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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the issuer in such jurisdiction.

By accessing this prospectus, 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 prospectus 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 e mail 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) is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**") or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

This prospectus 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 Moorgate Funding 2014-1 Plc, Stormharbour Securities LLP, Bank of America Merrill Lynch, the Lead Manager or any person who controls it nor any director, officer, employee nor agent of it (or parties of any such person) accepts any liability or responsibility whatsoever in respect of any difference between this prospectus distributed to you in electronic format and the hard copy version available to you on request from Stormharbour Securities LLP, Bank of America Merrill Lynch or the Lead Manager.

PROSPECTUS DATED 12 MAY 2014

MOORGATE FUNDING 2014-1 PLC

(incorporated in England and Wales with limited liability under registered number 08929208)

Instruments	Initial Principal Amount Outstanding	Issue Price	Interest Reference Rate	Relevant Margin / Step-Up Margin	Portfolio Call / Optional Redemption on Date	Pre-Call Redemption Profile	Final Maturity Date	Ratings (S&P / DBRS)
Class A1 Notes	£338,150,000	99.449%	1 month GBP LIBOR	0.90% per annum / 1.35% per annum	Interest Payment Date falling in May 2019	Sequential pass-through amortisation	October 2050	AAA(sf) /AAA(sf)
Class B1 Notes	£56,100,000	99.065%	1 month GBP LIBOR	1.10% per annum / 1.65% per annum	Interest Payment Date falling in May 2019	Sequential pass-through amortisation	October 2050	AA(sf) / AA(sf)
Class C1 Notes	£44,880,000	98.844%	1 month GBP LIBOR	1.50% per annum / 2.25% per annum	Interest Payment Date falling in May 2019	Sequential pass-through amortisation	October 2050	A(sf) / A(low)(sf)
Class D1 Notes	£18,360,000	98.171%	1 month GBP LIBOR	1.80% per annum / 2.70% per annum	Interest Payment Date falling in May 2019	Sequential pass-through amortisation	October 2050	BBB(sf) / BBB(low) (sf)
Class E1 Notes	£27,029,000	97.082%	1 month GBP LIBOR	2.30% per annum / 3.45% per annum	Interest Payment Date falling in May 2019	Sequential pass-through amortisation	October 2050	BB(sf) / B(sf)
Principal Residual Certificates	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue Residual Certificates	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Arrangers

Bank of America Merrill Lynch and StormHarbour Securities LLP

Lead Manager

Bank of America Merrill Lynch

Prospectus dated 12 May 2014

Closing Date The Issuer expects to issue the Notes and Certificates described above on 13 May 2014.

**Standalone/
programme issuance** Stand alone issuance.

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and interest received from a portfolio comprising mortgage loans originated by the Originators to Borrowers in the United Kingdom to be

acquired by the Issuer from the Beneficial Title Seller on the Closing Date.

See the section entitled "*The Mortgage Portfolio and the Mortgage Loans*" for further details.

- Credit Enhancement**
- The Principal Reserve Fund will, among other things be applied to reduce or eliminate any debit balance of the Principal Deficiency Ledger applicable to the Class A1 Notes, Class B1 Notes, Class C1 Notes, Class D1 Notes and Class E1 Notes.
 - Any Notes Principal Deficiency will be applied to the sub-ledgers of the Principal Deficiency Ledger first to the Class E1 Principal Deficiency Ledger, secondly to the Class D1 Principal Deficiency Ledger, thirdly to the Class C1 Principal Deficiency Ledger, fourthly to the Class B1 Principal Deficiency Ledger and fifthly to the Class A1 Principal Deficiency Ledger and Revenue Reallocation Amounts will be available pursuant to the Pre-Enforcement Revenue Payments Priorities.
 - Revenue Reallocation Amounts will be entered as a credit entry on the Principal Ledger.
 - Following the redemption of the Notes and payments equal to £25,501,445.13 under the Principal Residual Certificates, Residual Principal Allocation Amounts will be credited to the Revenue Ledger and applied to the Pre-Enforcement Revenue Payments Priorities to make payments in respect of the Revenue Residual Certificates (after satisfaction of the Issuer's obligations ranking higher in such Payment Priorities).

See the section entitled "*Credit Enhancement and Liquidity Support*" for further details.

- Liquidity Support**
- The Principal Reserve Fund, the Class A1 Reserve Fund, the Class B1 Reserve Fund and Revenue Addition Amounts will be applied to reduce or eliminate shortfalls in funds available to pay fees and interest on the Notes.
 - Available Revenue Funds will be applied to replenish the Principal Reserve Fund.

