the Issuer has received nominations from the Majority Noteholders to appoint a particular realisation agent, and such realisation agent is willing to act as Realisation Agent on the terms set out in the Conditions, or such other terms as may be agreed between the realisation agent and the Majority Noteholders and notified to the Issuer, the Issuer will appoint such Realisation Agent on the agreed terms provided that the Issuer will not be required to appoint any Realisation Agent if it is on terms ("**Ineligible Terms**") that:

- (i) do not include limited recourse and non-petition language in respect of the Issuer in the form set out in Clause 21 of the Agency Agreement; or
- (ii) the Issuer reasonably believes would have a prejudicial impact on the Issuer or its directors (excluding for these purposes any prejudicial impact on the financial position of the Issuer and the amounts available to the Issuer to fund the payment of interest and principal on the Notes).

If, within 10 Business Days, nominations as to a particular realisation agent have not been received from Majority Noteholders, or nominations have only been received on Ineligible Terms, the Issuer (with the prior consent of the Trustee) or the Trustee, as applicable, may, within a further 5 Business Days, appoint a leading international investment bank to act as Realisation Agent on the terms set out in the Conditions. If, following 15 Business Days, no Realisation Agent has been appointed, an Enforcement Event will occur. There can be no guarantee that relevant leading international investment banks will be willing and able to act as Realisation Agent at the relevant time and there will be no obligation on the Issuer or the Trustee to appoint a Realisation Agent in any event.

Whilst the Realisation Agent, to the extent appointed, is required to liquidate (prior to enforcement of the security) the Charged Assets or (following enforcement of the security) the Mortgaged Property as soon as reasonably practicable on or after the date on which it receives an instruction to do so (prior to enforcement of the security) from the Issuer or (following enforcement of the security) from the Trustee or any receiver appointed by it in accordance with the Conditions at its best execution price (less any commissions or expenses charged by the Realisation Agent), the Realisation Agent may sell all or any part of (prior to enforcement of the security) the Charged Assets or (following enforcement of the security) the Mortgaged Property at any time or at different times or in stages in respect of smaller portions, and shall have no responsibility or liability for any higher price that could have been obtained in respect of the Charged Assets or the Mortgaged Property (as the case may be) had such sale taken place at a different time. Unless otherwise specified, the Realisation Agent may, in its sole discretion, itself make an offer to purchase the Charged Assets or the Mortgaged Property (as the case may be) or any part thereof.

There is currently no secondary market for the Charged Assets and no secondary market is expected to develop in respect thereof. Neither the Realisation Agent nor any of its respective affiliates will be under any obligation to offer to purchase the Charged Assets. If the Notes become due and payable other than on the Maturity Date or on an Interest Payment Date in accordance with Condition 8(b) (*Mandatory Redemption on each Interest Payment Date*), and (i) the Realisation Agent is unable to liquidate the Charged Assets on or prior to the Charged Assets Liquidation Cut-Off Date, (ii) the Realisation Agent serves a Realisation Agent Non-Performance Notice on the Issuer and the Trustee or (iii) a Realisation Agent cannot be appointed in accordance with Condition 8(k) by the Realisation Agent Appointment Cut-Off Date, an Enforcement Event will occur and the security will be enforced. In such event, each Note will become due and repayable at its Principal Amount Outstanding but the net proceeds of the realisation of the Mortgaged Property may not be sufficient for the Issuer to meet its Secured Obligations (including its obligations under the Notes) in full and the Noteholders' right to payment under the Notes shall be limited in recourse in the manner set out in Condition 12 (*Enforcement and limited recourse*). See the risk factor entitled "*Limited recourse*" above for further details.

Risks relating to interests of parties

Business relationships

The Issuer, any of the other parties to the Transaction Documents and any of their respective affiliates may be affiliated to each other (other than the Issuer) or have existing or future business relationships with each other or with the Charged Assets Obligor (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Noteholder or the value of any Mortgaged Property or Notes. Furthermore, the Issuer, any of the other parties to the Transaction Documents and any of their respective affiliates may buy, sell or hold positions in Charged Assets and other obligations of, or act as investment or commercial bankers, advisers or fiduciaries to, or hold directorship and officer positions in the Charged Asset Obligor.

Conflicts of interest

Various potential and actual conflicts of interest may arise between the interests of the holders of Notes, on the one hand, and any of the Issuer and the other parties to the Transaction Documents, on the other hand, as a result of the various businesses and activities of such persons, and none of such persons is required to resolve such conflicts of interest in favour of the holders of such Notes.

Such persons may deal in the Charged Assets and other obligations and interests in and of the Charged Asset Obligor, may acquire or accept information from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with the Charged Asset Obligor. In connection therewith, such persons may pursue such actions and take such steps as they each deem necessary or appropriate in their sole and absolute discretion to protect their respective interests, and in the same manner as if the Notes did not exist and, without regard as to whether such action or steps might have an adverse effect on the Notes, Mortgaged Property or any holders of the Notes.

Independent review and advice

Each prospective purchaser of Notes is responsible for making its own investment decision and its own independent investigation into and appraisal of the risks arising from an investment in the Notes as well as all risks associated with the Charged Assets Obligor. Investors should ensure that they understand the nature and extent of their exposure to risk, that they have all requisite knowledge and experience in investment, financial and business matters and expertise (or access to professional advisers) to make their own legal, regulatory, tax, accounting and financial evaluation of the merits and risks of an investment in the Notes and to assess the suitability of such Notes in light of their own circumstances and financial condition.

Each prospective purchaser of Notes must determine, based on its own independent review and such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances, that its acquisition and holding of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

No fiduciary role

None of the Issuer, any of the other parties to the Transaction Documents or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Trustee to the extent specified in the Trust Deed) assumes any fiduciary obligation, to any purchaser of Notes.

None of the Issuer or any of the other parties to the Transaction Documents assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of the Charged Assets Obligor.

Investors may not rely on the views or advice of the Issuer, or any of the other parties to the Transaction Documents for any information in relation to any person other than the Issuer or such other party to the Transaction Documents, respectively.

No reliance

A prospective purchaser of Notes may not rely on the Issuer, any of the other parties to the Transaction Documents or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES.

INVESTOR SUITABILITY

The purchase of, or investment in, any Notes involves substantial risks. Each prospective purchaser of, or investor in, the Notes should be familiar with instruments having characteristics similar to the Notes and should fully review all documentation for and understand the terms of the Notes and the nature and extent of its exposure to risk of loss.

Before making an investment decision, prospective purchasers of, or investors in, Notes should conduct such independent investigation and analysis regarding the Issuer, the Notes, the Charged Assets and all other relevant persons and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. However as part of such independent investigation and analysis, prospective purchasers of or investors in the Notes should consider carefully all the information set forth in this Offering Memorandum relating to the Notes and the Issuer (including the section of this Offering Memorandum headed “Risk Factors”) and the considerations set out below.

Investment in the Notes is only suitable for investors who:

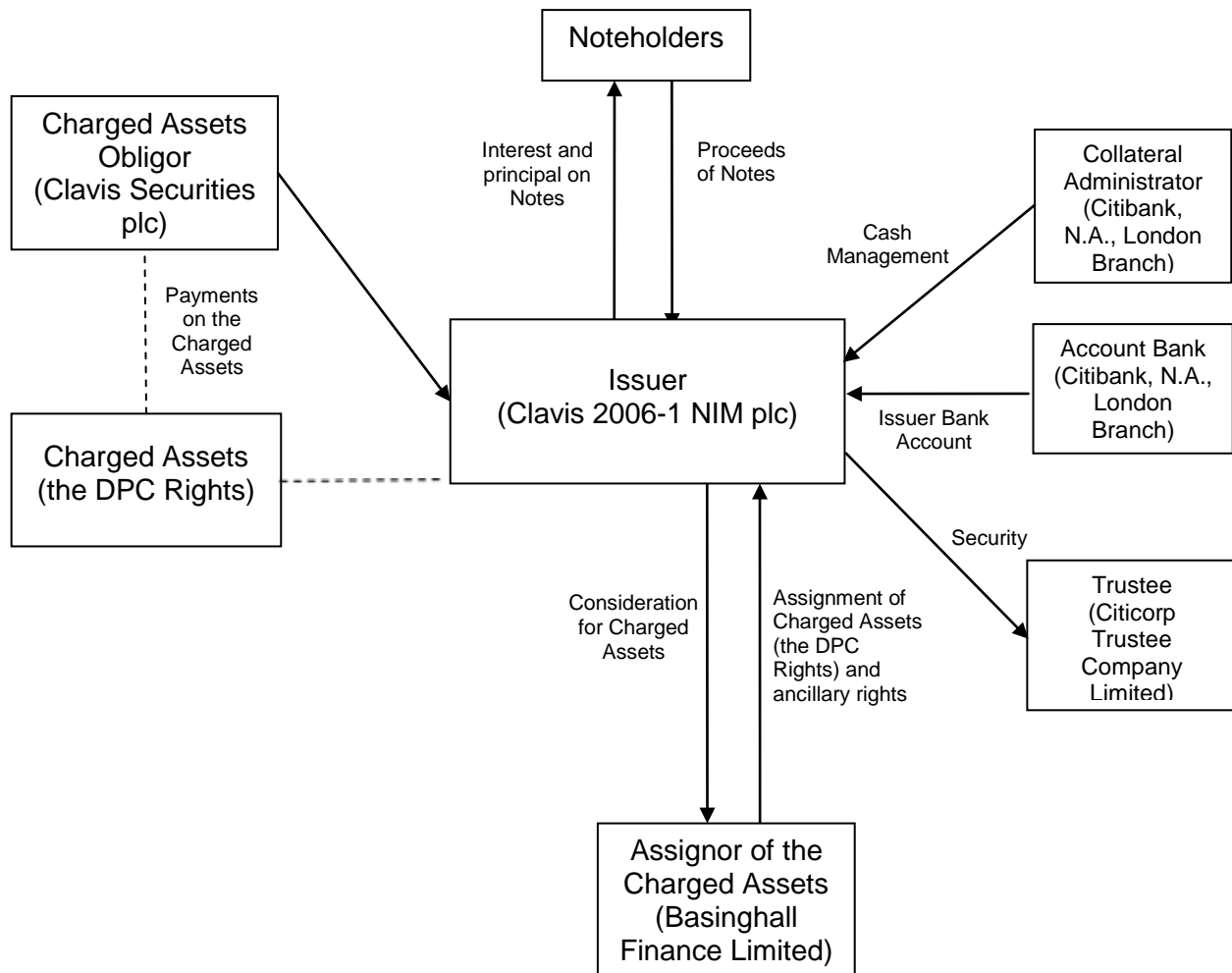
- (1) have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in this Offering Memorandum and the merits and risks of an investment in the Issuer in the context of such investors’ financial, tax, accounting and regulatory circumstances and investment objectives;
- (2) are capable of bearing the economic risk of an investment in the Issuer for an indefinite period of time and the risk of the entire loss of any investment in the Issuer;
- (3) are acquiring the Notes for their own account for investment, not with a view to resale, distribution or other disposition of the Notes;
- (4) recognise that there is no secondary market for the Notes, and no secondary market is expected to develop in respect thereof, so that the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the notes and who are prepared to hold the Notes for an indefinite period of time or until the final redemption or maturity of the Notes; and
- (5) are banks, investment banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international or supranational organisations, other professional investors or certain other entities, including inter alia treasuries and finance companies of enterprises.

The Issuer and the Arranger may, in their discretion, disregard interest shown by a prospective investor even though that investor satisfies the foregoing suitability standards.

Each prospective investor should ensure that it fully understands the nature of its investment and the nature and extent of its exposure to the risk of loss of all or a substantial part of its investment. Attention is drawn, in particular, to the italicised paragraphs set out in the section entitled “Terms and Conditions of the Notes – Security”.

The Notes may be illiquid, the purchase of which involves substantial risks. Neither the Issuer nor the Arranger will undertake to make a market in Notes.

TRANSACTION STRUCTURE DIAGRAM



DESCRIPTION OF THE CHARGED ASSETS

The net proceeds of the Notes will be used by the Issuer to purchase certain rights to deferred purchase consideration (the “**DPC Rights**”) from Basinghall Finance Limited (“**Basinghall**”) (*for further information relating to Basinghall, see “Basinghall Finance Limited”*) in respect of the Series 2006-01 Notes, pursuant to the Deed of Assignment and Accession. The Issuer will also be assigned certain ancillary rights in respect of the DPC Rights pursuant to the Deed of Assignment and Accession. The DPC Rights comprise the Charged Assets in respect of the Notes and any payment of principal or interest on the Notes is entirely dependent on the performance of the Charged Assets. The DPC Rights are governed by English law.

The following is a description of the Series 2006-01 Notes, the DPC Rights, the Deed of Assignment and Accession and the related ancillary rights.

Series 2006-01

Clavis Securities plc (the “**Charged Assets Obligor**”) (*for further information relating to the Charged Assets Obligor, see “Charged Assets Obligor”*) established a GBP10,000,000,000 note programme in June 2006. The programme allows for the issue of multiple series of notes by the Charged Assets Obligor, each backed by its own portfolio of mortgage loans secured on UK residential properties. All series of notes outstanding from time to time are secured on all of the assets of the Charged Assets Obligor, but a security intercreditor deed (the “**Security Intercreditor Deed**”) provides that only the relevant security in respect of the assets designated to a series will be enforced and the proceeds applied in discharge of the obligations of the Charged Assets Obligor in respect of the relevant series. The intended impact of this is to ringfence the assets of each series from those of any other series.

Only two series of notes have been issued by the Charged Assets Obligor to date. These are the Series 2006-01 GBP Equivalent 600,292,750 Notes, issued on 15 June 2006 (the “**Series 2006-01 Notes**”) and the Series 2007-01 GBP Equivalent 556,840,201 Notes, issued on 30 May 2007 (the “**Series 2007-01 Notes**”). Both series comprise GBP and EUR denominated notes issued in A, M and B tranches. Both series of notes are listed on the London Stock Exchange and rated by Fitch Ratings Limited, Moody's Investors Service Ltd. (excluding certain tranches of the Series 2007-01 Notes) and Standard & Poor's Ratings Services, a Division of the McGraw–Hill Companies, Inc. Both series were offered to non-U.S. Persons only under Regulation S of the US Securities Act 1933.

The mortgage portfolio in respect of each of the Series 2006-01 Notes and the Series 2007-01 Notes comprises various portfolios of mortgage loans and related security over English residential properties, originated by GMAC-RFC Limited and sold to Basinghall Finance Limited (previously Basinghall Finance plc) by North Yorkshire Mortgages Limited (wholly owned by Scarborough Building Society).

The DPC Rights held by the Charged Assets Obligor in respect of the Notes relate to the Series 2006-01 Notes.

DPC Rights

The Series 2006-01 Notes are constituted by, among other things, a note issue instrument (the “**Note Issue Instrument**”) dated 15 June 2006 between, among others, the Charged Assets Obligor, HSBC Trustee (C.I.) Limited as the security trustee and the note trustee (the “**Clavis Trustee**”) and Basinghall as the series special servicer (the “**Clavis Special Servicer**”), the series treasurer (the “**Clavis Treasurer**”), the series portfolio legal title holder and the series portfolio seller (the “**Clavis Seller**”). Among other transaction documents (the “**Series 2006-01 Transaction Documents**”), the Note Issue Instrument constitutes the Series Portfolio Purchase Agreement (the “**Series 2006-01 Portfolio Purchase Agreement**”), which substantively comprises the Clavis Securities Standard Series Portfolio Purchase Provisions Document –

Edition 2 dated 30 May 2007 (replacing Edition 1 of the same document pursuant to an amendment deed dated 19 June 2007) (the “**Portfolio Purchase Provisions**”). Pursuant to Clause 3.1(d) of the Portfolio Purchase Provisions, Clavis agrees to pay to Basinghall, as the Series Portfolio Seller, the “**Series Portfolio Purchase Deferred Consideration**”, at the times and subject to the conditions specified under the heading *Series Portfolio Purchase Deferred Consideration* in the “*Series Specific Provisions*” relating to the Series 2006-01 Notes. The Series Specific Provisions are set out in the note issue supplement issued in respect of the Series 2006-01 Notes dated 8 June 2006 (the “**Note Issue Supplement**”). Paragraph 1.9 of the Series Specific Conditions states that the Series Portfolio Purchase Deferred Consideration comprises the aggregate of:

- “(1)
- (2) on each Distribution Date in relation to the Series, the amount allocated to the Series Portfolio Seller at Level 22 of the Series Revenue Waterfall or, as applicable, Level 16 of the Series Realisation Waterfall (the “**Series Portfolio Purchase Deferred Residual Consideration**”).”

On 15 March, 15 June, 15 September and 15 December in each year, prior to an enforcement of the security in respect of the Series 2006-01 Notes, or if any such day is not a Business Day, the next following Business Day (each, a “**Clavis Interest Payment Date**”), available interest (and not principal) received by the Charged Assets Obligor in respect of the mortgage portfolio in respect of the Series 2006-01 Notes (the “**Series 2006-01 Mortgage Portfolio**”) is applied by the Charged Assets Obligor in accordance with a pre-enforcement priority of payments (the “**Series Revenue Waterfall**”). The payment of Series Portfolio Purchase Deferred Residual Consideration ranks at item 22 (and last) in the Series Revenue Waterfall.

At any time following an enforcement of the security in respect of the Series 2006-01 Notes, the Series Revenue Waterfall ceases to apply and instead available interest received by the Charged Assets Obligor in respect of the Series 2006-01 Mortgage Portfolio is applied on each date designated by the Clavis Trustee in accordance with a post-enforcement priority of payments (the “**Series Realisation Waterfall**”) (any such application date, together with any Clavis Interest Payment Date, being a “**Distribution Date**”). The payment of Series Portfolio Purchase Deferred Residual Consideration ranks at item 16 (also last) in the Series Realisation Waterfall.

The Series Portfolio Purchase Deferred Residual Consideration therefore comprises excess spread available to the Charged Assets Obligor in respect of the Series 2006-01 Mortgage Portfolio, after all other amounts owed by the Charged Assets Obligor in respect of the Series 2006-01 Notes and the Series 2006-01 Transaction Documents have been paid in full.

On each Distribution Date, all amounts standing to the credit of the reserve support ledger relevant to the Series 2006-01 Notes (the “**Series Reserve Support Ledger**”) and comprising the Series reserve support fund which is available to meet liquidity shortfalls of the Issuer (the “**Series Reserve Support Fund**”) are applied down the Series Revenue Waterfall (along with all other applicable revenue of the Charged Assets Obligor). Following any enforcement of the security, to the extent not required to meet any shortfalls at any item of the waterfall ranking in priority thereto, any excess would comprise Series Portfolio Purchase Deferred Residual Consideration. Prior to any enforcement of the security, to the extent available, amounts are re-caught at item 17 of the Series Revenue Waterfall and applied to the Series Reserve Support Ledger until it reaches a prescribed amount required under the Series Specific Provisions (the “**Series Reserve Support Required Amount**”). The Series Reserve Support Required Amount (as amended pursuant to an amendment deed dated on or about the Issue Date between, among others, the Charged Assets Obligor and the Clavis Trustee (the “**Series 2006-01 Amendment (2014A) Deed**”)) amortises down in certain circumstances, as the principal amount outstanding of the Series 2006-01 Notes reduces (subject to a minimum balance of £2,581,330) subject to the Notes having redeemed in full, at which point the Series Reserve Support Required Amount reverts to zero. If the Series Reserve Support Required Amount has reduced since the previous Clavis

Interest Payment Date, any released excess balance over and above the Series Reserve Support Required Amount (which, following the redemption of the Notes in full would be the full balance) would continue down the Series Revenue Waterfall and, to the extent not required to meet prior ranking items to item 22, would be applied as Series Portfolio Purchase Deferred Residual Consideration.

Basinghall's rights to be paid the Series Portfolio Purchase Deferred Residual Consideration pursuant to the Series 2006-01 Portfolio Purchase Agreement comprise the DPC Rights, which will be assigned to the Issuer pursuant to the Deed of Assignment and Accession on the Issue Date.

Deed of Assignment and Accession

The assignment of the DPC Rights is expressly contemplated in the Portfolio Purchase Provisions, subject to the satisfaction of certain formalities, which include that the relevant assignee enters into deeds (in such forms that the Charged Assets Obligor and the Clavis Trustee may require) making it a party, and subject, to various Series 2006-01 Transaction Documents, including the Security Intercreditor Deed, as a relevant creditor of the Charged Assets Obligor.