See the section entitled "*Credit Enhancement and Liquidity Support*" for further details.

- Redemption Provisions on the Notes and Payments on the Principal Residual Certificates**
- Repayment of the Class A1 Notes, the Class B1 Notes, the Class C1 Notes, the Class D1 Notes, the Class E1 Notes (the "**Notes**") and payment of amounts on the Principal Residual Certificates is made from Available Principal Funds. Available Principal Funds includes, among other things, principal receipts from any disposal of the Mortgage Portfolio. Redemption to occur no later than the Final Maturity Date.

See the sections entitled "*Transaction Overview - Summary of the Terms and Conditions of the Notes*" and Note Condition 9 (*Final Redemption, Mandatory Redemption in part and Cancellation*).

- Credit Rating Agencies**
- In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance

with the CRA Regulation and such registration is not refused.

Each of S&P and DBRS Ratings Limited is a credit rating agency established in the European Community and registered under the CRA Regulation.

Credit Ratings

Ratings are expected to be assigned to the Notes set out above on or before the Closing Date.

The ratings assigned to the Notes address the likelihood of timely payment of interest and ultimate payment of principal to the holders of the Notes of: (i) interest due on each Interest Payment Date and (ii) principal on a date that is not later than the Final Maturity Date.

The assignment of ratings to the Notes is not a recommendation to invest in the Notes. Any credit rating assigned to the Notes may be revised or withdrawn at any time.

Listing

This document comprises a prospectus for the purpose of Directive 2003/71/EC as amended by Directive 2010/73/EU (the "**Prospectus Directive**"). The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves prospectuses that meet the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and to trading on its regulated market. References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Irish Stock Exchange's regulated market. The regulated market (the "**Main Securities Market**") of the Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC as amended by Directive 2008/10/EC (the "**Markets in Financial Instruments Directive**"). The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of the Markets in Financial Instruments Directive or which are to be offered to the public in any Member State of the European Economic Area.

Obligations

The Notes and the Certificates will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes and the Certificates will not be obligations of any Seller, their affiliates or any other party named in the Prospectus.

Significant Investor

Merrill Lynch International will, on the Closing Date, purchase all the Notes and may retain or sell some or all of the Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Notes and/or Certificates in the secondary market). Merrill Lynch International may sell the Notes in individually negotiated transactions at variable prices in the secondary market. In retaining some or all of the Notes, Merrill Lynch International may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions.

Kilimanjaro AM Limited ("**Kilimanjaro**"), will, on the Closing Date, be issued the Certificates as partial consideration for the sale of the Mortgage Portfolio. Merrill Lynch International, or an affiliate thereof, will acquire the Revenue Residual Certificates on or about the Closing Date.

Therefore significant concentrations of holding of Notes and Certificates of a given Class in one investor will occur.

Please refer to the section entitled "*Subscription and Sale*" for further

information.

**Retention
Undertaking**

Pursuant to Article 405 of Regulation (EU) 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**") an EU credit institution shall be exposed to the credit risk of a securitisation position only if the originator, sponsor or original lender has explicitly disclosed to the EU credit institution that it will retain, on an ongoing basis, a material net economic interest which, in any event, shall not be less than 5%. Similar requirements in respect of alternative investment fund managers are imposed pursuant to Article 51 of Commission Delegated Regulation (EU) No 231/2013 as it is interpreted on the date hereof (the "**AIFM Regulation**").

As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as contemplated by Article 405(d) of the CRR. The Beneficial Title Seller will, until maturity of the Notes, hold the Principal Residual Certificates which: (i) are the lowest ranking Instrument in the Pre-Enforcement Principal Payments Priorities and (ii) are entitled to receive Principal Receipts of up to a maximum amount of £25,501,445.13 upon redemption in full of the Notes (subject to the Payments Priorities), such amount being no less than 5% of the Principal Outstanding Balance of all the Mortgage Loans in the Mortgage Portfolio.

THE "*RISK FACTORS*" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

IMPORTANT NOTICE

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

The Beneficial Title Seller accepts responsibility for the information set out in the sections headed "*Description of the Beneficial Title Seller*". To the best of the knowledge and belief of the Beneficial Title Seller (having taken all reasonable care to ensure that such is the case), the information contained in the sections 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 Beneficial Title Seller as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any Transaction Party that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this prospectus as a Prospectus for the purposes of the Prospectus Directive by the Central Bank of Ireland, no action has been or will be taken by any Transaction Party which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Lead Manager and StormHarbour Securities LLP and Merrill Lynch International (the "**Arrangers**") to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this document (or any part hereof), see the section entitled "*Subscription and Sale*" below.