On or prior to the Issue Date, the Issuer, Basinghall, the Charged Assets Obligor and the Clavis Trustee, among others, will enter into a deed of assignment and accession (the "**Deed of Assignment and Accession**") pursuant to which Basinghall will agree to assign all its right, title, interest and benefit in the DPC Rights to the Issuer, for a purchase price equal to the net proceeds of the Notes (see "*Proceeds of the Notes*") and the Issuer will agree to accede to the Clavis transaction documents (including the Security Intercreditor Deed) as a creditor of the Charged Assets Obligor.

In addition, pursuant to the Deed of Assignment and Accession, Basinghall will agree to certain restrictions in respect of non-solicitation, call options and interest rate setting as more particularly described below.

Non-solicitation

Basinghall will agree, pursuant to the Deed of Assignment and Accession, that it will not, and it will procure that its affiliates do not, specifically solicit borrowers in respect of mortgage loans comprised in the Series 2006-01 Mortgage Portfolio for the refinancing of their mortgage loans. In addition, the Issuer (no more than four times annually), may, and shall if directed to do so by the Majority Noteholders, request a report (which may also be requested directly by the Majority Noteholders) (each a "**Non-Solicitation Report**") from Basinghall (a "**Basinghall Non-Solicitation Report**") or from an independent firm of accountants selected by the Majority Noteholders and approved by Basinghall, such approval not to be unreasonably withheld or delayed (an "**Independent Third Party**"), at the Issuer's expense (a "**Third Party Non-Solicitation Report**").

In respect of any Basinghall Non-Solicitation Report requested by the Issuer (or the Majority Noteholders), Basinghall will provide to the Issuer, within 10 Business Days of request, either:

- (A) a list, on an anonymised basis and subject always to applicable data protection laws, of any borrowers that have prepaid in full a mortgage loan comprising part of the Series 2006-01 Mortgage Portfolio and entered into a new mortgage loan in respect of the same property with Basinghall (or any of its affiliates), in each case in the period (the "**Relevant Period**") since the last Non-Solicitation Report was prepared (or if there is no previous Non-Solicitation Report, since the Issue Date) (each a "**Refinancing Match**") and in respect of each such Refinancing Match, specifying whether the entering into of the new mortgage loan by the relevant borrower was (i) directly solicited by Basinghall (or any of its

affiliates), (ii) a broker referral, or (iii) the result of a reverse enquiry from the relevant borrower in response to general marketing; or

(B) confirmation that there are no Refinancing Matches for the Relevant Period.

In respect of any Third Party Non-Solicitation Report, provided that Basinghall is satisfied that the relevant Independent Third Party has entered into relevant confidentiality agreements and is able to lawfully handle personal data relating to the Series 2006-01 Mortgage Portfolio in accordance with applicable laws and regulation, Basinghall shall provide to the Independent Third Party within 10 Business Days of request, a report specifying all borrowers, and related properties, that have prepaid in full mortgage loans comprised in the Series 2006-01 Mortgage Portfolio and all borrowers, and related properties, that have entered into mortgage loans with Basinghall (or any of its affiliates), in each case, in the Relevant Period. Upon receipt of such report, the Independent Third Party will be required to notify Basinghall, within 5 Business Days, of any Refinancing Matches (or if there are no Refinancing Matches) in respect of such report. If there are no Refinancing Matches for the Relevant Period, the Independent Third Party will notify the Issuer accordingly. If there are any Refinancing Matches for the Relevant Period, the Independent Third Party will provide details of the relevant mortgage loan(s) and Basinghall will provide evidence (subject to applicable data protection laws and regulation) as to how the entering into of the new mortgage loan which was the subject of the Refinancing Match was procured by Basinghall (or its relevant affiliate). Upon receipt of such information, the Independent Third Party will notify the Issuer and Basinghall of the number of Refinancing Matches and whether, based on the evidence it has received, either (a) the entering into of the new mortgage loan by the relevant borrower was (i) directly solicited by Basinghall (or any of its affiliates), (ii) a third party broker referral, (iii) the result of a reverse enquiry from the relevant borrower in response to general marketing; or (b) it is unable to reach a conclusion.

No Third Party Non-Solicitation Report may be requested (directly or indirectly) of Basinghall and none will be sought by the Issuer until the Issuer has registered with the Information Commissioner's Office in accordance with section 18 of the Data Protection Act 1998 and the Issuer has notified the Noteholders of such registration in accordance with Condition 16 (*Notices*), such notification to be given by the Issuer to the Noteholders as soon as reasonably practicable following such registration.

Other than as set out above, Basinghall will not be obligated to provide any further information in respect of any Refinancing Matches.

The purpose of this restriction is to provide investors in the Notes with comfort that borrowers in respect of mortgage loans comprised in the Series 2006-01 Mortgage Portfolio will not be solicited to refinance their mortgage loans into new Basinghall products, thereby accelerating the redemption of the Series 2006-01 Notes and reducing the possible return on the DPC Rights. Borrowers of mortgage loans comprised in the Series 2006-01 Mortgage Portfolio that respond to general marketing campaigns by Basinghall or its affiliates or which are referred to Basinghall or its affiliates by a third party broker will not be deemed to be "solicited" for these purposes. In respect of any Refinancing Match that Basinghall (in respect of any Basinghall Non-Solicitation Report) or the relevant Independent Third Party (in respect of any Third Party Non-Solicitation Report) determines is the result of a direct solicitation by Basinghall or any of its affiliates or, in the case of any Third Party Non-Solicitation Report, in respect of which it is unable to reach a conclusion, Basinghall will be required to compensate the Issuer in accordance with the terms of the Deed of Assignment and Accession.

Call option

The Charged Assets Obligor holds an optional redemption right to redeem the Series 2006-01 Notes. This call option (the "**Optional Redemption Right**") is contained in condition 6.3 of the terms and conditions of the Series 2006-01 Notes. The exercise of the Optional Redemption Right is subject to satisfaction of certain terms and conditions set out in the terms and conditions

of the Series 2006-01 Notes, the Series 2006-01 Transaction Documents and the Deed of Assignment and Accession, including that the aggregate principal amount outstanding of the Series 2006-01 Notes must have been reduced below GBP60,030,915.38, the Charged Assets Obligor must have sufficient funds available to redeem the Series 2006-01 Notes in full, and any amounts owed by the Charged Assets Obligor that rank in priority to the Series 2006-01 Notes pursuant to the relevant priorities of payments, and the exercise of the Optional Redemption Right must be in accordance with relevant laws, regulations and directives (the "**Optional Redemption Right Exercise Conditions**"). Basinghall will agree, pursuant to the Deed of Assignment and Accession, that it will not, and it will procure that its affiliates do not, assist in facilitating any exercise by the Charged Assets Obligor of the Optional Redemption Right (or otherwise seek to redeem the Series 2006-01 Notes early) unless requested to do so, or otherwise approved, by the Issuer, subject always to compliance with the Optional Redemption Right Exercise Conditions.

Condition 9(b) (*Optional Redemption Right*) of the Notes (see "*Terms and Conditions of the Notes*") states that the Majority Noteholders may direct that Basinghall assists in facilitating the exercise of the Optional Redemption Right by the Charged Assets Obligor. If Basinghall elects to seek a refinancing of the Series 2006-01 Notes and assists in facilitating the exercise of the call option by the Charged Assets Obligor, it must first seek the consent of the Issuer (which will only be provided if the Majority Noteholders have approved the proposed exercise of the Optional Redemption Right within the requisite time period set out in the Conditions). In each case, any exercise (or non-exercise) of the Optional Redemption Right will be subject to the Optional Redemption Right Exercise Conditions and any direction of Basinghall by the Issuer will be subject to Basinghall being reimbursed for all associated costs and expenses on a full indemnity basis and being indemnified to its satisfaction.

Interest Rate Setting Power

The interest rate setting power in respect of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio (the "**Interest Rate Setting Power**") is held by the Charged Assets Obligor, which delegates it to the Clavis Special Servicer. Under the terms of the Series 2006-01 Transaction Documents, the Clavis Special Servicer is entitled to set the interest rates of the mortgage loans (and must recommend changes to the interest rates in respect of the mortgage loans where the amount of interest income received by the Charged Assets Obligor will, in the opinion of the Clavis Special Servicer, be insufficient to meet interest payments on the Series 2006-01 Notes and any other amounts ranking equal, or in priority, to such interest payments in the relevant priorities of payments), subject always to compliance with various conditions set out in the Series 2006-01 Transaction Documents. In particular, the Clavis Special Servicer must observe the "**Interest Rate Setting Policy**", which is the policy set from time to time in respect of the setting of the interest rates of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio, the conditions of the mortgage loans, applicable law and the terms of any mortgage loans that have prescribed interest rates (for example, fixed, capped or tracker mortgages).

Basinghall will agree, pursuant to the Deed of Assignment and Accession, that while the Notes remain outstanding and Basinghall remains Clavis Special Servicer in respect of the Series 2006-01 Notes and has authority to determine the Interest Rate Setting Policy in respect of the Series 2006-01 Notes, the Interest Rate Setting Policy will contain the following terms:

- (A) the interest rate in respect of the mortgage loans comprised in the Series 2006-01 Mortgage Portfolio, to the extent that the interest rate in respect of such mortgage loans is the standard variable rate of Basinghall from time to time (each, a "**SVR Mortgage Loan**"), shall not be reduced below at least 3.5% above the Bank of England base rate from time to time, subject always to the Interest Rate Setting Power Limitations; and
- (B) Basinghall shall give no less than 10 Business Days prior notification to the Issuer of any change in the interest rate in respect of any SVR Mortgage Loan recommended by it in accordance with the Interest Rate Setting Policy. Basinghall shall be entitled to implement such recommendation unless, within 10 Business Days of such notification, the Majority

Noteholders have directed Basinghall to withdraw the recommended interest rate change and the Issuer, based on information provided by the Majority Noteholders only, demonstrates to the reasonable satisfaction of Basinghall (acting as a Prudent Residential Mortgage Lender) that such change is not in accordance with the Interest Rate Setting Power Limitations.

For these purposes:

“Interest Rate Setting Power Limitations” means any terms and limitations relating to the Interest Rate Setting Policy and the exercise of the Interest Rate Setting Power prescribed by:

- (A) the terms of the Series 2006-01 Transaction Documents;
- (B) the mortgage conditions of the SVR Mortgage Loans;
- (C) the requirements of a Prudent Residential Mortgage Lender; and
- (D) the requirements of applicable law and regulation;

“Majority Noteholders” means Noteholders holding in aggregate a majority of the aggregate Principal Amount Outstanding of the Notes in accordance with Condition 9(e); and

“Prudent Residential Mortgage Lender” means a reasonable and prudent mortgage lender whose residential mortgage loans and their collateral security have in all material respects the same credit profile and are originated, administered and held to maturity according to lending standards, lending criteria and procedures as ought to have been applied in relation to the Series 2006-01 Mortgage Portfolio or, if the relevant context relates to a specific mortgage loan or its related security as ought to have been applied in relation to such mortgage loan or related security.

Further Information

Further information in respect of the Series 2006-01 Notes (including the DPC Rights) can be found at <http://www.clavis-securities.com>.

HISTORICAL DATA RELATING TO THE SERIES 2006-01 MORTGAGE PORTFOLIO AND THE PERFORMANCE OF THE DPC RIGHTS

The tables in this section give further selected information about the Series 2006-01 Mortgage Portfolio as at 31 October 2014 (the **"Portfolio Reference Date"**). In those tables all percentages have been taken to one decimal place, the **"Current Balance"** includes all sums owing by a borrower under a mortgage loan comprised in the Series 2006-01 Mortgage Portfolio (each, a **"Series 2006-01 Mortgage Loan"**) including (a) the outstanding principal balance, (b) all arrears of interest which have become due and payable but which remained unpaid, and (c) all fees and expenses which have been added to the relevant borrower's account. There has been no revaluation of any of the properties subject to a mortgage in the Series 2006-01 Mortgage Portfolio (the **"Series 2006-01 Mortgage Properties"**) for the purposes of the issue of the Notes and the details of valuations of the Series 2006-01 Mortgage Properties indicated in those tables are, unless otherwise stated, as at the date of the original initial Series 2006-01 Mortgage Loan origination.

The aggregate Current Balance of all Series 2006-01 Mortgage Loans as at the Issue Date is expected to be approximately £75,894,038.

Distribution of Series 2006-01 Mortgage Loans by current indexed LTV

The following table shows the distribution of the Series 2006-01 Mortgage Loans by their indexed loan to value ratios as at the Portfolio Reference Date. Indexation has been achieved taking the details of valuations of each Series 2006-01 Mortgage Property as at the date of the origination of the related original initial Series 2006-01 Mortgage Loan and adjusting this by the Halifax Price Index.

Indexed LTV range	Number of Series 2006-01 Mortgage Loans	% of total	Aggregate Current Balance	% of total
0-0.1	8	1.2%	104,820	0.1%
0.1-0.2	8	1.2%	438,496	0.6%
0.2-0.3	21	3.2%	1,126,067	1.5%
0.3-0.4	40	6.1%	3,522,283	4.6%
0.4-0.5	59	9.0%	6,703,379	8.8%
0.5-0.6	114	17.5%	14,445,149	18.9%
0.6-0.7	130	19.9%	17,482,897	22.9%
0.7-0.8	131	20.1%	15,816,872	20.7%
0.8-0.9	117	17.9%	13,961,139	18.3%
0.9-1	20	3.1%	2,485,547	3.3%
1-1.1	3	0.5%	185,708	0.2%
1.1-1.2	1	0.2%	135,521	0.2%
Total	652	100.0%	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by property type

The following table shows the distribution of the property types of the Series 2006-01 Mortgage Properties as at the Portfolio Reference Date.

Property type	Number of Series 2006-01 Mortgage Loans	% of total	Aggregate Current Balance	% of total
Detached Bungalow	8	1.2%	1,072,245	1.4%
Detached house	54	8.3%	9,581,241	12.5%
Flat	131	20.1%	15,544,254	20.3%
Maisonette	12	1.8%	1,485,691	1.9%
Semi-detached Bungalow	8	1.2%	1,210,430	1.6%
Semi-detached house	128	19.6%	17,148,469	22.4%
Terraced	311	47.7%	30,365,547	39.7%
Total	652	100.0%	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by occupancy type

The following table shows the distribution of the interest rate types of the Series 2006-01 Mortgage Loans as at its Portfolio Reference Date.

Occupancy type	Number of Series 2006-01 Mortgage Loans	Aggregate Current Balance
Residential	322	46,588,211
BTL	330	29,819,666
Total	652	76,407,878

Interest Rate types

The following table shows the distribution of the interest rate types of the Series 2006-01 Mortgage Loans as at the Portfolio Reference Date.

Interest Rate Product	Aggregate Current Balance	% of total
Sum of BOE Tracker	19,027,273	24.9%
Sum of Libor Tracker	0	0.0%
Sum of Standard Variable Rate	57,380,605	75.1%
Aggregate Current Balance	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by number of months in arrears

The following table shows the distribution of the Series 2006-01 Mortgage Loans by the number of months in arrears as at the Portfolio Reference Date.

Number of months in arrears	Number of Series 2006-01 Mortgage Loans	% of total	Aggregate Current Balance	% of total
0-1	592	90.8%	66,483,662	87.0%
1-2	17	2.6%	2,866,533	3.8%
2-3	13	2.0%	2,072,872	2.7%
3-4	9	1.4%	1,434,101	1.9%
4-5	5	0.8%	822,264	1.1%
5-6	3	0.5%	388,662	0.5%
6-7	4	0.6%	882,969	1.2%
9-10	3	0.5%	531,413	0.7%
>12	6	0.9%	925,402	1.2%
Total	652	100.0%	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by current interest rate

The following table shows the distribution of the Series 2006-01 Mortgage Loans by applicable interest rate as at the Portfolio Reference Date.

Current interest rate range	Aggregate Current Balance	% of total
1.24	3,823,359	5.0%
1.45	945,160	1.2%
1.49	1,917,276	2.5%
1.65	1,967,823	2.6%
1.74	1,112,618	1.5%
1.99	1,707,159	2.2%
2.24	476,670	0.6%
2.45	4,515,874	5.9%
2.49	2,634,757	3.4%
3.63	1,401,662	1.8%
5.24	55,905,518	73.2%
Total	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by remaining term

The following table shows the distribution of Series 2006-01 Mortgage Loans according to the number of months remaining until their maturity as at the Portfolio Reference Date.

Remaining maturity in months	Number of Series 2006-01 Mortgage Loans	% of total	Aggregate Current Balance	% of total
<1	1	0.2%	125,383	0.2%
1-24	17	2.6%	1,957,644	2.6%
25-48	26	4.0%	2,545,645	3.3%
49-72	31	4.8%	3,550,972	4.6%
73-96	13	2.0%	1,213,922	1.6%
97-120	37	5.7%	3,665,931	4.8%
121-144	94	14.4%	10,887,346	14.2%
145-168	74	11.3%	8,009,816	10.5%
169-192	208	31.9%	24,077,171	31.5%
193-216	125	19.2%	17,126,659	22.4%
217-240	5	0.8%	848,716	1.1%
241-264	21	3.2%	2,398,672	3.1%
Total	652	100.0%	76,407,878	100.0%

Repayment type

The following table shows the distribution of the repayment types of the Series 2006-01 Mortgage Loans as at the Portfolio Reference Date.

Mortgage type	Aggregate Current Balance	% of Total
Interest Only	64,820,068	84.8%
Repayment	11,587,810	15.2%
Aggregate Current Balance	76,407,878	100.0%

Distribution of Series 2006-01 Mortgage Loans by geographic region

The following table shows the regional distribution of the Series 2006-01 Mortgage Properties throughout England as at the Portfolio Reference Date.

Geographic region	Number of Series 2006-01 Mortgage Loans	% of total	Aggregate Current Balance	% of total
East Anglia	23	3.5%	2,259,496	3.0%
East Midlands	50	7.7%	5,149,249	6.7%
Inner London	88	13.5%	16,222,934	21.2%
North	25	3.8%	1,887,341	2.5%
North West	93	14.3%	8,175,769	10.7%
Outer London	55	8.4%	8,658,091	11.3%
South East	88	13.5%	11,806,613	15.5%
South West	52	8.0%	6,412,672	8.4%
Wales	46	7.1%	4,222,769	5.5%
West Midlands	65	10.0%	6,461,125	8.5%
Yorkshire & Humberside	67	10.3%	5,151,820	6.7%
Total	652	100.0%	76,407,878	100.0%

Excess spread after principal losses

The following table shows the amount in sterling paid in respect of the DPC Rights on each Clavis Interest Payment Date occurring from (and including) June 2006 to (and including) September 2014.

Clavis Interest Payment Date	Excess spread (in £)
Jun-06	-
Sep-06	587,734*
Dec-06	679,848*
Mar-06	577,926*
Jun-07	438,846*
Sep-07	277,228*
Dec-07	344,483*
Mar-08	284,589
Jun-08	493,332
Sep-08	312,484
Dec-08	166,502
Mar-09	158,568
Jun-09	57,840
Sep-09	322,803
Dec-09	609,823
Mar-10	821,147
Jun-10	759,766
Sep-10	815,512
Dec-10	603,944
Mar-11	973,352
Jun-11	812,338
Sep-11	730,485
Dec-11	686,771
Mar-12	708,638
Jun-12	698,931
Sep-12	648,030
Dec-12	496,854
Mar-13	461,901
Jun-13	340,143
Sep-13	586,484
Dec-13	564,954
Mar-14	641,636
Jun-14	588,897
Sep-14	399,317

*These amounts will not match up with the excess spread reported in the respective investor reports as the method of calculating excess spread was amended in March 2008 to tie in with the cash waterfall for the period of the Clavis Interest Payment Date.

CASH FLOWS OF THE ISSUER

Appointment of the Collateral Administrator

The Issuer will, on the Issue Date, appoint Citibank, N.A., London Branch as collateral administrator (in such capacity, the “**Collateral Administrator**”) to, among other things, provide cash management services to the Issuer pursuant to an agency agreement dated the Issue Date between, among others, the Issuer and the Collateral Administrator (the “**Agency Agreement**”).

Accounts and Ledgers of the Issuer

An account in the name of the Issuer will be established with Citibank, N.A., London Branch (the “**Account Bank**”) on or before Issue Date (the “**Issuer Bank Account**”) and will be operative on the Issue Date.

On or prior to the Issue Date, the Issuer (or the Collateral Administrator on its behalf) will establish the “**Available Collections Ledger**” and the “**Retained Profit Ledger**” in the books of the Issuer (the Available Collections Ledger and the Retained Profit Ledger together comprising the “**Ledgers**” of the Issuer). The Available Collections Ledger and the Retained Profit Ledger will together reflect the aggregate of all amounts of cash standing to the credit of the Issuer Bank Account.

Interest will accrue on amounts standing to the credit of the Issuer Bank Account, which shall be credited to the Issuer Bank Account from time to time.

Payments into the Issuer Bank Account

All amounts received by the Issuer in respect of the Charged Assets on each Clavis Interest Payment Date (*for further information relating to the Charged Assets, see “Description of the Charged Assets”*) will be deposited in the Issuer Bank Account and credited to the Available Collections Ledger as soon as reasonably practicable upon receipt.

Payments prior to enforcement of the security

Payments from the Available Collections Ledger on any Interest Payment Date or any Early Redemption Date occurring prior to enforcement of the security

On (i) each Interest Payment Date or (ii) any Early Redemption Date, in each case occurring prior to enforcement of the security in respect of the Notes, all amounts standing to the credit of the Available Collections Ledger on (in respect of any such Interest Payment Date) the date falling two Business Days prior to such Interest Payment Date (the “**Determination Date**” in respect of such Interest Payment Date) or (in respect of any such Early Redemption Date) the date on which the proceeds of liquidation of the Charged Assets are credited to the Issuer Bank Account following the occurrence of an early redemption event or event of default in respect of the Notes and subsequent liquidation of the Charged Assets (the “**Early Redemption Determination Date**”) (such amounts, the “**Available Funds**” in respect of such Interest Payment Date or Early Redemption Date (as applicable)) will be applied by the Issuer (or the Collateral Administrator on its behalf) in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the “**Pre-Enforcement Priority of Payments**”):

- (i) *first*, in or towards the satisfaction of any fees, costs, charges, liabilities and all other amounts that are due or owing to the Trustee under the provisions of the Trust Deed and the other Transaction Documents together with (if applicable) VAT thereon, as provided therein;

- (ii) *second*, in or towards satisfaction of, *pro rata* and *pari passu*:
 - (1) all claims of the Principal Paying Agent for reimbursement in respect of payments of principal and interest properly made to holders of Notes and (if the Global Note has been exchanged for definitive Bearer Notes) Coupons;
 - (2) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to (a) the Agents under the provisions of the Agency Agreement and (b) any Realisation Agent appointed in accordance with the Conditions, in each case together with (if payable) VAT thereon as provided therein;
 - (3) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Corporate Services Provider under the provisions of the Issuer Corporate Services Agreement and the Holdings Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
 - (4) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Account Bank under the provisions of the Account Bank Agreement together with (if payable) VAT thereon as provided therein;
- (iii) *third*, in or towards payment, *pro rata* and *pari passu*, of:
 - (1) any expenses payable by the Issuer in respect of the preparation of any Third Party Non-solicitation Report pursuant to Condition 9(a)(1); and
 - (2) any amounts payable by the Issuer to Basinghall in respect of any assistance in the facilitation of the exercise of the Optional Redemption Right by Basinghall to the Charged Assets Obligor pursuant to Condition 9(b) (*Optional Redemption Right*);
- (iv) *fourth*, in or towards the satisfaction of any amounts due and payable by the Issuer to third parties and incurred by the Issuer without breach by it of the Transaction Documents (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts standing to the credit of the Retained Profit Ledger from time to time);
- (v) *fifth*, (other than on the Maturity Date or an Early Redemption Date) an amount equal to £300 to be retained by the Issuer as profit in respect of the business of the Issuer and credited to the Retained Profit Ledger;
- (vi) *sixth*, in or towards payment, *pro rata* and *pari passu*, of any accrued and unpaid Fixed Interest, Deferred Interest and Additional Interest to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders;
- (vii) *seventh*, in or towards payment, *pro rata* and *pari passu*, of the Redemption Amount of each Note to the holder of such Note; and
- (viii) *eighth*, all remaining amounts, *pro rata* and *pari passu*, to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders as Variable Interest.

Payments from the Issuer Bank Account and the Retained Profit Ledger

Prior to the enforcement of the security in respect of the Notes, the Issuer (or the Collateral Administrator on its behalf) may, on any date, apply any amounts standing to the credit of the Issuer Bank Account which have been credited to the Retained Profit Ledger solely for the purpose of paying any Taxes which are due and payable by the Issuer on such date.

Payments following enforcement of the security

Following enforcement of the security in respect of the Notes, the Trustee (or the Collateral Administrator on its behalf) or any receiver appointed by the Trustee in connection with the enforcement of the security will apply all amounts received or recovered in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the “**Post Enforcement Priority of Payments**”):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the amounts then payable to each of them, of the fees, costs, charges, expenses and remuneration and any other amounts due or owing to the Trustee or to any receiver appointed pursuant to the Trust Deed;
- (ii) *second*, in or towards satisfaction of, *pro rata* and *pari passu*:
 - (1) all claims of the Principal Paying Agent for reimbursement in respect of payments of principal and interest properly made to holders of Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons;
 - (2) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to (a) the Agents under the provisions of the Agency Agreement and (b) any Realisation Agent appointed in accordance with the Conditions, in each case together with (if payable) VAT thereon as provided therein;
 - (3) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Corporate Services Provider under the provisions of the Issuer Corporate Services Agreement and the Holdings Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
 - (4) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Account Bank under the provisions of the Account Bank Agreement together with (if payable) VAT thereon as provided therein;
- (iii) *third*, in or towards payment, *pro rata* and *pari passu*, of:
 - (1) any expenses payable by the Issuer in respect of the preparation of any Third Party Non-solicitation Report pursuant to Condition 9(a)(1); and
 - (2) any amounts payable by the Issuer to Basinghall in respect of any assistance in the facilitation of the exercise of the Optional Redemption Right by Basinghall to the Charged Assets Obligor pursuant to Condition 9(b) (*Optional Redemption Right*);
- (iv) *fourth*, in or towards payment, *pro rata* and *pari passu*, of any accrued and unpaid Fixed Interest, Deferred Interest and Additional Interest to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders;

- (v) *fifth*, in or towards payment, *pro rata* and *pari passu*, of the Redemption Amount of each Note to the holder of such Note; and
- (vi) *sixth*, all remaining amounts, *pro rata* and *pari passu*, to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders as Variable Interest.

As used in this Offering Memorandum:

“Additional Interest” means any interest accrued in respect of any amounts of Deferred Interest due but unpaid to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders pursuant to Condition 7(c)(ii) (*Additional Interest*).

“Business Day” means a day (not being a Saturday or Sunday) on which banks are open for business in London and any day on which the TARGET2 System is open.

“Deferred Interest” means any amount of Fixed Interest (or part thereof) the payment of which has been deferred to the next Interest Payment Date pursuant to Condition 7(c)(i) (*Deferred Interest*).

The **“Early Redemption Date”** in respect of each Note shall be the earlier of (i) the date falling two Business Days following the Early Redemption Determination Date; and (ii) the date falling 30 Business Days after the date on which the Issuer gives notice to the Noteholders that the Notes have become due and repayable pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), as the case may be.

“Fixed Interest” means, in respect of any Interest Period, the fixed interest payable in respect of the Principal Amount Outstanding of each Note pursuant to Condition 7(a)(i) (*Payment of Fixed Interest*) for such Interest Period.

“Holdings Corporate Services Agreement” means a corporate services agreement entered into between Holdings and the Corporate Services Provider dated on or around the Issue Date.

“Interest Payment Date” means each date which falls 3 Business Days after a Clavis Interest Payment Date, commencing on 18 December 2014, with the final Interest Payment Date falling on the Maturity Date.

“Interest Period” means each period commencing on and including an Interest Payment Date (except in the case of the first Interest Period, which shall commence on and include the Issue Date) to but excluding the next following Interest Payment Date.

“Maturity Date” means 18 December 2039.

“Payments Priorities” means the Pre-Enforcement Priority of Payments and the Post Enforcement Priority of Payments.

The **“Principal Amount Outstanding”** of each Note, on any date, shall be an amount equal to (i) (x) the original principal amount of the Notes (being £10,000,000), less (y) the aggregate amount of all principal payments in respect of the Notes which have been made since the Issue Date, divided by (ii) the number of Notes outstanding on such date.

“Redemption Amount” means, as the context may require, the Scheduled Redemption Amount of any Note due and payable to the holder of such Note pursuant to Condition 8(a) (*Final redemption*), all or any part of the Principal Amount Outstanding of any Note due and payable to the holder of such Note pursuant to Condition 8(b) (*Mandatory redemption on each Interest Payment Date*) or Condition 11(c) or the Early Redemption Amount of any Note due and payable

to the holder of such Note pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*).

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) and “**Taxes**” and “**Taxation**” will be interpreted accordingly.

“**Transaction Documents**” means the Trust Deed, the Agency Agreement, the Deed of Assignment and Accession, the Subscription Agreement, the Account Bank Agreement, the Issuer Corporate Services Agreement, the Holdings Corporate Services Agreement, the Master Definitions and Construction Schedule, the Share Trust Deed, the Temporary Global Note, and any Permanent Global Note and definitive Bearer Note for which the Temporary Global Note may be exchanged and each agreement, deed or other document supplemental to any of the foregoing by which the relevant document is or was restated, amended, varied, novated or otherwise supplemented.

“**Variable Interest**” means, in relation to each Note:

- (i) prior to the enforcement of the security, in respect of each Interest Payment Date, (a) the amount (if any) by which Available Funds on such Interest Payment Date exceed the amounts required to satisfy items (i) to (vi) of the Pre-Enforcement Priority of Payments on such Interest Payment Date, divided by (b) the number of Notes outstanding on such date; and
- (ii) following the enforcement of the security, in respect of each date on which amounts are to be applied in accordance with the Post Enforcement Priority of Payments, (a) the amount by which amounts available for payment in accordance with the Post Enforcement Priority of Payments exceeds the amounts required to satisfy items (i) to (iv) of the Post-Enforcement Priority of Payments on that date, divided by (b) the number of Notes outstanding on such date.

“**VAT**” means value added tax.

USE OF PROCEEDS

The proceeds from the Notes will be applied by the Issuer to purchase the Charged Assets pursuant to the Deed of Assignment and Accession.

DESCRIPTION OF THE ISSUER

General

The Issuer was registered and incorporated as a public limited company (registration number 9296463) with the name Clavis 2006-1 NIM plc under the Companies Acts 2006 on 5 November 2014.

The Issuer has been incorporated for an indefinite period. The registered office of the Issuer is at 35 Great St. Helen's, London, EC3A 6AP. The telephone number of the Issuer is +44 20 7398 6300.

Share Capital

The issued share capital of the Issuer is £50,000 divided into 50,000 ordinary shares of £1 each. The Issuer has issued 49,999 shares which are one-quarter paid up and one share fully paid up. The issued share is held by Clavis NIM Repack Ltd. ("**Holdings**").

The Issuer was established as a special purpose vehicle for the purpose of issuing financial instruments, the acquisition of financial assets and the entering into of other legally binding agreements.

Management

The directors of the Issuer, their respective business addresses and other principal activities at the date hereof are:

Name	Address	Occupation
Debra Parsall	35 Great St. Helen's London E3A 6AP	Corporate Director
SFM Directors Limited	35 Great St. Helen's London E3A 6AP	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen's London E3A 6AP	Corporate Director

The company secretary of the Issuer is SFM Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

Administration

Structured Finance Management Limited of 35 Great St. Helen's, London, E3A 6AP is the corporate services provider (the "**Corporate Services Provider**") of the Issuer pursuant to a corporate services agreement entered into between the Issuer and the Corporate Services Provider dated on or around the Issue Date (the "**Issuer Corporate Services Agreement**"). Its duties include the provision of certain administrative and related services including acting as company secretary. The Issuer has no employees.

The Issuer Corporate Services Agreement provides for termination of the Issuer Corporate Services Agreement by either party in certain circumstances, including insolvency of the other party and/or in the event of a material breach of the Issuer Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Issuer Corporate Services Agreement at any time by giving at least three months' written notice to the other party. In the event of a termination of the existing Issuer Corporate Services Agreement (for whatever reason)

appropriate alternative management arrangements will need to be put into place at the relevant time.

Financial Statements

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been prepared as at the date of this document. The Issuer will prepare and publish audited financial statements on an annual basis. The financial period of the Issuer will end on 31 December in each year. The auditors appointed in respect of the Issuer are PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London, WC2N 6RH. PricewaterhouseCoopers LLP are chartered accountants qualified to practise in England and Wales and are members of the Institute of Chartered Accountants in England and Wales. The audited annual financial statements of the Issuer will be available free of charge at the offices of the Issuer.

Business of the Issuer

The principal activities of the Issuer are those which are set out in the Issuer's corporate objects clause, which is clause 4 of the Articles of Association. Cash flow derived from the Charged Assets will be the Issuer's only source of funds to fund payments in respect of such Notes.

The Issuer has undertaken not to carry out any business other than the issue of the Notes, the purchase of the Charged Assets and the entry into of and the performance of its obligations and enforcement of its rights under the Transaction Documents and does not and will not have any substantial assets other than the Charged Assets. The Issuer does not and will not have any substantial liabilities other than in connection with the Notes.

The Issuer has, and will have, no material assets other than its issued share capital, such fees (as agreed) payable to it in connection with the issue of the Notes, amounts standing to the credit of the Issuer Bank Account and the Mortgaged Property relating to the Notes. Save in respect of the Issuer's issued share capital, the Issuer will not accumulate any surpluses.

The Notes are obligations of the Issuer alone and not the obligations of, or guaranteed in any way by, the Corporate Services Provider or Holdings. Furthermore, they are not obligations of, or guaranteed in any way by the Arranger or any other party.

DESCRIPTION OF THE CHARGED ASSETS OBLIGOR

General

Clavis Securities plc is the Charged Assets Obligor.

Clavis Securities plc was registered as a public limited company (registration number 5778179) and incorporated in England and Wales under the Companies Act 1985 on 11 April 2006.

The registered office of Clavis Securities plc is at 35 Great St Helen's, London, EC3A 6AP. The telephone number of Clavis Securities plc is +44 207 398 6300.

Share Capital

The authorised share capital of Clavis Securities plc is £50,000 divided into 50,000 ordinary shares of £1 each. All of those shares are fully paid up as to £1.00 each, with 49,999 of those shares being registered in the name of SFM Corporate Services Limited as trustee (in such capacity, the "**Share Trustee**") under the terms of a trust established under English law by a Share Trust Deed (the "**Share Trust Deed**") dated 30 May 2006 for the benefit of certain charitable purposes and the remaining 1 share being registered in the name of a nominee for the Share Trustee (the Share Trustee being the beneficial owner of that share).

Management

The current directors of Clavis Securities plc are SFM Directors Limited, being a private limited company incorporated in England and Wales on 07 February 2000 (company registration number 3920254) under the Companies Act 1985 and SFM Directors (No.2) Limited, being a private limited company incorporated in England and Wales on 19 June 2000 (company registration number 4017430) under the Companies Act 1985 (each of whose business address is 35 Great St. Helen's, London EC3A 6AP and each of whose principal activity or business occupation is acting as a corporate director of special purpose companies) and Paivi Helena Whitaker, being a director with an address of 35 Great St. Helen's, London EC3A 6AP.

Business of the Charged Assets Obligor

Clavis Securities plc is a special purpose vehicle having been established for the purpose of primarily issuing notes and purchasing assets. The objects of Clavis Securities plc are limited to those set out in its memorandum and articles of association and are, among other things, investing in and/or acquiring mortgage loans and other investments, borrowing or raising money in such manner as Clavis Securities plc thinks fit and securing the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon the whole or any part of Clavis Securities plc's property or assets.

The Series 2006-01 Notes and the Series 2007-01 Notes issued under its GBP 10,000,000,000 note programme established in June 2006 are, as at the date of this Offering Memorandum, admitted to the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange.

DESCRIPTION OF BASINGHALL FINANCE LIMITED

Basinghall Finance Limited is a private limited company registered in England and Wales under number 2305213 and the liability of its members is limited. It has its registered and head office at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA. Basinghall Finance Limited is a wholly owned subsidiary of Bluestone Mortgages Investment Ltd. It is regulated by the Financial Conduct Authority and holds the required authorisations and permissions to carry out regulated activities under the Financial Services and Markets Act 2000.

Basinghall Finance Limited's main purpose is to acquire mortgage loans via portfolio purchases and to originate new loans through third party distribution networks. Such loans will be refinanced through securitisation via, amongst others, the Issuer or by sales to other third party entities.

DESCRIPTION OF THE CORPORATE SERVICES PROVIDER

Structured Finance Management Limited is the Corporate Servicer Provider.

Structured Finance Management Limited was incorporated on 1 October 1999 in England and Wales under the Companies Act 1985 and 1989 (registration number 3853947) and its registered office is at 35 Great St. Helen's, London EC3A 6AP.

Structured Finance Management Limited was established to provide independent directors and administrative services to special purpose vehicles set up in connection with securitisation, project and structured finance transactions. Structured Finance Management Limited and its associated companies have supplied directors and/or management services to over 300 transactions located in the UK, the Channel Islands, Ireland, Netherlands, Luxembourg, Spain, Italy and Germany.

Structured Finance Management Limited's executive management team, comprised of City professionals, all have extensive and direct experience of origination, transaction management and execution in the international capital markets. The transaction management and compliance teams of Structured Finance Management Limited provide a technically qualified service to meet the demands of the regulatory, legal and accounting environments. Additional information on Structured Finance Management Limited is available at www.sfmeurope.com.

DESCRIPTION OF HOLDINGS

Holdings was incorporated in England and Wales on 5 November 2014 (registration number 9296613) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. SFM Corporate Services Limited in its capacity as Share Trustee holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Pursuant to the terms of its articles of association, Holdings is permitted, *inter alia*, to hold shares in the Issuer.

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

Directors

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

Name	Address	Occupation
Debra Parsall	35 Great St. Helen's London E3A 6AP	Corporate Director
SFM Directors Limited	35 Great St. Helen's London E3A 6AP	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen's London E3A 6AP	Corporate Director

The company secretary of Holdings is SFM Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2015.

Holdings has no employees.

Rights as shareholder of the Issuer

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

FORM OF THE NOTES

The Notes comprise Notes in bearer form only (“**Bearer Notes**”) and will initially be represented by one note in temporary global form (the “**Temporary Global Note**”) without Coupons or Talons. The Temporary Global Note will be delivered to Citibank Europe Plc, as a common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**” and, together with Euroclear, the “**Clearing Systems**” and each, a “**Clearing System**”). Any reference herein to Euroclear or Clearstream, Luxembourg shall include any successor in business to Euroclear or Clearstream, Luxembourg (and the terms “**Clearing System**” and “**Clearing Systems**” shall be construed accordingly).

Interests in the Temporary Global Note may be exchanged for interests in a note in permanent global form (a “**Permanent Global Note**”) or for definitive Bearer Notes, with Coupons and Talons attached, not earlier than the first day (the “**Exchange Date**”) following the expiry of 40 days after the original issue date of the Notes, provided that certification of non-U.S. beneficial ownership has been received. No interest shall be payable in respect of a Temporary Global Note unless:

- (a) upon due presentation of the Temporary Global Note for exchange (together with certification of non-U.S. beneficial ownership), delivery of a Permanent Global Note (or, as the case may be, an interest therein) or of definitive Bearer Notes is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date; or
- (b) a payment of interest falls due prior to the Exchange Date, in which case such payment shall be made in respect of the Temporary Global Note upon certification of non-U.S. beneficial ownership.

The Permanent Global Note will be exchangeable, in whole but not in part, for definitive Bearer Notes, with Coupons and Talons attached, either (i) on request from the Trustee or the holder thereof (or all of the holders acting together, if more than one) upon not less than 60 days’ prior written notice to the Issuer and the Trustee given not earlier than the Exchange Date or (ii) upon the occurrence of an Exchange Event.