Neither the delivery of this Prospectus nor any sale or allotment made in connection with any offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained in this Prospectus since the date of this Prospectus.

None of the Lead Manager, the Arrangers or the Trustee have independently verified the information set out in this Prospectus and none of the Lead Manager, the Arrangers, the Beneficial Title Seller, the Legal Title Holders or the Trustee (nor any of their holding companies, affiliates, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisors) makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or as to the reasonableness of any assumption contained herein or any other information provided by the Issuer in connection with the Notes other than as expressly set-out below. None of the Arrangers, the Lead Manager, the Beneficial Title Seller, the Legal Title Holders or the Trustee (nor any of their holding companies, affiliates, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisors) accepts any liability, including for any direct, indirect or consequential loss or damage, suffered by any person as a result of relying on any statement or information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes other than as expressly set-out below. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Arrangers, the Lead Manager, the Beneficial Title Seller, the Legal Title Holders or the Trustee undertakes or shall undertake to review the financial condition or affairs of the Issuer or of any other Transaction Party nor to advise any investor or potential investor in the Notes of any information coming to their attention other than as expressly required by the Transaction Documents.

The information in this Prospectus should not be assumed to have been updated at any time after the date of this Prospectus and the distribution of this Prospectus does not constitute a representation by any of the Arrangers, the Lead Manager, the Trustee, the Legal Title Holders or the Beneficial Title Seller that such information will be updated at any time after the date of this Prospectus.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons (see the section entitled "*Subscription and Sale*" below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of the Issuer, the Lead Manager, the Trustee, the Beneficial Title Seller, the Legal Title Holders, the Servicer or the Arrangers makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee, the directors of the Issuer, the Lead Manager or the Arrangers.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Lead Manager or the Arrangers other than as set out in the paragraph headed "*Listing*" on page (iii) of this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom and Ireland), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

Each Class of Notes will be represented by a global note certificate (each, a "**Global Note**"), which will be deposited with the common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA / NV ("**Euroclear**") on the Closing Date and registered in the name of a nominee of the Common Safekeeper.

The Revenue Residual Certificates and the Principal Residual Certificates, as at the Closing Date, will each be represented by a separate Global Certificate which will be registered on or around the Closing Date in the name of a nominee for the Common Depositary.

References in this Prospectus to "£" or "**Sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Forward Looking Statements and Statistical Information

Certain matters contained in this Prospectus are forward looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward looking terminology such as "**may**", "**will**", "**could**", "**believes**", "**expects**", "**anticipates**", "**continues**", "**intends**", "**plans**" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**"). Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market

conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Issuer, the Lead Manager or the Arrangers has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward looking statements or Statistical Information. None of the Issuer, the Lead Manager or the Arrangers assumes any obligation to update these forward looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward looking statements or Statistical Information, as applicable.

The Notes and/or Certificates may not be a suitable investment for all investors

Each potential investor in the Notes and/or Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (without limitation):

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and/or Certificates, the merits and risks of investing in the Notes and/or Certificates and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and/or Certificates and the impact the Notes and/or Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes and/or Certificates, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of assets of the type comprising the Mortgage Portfolio, the market for securities of the type represented by the Notes, and the financial markets generally; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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TRANSACTION OVERVIEW

The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

TRANSACTION PARTIES AND OTHER RELATED PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer	Moorgate Funding 2014-1 Plc	Fifth Floor 100 Wood Street London EC2V 7EX	N/A See the section entitled " <i>The Issuer</i> "
Legal Title Holders	Mortgages 1 Limited	2 King Edward Street London EC1A 1HQ	Mortgage Sale Agreement. See the section entitled " <i>Description of the Legal Title Holders</i> "
	Mortgages 2 Limited	2 King Edward Street London EC1A 1HQ	
	Mortgages 3 Limited	2 King Edward Street London EC1A 1HQ	
	Mortgages 4 Limited	2 King Edward Street London EC1A 1HQ	
	Mortgages 5 Limited	2 King Edward Street London EC1A 1HQ	
	Mortgages 6 Limited	2 King Edward Street London EC1A 1HQ	
	Mortgages 7 Limited	2 King Edward Street London EC1A 1HQ	
	Wave Lending Limited	2 King Edward Street London EC1A 1HQ	
Beneficial Title Seller	Kilimanjaro AM Limited	4 th floor 40 Dukes Place London	Mortgage Sale Agreement. See the section entitled " <i>Description of the</i> "