For these purposes, “**Exchange Event**” means that:

- (a) the Issuer has or will become subject to a material disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of the relevant Clearing System which would not be suffered if the Notes were in definitive form, and the Trustee has received a certificate to such effect;
- (b) the Notes have become due and payable as a result of an Event of Default in accordance with Condition 11 (*Events of Default*) and payment has not been made on due presentation of the Permanent Global Note for payment; or
- (c) the relevant Clearing System in which the Permanent Global Note is for the time being deposited has been closed for business for a continuous period of 14 days (otherwise than by reason of holiday, statutory or otherwise) or has announced an intention to permanently cease business or cease to make its book-entry system available for settlement of beneficial interests in such Permanent Global Note or has in fact done either of such things and no alternative clearing system satisfactory to the Trustee and the Principal Paying Agent is available,

provided that, in the case of items (b) and (c) above, the Permanent Global Note shall only be exchanged for definitive Bearer Notes upon request from the Trustee or the holder thereof (or all of the holders acting together, if more than one).

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

1. GENERAL

The £10,000,000 Asset Backed Variable Coupon Notes due 2039 (the “**Notes**”) of Clavis 2006-1 NIM plc (the “**Issuer**”) are constituted, governed and secured by a trust deed (the “**Trust Deed**”) dated 11 December 2014 (the “**Issue Date**”) and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders and the other Secured Parties (in such capacity, the “**Trustee**”).

Pursuant to an agency agreement (the “**Agency Agreement**”) dated the Issue Date and made between the Issuer, the Trustee and Citibank, N.A., London Branch as principal paying agent (in such capacity, the “**Principal Paying Agent**” and, together with any further or other paying agent appointed under the Agency Agreement, the “**Paying Agent**”) and as collateral administrator (in such capacity, the “**Collateral Administrator**”), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes. References herein to “**Agents**” are to the Principal Paying Agent, the Paying Agents, the Collateral Administrator and each other agent appointed in accordance with the Agency Agreement.

References in these terms and conditions (the “**Conditions**”) to (i) “**principal**” shall be deemed to include all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 8 (*Redemption Purchase and Exchange*) or any amendment or supplement to it and (ii) “**interest**” shall be deemed to include all Fixed Interest, all Variable Interest, any Deferred Interest and any Additional Interest (as such terms are defined under Condition 7 (*Interest*)).

References herein to (i) the “**Subscription Agreement**” are to the subscription agreement between the Issuer, Macquarie Bank Limited, London Branch as arranger (the “**Arranger**”), Basinghall Finance Limited as the assignor of the Charged Assets (“**Basinghall**”) and the subscriber for the Notes (the “**Subscriber**”) dated on or around 2 December 2014, (ii) the “**Deed of Assignment and Accession**” are to the deed of assignment and accession between, among others, the Issuer, Clavis Securities plc as the obligor in respect of the Charged Assets (as defined in Condition 4(a) (*Security*)) (the “**Charged Assets Obligor**”) and Basinghall dated the Issue Date, (iii) the “**Account Bank Agreement**” are to the account bank agreement between, among others, the Issuer and Citibank, N.A., London Branch as account bank (in such capacity, the “**Account Bank**”) dated the Issue Date, (iv) the “**Issuer Corporate Services Agreement**” are to the corporate services agreement between, among others, the Issuer and Structured Finance Management Limited as corporate services provider (in such capacity and as corporate services provider to Holdings, the “**Corporate Services Provider**”) dated on or around the Issue Date, (v) the “**Master Definitions and Construction Schedule**” are to a master definitions and construction schedule entered into by, among others, the Issuer and the Trustee on the Issue Date, (vi) the “**Series 2006-01 Amendment (2014A) Deed**” are to the amendment deed between, among others, the Charged Assets Obligor and HSBC Trustee (C.I.) Limited as the security trustee and the note trustee of the Series 2006-01 Notes dated on or about the Issue Date, (vii) the “**Share Trust Deed**” are to the declaration of trust dated 26 November 2014 pursuant to which the SFM Corporate Services Limited in its capacity as share trustee holds the beneficial interest in the share of Holdings on trust for discretionary purposes and (viii) the “**Holdings Corporate Services Agreement**” are to the corporate services agreement between Holdings and the Corporate Services Provider dated on or around the Issue Date. References to the “**Transaction Documents**” are to the Trust Deed, the Agency Agreement, the Deed of Assignment and Accession, the Subscription Agreement, the Account Bank Agreement,

the Issuer Corporate Services Agreement, the Holdings Corporate Services Agreement, the Master Definitions and Construction Schedule, the Share Trust Deed, the Global Note, and any definitive Bearer Notes for which the Global Note may be exchanged, and each agreement, deed or other document supplemental to any of the foregoing by which the relevant document is or was restated, amended, varied, novated or otherwise supplemented.

References herein to the Trustee, any Agent, the Account Bank or the Corporate Services Provider shall include any successor or additional trustee, agent, account bank or corporate services provider appointed pursuant to the Transaction Documents.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. The Master Definitions and Construction Schedule will apply for the purposes of interpretation of these Conditions, except as expressly provided herein or as the context otherwise requires.

Physical copies of the Transaction Documents are available for inspection during normal business hours at the registered office of the Trustee and at the specified offices of each of the Paying Agents. The holders of the Notes, the holders of the interest coupons (the “**Coupons**”) (if any) appertaining to such Notes (the “**Couponholders**”, which expression includes the Talonholders as referred to below) and the holders of talons (the “**Talons**”) (if any) for further coupons attached to such Notes (the “**Talonholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form (“**Bearer Notes**”). Each Note shall be serially numbered and issued in a denomination of £100,000 (the “**Authorised Denomination**”). The Principal Amount Outstanding (as defined in Condition 8(a) (*Final Redemption*)) of each Note will be specified on its face and all payments in respect of a Note shall be made in the currency shown on its face.

No Note may be offered, sold or delivered within the United States or to or for the account of a U.S. Person (as defined in Section 7701 of the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder (the “**Code**”)).

The Notes are issued pursuant to Section 1.163-5(c)(2)(i)(D) of the Treasury Regulations under the Code and will initially be represented by one note in temporary global form (the “**Temporary Global Note**”) without Coupons or Talons. The Temporary Global Note (and any Permanent Global Note issued on the terms set out below) will be delivered to Citibank Europe Plc, as a common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and, together with Euroclear, the “**Clearing Systems**” and each, a “**Clearing System**”). Any reference herein to Euroclear or Clearstream, Luxembourg shall include any successor in business to Euroclear or Clearstream, Luxembourg (and the terms “Clearing System” and “Clearing Systems” shall be construed accordingly).

If a date for the payment of interest on any Note occurs while such Note is represented by the Temporary Global Note, the related interest payment will be made against presentation of the Temporary Global Note only to the extent that certification of non-U.S. beneficial ownership (in the form set out in the Temporary Global Note) has been received by the relevant Clearing System. Interests in the Temporary Global Note may be exchanged for interests in a note in permanent global form (a “**Permanent Global Note**”) or for definitive Bearer Notes, with Coupons and Talons attached, not earlier than the first day (the “**Exchange Date**”) following the expiry of 40 days after the original issue date of the Notes, provided that certification of non-U.S. beneficial ownership has been received.

Save for payments of interest as described above, no payments will be made on a Temporary Global Note unless, upon due presentation of a Temporary Global Note for exchange (together with certification of non-U.S. beneficial ownership), delivery of a Permanent Global Note (or, as the case may be, an interest herein) or definitive Bearer Notes is improperly withheld or refused and such withholding or refusal is continuing at the relevant due date for payment.

Payments of principal or interest in respect of the Permanent Global Note will be made through the relevant Clearing System against (in the case of payments of principal) presentation and surrender or (in the case of payments of interest) presentation of the Permanent Global Note.

The Permanent Global Note will be exchangeable, in whole but not in part, for definitive Bearer Notes, with Coupons and Talons attached, either (i) on request from the Trustee or the holder thereof (or all of the holders acting together, if more than one) upon not less than 60 days' prior written notice to the Issuer and the Trustee given not earlier than the Exchange Date or (ii) upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (A) the Issuer has or will become subject to a material disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of the relevant Clearing System which would not be suffered if the Notes were in definitive form, and the Trustee has received a certificate to such effect; (B) the Notes have become due and payable as a result of an Event of Default in accordance with Condition 11 (*Events of Default*) and payment has not been made on due presentation of the Permanent Global Note for payment; or (C) the relevant Clearing System in which the Permanent Global Note is for the time being deposited has been closed for business for a continuous period of 14 days (otherwise than by reason of holiday, statutory or otherwise) or has announced an intention to permanently cease business or to cease to make its book-entry system available for settlement of beneficial interests in such Permanent Global Note or has in fact done either of such things and no alternative clearing system satisfactory to the Trustee and the Principal Paying Agent is available; provided that, in the case of items (B) and (C) above, the Permanent Global Note shall only be exchanged for definitive Bearer Notes upon request from the Trustee or the holder thereof (or all of the holders acting together, if more than one).

Definitive Bearer Notes are issued with Coupons and a Talon attached. After all the Coupons attached to or issued in respect of any definitive Bearer Note have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and one further Talon will be issued against presentation and surrender of the relevant Talon at the specified office of any Paying Agent.

Title to the Notes, the Coupons and the Talons passes by delivery. In these Conditions, subject as provided below, "**Noteholder**" and (in relation to a Note, Coupon or Talon) "**holder**" means the bearer of any Note, Coupon or Talon (as the case may be). The holder of any Note, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

For so long as the Notes are represented by the Temporary Global Note or a Permanent Global Note (any such Temporary Global Note or Permanent Global Note representing the Notes, the "**Global Note**") and the Global Note is held by the Common Depositary on behalf of a Clearing System, beneficial interests in Notes will only be transferable in accordance with the rules and procedures for the time being of such Clearing System, as appropriate, and each person who is for the time being shown in the records of the relevant Clearing System (other than each such clearing system to the extent that it is an account holder with the other clearing system for the purpose of operating the "bridge" between the clearing systems) as the holder of a particular principal amount of the Notes (in which regard (A) any certificate or other document issued by such Clearing System, or

(B) a printout generated by accessing the EUCLID or CreationOnline systems or any successors to such systems, as to the principal amount of the Notes standing to the account of any person (an “**Accountholder**”) shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee and the Agents as the holder of such principal amount of the Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to “**holder of the Notes**” shall be construed accordingly) for all purposes other than the entitlement to receive payments of principal, interest or any amounts due on redemption in respect of the Global Note. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any record and/or document and/or evidence and/or information and/or certification to such effect purporting to be issued or given by the relevant Clearing System and subsequently found to be forged or not authentic.

Each Accountholder must look solely to its Clearing System for such Accountholder’s share of each payment or distribution of any other entitlement made by the Issuer to the holder of the Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of their Clearing System. Accountholders shall have no claim directly against the Issuer, the Trustee or any other person (other than their Clearing System) in respect of payments or distributions of other entitlements due under the Global Note which are made by the Issuer to the holder of the Global Note and such obligations of the Issuer shall be discharged thereby.

The following legend will appear on each Note and any Coupons or Talons in respect thereof:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED.”

The sections of the Code referred to in the foregoing legend provide that, with certain exceptions, a United States taxpayer will not be entitled to deduct any loss, and will not be entitled to capital gains treatment in respect of any gain realised, on any sale, disposition or payment of a Note, Coupon or Talon for U.S. federal income tax purposes.

Each purchaser or holder of the Notes will be deemed to represent that it is not, and for so long as it holds any Notes will not be, an employee benefit plan subject to the fiduciary responsibility provisions of ERISA, a plan subject to Section 4975 of the Code, a person or entity whose assets include the assets of any such employee benefit plan or plan by reason of 29 C.F.R. Section 2510.3-101 or otherwise, or any other employee benefit plan without regard to the federal, state, local or foreign law pursuant to which the plan is organised or administered, and such purchaser or holder is not using the assets of any such plan to acquire the Notes.

3. **STATUS**

The Notes are secured limited recourse obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 12 (*Enforcement and Limited Recourse*) and will rank *pari passu* without any preference among themselves.

4. SECURITY

(a) *Security*

The Secured Obligations are secured in favour of the Trustee for the benefit of itself and the other Secured Parties, pursuant to the Trust Deed, by:

- (i) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Deed of Assignment and Accession, and all its rights, title, interest and benefit (present and future) in the Charged Assets assigned to it by Basinghall thereunder, including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder;
- (ii) a first fixed charge over all funds held from time to time by the Principal Paying Agent to meet payments due under the Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons;
- (iii) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Agency Agreement and all sums derived therefrom;
- (iv) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Issuer Corporate Services Agreement and all sums derived therefrom;
- (v) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Account Bank Agreement and all sums derived therefrom;
- (vi) a first fixed charge over all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Account and any other bank or other account in which the Issuer may at any time acquire any right, title, interest or benefit (whether as holder of such account, by way of assignment or as beneficiary under any trust) together with all interest accruing from time to time thereon and the debt represented by each such account or trust;
- (vii) an assignment by way of security of all of the Issuer's rights, title, benefit and interest (present and future) in, to and under the Subscription Agreement and all sums derived therefrom; and
- (viii) a first floating charge over the whole of the Issuer's undertaking and all the Issuer's property and assets whatsoever and wheresoever situate, present and future (including, without limitation, the Issuer's uncalled capital and any property held on trust for its benefit by a third party), other than any property or assets from time to time or for the time being effectively charged by way of fixed charge, or otherwise effectively conveyed, transferred or assigned as security, by Clause 6.1 (*Assignment or charge*) of the Trust Deed,

(the property and other assets described above securing the Secured Obligations of the Issuer, the "**Mortgaged Property**").

For the purposes of these Conditions:

"**Charged Assets**" means the DPC Rights.

"**Charged Assets Obligor**" means Clavis Securities plc.

“DPC Rights” means the right of the Issuer to receive series portfolio purchase deferred residual consideration from the Charged Assets Obligor pursuant to Clause 3.1(d) of the Series 2006-01 Portfolio Purchase Agreement and paragraph 1.9(2) of the Series Specific Provisions, as assigned to the Issuer by Basinghall pursuant to the Deed of Assignment and Accession.

“Issuer Bank Account” means the account of the Issuer numbered 17174136 with the Account Bank (sort code: 18-50-08) in the name of the Issuer or such other account as the Trustee may approve as a replacement for or in addition to the same in the name of the Issuer.

“Secured Obligations” means the obligations of the Issuer:

- (i) under the Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons for the payment of all amounts due or owing to the Noteholders;
- (ii) under the Trust Deed for the payment of all the fees, costs, charges, expenses and remuneration and any other amounts due or owing to the Trustee or to any receiver appointed thereunder;
- (iii) under the Agency Agreement for the payment of (a) all claims of the Principal Paying Agent for reimbursement in respect of principal and interest properly made to the holders of Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons and (b) any fees, costs, charges, indemnity payments, expenses and any other amounts due or owing to any of the Agents under the Agency Agreement;
- (iv) in respect of any fees, costs, charges, indemnity payments, expenses and any other amounts due or owing to any Realisation Agent appointed in accordance with the Conditions;
- (v) under the Issuer Corporate Services Agreement for the payment of any fees, costs, charges, indemnity payments, expenses and other amounts due or owing to the Corporate Services Provider under the Issuer Corporate Services Agreement and the Holdings Corporate Services Agreement; and
- (vi) under the Account Bank Agreement for the payment of any fees, costs, charges, indemnity payments, expenses and any other amounts due or owing to the Account Bank under the Account Bank Agreement,

(each, a **“Secured Obligation”**). Each person to whom a Secured Obligation is owed shall be a **“Secured Party”** for the purposes of the Conditions.

“Series 2006-01 Notes” means the Series 2006-01 GBP Equivalent 600,292,750 Notes issued on 15 June 2006 by the Charged Assets Obligor pursuant to its GBP10,000,000,000 Asset Backed Note Programme.

“Series 2006-01 Portfolio Purchase Agreement” means the series portfolio purchase agreement dated 15 June 2006 relating to the sale of mortgage loans to the Charged Assets Obligor in connection with the issuance by the Charged Assets Obligor of the Series 2006-01 Notes and entered into by, among others, the Charged Assets Obligor and Basinghall, and to which the Issuer will accede pursuant to the Deed of Assignment and Accession.

“Series Specific Provisions” means the series specific provisions relating to the Series 2006-01 Notes, as set out in the Note Issue Supplement dated 8 June 2006 relating to the Series 2006-01 Notes.

Neither the Issuer nor the Trustee is required to perfect the Issuer’s title to any of the Mortgaged Property, or to take, other than as aforementioned, or perfect any security interest over or with respect to the Mortgaged Property in accordance with the requirements of any applicable laws. In the event that the security created by or pursuant to the Trust Deed becomes enforceable, the Trustee shall not be obliged to perfect any such security interest (to the extent that at such time such security interest is not so perfected) but may do so or may require the Issuer to do so in order to facilitate the realisation of the Mortgaged Property provided that such action is, in the opinion of the Trustee, possible and practicable under applicable laws and the Trustee has first been secured and/or prefunded and/or indemnified to its satisfaction.

The Notes are capable of being declared immediately due and repayable prior to their Maturity Date following the occurrence of an Event of Default under Condition 11(c) (Events of Default). The Trustee at its discretion may and, if so requested by the holders of at least one-fifth of the aggregate Principal Amount Outstanding of the Notes or if so directed by an Extraordinary Resolution of the Noteholders, shall give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable in accordance with Condition 11(c) (Events of Default), subject to the provisions of Condition 4 (Security) and Condition 12 (Enforcement and Limited Recourse).

On any liquidation of the Charged Assets prior to the enforcement of security, or on any realisation of the Mortgaged Property following an enforcement of the security, the net proceeds thereof (plus, prior to enforcement of the security, any other amounts available to the Issuer for such purpose) may be insufficient to pay amounts due to each Secured Party in respect of the Secured Obligations whether in accordance with applicable Payments Priorities or at all.

(b) *Enforcement of security*

The security over the Mortgaged Property shall become enforceable immediately upon:

- (i) a default in payment by the Issuer of any amount due in respect of the Notes on any Early Redemption Date;
- (ii) the occurrence of an Event of Default pursuant to Condition 11(c);
- (iii) the service of a Realisation Agent Non-Performance Notice on the Issuer and the Trustee by the Realisation Agent, to the extent appointed; or
- (iv) the failure by the Issuer to appoint a Realisation Agent pursuant to Condition 8(k) (*Appointment of the Realisation Agent*) on or prior to the Realisation Agent Appointment Cut-Off Date following the Notes becoming due pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*);
- (v) the failure of the Realisation Agent to liquidate the Charged Assets on or prior to the Charged Assets Liquidation Cut-Off Date following the Notes becoming due pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*),

(each, an “**Enforcement Event**”).

Upon becoming aware of the occurrence of an Enforcement Event, the Issuer shall notify the Trustee, the Agents and the Account Bank of such Enforcement Event and the Principal Paying Agent shall notify Noteholders in accordance with Condition 16 (*Notices*) as soon as reasonably practicable thereafter.

(c) *Realisation of the Mortgaged Property upon enforcement of the security*

In the event of the security constituted under the Trust Deed becoming enforceable as provided for in Condition 4(b) (*Enforcement of security*), the Trustee may, at its discretion, and shall (subject to it having first been indemnified and/or secured and/or pre-funded to its satisfaction) if so directed by the holders of at least one-fifth of the aggregate Principal Amount Outstanding of the Notes (a “**Holder Request**”) or by an Extraordinary Resolution of the Noteholders (“**Extraordinary Resolution Direction**”), enforce its rights under the Trust Deed in relation to the Mortgaged Property. Where the Trustee receives conflicting directions by way of a Holder Request and/or an Extraordinary Resolution Direction, the Trustee shall act in accordance with the instructions that were first received by it.

To enforce any security, the Trustee may at its discretion (i) sell, call in, collect and convert into money or otherwise procure the sale or realisation of all or part of the Mortgaged Property in such manner and on such terms as it shall think fit, and the Trustee may, at its discretion, take possession of all or part of the Mortgaged Property over which the security shall have become enforceable, (ii) take such action, step or proceeding against the Charged Assets Obligor as it deems appropriate but without any liability to the Secured Parties as to the consequence of such action, step or proceeding and without having regard to the effect of such action step or proceeding on individual Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) Couponholders or any other Secured Party and (iii) take any such other action or step or enter into any such other proceeding as it deems appropriate (including, without limitation, taking possession of all or any of the Mortgaged Property and/or appointing a receiver) as are permitted under the terms of the Trust Deed, but, in each case, without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) Couponholders or any other Secured Party and provided that the Trustee shall not be required to take any action that would involve any personal liability or expense without first being indemnified and/or secured and/or pre-funded to its satisfaction.