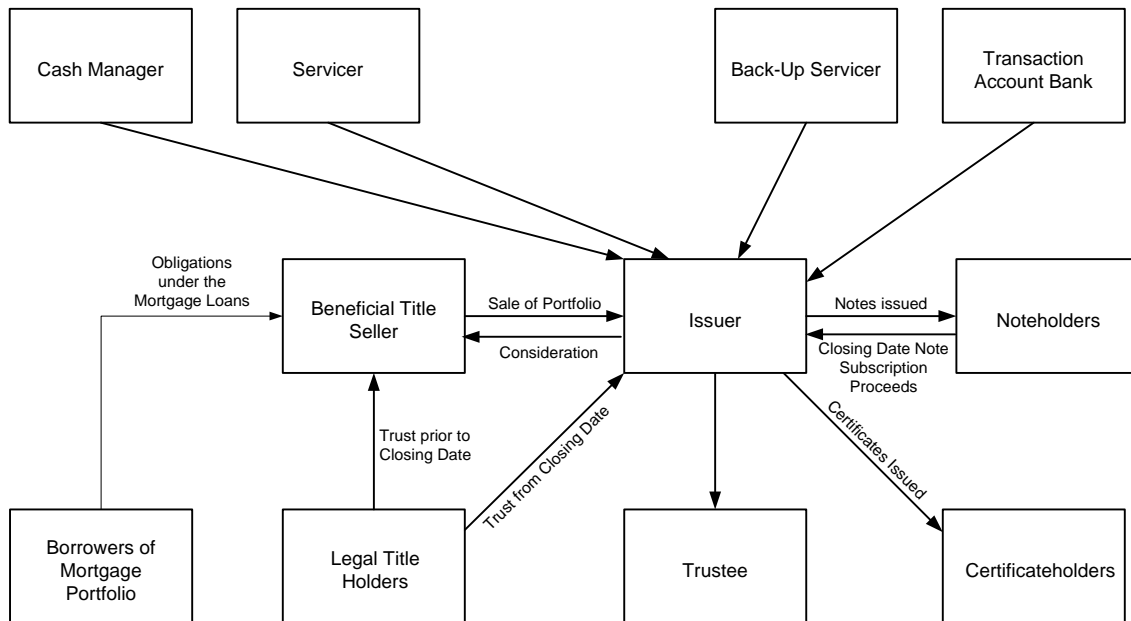
Party	Name	Address	Document under which appointed/Further Information
		EC3A 7NH	<i>Beneficial Title Seller</i>
Originators	Mortgages PLC Group, Wave Lending Limited, Close Brothers, Paragon Mortgages Limited and Edeus Mortgage Creators Limited (in Liquidation)	<p>In relation to Mortgages PLC: Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ</p> <p>In relation to Wave Lending Limited: Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ</p> <p>In relation to Close Brothers: 10 Crown Place London EC2A 4FT</p> <p>In relation to Paragon Mortgages Limited: 51 Homer Road Solihull West Midlands B91 3QJ</p> <p>In relation to Edeus Mortgage Creators Limited (in Liquidation): 2 Cornwall Street Birmingham B3 2DL</p>	<p>N/A</p> <p>See the section entitled "<i>Description of Originators</i>"</p>
Servicer	Mortgages PLC	Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ	<p>Servicing Agreement.</p> <p>See the section entitled "<i>Description of the Servicer</i>"</p>
Back-Up Servicer	Homeloan Management Limited	The Bailey Skipton North Yorkshire BD23 1DN	<p>Back-Up Servicing Agreement</p> <p>See the sections entitled "<i>Description of the Back-Up Servicer</i>" and "<i>Servicing of the Mortgage Portfolio</i>"</p>

Party	Name	Address	Document under which appointed/Further Information
Cash Manager	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Cash Management Agreement. See the section entitled " <i>Description of the Transaction Account Bank and the Cash Manager</i> "
Seller Collection Account Bank	Barclays Bank PLC	1 Churchill Place London E14 5HP	Seller Collection Account Agreement and Declaration of Trust. See the section entitled " <i>Description of the Seller Collection Account Bank</i> "
Transaction Account Bank	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Transaction Account Agreement. See the sections entitled " <i>Description of the Transaction Account Bank and the Cash Manager</i> " and " <i>Credit Structure and Liquidity Support</i> "
Trustee	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Trust Deed. See the sections entitled " <i>Description of the Trustee</i> " and " <i>The Trust Deed</i> "
Principal Paying Agent / Registrar / Agent Bank	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement.
Corporate Services Provider	Law Debenture Corporate Services Limited	Fifth Floor 100 Wood Street London EC2V 7EX	Corporate Services Agreement. See the section entitled " <i>The Issuer</i> "
Portfolio Option Holder	Merrill Lynch International	Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ	Portfolio Option Deed
Competent Authority for the purposes of the Prospectus Directive	Central Bank of Ireland	Iveagh Court Block D Harcourt Road Dublin 2 Ireland	N/A

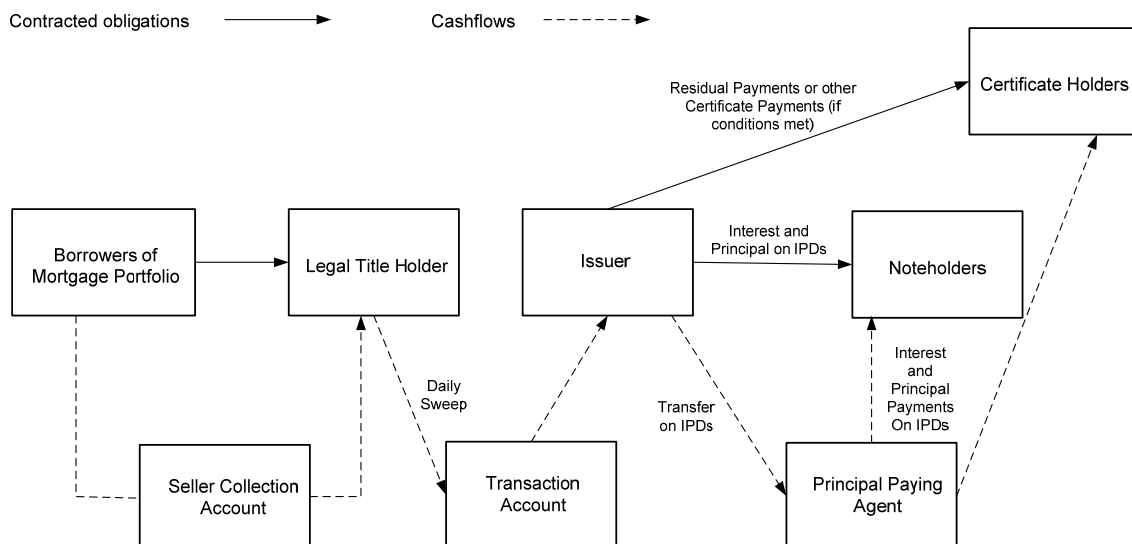
Party	Name	Address	Document under which appointed/Further Information
Listing Authority and Stock Exchange	Irish Stock Exchange Limited	28 Anglesea Street Dublin 2 Ireland	N/A
Clearing Systems	Euroclear Bank SA / NV	1, Boulevard du Roi Albert II B -1210 Brussels Belgium	N/A
	Clearstream Banking, <i>société anonyme</i>	42 Avenue JF Kennedy L-1855 Luxembourg	N/A
Rating Agencies	Standard & Poor's Credit Market Services Europe Limited	20 Canada Square Canary Wharf London E14 5LH	N/A
	DBRS Ratings Limited	1 Minster Court, 10th Floor Mincing Lane, London, EC3R 7AA	N/A