Following the occurrence of an Enforcement Event and subject to the preceding provisions of this Condition 4(c) (*Realisation of the Mortgaged Property upon enforcement of the security*), where the Trustee determines that the Mortgaged Property (or any part thereof) is to be sold or otherwise liquidated, the Trustee may (in its absolute discretion) direct the Realisation Agent, to the extent appointed, acting on the behalf of the Trustee, to effect such sale or liquidation in accordance with this Condition 4 (*Security*) (and upon such direction, the Realisation Agent will so act). The Trustee shall have no responsibility or liability to any person for any arrangements entered into or any other actions or omissions by the Realisation Agent in connection with the sale or liquidation of the Mortgaged Property (or the relevant part thereof). The Noteholders shall be deemed to acknowledge and agree that the Trustee shall have discharged its duties and obligations under the Trust Deed in relation to enforcement of the security and realisation of the Mortgaged Property (or the relevant part thereof) if, and to the extent that, the Realisation Agent sells or otherwise liquidates the Mortgaged Property (or the relevant part thereof) pursuant to this Condition 4 (*Security*).

Upon receipt of the proceeds of enforcement of the security over the Mortgaged Property, the Trustee shall, pursuant to the terms of the Trust Deed (and subject to it first being indemnified and/or secured and/or pre-funded to its satisfaction), apply all such proceeds

of enforcement of the security in accordance with Condition 4(e) (*Application on enforcement of the security*) and the Post-Enforcement Priority of Payments as soon as is reasonably practicable following receipt by it of the relevant moneys.

(d) *Role of the Realisation Agent*

The Realisation Agent, to the extent appointed pursuant to Condition 8(k) (*Appointment of the Realisation Agent*), shall at the request of (prior to enforcement of the security) the Issuer or (following the enforcement of the security) the Trustee or any receiver appointed by it, pursuant to, and in accordance with, the provisions of the Agency Agreement, use its reasonable endeavours to sell or otherwise realise the Charged Assets or, following enforcement of the security, the Mortgaged Property (or the relevant part thereof) as soon as reasonably practicable on or after the date on which it receives an instruction to do so at its best execution price less any commissions or expenses charged by the Realisation Agent. The Realisation Agent may, in its sole discretion, itself make an offer to purchase the Charged Assets or the Mortgaged Property (or the relevant part thereof), as applicable.

If, however, no such offer is made by the Realisation Agent and the Realisation Agent determines that there is no available market for the Charged Assets or the Mortgaged Property (or the relevant part thereof), as applicable, or if the Realisation Agent otherwise determines that it is impossible to sell or otherwise realise the Charged Assets or the Mortgaged Property (or the relevant part thereof), as applicable, the Realisation Agent will promptly notify the Issuer and the Trustee of such lack of availability or impossibility (any such notice, a “**Realisation Agent Non-Performance Notice**”) and the Realisation Agent shall not be required to effect the sale or other realisation of the Charged Assets or the Mortgaged Property (or the relevant part thereof), as applicable. Any such determination by the Realisation Agent shall be made acting in good faith in a commercially reasonable manner and shall be binding on the Secured Parties. To the extent that the security has not already been enforced in accordance with Condition 4(b) (*Enforcement of security*), an Enforcement Event will occur upon the delivery of a Realisation Agent Non-Performance Notice to the Issuer and the Trustee and the Trustee in its discretion may (and shall if so requested or directed in accordance with the first paragraph of Condition 4(b) (*Enforcement of security*)) (but subject in each case to the Trustee being indemnified, secured and/or pre-funded in accordance with such paragraph)), realise all or part of the Charged Assets or, as the case may be, the Mortgaged Property (or the relevant part thereof) by other means.

In order to obtain its best execution price for the above purposes, the Realisation Agent shall only be required to take reasonable care to ascertain the best price that is available for the sale or other realisation of the Charged Assets or, as the case may be, the Mortgaged Property (or the relevant part thereof) at the time of the sale or other realisation for transactions of the kind and size concerned and, unless circumstances require the Realisation Agent to do otherwise in the interests of the Noteholders and (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders, to deal at a price which is not less advantageous to the Noteholders, provided that the Realisation Agent shall not be required to delay the sale or other realisation for any reason including the possibility of achieving a higher price.

The Realisation Agent shall not be liable:

- (i) to account for anything except the actual net proceeds of the Charged Assets or, as the case may be, the Mortgaged Property (or the relevant part thereof) received by it less any costs, charges, losses, damages, liabilities or expenses arising from or connected with the sale or otherwise unless such costs, charges, losses, damages, liabilities or expenses shall have been caused by its own fraud or wilful default;

- (ii) to any of the Issuer, the Secured Parties or any other person merely because a higher price could have been obtained had the sale or other realisation been delayed; or
- (iii) to pay to the Issuer, the Secured Parties or any other person interest on any proceeds from the sale or other realisation held by it at any time.

The Trustee shall have no responsibility or liability for the performance by the Realisation Agent of its duties under this Condition 4 (*Security*) or for the price at which the Charged Assets or any of the Mortgaged Property (or the relevant part thereof) may be sold or otherwise realised.

(e) *Application on enforcement of the security*

The net proceeds of the realisation of the Mortgaged Property following enforcement of the security pursuant to Condition 4(b) (*Enforcement of security*) will be applied in the following order of priority (the “**Post Enforcement Priority of Payments**”):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the amounts then payable to each of them, of the fees, costs, charges, expenses and remuneration and any other amounts due or owing to the Trustee or to any receiver appointed pursuant to the Trust Deed;
- (ii) *second*, in or towards satisfaction of, *pro rata* and *pari passu*:
 - (1) all claims of the Principal Paying Agent for reimbursement in respect of payments of principal and interest properly made to holders of Notes and (if the Global Note has been exchanged for definitive Bearer Notes) Coupons;
 - (2) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to (a) the Agents under the provisions of the Agency Agreement and (b) any Realisation Agent appointed in accordance with the Conditions, in each case together with (if payable) VAT thereon as provided therein;
 - (3) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Corporate Services Provider under the provisions of the Issuer Corporate Services Agreement and the Holdings Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
 - (4) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Account Bank under the provisions of the Account Bank Agreement together with (if payable) VAT thereon as provided therein;
- (iii) *third*, in or towards payment, *pro rata* and *pari passu*, of:
 - (1) any expenses payable by the Issuer in respect of the preparation of any Third Party Non-solicitation Report pursuant to Condition 9(a)(1); and
 - (2) any amounts payable by the Issuer to Basinghall in respect of any assistance in the facilitation of the exercise of the Optional Redemption Right by Basinghall to the Charged Assets Obligor pursuant to Condition 9(b) (*Optional Redemption Right*);

- (iv) *fourth*, in or towards payment, *pro rata* and *pari passu*, of any accrued and unpaid Fixed Interest, Deferred Interest and Additional Interest to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders;
 - (v) *fifth*, in or towards payment, *pro rata* and *pari passu*, of the Redemption Amount of each Note to the holder of such Note; and
 - (vi) *sixth*, all remaining amounts, *pro rata* and *pari passu*, to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders as Variable Interest.
- (f) *Shortfall after application of enforcement proceeds*

If the net proceeds of the realisation of the Mortgaged Property are not sufficient for the Issuer to meet its Secured Obligations in full, the Secured Obligations of the Issuer shall be limited to such net proceeds. Any such shortfall, following the realisation of the Mortgaged Property, shall be borne by the Secured Parties in accordance with the inverse of the order of priorities set out in the Post-Enforcement Priority of Payments. Claims in respect of any such shortfall remaining after application of the proceeds of enforcement in accordance with the Post-Enforcement Priority of Payments shall be extinguished and failure to make any payment in respect of any such shortfall shall in no circumstances constitute an Event of Default under Condition 11 (*Events of Default*) in respect of the Notes.

5. RESTRICTIONS

Save with the prior written consent of the Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, for so long as any Note remains outstanding:

- (i) incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (ii) create any lien, encumbrance, charge or security interest (unless arising by operation of law) over any of its assets or undertakings;
- (iii) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage;
- (iv) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)), any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (v) pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Payments Priorities which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws;
- (vi) purchase, own, lease or otherwise acquire any real property;
- (vii) consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (viii) purchase or otherwise acquire any Notes;

- (viii) enter into any transaction or arrangement otherwise than by way of bargain made at arms-length;
- (ix) have an interest in any bank account other than the Issuer Bank Account, unless such account or interest therein is charged to the Trustee for the benefit of itself and the other Secured Parties on terms acceptable to the Trustee;
- (x) assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (xi) permit any person, other than itself and the Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (xii) permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (xiii) issue any shares (other than such shares as were in issue on the Issue Date); or
- (xiv) engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. **PRIORITY OF PAYMENTS PRIOR TO ENFORCEMENT**

(a) *Issuer Bank Account and Ledgers*

On or prior to the Issue Date, the Issuer shall procure that:

- (i) the Issuer Bank Account is opened in the name of the Issuer with the Account Bank; and
- (ii) the Available Collections Ledger and the Retained Profit Ledger are established in the books of the Issuer.

(b) *Payments into the Issuer Bank Account*

The Issuer shall procure that all amounts received by it or on its behalf in respect of the Charged Assets and any interest earned on the Issuer Bank Account are deposited in the Issuer Bank Account and credited to the Available Collections Ledger as soon as reasonably practicable following receipt.

All amounts retained by the Issuer pursuant to item (iv) of the Pre-Enforcement Priority of Payments shall be retained in the Issuer Bank Account and credited to the Retained Profit Ledger on the relevant Interest Payment Date.

- (c) *Payments from the Available Collections Ledger on any Interest Payment Date or any Early Redemption Date occurring prior to enforcement of the security*

On (i) each Interest Payment Date or (ii) any Early Redemption Date, in each case occurring prior to enforcement of the security, all amounts standing to the credit of the Available Collections Ledger on (in respect of any such Interest Payment Date) the date falling two Business Days prior to such Interest Payment Date (the “**Determination Date**” with respect to such Interest Payment Date) or (in respect of any such Early Redemption Date) the Early Redemption Determination Date (as defined in Condition 8(f) (*Liquidation of the Charged Assets prior to enforcement of the security*)) (such amounts, the “**Available Funds**” in respect of such Interest Payment Date or such Early Redemption Date (as applicable)) shall be applied by the Issuer (or the Collateral Administrator on its behalf) in the following order of priority (the “**Pre-Enforcement Priority of Payments**”):

- (i) *first*, in or towards the satisfaction of any fees, costs, charges, liabilities and all other amounts that are due or owing to the Trustee under the provisions of the Trust Deed and the other Transaction Documents together with (if applicable) VAT thereon, as provided therein;
- (ii) *second*, in or towards satisfaction of, *pro rata* and *pari passu*:
 - (1) all claims of the Principal Paying Agent for reimbursement in respect of payments of principal and interest properly made to holders of Notes and (if the Global Note has been exchanged for definitive Bearer Notes) Coupons;
 - (2) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to (a) the Agents under the provisions of the Agency Agreement and (b) any Realisation Agent appointed in accordance with the Conditions, in each case together with (if payable) VAT thereon as provided therein;
 - (3) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Corporate Services Provider under the provisions of the Issuer Corporate Services Agreement and the Holdings Corporate Services Agreement together with (if payable) VAT thereon, as provided therein; and
 - (4) any amounts (including, without limitation, any fees, costs, charges, liabilities, indemnity payments and expenses) due or owing to the Account Bank under the provisions of the Account Bank Agreement together with (if payable) VAT thereon, as provided therein;
- (iii) *third*, in or towards payment, *pro rata* and *pari passu*, of:
 - (1) any expenses payable by the Issuer in respect of the preparation of any Third Party Non-solicitation Report pursuant to Condition 9(a)(1); and
 - (2) any amounts payable by the Issuer to Basinghall in respect of any assistance in the facilitation of the exercise of the Optional Redemption Right by Basinghall to the Charged Assets Obligor pursuant to Condition 9(b) (*Optional Redemption Right*);
- (vi) *fourth*, in or towards the satisfaction of any amounts due and payable by the Issuer to third parties and incurred by the Issuer without breach by it of the Transaction Documents (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax

of the Issuer (but only to the extent not capable of being satisfied out of amounts standing to the credit of the Retained Profit Ledger from time to time);

- (v) *fifth*, (other than on the Maturity Date or an Early Redemption Date) an amount equal to £300 to be retained by the Issuer as profit in respect of the business of the Issuer and credited to the Retained Profit Ledger;
 - (vi) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of any accrued and unpaid Fixed Interest, Deferred Interest and Additional Interest in respect of the Notes to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders;
 - (vii) *seventh*, in or towards payment, *pro rata* and *pari passu*, of the Redemption Amount of each Note to the holder of such Note; and
 - (viii) *eighth*, all remaining amounts, *pro rata* and *pari passu*, to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders as Variable Interest.
- (d) *Payments from the Issuer Bank Account and the Retained Profit Ledger*

Prior to the enforcement of the security, the Issuer (or the Collateral Administrator on its behalf) may, on any date, apply any amounts standing to the credit of the Issuer Bank Account which have been credited to the Retained Profit Ledger solely for the purpose of paying any Taxes which are due and payable by the Issuer on such date.

- (e) *Following enforcement of the security*

Following enforcement of the security, the Trustee shall apply all funds received by it or by or on behalf of the Issuer to make payments pursuant to, and in accordance with, Condition 4 (*Security*), the Trust Deed and the Post Enforcement Priority of Payments and neither the Issuer nor the Collateral Administrator on its behalf shall make any withdrawals from the Issuer Bank Account without the prior written consent of the Trustee.

- (f) *No other payments*

No drawings shall be permitted from the Issuer Bank Account in respect of amounts standing to the credit of the Available Collections Ledger or the Retained Profit Ledger other than in accordance with this Condition 6 (*Priority of Payments prior to enforcement*), the Trust Deed and the Agency Agreement.

7. **INTEREST**

Words and expressions used in this Condition 7(a) to (g) are defined (unless defined elsewhere in these Conditions) in Condition 7(h) (*Definitions*).

- (a) *Fixed Interest*

- (i) *Payment of Fixed Interest*

Each Note bears interest on its Principal Amount Outstanding from and including the Issue Date at the rate per annum of 1 per cent. (the “**Interest Rate**”), such interest (“**Fixed Interest**”) being payable in arrear on each Interest Payment Date. Fixed Interest shall accrue from and including one Interest Payment Date (except in the case of the first Interest Period, which shall commence on and include the Issue Date) to but excluding the next following Interest Payment Date (each such period, an “**Interest Period**”).

(ii) Calculation of Fixed Interest

The Principal Paying Agent will, as soon as practicable after 11:00am (London time) on each Determination Date, determine the pound sterling amount of Fixed Interest payable in respect of the Principal Amount Outstanding of each Note pursuant to Condition 7(a)(i) (*Payment of Fixed Interest*) for the relevant Interest Period. The Fixed Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the Principal Amount Outstanding of such Note by the Day Count Fraction.

(iii) Publication of Fixed Interest

The Principal Paying Agent will cause the Fixed Interest for each Interest Period and the relevant Interest Payment Date to be notified to the Trustee, the Issuer, the other Paying Agents and, for as long as the Notes are admitted to trading on GEM and the Irish Stock Exchange so requires, to the Irish Stock Exchange and to the Noteholders (in accordance with Condition 16 (*Notices*)) as soon as practicable after such Fixed Interest has been determined but in no event later than the immediately following Business Day. Any Fixed Interest and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11 (*Events of Default*), the accrued interest in respect of the Notes shall nevertheless continue to be calculated and determined as previously in accordance with this Condition 7 (*Interest*) but no publication of Fixed Interest so determined and calculated need to be made.

(b) *Variable Interest*

(i) Payment of Variable Interest

Variable Interest shall be payable in respect of each Note on each date on which amounts are applied in accordance with the Payments Priorities.

(ii) Calculation of Variable Interest

The Collateral Administrator shall on:

- (x) each Determination Date;
- (y) any Early Redemption Determination Date; and
- (z) the second Business Day immediately preceding any date on which amounts are to be applied pursuant to the Post Enforcement Priority of Payments (a “**Post Enforcement Payment Date**”),

determine the Variable Interest (if any) payable in respect of each Note on the immediately following Interest Payment Date (in respect of (x) above), Early Redemption Date (in respect of (y) above) or Post Enforcement Payment Date (in respect of (z) above).

(iii) Publication of Variable Interest

The Collateral Administrator shall cause the Variable Interest (if any) for each Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents

and, for as long as the Notes are admitted to trading on GEM and the Irish Stock Exchange so requires, to the Irish Stock Exchange and to the Noteholders (in accordance with Condition 16 (*Notices*)) as soon as reasonably practicable after its determination but in no event later than two Business Days prior to the immediately succeeding Interest Payment Date, Early Redemption Date or Post Enforcement Payment Date (as applicable). If the Notes become due and payable under Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11 (*Events of Default*), the accrued interest in respect of the Notes shall nevertheless continue to be calculated and determined as previously in accordance with this Condition 7 (*Interest*) but no publication of Variable Interest so determined and calculated need to be made.

(c) *Deferral of interest*

(i) Deferred Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of any Fixed Interest (which shall, for the purposes of this Condition 7 (*Interest*), include any Fixed Interest (or part thereof) previously deferred under this Condition 7(c)(i) (*Deferred Interest*) and accrued interest thereon) payable in respect of the Notes after having paid or provided for items of higher priority in the Pre-Enforcement Priority of Payments, then the Issuer shall defer to the next Interest Payment Date the payment of such Fixed Interest (such interest, the “**Deferred Interest**”) in respect of the Notes to the extent only of any insufficiency of funds.

(ii) Additional Interest

Any amounts of Deferred Interest in respect of the Notes shall accrue interest (“**Additional Interest**”) at the Interest Rate and on the same basis as Fixed Interest but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 7(c)(i) (*Deferred Interest*) applies) or on such earlier date as the Notes become due and repayable in full in accordance with these Conditions.

(iii) Calculation and notification

As soon as practicable after becoming aware that any part of a payment of the Fixed Interest due and payable to the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders will be deferred, the Principal Paying Agent will determine the sterling amount of Additional Interest payable in respect of any Deferred Interest for the relevant Interest Period. The Additional Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the Deferred Interest in respect of such Note by the Day Count Fraction.

As soon as reasonably practicable after determining any amount of Additional Interest payable on the immediately following Interest Payment Date or becoming aware that a payment previously deferred will be made in accordance with this Condition 7(c) (*Deferral of interest*), the Principal Paying Agent will give notice thereof to the Issuer, the Trustee, the other Paying Agents and, for as long as the Notes are admitted to trading on GEM and the Irish Stock Exchange so requires, to the Irish Stock Exchange and the Noteholders in accordance with Condition 16 (*Notices*). Any Additional Interest so notified may subsequently be amended (or

appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Period.

(iv) **No Event of Default**

Any deferral of interest in accordance with this Condition 7(c) (*Deferral of interest*) will not constitute an Event of Default. The provisions of this Condition 7(c) (*Deferral of interest*) shall cease to apply on the Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all accrued but unpaid Fixed Interest, Deferred Interest and Additional Interest shall be due and payable in full.

(d) ***Determination or calculation by Trustee***

If the Principal Paying Agent does not at any time for any reason calculate the Fixed Interest or Additional Interest (if any) for an Interest Period (as provided in Condition 7(a) (*Fixed Interest*) and Condition 7(c)(iii) (*Calculation and notification*)), or the Collateral Administrator does not at any time for any reason calculate the Variable Interest in respect of an Interest Payment Date (as provided in Condition 7(b) (*Variable Interest*)), the Trustee may (but shall not be obliged to) do so (or shall appoint an agent on its behalf to do so). In doing so, the Trustee shall apply the provisions of Condition 7(a) (*Fixed Interest*), Condition 7(b) (*Variable Interest*) or Condition 7(c) (*Deferral of interest*), as applicable, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in all the circumstances, and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Collateral Administrator (as applicable). The Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition 7(d) (*Determination or calculation by Trustee*).

(e) ***Notifications to be final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7 (*Interest*), whether by the Principal Paying Agent, the Collateral Administrator or the Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Trustee, the Agents, all Noteholders and (if the Global Note has been exchanged for definitive Bearer Notes) all Couponholders and all other persons and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer, the Noteholders or (if the Global Note has been exchanged for definitive Bearer Notes) the Couponholders shall attach to the Collateral Administrator, the Principal Paying Agent or, if applicable, the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 7 (*Interest*).