DIAGRAMMATIC OVERVIEWS

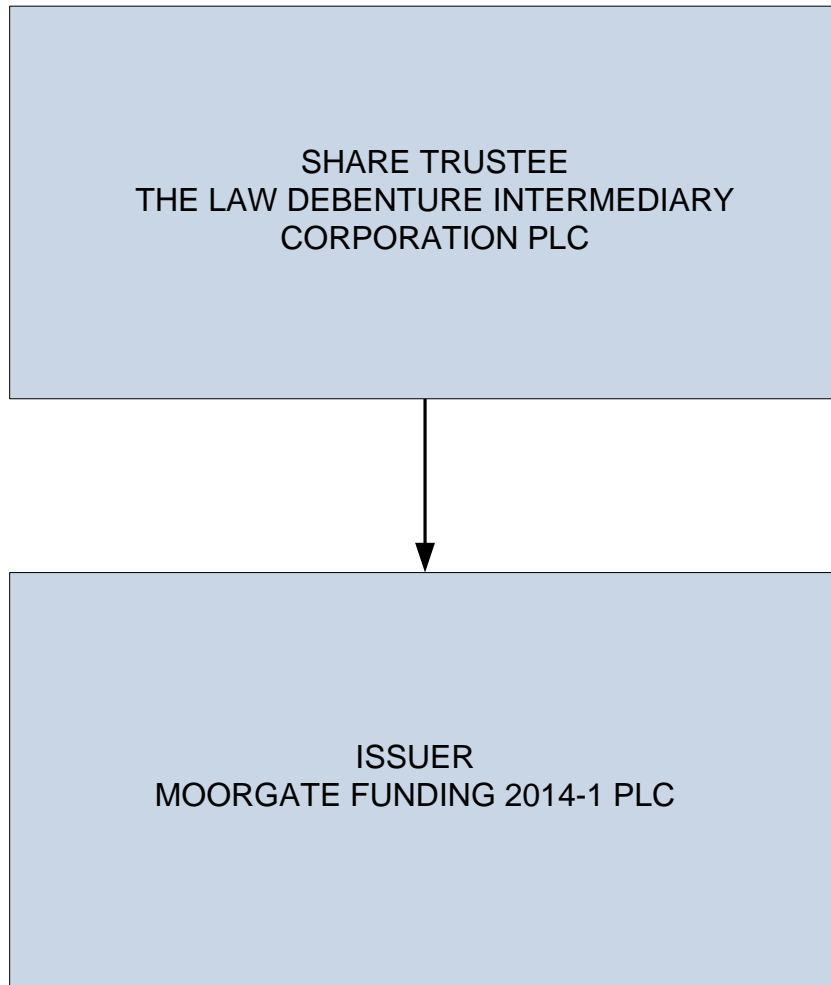
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOW



DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP STRUCTURE



The entire issued share capital of the Issuer is beneficially owned by Law Debenture Intermediary Corporation P.L.C. as the share trustee under the terms of a discretionary trust.

RISK FACTORS

The following is a summary of certain matters relating to the issue of the Notes about which prospective investors should be aware. It is not intended to be exhaustive as to all the matters about which prospective investors should be aware.

All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In evaluating whether to purchase the Notes, prospective investors should not only consider the risk factors set out in this summary, but should also ensure that they carefully review this Prospectus in full and seek professional advice as each investor deems necessary.

Risks Related to the Notes and the Certificates

Obligations of Issuer only

The Notes and the Certificates represent obligations of the Issuer, and do not constitute obligations or responsibilities of, or guarantees by, any other person.

Limited source of funds

The ability of the Issuer to meet its obligations to pay (a) amounts under the Notes and the Certificates and (b) its operating and administrative expenses will be solely dependent on the extent to which monies are received or recovered by or on behalf of the Issuer. Such monies consist solely of (i) monies received or recovered from the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise), (ii) amounts of interest received from the Transaction Account Bank under the Transaction Account Agreement and (iii) amounts available in the Principal Reserve Fund, the Class A1 Reserve Fund and the Class B1 Reserve Fund. Other than the foregoing, the Issuer will not have any other funds available to it to make payments under the Notes and the Certificates and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes and the Certificates under the applicable Payments Priorities. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the Certificate Holders and the other Secured Creditors, subject to the applicable Payments Priorities. Other than as provided in the Mortgage Sale Agreement, the Issuer and the Trustee will have no recourse to the Beneficial Title Seller, the Legal Title Holders, or any other entity (see "*Risks Related to the Mortgage Loans – Limitation of Sellers' Liability*" below).

Limited recourse

The Notes and the Certificates will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the Post-Enforcement Payments Priorities, the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders and the Certificate Holders in full for any reason, then such amounts will cease to be due and payable by the Issuer.

Deferral of interest payments on certain Classes of Notes

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on each Class of Notes other than the Most Senior Class, this payment shall be deferred and such non-payment shall not constitute an Event of Default. Any amounts of deferred interest will accrue interest described in Note Condition 8 (*Interest*) and payment of any such additional interest will also be deferrable and will itself accrue interest.

Payment of the shortfall representing deferred interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, provided that the payment of such shortfall shall not be deferred beyond the Final Maturity Date or any other date on which the relevant Notes fall to be redeemed in full, as described in Note Condition 8.10 (*Interest Deferred*). On such date, any amount which has not by then been paid in full shall become due and payable.

Credit risk

The Issuer is subject to the risk of default in payment by the Borrowers and the risk of failure by each of the Servicer and the Back-Up Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Mortgage Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Enhancement and Liquidity Support*". However, no assurances can be made as to the effectiveness of such credit enhancements or that such credit enhancement features will protect the Noteholders from risk of loss.

Subordination

Pursuant to the Pre-Enforcement Revenue Payments Priorities, (a) Class B1 Notes are subordinated in right of payment of interest to the payment of interest under the Class A1 Notes, (b) Class C1 Notes are subordinated in right of payment of interest to the payment of interest under the Class A1 Notes and Class B1 Notes, (c) Class D1 Notes are subordinated in right of payment of interest to the payment of interest under the Class A1 Notes, the Class B1 Notes and the Class C1 Notes, and, (d) the Class E1 Notes are subordinated in right of payment of interest to the payment of interest under the Class A1 Notes, the Class B1 Notes, the Class C1 Notes and the Class D1 Notes. See the section entitled "*Cashflows*".

Pursuant to the Pre-Enforcement Principal Payments Priorities, (a) the Class B1 Notes are subordinated in payment of principal to the Class A1 Notes, (b) the Class C1 Notes are subordinated in payment of principal to the Class A1 Notes and the Class B1 Notes, (c) the Class D1 Notes are subordinated to payments of principal to the Class A1 Notes, the Class B1 Notes and the Class C1 Notes (d) the Class E1 Notes are subordinated in payment of principal to the Class D1 Notes, Class C1 Notes, the Class B1 Notes and the Class A1 Notes and (e) the Principal Residual Certificates are subordinated in payment of principal to the Class E1 Notes, the Class D1 Notes, the Class C1 Notes, the Class B1 Notes and the Class A1 Notes. To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the lower ranking Notes and Certificates will be the first to see their claims against the Issuer unfulfilled. However, there is no assurance that these subordination provisions will protect the holders of the higher ranking Notes from risk of loss.

In addition to the above, payments on the Notes and the Certificates are subordinate to payments of certain fees, costs and expenses payable to the other Secured Creditors and certain third parties.

The Certificates will not be rated by the Rating Agencies.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the extent and timing of payments of principal (including full and partial prepayments, proceeds of disposal of Mortgage Loans, proceeds of enforcement of Mortgage Loans or requests by Borrowers to convert their current Mortgage Loan to one of a different type) on the Mortgage Loans and the price paid by the Noteholders for the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Mortgage Loans (which may require in some cases notification to the relevant Legal Title Holders and in other cases the consent of the relevant Legal Title Holder), a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Mortgage Portfolio will experience. Accelerated prepayments will lead to a reduction in the average weighted life of the Notes. See also the section entitled "*The Mortgage Portfolio and the Mortgage Loans*".

Pursuant to the Portfolio Option Deed, the Portfolio Option Holder has the option to purchase the Mortgage Portfolio and its Related Security on any Interest Payment Date at any time on or after the Optional Redemption Date for a purchase price which is not less than the aggregate Principal Amount Outstanding under the Notes as at the completion date of such Portfolio Purchase (such date, the

"Portfolio Purchase Completion Date") plus an amount not less than the amount required to satisfy items (a) to (m) (excluding items (f), (h), (j) and (l)) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Portfolio Purchase Completion Date.

Certain material interests

The Arrangers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer or other Transaction Parties. Certain parties to the transaction may perform multiple roles, including the Arrangers and the Beneficial Title Seller (which may be controlled by or under common control with one of the Arrangers), who will purchase some of the Instruments and may subsequently on sell them for a consideration which may be higher than or lower than the purchase price disclosed in this Prospectus. It should be noted that, where the consideration received by the Beneficial Title Seller for the disposal of the Instruments is higher than the issue price, a fee may be payable to the Arrangers, as separately agreed between the Beneficial Title Seller and the Arrangers. The Arrangers and the Lead Manager will be receiving a fee in connection with the issue of the Notes. Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction: (a) having previously engaged or in the future engaging in transactions with other parties to the transaction; (b) having multiple roles in this transaction; (c) purchasing some of the Instruments and subsequently dealing in such Instruments and/or (d) carrying out other transactions for third parties.