(f) ***Principal Paying Agent and Collateral Administrator***

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times a principal paying agent and a collateral administrator for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Trustee, terminate the appointment of the Principal Paying Agent and/or the Collateral Administrator and shall appoint (in respect of the Principal Paying Agent) another reputable financial institution with a place of business in London which is engaged in the relevant interbank market or (in the case of the Collateral Administrator) an entity with the requisite cash management and servicing experience to perform the functions to be given to it under the Agency Agreement to act in its place. Neither the Principal Paying Agent nor the Collateral Administrator may resign its duties or be removed without a successor having been appointed on terms commercially acceptable in the market.

(g) *Termination*

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation thereof in accordance with Condition 10 (*Payments*), payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) in the manner provided in this Condition 7 (*Interest*) until the Relevant Date.

(h) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

“Business Day” means a day (not being a Saturday or Sunday) on which banks are open for business in London and any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System, which utilises a single shared platform and was launched on 19 November 2007, or its successor (the **“TARGET2 System”**) is open.

“Clavis Interest Payment Date” means 15 March, 15 June, 15 September and 15 December in each year, prior to an enforcement of the security in respect of the Series 2006-01 Notes, or if any such day is not a Business Day, the next following Business Day.

“Day Count Fraction” means, in respect of the calculation of Fixed Interest or Additional Interest (if any) in respect of any Interest Period, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365).

“Interest Payment Date” means each date which falls 3 Business Days after a Clavis Interest Payment Date, commencing on 18 December 2014, with the final Interest Payment Date falling on the Maturity Date.

“Relevant Date” means, in respect of the Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons, the date which is the earlier of (A) the date on which all amounts due in respect of the Notes or the Coupons (as applicable) have been paid; and (B) the date on which the full amount of the moneys payable in respect of the Notes or the Coupons (as applicable) has been received by the Trustee or the Principal Paying Agent for payment to the Noteholders or the Couponholders (as applicable) and notice to that effect has been given to Noteholders in accordance with Condition 16 (*Notices*).

“Variable Interest” means, in respect of each Note:

- (i) prior to the enforcement of the security, in respect of each Interest Payment Date, (a) the amount (if any) by which Available Funds on such Interest Payment Date exceed the amounts required to satisfy items (i) to (vi) of the Pre-Enforcement Priority of Payments on such Interest Payment Date, divided by (b) the number of Notes outstanding on such date; and
- (ii) following the enforcement of the security, in respect of each date on which amounts are to be applied in accordance with the Post Enforcement Priority of Payments, (a) the amount by which amounts available for payment in accordance with the Post Enforcement Priority of Payments exceeds the amounts required to

satisfy items (i) to (iv) of the Post-Enforcement Priority of Payments on that date, divided by (b) the number of Notes outstanding on such date.

8. **Redemption, Purchase and Exchange**

(a) *Final redemption*

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem each Note at its Principal Amount Outstanding (the “**Scheduled Redemption Amount**”) on 18 December 2039 (the “**Maturity Date**”).

The “**Principal Amount Outstanding**” of each Note, on any date, shall be an amount equal to (i) the sum of (x) the original principal amount of the Notes (being £10,000,000), less (y) the aggregate amount of all principal payments in respect of the Notes which have been made since the Issue Date, divided by (ii) the number of Notes outstanding on such date.

(b) *Mandatory redemption on each Interest Payment Date*

Prior to the enforcement of the security, the Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Funds available for such purpose in accordance with the Pre-Enforcement Priority of Payments, provided that prior to the occurrence of the Maturity Date or an Early Redemption Date, the Principal Amount Outstanding of each Note shall not be reduced to less than £1.

The amount of principal payable to each Noteholder on any Interest Payment Date prior to the enforcement of the security shall be the Available Funds on such Interest Payment Date available for redeeming the Notes in accordance with the Pre-Enforcement Priority of Payments, as calculated on the Determination Date immediately preceding such Interest Payment Date, divided by the number of Notes then outstanding.

With respect to each Note, the Issuer shall determine (or cause the Collateral Administrator to determine) on each Determination Date (i) the amount of any principal payable to the holder of such Note on the Interest Payment Date immediately following such Determination Date and (ii) the Principal Amount Outstanding of such Note. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.

The Collateral Administrator will cause each determination of a principal repayment and Principal Amount Outstanding to be notified, not less than two Business Days prior to the relevant Interest Payment Date, to the Trustee, the Paying Agents and (for as long as the Notes are admitted to trading on GEM and the Irish Stock Exchange so requires) the Irish Stock Exchange and will immediately cause notice of each such determination to be given to the Noteholders in accordance with Condition 16 (*Notices*).

(c) *Mandatory redemption following a Charged Assets default and other events*

(i) If:

- (1) the security in respect of the Series 2006-01 Notes is or becomes enforceable;
- (2) a Mandatory Redemption Regulatory Event occurs

- (3) an Optional Redemption Regulatory Event occurs following which the Noteholders elect for early redemption of the Notes pursuant to Condition 8(l) (*Optional Regulatory Redemption Events*); or
- (4) the Issuer satisfies the Trustee that the performance of its obligations under the Notes or ancillary thereto has or will become unenforceable, illegal or otherwise prohibited in whole or in part as a result of the Issuer's compliance with any applicable present or prospective law, rule, regulation, judgment, order or directive of or in any jurisdiction or any governmental administrative, legislative or judicial power or the interpretation thereof,

then the Issuer shall, promptly upon becoming aware of any such event or circumstance, give notice thereof to the Trustee and the Collateral Administrator, and each Note shall become due and repayable at its Early Redemption Amount on the Early Redemption Date as provided by Condition 8(e) (*Early redemption of the Notes*). The Issuer shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) that the Notes are due and repayable in accordance with Condition 8(e) (*Early Redemption of the Notes*) as soon as reasonably practicable after becoming aware of such event or circumstance and, to the extent not already appointed, seek the appointment of a Realisation Agent in accordance with Condition 8(k) (*Appointment of the Realisation Agent*).

The Agency Agreement provides that, in connection with any Regulatory Event, the Trustee shall receive a certificate from the Issuer describing the Regulatory Event, confirming that one or more of the conditions referred to in paragraphs (1)(A) to (F) of the definition of "Regulatory Event" have been satisfied, and confirming whether such Regulatory Event is, in the sole discretion of the Issuer (on the basis of such advice as it considers necessary), a Mandatory Redemption Regulatory Event or an Optional Redemption Regulatory Event. The Trustee may rely absolutely upon such certificate for all purposes and, for the avoidance of doubt, it need make no further enquiry of any nature.

- (ii) For the purposes of this Condition 8(c):

"Mandatory Redemption Regulatory Event" means a Regulatory Event that is not an Optional Redemption Regulatory Event.

"Optional Redemption Regulatory Event" means a Regulatory Event that the Issuer determines, acting in its sole discretion, has no prejudicial impact on the Issuer or its directors other than on the financial position of the Issuer and the amounts available to the Issuer to fund the payment of interest and principal on the Notes.

"Regulatory Event" means one or more of the following events:

- (1) at any time after the Issue Date there is, with respect to the Issuer, an implementation or adoption of or change in any applicable law, regulation, or regulatory guidance (including, but not limited to, Dodd-Frank and AIFMD), or the interpretation or administration thereof by any court, tribunal or regulatory authority with competent jurisdiction, or as a result of the public or private statement or action by, or response of, any court, tribunal or regulatory authority with competent jurisdiction or any official or representative of any such court, tribunal or regulatory authority acting in an official capacity, or the Issuer reasonably anticipates the imminent implementation or adoption of or such a change in any such law, regulation or regulatory guidance, which adoption or change would have the effect of altering the compliance requirements and/or the previously anticipated

regulatory treatment and/or the tax treatment in respect of the Notes for the Issuer, in a manner which:

- (A) materially increases the regulatory burden on the Issuer whether in relation to the Notes or generally; and/or
 - (B) has a material adverse effect on the Issuer, whether in relation to the Notes or generally; and/or
 - (C) materially increases the costs of the Issuer issuing or maintaining the Notes or generally; and/or
 - (D) results, or would result, in the Issuer being subject to any administrative or regulatory penalty or sanctions for any failure to comply with any clearing obligation or risk mitigation provisions; and/or
 - (E) results, or would result, in the Issuer becoming subject to a financial transaction tax or other similar tax in relation to the Notes or generally, which would have a material adverse effect on the Issuer; and/or
 - (F) results, or would result, in it being unlawful, or in there being a reasonable likelihood of it being unlawful for (a) the Issuer to maintain the Notes or that the maintenance of the existence of the Notes would make it unlawful to maintain the existence of any other notes issued by the Issuer or, (b) the Issuer to perform any duties in respect of the Notes (including, without limitation, any transactions necessary or advisable to hedge the Issuer's risk in connection with the Notes); or
- (2) at any time after the Issue Date, the Issuer would be an **"AIFM"** or an **"AIF"** for the purposes of AIFMD by virtue (wholly or partially) of its involvement with the Notes,

in each case, as determined by the Issuer in its sole discretion (on the basis of such advice as it considers necessary), where:

"AIF" means collective investment undertakings, including investment compartments thereof, which (i) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC;

"AIFM" means legal persons whose regular business is managing one or more AIFs;

"AIFMD" means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and any implementing legislation in an EU Member State and any technical guidelines and regulatory technical standards, further regulations, official guidance or official rules of procedures with respect thereto; and

"Dodd-Frank" means the Dodd-Frank Wall Street Reform and Consumer Protection Act and the adoption of any law, regulation or rule related thereto.

(d) *Redemption for taxation and other reasons*

If the Issuer, on the occasion of the next payment due in respect of the Notes, would be required by law to withhold or deduct for or on account of tax or would suffer tax in respect of its income in respect of the Charged Assets so that it would be unable to make payment of the full amount that would otherwise be due in respect of the Notes but for the imposition of such tax, the Issuer shall promptly upon becoming aware thereof so inform the Trustee and shall use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as the principal debtor and if it is unable to arrange such substitution before the next payment is due in respect of the Notes then the Issuer shall promptly give notice thereof to the Trustee and the Collateral Administrator and each Note shall become due and repayable at its Early Redemption Amount on the Early Redemption Date as provided by Condition 8(e) (*Early redemption of the Notes*). The Issuer shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) that the Notes are due and repayable in accordance with Condition 8(e) (*Early redemption of the Notes*) as soon as reasonably practicable after becoming aware of such event or circumstance.

Notwithstanding the requirement for the Issuer to use all reasonable endeavours to arrange the substitution of another company, as provided in this Condition 8(d) (*Redemption for taxation and other reasons*), the Trustee (if so requested by an Extraordinary Resolution of the Noteholders) will at any time after the Issuer has informed the Trustee that any of the circumstances set out in this Condition 8(d) (*Redemption for taxation and other reasons*) apply, request that the Notes shall become due and payable as provided in Condition 8(e) (*Early redemption of the Notes*). Each Note shall so become due and payable at its Early Redemption Amount on the Early Redemption Date if such request is made by the Trustee and the Issuer shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) that the Notes are due and repayable in accordance with Condition 8(e) (*Early redemption of the Notes*) upon receiving such a request and, to the extent not already appointed, seek the appointment of a Realisation Agent in accordance with Condition 8(k) (*Appointment of the Realisation Agent*).

Notwithstanding the foregoing, if any of the taxes referred to in this Condition 8(d) (*Redemption for taxation and other reasons*) arise:

- (i) by reason of any connection of any Noteholder or (if the Global Note has been exchanged for definitive Bearer Notes) any Couponholder with the taxing jurisdiction in which the Issuer is incorporated, any taxing jurisdiction in which the Issuer is resident for tax purposes or other relevant taxing jurisdiction (including any jurisdiction in or through which payment is made or any jurisdiction which has a political, taxation or other relevant agreement, union or federation with the jurisdiction in or through which payment is made) otherwise than by reason only of the holding of any Note or Coupon or receiving principal or interest in respect thereof;
- (ii) by reason of the failure by the relevant Noteholder or (if the Global Note has been exchanged for definitive Bearer Notes) Couponholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax;
- (iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC (the “**EU Savings Directive**”), as amended from time to time, or any law implementing or complying with, or introduced in order to conform to the EU Savings Directive;
- (iv) in respect of any Note or (if the Global Note has been exchanged for definitive Bearer Notes) Coupon presented for payment by or on behalf of a Noteholder or

Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union;

- (v) by reason of the presentation for payment of any Note or (if the Global Note has been exchanged for definitive Bearer Notes) any Coupon more than 30 days after the date on which such payment first becomes due and payable; or
- (vi) by reason of a withholding or deduction required pursuant to FATCA (as defined in Condition 10(b)) (*Payments subject to fiscal laws*);

then, to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to the relevant Noteholder or Couponholder (if any) and:

- (1) this shall not affect the rights of the other Noteholders or Couponholders (if any) hereunder;
- (2) the Issuer shall not be required by this Condition 8(d) (*Redemption for taxation and other reasons*) to endeavour to arrange the substitution of a company incorporated in another jurisdiction as the principal debtor or to redeem the Notes as provided in the foregoing provisions of this Condition 8(d) (*Redemption for taxation and other reasons*); and
- (3) any such deduction shall not constitute an Event of Default under Condition 11 (*Events of Default*).

(e) *Early redemption of the Notes*

- (i) The amount payable in respect of any Note upon its redemption pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) and (b) (*Events of Default*) shall be its Early Redemption Amount. In addition, the Issuer shall pay to the Noteholder or (if the Global Note has been exchanged for definitive Bearer Notes) the relevant Couponholder any Fixed Interest, any Variable Interest, any Deferred Interest and any Additional Interest as may be due and payable to the Noteholder or the Couponholder (if applicable) pursuant to Condition 7 (*Interest*) on the Early Redemption Date in accordance with the Pre-Enforcement Priority of Payments.

As used in these Conditions:

- (1) the “**Early Redemption Amount**” in respect of each Note shall be the Principal Amount Outstanding of such Note on the date falling two Business Days prior to the Cut-Off Date (the “**Charged Assets Liquidation Cut-Off Date**”), unless the Charged Assets have been liquidated on or before the Charged Assets Liquidation Cut-Off Date, in which case the Early Redemption Amount shall be the lesser of (i) the Principal Amount Outstanding of such Note on the Early Redemption Determination Date and (ii) the amount determined by the Collateral Administrator to be the amount available for redemption of such Note by applying the proceeds of realisation of the Charged Assets and any other amounts comprising Available Funds on the Early Redemption Date pursuant to the Pre-Enforcement Priority of Payments; and
- (2) the “**Early Redemption Date**” in respect of each Note shall be the earlier of (i) the date falling two Business Days following the Early Redemption Determination Date (as defined in Condition 8(f) (*Liquidation of the Charged Assets prior to enforcement of the security*)); and (ii) the date

falling 30 Business Days after the date on which the Issuer gives notice to the Noteholders that the Notes have become due and repayable at their Early Redemption Amount pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*) (the “**Cut-Off Date**”), as the case may be.

If the Charged Assets have not been liquidated in full on or prior to the Charged Assets Liquidation Cut-Off Date, an Enforcement Event shall occur pursuant to Condition 4(b) (*Enforcement of security*) and the Early Redemption Amount of each Note shall be the Principal Amount Outstanding of such Note on the Charged Assets Liquidation Cut-Off Date.

- (ii) The Collateral Administrator shall, on the earlier to occur of the Early Redemption Determination Date and the Charged Assets Liquidation Cut-Off Date, calculate the Early Redemption Amount payable to the Noteholders on the Early Redemption Date and cause such Early Redemption Amount and the relevant Early Redemption Date to be notified to the Issuer, the Trustee, the Paying Agents and to Noteholders in accordance with Condition 16 (*Notices*) as soon as reasonably practicable after its calculation and, in the case of notification to the Principal Paying Agent, no later than 5pm on the Early Redemption Determination Date or the Charged Assets Liquidation Cut-Off Date, as applicable. Any calculation of the Early Redemption Amount shall (in the absence of wilful default, gross negligence, fraud or manifest error) be final and binding upon all parties.
 - (iii) Prior to the occurrence of an Enforcement Event, if the Issuer gives notice to the Noteholders that the Notes are or will become due and repayable pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), the Issuer, or the Realisation Agent on its behalf, shall be required to liquidate the Charged Assets and apply the proceeds of such liquidation in accordance with Condition 8(f) (*Liquidation of the Charged Assets prior to the enforcement of the security*).
 - (iv) Upon the occurrence of an Enforcement Event, the security created by or pursuant to the Trust Deed shall become enforceable and the provisions of Condition 4 (*Security*) shall thereafter apply. Upon receipt of the proceeds (if any) of realisation of the Mortgaged Property following enforcement of the security, the Trustee shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) of the date on which such proceeds shall be applied pursuant to the Post Enforcement Priority of Payments.
- (f) *Liquidation of the Charged Assets prior to enforcement of the security*

If, prior to the enforcement of the security, the Notes are to be redeemed or become due and payable prior to their Maturity Date pursuant to Condition 8(c) (*Mandatory Redemption following a Charged Assets default or other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), the Realisation Agent, to the extent appointed, will act as the realisation agent of the Issuer in relation to the liquidation of the Charged Assets in accordance with Condition 4(d) (*Role of the Realisation Agent*) and Condition 8(k) (*Appointment of the Realisation Agent*). The proceeds of the liquidation of the Charged Assets by the Realisation Agent on behalf of the Issuer pursuant to this Condition 8(f) (*Liquidation of the Charged Assets prior to enforcement of the security*) shall be credited by the Realisation Agent to the Issuer Bank Account as soon as reasonably practicable following receipt by it of the relevant moneys (any such date on which the proceeds of liquidation are credited to the Issuer Bank Account, an “**Early Redemption Determination Date**”) and shall be applied

(together with any other amounts standing to the credit of the Issuer Bank Account or held by the Principal Paying Agent on behalf of the Issuer) by the Collateral Administrator, on behalf of the Issuer, in accordance with the Pre-Enforcement Priority of Payments, Condition 6 (*Priority of payments prior to enforcement*) and Clause 8.6 (*Payments from the Available Collections Ledger on any Interest Payment Date or any Early Redemption Date occurring prior to enforcement of the security*) of the Agency Agreement on the day falling two Business Days after the Early Redemption Determination Date.

(g) *Shortfall after distribution of Available Funds on an Early Redemption Date*

If the Available Funds available for application pursuant to the Pre-Enforcement Priority of Payments on any Early Redemption Date are not sufficient for the Issuer to meet its Secured Obligations in full, the Secured Obligations of the Issuer shall be limited to such Available Funds. Any such shortfall following the liquidation of the Charged Assets shall be borne by the Secured Parties in accordance with the inverse of the order of priorities set out in the Pre-Enforcement Priority of Payments. Claims in respect of any such shortfall remaining after application of the proceeds of liquidation in accordance with the Pre-Enforcement Priority of Payments shall be extinguished and failure to make any payment in respect of any such shortfall shall in no circumstances constitute an Event of Default under Condition 11 (*Events of Default*) in respect of the Notes.

(h) *Purchase*

The Issuer shall not be permitted to purchase any of the Notes.

(i) *Cancellation*

All Notes which are redeemed (together with (if the Global Note has been exchanged for definitive Bearer Notes) such unmatured Coupons and Talons as are attached thereto or are surrendered therewith at the time of such redemption) and (if the Global Note has been exchanged for definitive Bearer Notes) Coupons which are paid and Talons which are exchanged shall be cancelled forthwith by the Paying Agent by or through which they are redeemed or paid. Each Paying Agent other than the Principal Paying Agent through which such Notes, Coupons or Talons (if any) are redeemed or paid shall give all relevant details and forward such cancelled Notes, Coupons and Talons (if any) to the Principal Paying Agent or its designated agent. Notes, Coupons and Talons (if any) cancelled upon redemption in full may not be resold or re-issued.

(j) *Redemption Amount*

For the purposes of these Conditions, “**Redemption Amount**” means, as the context may require, the Scheduled Redemption Amount of any Note due and payable to the holder of such Note pursuant to Condition 8(a) (*Final redemption*), all or any part of the Principal Amount Outstanding of any Note due and payable to the holder of such Note pursuant to Condition 8(b) (*Mandatory redemption on each Interest Payment Date*) or Condition 11(c) or the Early Redemption Amount of any Note due and payable to the holder of such Note pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*).

(k) *Appointment of the Realisation Agent*

If, prior to the enforcement of the security, the Notes are to be redeemed or become due and payable prior to their Maturity Date pursuant to Condition 8(c) (*Mandatory Redemption following a Charged Assets default or other events*), Condition 8(d) (*Redemption for taxation and other reasons*) or Condition 11(a) or (b) (*Events of Default*), the Issuer will notify the Noteholders and request that the Noteholders nominate a

realisation agent, being a leading international investment bank, as the Realisation Agent. If, within 10 Business Days, the Issuer has received nominations from the Majority Noteholders to appoint a particular realisation agent, and such realisation agent is willing to act as Realisation Agent on the terms set out in these Conditions, or such other terms as may be agreed between the realisation agent and the Majority Noteholders and notified to the Issuer, the Issuer will appoint such Realisation Agent on such terms provided that the Issuer will not be required to appoint any Realisation Agent if it is on terms ("**Ineligible Terms**") that:

- (i) do not include limited recourse and non-petition language in respect of the Issuer in the form set out in Clause 21 of the Agency Agreement; or
- (ii) the Issuer reasonably believes would have a prejudicial impact on the Issuer or its directors (excluding for these purposes any prejudicial impact on the financial position of the Issuer and the amounts available to the Issuer to fund the payment of interest and principal on the Notes).

If, within 10 Business Days, nominations as to a particular realisation agent have not been received from Majority Noteholders, or nominations have only been received on Ineligible Terms, the Issuer (with the prior consent of the Trustee) or the Trustee, may, within a further 5 Business Days, appoint a leading international investment bank to act as Realisation Agent on the terms set out in these Conditions. If, following 15 Business Days, (the "**Realisation Agent Appointment Cut-Off Date**") no Realisation Agent has been so appointed, an Enforcement Event will occur.

Neither the Issuer or the Trustee shall have any responsibility or liability for the appointment of any Realisation Agent under this Condition 8(k), the performance by the Realisation Agent of its duties under these Conditions or for the price at which the Charged Assets or any of the Mortgaged Property (or the relevant part thereof) may be sold or otherwise realised.

(l) *Optional Redemption Regulatory Events*

Following the occurrence of an Optional Redemption Regulatory Event (as determined by the Issuer, acting in its sole discretion, pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*)), the Issuer shall notify the Noteholders pursuant to Condition 16 (*Notices*), the Trustee and the Collateral Administrator, and request confirmation from the Noteholders as to whether they elect for early redemption of the Notes. If, for so long as such Optional Redemption Regulatory Event is continuing, the Issuer receives directions from the Majority Noteholders that the Notes should be subject to early redemption, the Notes shall become subject to early redemption pursuant to Condition 8(c) (*Mandatory redemption following a Charged Assets default and other events*).

9. **CERTAIN RIGHTS OF THE NOTEHOLDERS IN RESPECT OF THE CHARGED ASSETS**

(a) *Charged Assets Loan Portfolio Reporting Right*

- (1) The Issuer may, and shall within 10 Business Days of receipt of a written direction or written directions to do so from the Majority Noteholders (which may be provided direct to Basinghall and in each event will be deemed to be a request of the Issuer) (a "**Report Request**"), from time to time (but no more than four times annually) request a report (each a "**Non-Solicitation Report**") from Basinghall (a "**Basinghall Non-Solicitation Report**") or from an independent firm of accountants selected by the Majority Noteholders and approved in advance by Basinghall, such approval not to be unreasonably withheld or delayed (an

"**Independent Third Party**"), at the Issuer's expense (a "**Third Party Non-Solicitation Report**"), as directed by the Majority Noteholders. The Majority Noteholders hereby acknowledge that no Third Party Non-Solicitation Report may be requested (directly or indirectly) of Basinghall and none will be sought by the Issuer until the Issuer has registered with the Information Commissioner's Office in accordance with section 18 of the Data Protection Act 1998 and the Issuer has notified the Noteholders of such registration in accordance with Condition 16 (Notices) such notification to be given by the Issuer to the Noteholders as soon as reasonably practicable following such registration.

- (2) A copy of each Non-Solicitation Report shall be provided to the Noteholders and shall specify (without disclosing any personal data (as defined in the Data Protection Act 1998) including, without limitation, the names of specific borrowers or properties and subject always to applicable data protection laws) the number of borrowers which have repaid mortgage loans comprised in the Series 2006-01 Mortgage Portfolio and taken out new mortgage loans in respect of the same property with Basinghall or any of its affiliates (each a "**Refinancing Match**"), or specifying that there are no such borrowers, in each case in the period since the date of the previous such report (or if there is no such previous report, the Issue Date). In respect of each Refinancing Match, the Non-Solicitation Report shall specify whether either (a) the entering into of the new mortgage loan by the relevant borrower was (i) directly solicited by Basinghall (or any of its affiliates), (ii) a broker referral, or (iii) the result of a reverse enquiry from the relevant borrower in response to general marketing, or (b) in respect of any Third Party Non-Solicitation Report only, the relevant Independent Third Party is unable to reach a conclusion.
- (3) Upon receipt of each Non-Solicitation Report, the Issuer shall within three Business Days publish the report to the Noteholders in accordance with Condition 16 (Notices).
- (4) In respect of each Refinancing Match that is stated in the relevant Non-Solicitation Report to be the result of a direct solicitation by Basinghall (or any of its affiliates), or in respect of which, in the case of any Third Party Non-Solicitation Report, the relevant Independent Third Party was unable to reach a conclusion, Basinghall shall indemnify the Issuer pursuant to the terms of the Deed of Assignment and Accession.

(b) *Optional Redemption Right*

The Issuer shall notify the Noteholders in accordance with Condition 16 (Notices) within two Business Days of it:

- (i) becoming aware that the Optional Redemption Right in respect of the Charged Assets has become exercisable; or
- (ii) receiving a notice (a "**Basinghall Request**") from Basinghall requesting the Issuer's consent to Basinghall assisting in the facilitation of the Optional Redemption Right by the Charged Assets Obligor,

(any such notice, an "**Optional Redemption Exercise Notice**").

In respect of any Basinghall Request:

- (1) the relevant Optional Redemption Exercise Notice shall require Noteholders to notify the Issuer, via the Clearing Systems, if they consent to such Basinghall Request by 4pm on the day falling nine Business Days after the date of the Optional Redemption Exercise Notice;

- (2) if the Issuer receives written notices from Majority Noteholders (each, an “**Optional Redemption Approval Notice**”) consenting to the relevant Basinghall Request (or it is directed by an Extraordinary Resolution of the Noteholders to do the same) by 4 p.m. on the date falling nine Business Days after the date of the relevant Optional Redemption Exercise Notice, the Noteholders shall be deemed to have consented to such Basinghall Request and the Issuer shall notify Basinghall that such Basinghall Request is approved as soon as reasonably practicable thereafter; and
- (3) if the Issuer does not receive Optional Redemption Approval Notices from Majority Noteholders consenting to the relevant Basinghall Request (or it is not directed by an Extraordinary Resolution of the Noteholders to do the same) by 4 p.m. on the date falling nine Business Days after the date of the relevant Optional Redemption Exercise Notice, the Noteholders shall be deemed to have refused such Basinghall Request and the Issuer shall notify Basinghall that such Basinghall Request is declined as soon as reasonably practicable thereafter.

If, at any time after the Optional Redemption Right has become exercisable, the Issuer receives written notices from Majority Noteholders (an “**Optional Redemption Request**”) requesting the Issuer, or the Issuer is otherwise directed by an Extraordinary Resolution of the Noteholders, to direct Basinghall to assist in facilitating the exercise of the Optional Redemption Right by the Charged Assets Obligor, the Issuer shall exercise its rights under the Deed of Assignment and Accession to require Basinghall to take such action (and for these purposes, the Majority Noteholders shall be entitled to direct Basinghall direct, in which case such direction shall be deemed to have been made by the Issuer), subject always to the terms and conditions of the Series 2006-01 Transaction Documents and the Deed of Assignment and Accession and all applicable laws and regulations. In particular, Basinghall (or any of its affiliates) shall only be required to assist in facilitating the exercise by the Charged Assets Obligor of its Optional Redemption Right if:

- (x) the Issuer (on the basis of such advice as it considers necessary) or the Majority Noteholders (in the case of a direct direction to Basinghall from the Majority Noteholders), takes responsibility for ensuring all requirements of the Clavis Trustee, the terms and conditions of the Series 2006-01 Notes and the Series 2006-01 Transaction Documents in relation to the Optional Redemption Right are met (or will be met);
 - (y) the Issuer pays all costs and expenses (including legal costs) incurred by Basinghall (and any subsidiary of Basinghall or other third party engaged or instructed by Basinghall in connection with the exercise of the Optional Redemption Right) and any third parties (including but not limited to any fees of the Clavis Trustee) in connection with the exercise of the Optional Redemption Right on a full indemnity basis; and
 - (z) the Issuer indemnifies Basinghall (and any subsidiary of Basinghall or other third party engaged or instructed by Basinghall in connection with the exercise of the Optional Redemption Right) for any losses arising out of, in connection with or as a result of it assisting the facilitation of the Optional Redemption Right and providing any indemnity as requested by the Clavis Trustee in connection with the exercise of the Optional Redemption Right.
- (c) *Interest Rate Setting Power Right*
- (1) The Issuer shall notify the Noteholders in accordance with Condition 16 (*Notices*) within one Business Day of it receiving a notice from Basinghall of any change in the interest rate in respect of any SVR Mortgage Loan recommended by it in

accordance with the Interest Rate Setting Policy (any such notice, an **"Interest Recommendation Notice"**).

- (2) The Interest Recommendation Notice shall require Noteholders to notify the Issuer, via the Clearing Systems, if they refuse consent to the change in interest rate of the relevant SVR Mortgage Loan(s) proposed in an Interest Recommendation Notice and the reason(s) why the withdrawal of the relevant recommendation would be in accordance with the Interest Rate Setting Policy Limitations by 4pm on the day falling 10 Business Days after the date of the Interest Recommendation Notice.
- (3) If the Issuer does not receive written notices from Majority Noteholders (each, an **"Interest Rate Rejection Notice"**) requiring the Issuer to refuse its consent to the proposed change in interest rate set out in the relevant Interest Recommendation Notice (or it is not directed by an Extraordinary Resolution of the Noteholders to do the same) by 4 p.m. on the date falling ten Business Days after the date of the relevant Interest Recommendation Notice (the **"Rejection Deadline"**), the Noteholders shall be deemed to have approved the proposed change in interest rate and the Issuer shall notify Basinghall that such proposed change in interest rate is approved as soon as reasonably practicable thereafter.
- (4) If the Issuer does receive Interest Rate Rejection Notices from Majority Noteholders requiring the Issuer to refuse its consent to the proposed change in interest rate (or it is directed by an Extraordinary Resolution of the Noteholders to do the same) by the Rejection Deadline, the Issuer shall notify Basinghall that such proposed change in interest rate is rejected as soon as reasonably practicable, together with the reasons provided by the Majority Noteholders as to why the withdrawal of the relevant recommendation would be in accordance with the Interest Rate Setting Policy Limitations, provided always that it is acknowledged and agreed that Basinghall shall only be required to withdraw the recommended interest rate change to the extent that it is reasonably satisfied (acting as a Prudent Residential Mortgage Lender) that to do so would be in accordance with the Interest Rate Setting Policy Limitations and the terms set out in the Deed of Assignment and Accession.

(d) *Voting rights*

In respect of any request received by the Issuer from the Charged Assets Obligor or the Clavis Trustee to vote or give any direction in respect of any matter in its capacity as a secured creditor in respect of the Series 2006-01 Notes, the Issuer shall notify the Noteholders of such request as soon as reasonably practicable and request direction, specifying the relevant deadline for such direction to be made. If the Issuer is directed by Majority Noteholders as to a particular course of action by the relevant deadline, the Issuer shall notify the Charged Assets Obligor or the Clavis Trustee accordingly. If the Issuer does not receive a direction from the Majority Noteholders by the relevant deadline it shall only take such actions to which the Trustee consents and shall otherwise refrain from voting or giving any direction in respect of any matter in its capacity as a secured creditor in respect of the Series 2006-01 Notes.

(e) *Charged Assets Rights Notices*

Any Charged Assets Rights Notice delivered by any Noteholder to the Issuer shall only be effective if it:

- (1) includes the following information:

- (x) evidence of the aggregate Principal Amount Outstanding of the Notes held by such Noteholder;
 - (y) instruction to Euroclear and/or Clearstream, Luxembourg (as the case may be) that the account held by such Noteholder with Euroclear and/or Clearstream, Luxembourg (as the case may be) is to be blocked for 10 Business Days following the date of such Charged Assets Rights Notice, such that the Noteholder may not transfer any Notes from its account; and
- (2) is copied to the Principal Paying Agent at the following address:

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Attn: Agency & Trust

(f) *Definitions*

“Charged Assets Rights Notice” means any Report Request, Optional Redemption Request or Interest Rate Rejection Notice.

“Interest Rate Setting Policy” means the policy (as varied from time to time provided that any such variation would be agreed by a Prudent Residential Mortgage Lender) for the exercise by the Charged Assets Obligor of its powers to set interest rates applicable to mortgage loans comprised in the Series 2006-01 Mortgage Portfolio.

“Interest Rate Setting Policy Limitations” means any terms and limitations relating to the Interest Rate Setting Policy and the exercise of the Interest Rate Setting Power prescribed by:

- (A) the terms of the Series 2006-01 Transaction Documents;
- (B) the mortgage conditions of the SVR Mortgage Loans;
- (C) the requirements of a Prudent Residential Mortgage Lender; and
- (D) the requirements of applicable law and regulation;

“Majority Noteholders” means Noteholders holding in aggregate a majority of the aggregate Principal Amount Outstanding of the Notes in accordance with Condition 9(e);

“Optional Redemption Right” means the right of the Charged Assets Obligor to optionally redeem the Series 2006-01 Notes on the terms, and subject to the conditions, set out in Condition 6.3 of the terms and conditions of the Series 2006-01 Notes.

“Prudent Residential Mortgage Lender” means a reasonable and prudent mortgage lender whose residential mortgage loans and their collateral security have in all material respects the same credit profile and are originated, administered and held to maturity according to lending standards, lending criteria and procedures as ought to have been applied in relation to the Series 2006-01 Mortgage Portfolio or, if the relevant context relates to a specific Mortgage, as ought to have been applied in relation to such Mortgage.

“Series 2006-01 Special Services Agreement” means the series special services agreement dated 15 June 2006 relating to the provision of portfolio services to the

Charged Assets Obligor by Basinghall in its capacity as the series special servicer in respect of the Series 2006-01 Notes and entered into by, among others, the Charged Assets Obligor and Basinghall.

“Series 2006-01 Mortgage Portfolio” means the portfolio of mortgage loans secured over UK residential properties sold to the Charged Assets Obligor by Basinghall pursuant to the Series 2006-01 Portfolio Purchase Agreement.

“Series 2006-01 Transaction Documents” means the transaction documents relating to the Series 2006-01 Notes, including the Series 2006-01 Special Services Agreement and the Series 2006-01 Portfolio Purchase Agreement.

“SVR Mortgage Loan” means a mortgage loan comprised in the Series 2006-01 Mortgage Portfolio subject to a rate of interest linked to Basinghall's standard variable rate from time to time.

10. PAYMENTS

(a) *Payments on the Notes*

Subject to Condition 10(b) (*Payments subject to fiscal laws*), payments of principal and interest in respect of the Notes will be made against (in the case of payments of principal) presentation and (upon redemption of the Notes in full) surrender of the Notes or (in the case of interest) presentation of the Notes or (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons at the specified office of any Paying Agent outside the United States by transfer to an account denominated in sterling or (in the case of definitive Bearer Notes) a cheque payable in sterling drawn on a bank in London.

(b) *Payments subject to fiscal laws*

(i) All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 18 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code 1986, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto (“**FATCA**”), in each case without prejudice to the provisions of Condition 18 (*Taxation*).

(ii) No commissions or expenses shall be charged to the Noteholders or Couponholders (if any) in respect of such payments.

(c) *Payments on the Notes whilst represented by the Global Note*

(iii) Payments of principal and interest in respect of the Notes when represented by the Global Note will be made against presentation and surrender or, as the case may be, presentation of the Global Note at the specified office of the Principal Paying Agent, subject in all cases to any fiscal or other laws, regulations and directives applicable to the Issuer, the Principal Paying Agent or the bearer of the Global Note or any person (so long as the Global Note is held on behalf of a Clearing System) shown in the records of such Clearing System (other than each Clearing System to the extent that it is an account holder with the other Clearing System for the purpose of operating the “bridge” between the Clearing Systems) as the holder of a particular principal amount of the Notes. A record of each payment so made will be endorsed on the relevant schedule to the Global Note by or on behalf of the

Principal Paying Agent which endorsement shall be *prima facie* evidence that such payment has been made.

- (iv) The bearer of the Global Note shall be the only person entitled to receive payments of principal and interest on the Global Note and the Issuer will be discharged by payment to the bearer of the Global Note in respect of each amount paid. So long as the Global Note is held by or on behalf of a Clearing System, each of the persons shown in the records of such Clearing System as the holder of a Note must look solely to such Clearing System for its share of each payment so made by the Issuer to the bearer of the Global Note subject to and in accordance with the respective rules and procedures of such Clearing System. No person other than the bearer of the Global Note shall have any entitlement to payments due by the Issuer on the Notes.
- (d) *Unmatured Coupons and un-exchanged Talons*
 - (i) Upon the due date for redemption of any definitive Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (ii) Upon the due date for redemption of any definitive Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iii) Where any definitive Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (e) *Non-business days*

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) (i) on which banks and foreign exchange markets are open for business in London and (in the case of Notes represented by a definitive Bearer Note only) the relevant place of presentation and (ii) on which the TARGET2 System is open.
- (h) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any definitive Bearer Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of the Principal Paying Agent or such other Paying Agent as is notified to the Noteholders in exchange for a further coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

11. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth of the aggregate Principal Amount Outstanding of the Notes or if so directed by an Extraordinary Resolution of the Noteholders shall, subject to it first being indemnified, secured and/or pre-funded to its satisfaction, give notice to the Issuer that each Note (in the case of any event referred to in Condition 11(a) or (b)) shall so become due and payable at its Early Redemption Amount on the Early Redemption Date and (in the case of any event referred to in Condition 11(c)) is, and shall immediately become, due and

repayable at its Principal Amount Outstanding in any of the following events ("**Events of Default**"):

- (a) if default is made in the payment of any sum due in respect of the Notes or any of them on the Maturity Date or for a period of 14 days or more in the payment of any other sum due in respect of the Notes or any of them (save as specifically provided in these Conditions);
- (b) if the Issuer fails to perform or observe any of its other obligations under such Notes or the Trust Deed and, if such failure is remediable, such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied (and, for such purposes, any failure to perform or observe any obligation shall be deemed remediable notwithstanding that the failure results from not doing an act or a thing by a particular time); or
- (c) if any order shall be made by any competent court or other authority or any resolution passed for the winding-up, liquidation or dissolution of the Issuer save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved in writing by the Trustee.

Upon receipt of notice from the Trustee that the Notes will become due and payable on the Early Redemption Date following an occurrence of an Event of Default pursuant to Condition 11(a) or (b), the Issuer shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) that the Notes are due and repayable in accordance with Condition 8(e) (*Early redemption of the Notes*).

12. **ENFORCEMENT AND LIMITED RECOURSE**

Only the Trustee may pursue the remedies available under the Trust Deed and the Conditions to enforce the rights of the Secured Parties. No Secured Party other than the Trustee is entitled to proceed directly against the Issuer or the Mortgaged Property, unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed or the Conditions, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

After liquidation of the Charged Assets (prior to enforcement of the security) or after realisation of the Mortgaged Property (upon the enforcement of the security) in respect of the Notes and, in either case, distribution of the net proceeds thereof (together with, prior to enforcement of the security, any other amounts standing to the credit of the Issuer Bank Account or held by the Principal Paying Agent on behalf of the Issuer) in accordance with the applicable Payments Priorities and save for lodging a claim in the liquidation of the Issuer initiated by another person or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer, neither the Trustee nor any of the other Secured Parties may take any further steps against the Issuer or any of its assets to recover any sum still unpaid in respect of the Secured Obligations and, in each case, all claims against the Issuer in respect of such sums unpaid shall be extinguished. It is a fundamental term of any debt comprising amounts due to any Secured Party that such Secured Party shall not be entitled to exercise any right to set-off, lien, consolidation of accounts or other similar right arising by operation of law or otherwise against the Issuer or any person entitled to receive any payment under the Notes or (if the Global Note has been exchanged for definitive Bearer Notes) Coupons or against the Mortgaged Property in priority to such security or other claims or to institute against the Issuer, at any time, any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver or manager pursuant to the Trust Deed) or other similar proceeding under any law (and the Noteholders and the Couponholders (if any) agree by subscribing for or purchasing the Notes or the Coupons

appertaining thereto (if any) and each of the other Secured Parties agrees by execution of the Transaction Documents to which it is a party to severally waive all such rights) and no claim shall be brought against any director, officer, employee or shareholder of the Issuer (other than in the case of fraud), in any such case, in respect of such debt (save as aforesaid).

13. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes or Coupons (if any) shall be prescribed and become void unless made within 10 years (in the case of principal) or 5 years (in the case of interest) from the Relevant Date.

14. REPLACEMENT OF NOTES, COUPONS AND TALONS

If any Note (in global or definitive form), Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to all applicable laws and stock exchange requirements, at the specified office of the Principal Paying Agent, upon payment by the claimant of the out-of-pocket expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued. Unless otherwise covered by such indemnity as the Issuer may require, any replacement definitive Bearer Note will only have attached to it Coupons and/or Talons corresponding to those attached to the mutilated or defaced definitive Bearer Note surrendered for replacement.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND SUBSTITUTION

(a) *Meetings of Noteholders and modifications*

The Trust Deed shall provide for the convening of meetings of Noteholders to consider matters affecting their interests, including the modification by Extraordinary Resolution of the Conditions, the Trust Deed and/or any other Transaction Document. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing a majority in the aggregate Principal Amount Outstanding of the Notes, or, at any adjourned such meeting, two or more persons being or representing Noteholders, whatever the principal amount of the Notes so held or represented, except that any Extraordinary Resolutions for the purpose of: (1) sanctioning the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, notes, or other obligations or securities of the Issuer or any other body corporate formed or to be formed; (2) approving the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes; (3) (in the case of the exercise of any votes to which special quorum provisions relating to meetings of holders of any rights comprising Mortgaged Property apply) authorising or instructing the Trustee to exercise (or authorising or instructing the Trustee to authorise or instruct the holder or lender of record (as appropriate) to exercise) those voting rights attached to any rights comprising Mortgaged Property to which special voting rights apply in such manner as may be specified; or (4) considering a proposal (A) to amend the Maturity Date or any date for payment of interest or principal thereon or the currency of any interest or principal payments due on the Notes or (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons, (B) to reduce or cancel the Principal Amount Outstanding of the Notes, (C) to reduce the rate of interest in respect of the Notes or to vary the method or basis of calculating the rate or amount of interest or the basis for calculating Fixed Interest, Variable Interest, Deferred Interest or Additional Interest in respect thereof, (D) to change any method of calculating the Redemption Amount, (E) to change the currency of denomination of the Notes, (F) to modify the Events of Default, (G) to modify the provisions set out in Condition 4 (*Security*) or Clause 6 (*Security and application of moneys received by the Trustee*) of the Trust Deed relating to the security taken over the

Mortgaged Property, (H) to take any steps that may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions contained in the proviso to paragraph 6 of Schedule 1 (*Provisions for meetings of Noteholders*) to the Trust Deed apply, (I) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, (J) to give any authority, direction or sanction which under the Trust Deed or the Notes is required to be given pursuant to a meeting of Noteholders to which the special quorum provisions apply or (K) to alter any of the provisions contained in this exception, shall be passed at a meeting the quorum at which shall be two or more persons holding or representing two-thirds, or, at any adjourned such meeting, not less than one-third of the aggregate Principal Amount Outstanding of the Notes. The holder of the Global Note representing the Notes will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders. A resolution duly passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they were present at such meeting. A resolution in writing signed by or on behalf of, or a consent or direction given by way of electronic consents through the Clearing System(s) (in a form satisfactory to the Trustee) by or on behalf of, the holders of not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes who for the time being are entitled to receive notice of the meeting shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of Noteholders.

The Trustee may, without consulting the Noteholders or the Couponholders (if any), determine that an event which would otherwise be an Event of Default shall not be so treated but only if and insofar as in its opinion the interests of the Noteholders or the Couponholders (if any) shall not be materially prejudiced thereby. The Trustee may also, without the consent of the Noteholders or any other Secured Party, agree with the Issuer and the other relevant parties:

- (A) any modification to the Conditions and/or the Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error or (for so long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange) is made in order to address any requirements of the Irish Stock Exchange; and
- (B) any other modification to any of the provisions of the Conditions and/or the Transaction Documents which in each case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or the Couponholders (if any),

in each case, provided that such power shall not extend to any such modification as is mentioned in the proviso to paragraph 19 of Schedule 1 (*Provisions for meetings of Noteholders*) of the Trust Deed.

Any such modification shall be binding on the Noteholders and the Couponholders (if any) and, unless the Trustee agrees otherwise with the Issuer, such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) and to the Irish Stock Exchange (for so long as the Notes are admitted to trading on GEM and the Irish Stock Exchange so requires) as soon as practicable thereafter.

(b) *Waiver*

The Trustee may, without the consent of the Noteholders or any other Secured Party and without prejudice to its rights in respect of any subsequent breach from time to time, and at any time, but only in so far as in its opinion the interest of the Noteholders and the Couponholders (if any) are not materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions in the Conditions or any Transaction Document or determine that any Event of Default shall not be treated as such provided always that the Trustee shall not exercise such powers in

contravention of any express direction given by an Extraordinary Resolution but no such direction shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination shall be binding on the Secured Parties.

(c) *Substitution of Issuer*

The provisions of the Trust Deed shall permit the Trustee to agree, subject to such amendment of the Trust Deed, the Transaction Documents and such other conditions as the Trustee may require including the transfer of security and without the consent of the Noteholders or the Couponholders (if any), 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. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or the Couponholders (if any), to a change of the law governing the Notes and/or the Trust Deed and/or any other Transaction Document, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders or the Couponholders (if any).

(d) *Entitlement of the Trustee*

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (if any) and the Trustee shall not be entitled to require, nor shall any Noteholder or the Couponholder (if any) be entitled to claim from, the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders (if any).

16. **NOTICES**

(a) *Notices to the Noteholders*

- (i) Subject to Conditions 16(a)(ii) and (iii), notices to Noteholders will be valid if published in a leading daily newspaper (expected to be the *Financial Times*) having general circulation in London or, if in the opinion of the Trustee, such publication shall not be practicable, notice shall be validly given if published in an English language newspaper of general circulation in Europe approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required.
- (ii) So long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.
- (iii) So long as the Notes are represented by the Global Note, notices in respect of the Notes may be given by delivery of the relevant notice to the Clearing Systems for communication by them to the Noteholders. Any notice delivered to the Clearing Systems, as aforesaid shall be deemed to have been given on the day of such delivery.

- (iv) Couponholders (if any) will be deemed for all purposes to have notice of the contents of any notice given to the holders of Notes in accordance with this Condition 16 (*Notices*).

(b) *Notices to the Issuer from the Noteholders*

Any direction or instruction to be given by the Majority Noteholders pursuant to, and in accordance with, Condition 8(k) (*Appointment of the Realisation Agent*), Condition 8(l) (*Optional Redemption Regulatory Events*) or Condition 9 (*Certain rights of the Noteholders in respect of the Charged Assets*) shall be effectively given if given by way of electronic consents through the Clearing System(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of, in aggregate, a majority of the aggregate Principal Amount Outstanding of the Notes.

17. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed provides for the indemnification of the Trustee and for its relief from responsibility for the validity, sufficiency and enforceability (which the Trustee has not investigated) of the security created over the Mortgaged Property, including provisions relieving it from taking proceedings to enforce repayment or from taking any action in accordance with the Trust Deed without being first indemnified, secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Charged Assets Obligor, any Agent, the Collateral Administrator, the Account Bank or any of their respective subsidiaries or associated companies without accounting to the Noteholders or the Couponholders (if any) for any profit resulting therefrom.

The Trust Deed provides that the Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Mortgaged Property or from any obligation to insure all or any part of the Mortgaged Property (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder) or to procure the same to be insured.

The Trust Deed provides that the Trustee will be under no obligation or duty to act on any directions of the Noteholders or the other Secured Parties save as expressly provided in these Conditions and the Trust Deed, and (save as aforesaid) in the event of any conflict between directions given by the Noteholders and by the other Secured Parties, it shall be entitled to act in accordance only with the directions of the Noteholders.

The Trust Deed provides that the Trustee shall not be bound or concerned to make any investigation into the creditworthiness of the Charged Assets Obligor or the validity or enforceability of any of the obligations of the Charged Assets Obligor under the terms of the Charged Assets (including, without limitation, whether the cashflows from the Charged Assets and the Notes are matched).

18. TAXATION

All payments in respect of the Notes and (if the Global Note has been exchanged for definitive Bearer Notes) the Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any such payment in respect of the Notes or the Coupons (if any) subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Agent, the Arranger or the Trustee will be obliged to make any additional payments to the Noteholders or the Couponholders (if any) in respect of such withholding or deduction.

Each holder of a Note or a Coupon (if any) (or any interest therein) agrees by its purchase of such Note or Coupon (or any interest therein) to provide the Issuer or its respective agents with all correct, complete and accurate information that may be required for the Issuer to comply with its tax obligations, including under FATCA.

For the purposes of this Condition 18 (*Taxation*), any withholding or deduction on account of FATCA shall be deemed to be required by applicable law.

19. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The Trust Deed, the Agency Agreement, the Notes, the Coupons and the Talons (if any) and all other Transaction Documents and any non-contractual obligations arising out of, or in connection with them, are governed by English law. The Issuer has submitted to the exclusive jurisdiction of the English courts for all purposes in connection with the Notes, the Coupons (if any), the Talons (if any), the Trust Deed, the Agency Agreement and the other Transaction Documents (including any dispute relating to any non-contractual obligations arising out of or in connection with them or a dispute regarding the existence, validity or termination of any of the Notes, the Coupons and the Talons (if any) or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons (if any), the Talons (if any) and/or the Transaction Documents may be brought in the English courts.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) that the Notes expressly provide for the Contracts (Rights of Third Parties) Act 1999 to apply to any of their terms.

UNITED KINGDOM TAXATION

The following is a general summary of certain aspects of current United Kingdom law and published HM Revenue & Customs (“HMRC”) practice relating to United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes. It applies only to persons who are the absolute beneficial owners of the Notes.

It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply.

Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.

Withholding Tax on Interest Paid

1. Payments of interest made in respect of Notes which are listed on a “recognised stock exchange” within the meaning of section 1005 Income Tax Act 2007 (the “**Act**”) may be made without withholding or deduction for or on account of United Kingdom income tax.
2. Section 1005(3) of the Act provides that securities will be listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange, and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The Global Exchange Market (GEM) of the Irish Stock Exchange is a recognised stock exchange.
3. In addition to the exemption referred to in paragraph 1 above, the Issuer is entitled to make payments of interest on the Notes without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, the Issuer reasonably believes that, broadly, the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified tax-exempt entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for the exemption will not be met). In other cases interest will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to any direction to the contrary by HMRC under the provisions of an applicable double taxation treaty.
4. HMRC has powers in certain circumstances to require persons paying or crediting interest in the ordinary course of its business to provide information to HMRC in respect of the interest paid or credited and the persons to whom the interest was so paid or credited. In certain circumstances, HMRC may be entitled to exchange such information with the tax authorities of other jurisdictions. Interest for this purpose includes any amount to which a person holding a deeply discounted security is entitled on redemption of that security.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under European Directive 2003/48/EC on taxation of savings income Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State, except that for a transitional period Luxembourg and Austria instead operate a withholding system unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). The rate of withholding tax in those jurisdictions is 35%. In April 2013, the Luxembourg government announced its intention to end its transitional period and move to automatic exchange of information under the Directive with effect from 01 January 2015. Certain other jurisdictions, including Switzerland, have enacted equivalent legislation which imposes a withholding tax in substantially the same circumstances as envisaged by the Directive.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Directive on the Taxation of Savings Income to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Directive on the Taxation of Savings Income, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 01 January 2016 (which national legislation must apply from 01 January 2017).

Holders of the Notes should note that should any payment in respect of the Notes be subject to withholding imposed as a consequence of the Directive or under equivalent legislation, no additional amounts would be payable by the Issuer pursuant to the provisions of Condition 18 (*Taxation*) of the Terms and Conditions.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, and US Treasury regulations promulgated thereunder that took effect on 28 January 2013, as amended from time to time (together **"FATCA"**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **"foreign financial institution"**, or **"FFI"** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service (**"IRS"**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether such investor is a U.S. person or should otherwise be treated as holding a "United States account" (as defined under FATCA) of the Issuer (a **"Recalcitrant Holder"**).

FATCA implementation is being phased in from 01 July 2014 for payments from sources within the United States and is currently proposed to apply to "foreign passthru payments" (a term not yet defined) made by an FFI to a non-participating FFI or Recalcitrant Holder no earlier than 01 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes issued or materially modified on or after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term 'foreign passthru payment' are filed with the Federal Register; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an **"IGA"**). In some cases such IGAs have been signed; in other cases, negotiations are still ongoing. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, most FFIs in an IGA signatory country should be treated as a "Reporting FI" that would generally not be subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA or agreement with the IRS relating to FATCA) (any such withholding being a **"FATCA Withholding"**) from payments it makes (except in certain limited circumstances, where the payments are made to a Recalcitrant Holder). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required, as a Participating FFI, to make FATCA Withholdings on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS unless it is treated as exempt from having "financial accounts" for FATCA purposes. As announced in Notice 2013-43 and Notice 2014-17, the US IRS is maintaining a list of jurisdictions that are treated as having in effect or agreed in substance with the US an IGA, even though that IGA may not have entered into force as of 01 July 2014.

The United States and the United Kingdom have entered into an agreement (the **"US-UK IGA"**) based largely on the Model 1 IGA. As such, the Issuer will be required to comply with FATCA under national legislation implementing the US-UK IGA.

The Issuer is currently not expected to be required to make any FATCA Withholdings before 01 January 2017 from the payments it makes. There can be no assurance, however, that the Issuer would not in the future be required to deduct FATCA Withholding from future payments. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold a FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If a FATCA Withholding were to be made from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any other person would, pursuant to the conditions of the Notes, be required to pay any additional amounts as a result of the FATCA Withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within a clearing system, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer for such clearing system, given that each of the entities in the payment chain between the Issuer and the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that, in certain specific circumstances, the Notes may convert into definitive Bearer Notes and therefore cease to be held through a clearing system. If this were to happen then, depending on the circumstances, payments to a non-FATCA compliant holder could be subject to FATCA Withholding.

However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure that each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms and/or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the depositary for the clearing system (as legal owner of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER AND THE NOTES IS UNCERTAIN AT THIS TIME. THE ABOVE DESCRIPTION IS BASED IN PART ON REGULATIONS, OFFICIAL GUIDANCE AND MODEL IGAS, ALL OF WHICH ARE SUBJECT TO CHANGE OR MAY BE IMPLEMENTED IN A MATERIALLY DIFFERENT FORM. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND NOTEHOLDERS ARE NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR THE PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCES.

SUBSCRIPTION AND SALE

The Issuer will enter into a subscription agreement in respect the Notes (the “**Subscription Agreement**”) with the Arranger and the subscriber for the Notes (the “**Subscriber**”). Pursuant to the Subscription Agreement, the Subscriber will agree to subscribe for the Notes on the terms set out therein.

Selling/Transfer Restrictions Applicable to the Notes

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each of the Arranger and the Subscriber will in the Subscription Agreement, represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of the Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such the Notes to the public in that Relevant Member State:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the Arranger nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes referred to in (a) to (c) above shall require the Issuer or the Arranger to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of the Notes to the public**” in relation to any the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

Each of the Arranger and the Subscriber will in the Subscription Agreement represent, warrant and agree in relation to the Notes that:

- (a) 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 the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United States

Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and (a) may not be offered, sold or otherwise transferred at any time within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) and (b) may be offered, sold or otherwise transferred at any time only to transferees that are Non-United States Persons (as defined by the Commodities Futures Trading Commission). The Issuer has not been and does not intend to be registered as an investment company under the United States Investment Company Act of 1940.

No Note may be offered, sold or delivered within the United States or to or for the account of a U.S. Person (as defined in Section 7701 of the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code")).

Each of the Arranger and the Subscriber will represent and warrant in the Subscription Agreement that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the Arranger within the United States or to, or for the account or benefit of, U.S. persons.

Cayman Islands

The Arranger does not intend to establish a place of business or otherwise intend to conduct business in the Cayman Islands. Accordingly, the Issuer should not be subject to the supervision of any Cayman Islands authority.

GENERAL INFORMATION

1. Clavis 2006-1 NIM plc (the “**Issuer**”) has obtained all consents, approvals and authorisations (if any) which are necessary in England and Wales at the date of this Offering Memorandum in connection with the issue of this Offering Memorandum. The issue of this Offering Memorandum was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 10 December 2014 and the issue of Notes by the Issuer will be authorised pursuant to a resolution of the Board of Directors of the Issuer.
2. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since its date of incorporation, being 5 November 2014.
3. The Issuer is not involved in any governmental, legal, litigation or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of the Issuer’s incorporation a significant effect on the Issuer’s financial position or profitability.
4. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangement not being in the ordinary course of business.
5. The following documents will be available in physical format from the date hereof during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection from the registered office of the Issuer:
 - (A) this Offering Memorandum ; and
 - (B) the Memorandum and Articles of Association of the Issuer.
6. The information contained in this Offering Memorandum has been obtained from sources believed to be reliable, and as far as the Issuer is aware and is able to ascertain, the information it has sourced from such third parties has been accurately reproduced and no facts have been omitted which would render it inaccurate or misleading.
7. The power of appointing a new Trustee in respect of the Notes shall be vested in the Issuer but no person shall be so appointed who shall not have previously been approved by an extraordinary resolution of the Noteholders. A trust corporation shall at all times be Trustee in respect of the Notes and may be sole Trustee. Any appointment of a new Trustee shall as soon as practicable thereafter be notified by the Issuer to the Noteholders in accordance with the Conditions. The Trustee may retire at any time upon giving not less than 60 days’ notice in writing to the Issuer without assigning any reason and without being responsible for any costs losses or liabilities occasioned by such retirement and the relevant Noteholders shall have power (exercisable in the case of the Noteholders by extraordinary resolution) to remove the Trustee provided that the retirement or removal of any sole Trustee or sole trust corporation shall not become effective until a trust corporation is appointed as successor Trustee.
8. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange. The total expenses related to the admission of the Notes to trading on GEM are expected to be less than €4,940.
9. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on GEM will be granted on or around the Issue Date.

10. The Arranger shall be entitled to charge, and be paid, a commission for arranging the subscription, or acquisition, of the Notes by the Subscriber.
11. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

ISIN: XS1144475016;

Common Code: 114447501.
12. The Issuer is a company incorporated under the laws of England and Wales.
13. As at the date of this Offering Memorandum, the Issuer has not published any financial statements. The Issuer intends to publish its first financial statements in respect of the period ending 31 December 2015.
14. Other than as set out in this Offering Memorandum, the Issuer does not intend to provide any post-issuance information in relation to any Charged Assets.
15. Further information in respect of the Series 2006-01 Notes (including the DPC Rights) can be found at <http://www.clavis-securities.com>.
16. Copies of the following documents will, when published (to the extent applicable), be available in physical form during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Trustee and from the specified offices of each of the Paying Agents in respect of the Secured Obligations:
 - (1) Articles of Association of the Issuer;
 - (2) Trust Deed;
 - (3) Deed of Assignment and Accession;
 - (4) Agency Agreement;
 - (5) Issuer Corporate Services Agreement;
 - (6) Holdings Corporate Services Agreement;
 - (7) Account Bank Agreement;
 - (8) Master Definitions and Construction Schedule; and
 - (9) Series 2006-1 Amendment (2014A) Deed.

In addition, the following Clavis transaction documents will also be available:

- (1) Note Programme Memorandum dated 8 June 2006;
- (2) Note Issue Supplement in respect of the Series 2006-01 Notes dated 8 June 2006;
- (3) Security Intercreditor Deed;
- (4) Series 2006-01 Portfolio Purchase Agreement;
- (5) Note Issue Instrument; and

- (6) Clavis Securities Standard Series Portfolio Purchase Provisions Document – Edition 2.

REGISTERED OFFICE OF THE ISSUER

Clavis 2006-1 NIM plc

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ARRANGER

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Citigroup Centre
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Canary Wharf
London, E14 5LB

TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB

ACCOUNT BANK

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB

LISTING AGENT FOR NOTES LISTED IN IRELAND

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
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CORPORATE SERVICES PROVIDER

Structured Finance Management Limited

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