Conflicts between Classes of Noteholders

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the Classes of Notes as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) and, to the extent of any conflict between the interests of any Classes of Noteholders, requiring the Trustee, other than in relation to a Reserved Matter, to have regard only to the interests of the First Voting Class. There may be circumstances, however, where the interests of one Class of Noteholders conflict with the interests of another Class or Classes of Noteholders. In general, the Trustee will give priority to the interests of the holders of the First Voting Class such that:

- (a) the Trustee is to have regard only to the interests of the Class A1 Noteholders in the event of a conflict between the interests of the Class A1 Noteholders on the one hand and the other Noteholders or Secured Creditors on the other hand;
- (b) (if there are no Class A1 Notes outstanding) the Trustee is to have regard only to the interests of the Class B1 Noteholders in the event of a conflict between the interests of the Class B1 Noteholders on the one hand and the other Noteholders or Secured Creditors on the other hand;
- (c) (if there are no Class A1 Notes and no Class B1 Notes outstanding) the Trustee is to have regard only to the interests of the Class C1 Noteholders in the event of a conflict between the interests of the Class C1 Noteholders on the one hand and the other Noteholders or Secured Creditors on the other hand;
- (d) (if there are no Class A1 Notes, no Class B1 Notes and no Class C1 Notes outstanding) the Trustee is to have regard only to the interests of the Class D1 Noteholders in the event of a conflict between the Class D1 Noteholders on the one hand and the other Noteholders or Secured Creditors on the other hand;
- (e) (if there are no Class A1 Notes, no Class B1 Notes, no Class C1 Notes and no Class D1 Notes outstanding) the Trustee is to have regard only to the interests of the Class E1 Noteholders in the event of a conflict between the Class E1 Noteholders on the one hand and the other Noteholders or Secured Creditors on the other hand;
- (f) (if there are no Class A1 Notes, no Class B1 Notes, no Class C1 Notes, no Class D1 Notes and no Class E1 Notes outstanding) the Trustee is to have regard only to the interests of the Revenue Residual Certificate Holders in the event of a conflict between the Revenue Residual Certificate

Holders on the one hand and the Principal Residual Certificate Holders or other Secured Creditors on the other hand; and

- (g) (if there are no Class A1 Notes, no Class B1 Notes, no Class C1 Notes, no Class D1 Notes, no Class E1 Notes and no Revenue Residual Certificates outstanding) the Trustee is to have regard only to the interests of the Principal Residual Certificates in the event of a conflict between the Principal Residual Certificates on the one hand and the other Secured Creditors on the other hand.

Insolvency of Legal Title Holders

Where the Beneficial Title Seller fails to honour its obligation to repurchase a Mortgage Loan subject to a Further Advance and the relevant Legal Title Holder breaches its undertaking not to accept a request from a Borrower for, or issue an offer of, a Further Advance prior to the repurchase of a Mortgage Loan by the Beneficial Title Seller, the relevant Legal Title Holder will not have any recourse for additional funds to be advanced to the relevant Borrower. If the Borrower does not receive those funds and sets off any payment to the relevant Legal Title Holder against the relevant Legal Title Holder's obligation to advance amounts, the rate of repayment of the Mortgage Portfolio may be affected which in turn may adversely affect the average weighted life of the Notes and their yield to maturity. This may also affect the likelihood of repayment in full being made in respect of the relevant Mortgage Loan and, therefore, the ability of the Issuer to satisfy its obligations under the Notes.

Ratings of the Notes

A rating issued by a rating agency is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by S&P or DBRS as a result of changes in or unavailability of information or if, in the judgment of S&P or DBRS as applicable, circumstances so warrant such revision, suspension or withdrawal of the rating of the Notes.

At any time, either Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may adversely impact the market value of the Notes.

Credit rating agencies other than S&P and DBRS could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes by S&P and DBRS, those unsolicited ratings could have an adverse effect on the market value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to "ratings" or "rating" in this Prospectus is to the ratings assigned by S&P and DBRS only.

Interest Rate Setting Risk

Following concerns raised by a number of regulators that some of the member banks surveyed by the British Bankers' Association (the "**BBA**") in connection with the calculation of the London inter-bank offered rate ("**LIBOR**") across a range of maturities and currencies may have been manipulating the inter-bank lending rate, a review of LIBOR was conducted at the request of the UK Government. Following this review, a report setting out a number of recommendations for changes with respect to LIBOR (including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting) was published in September 2012.

Many of the recommendations made by the review have been enacted into law as part of the Financial Services Act 2012 (which came into effect on 1 April 2013). Pursuant to the Financial Services Act 2012 (and any secondary legislation which may be created thereunder), the Financial Conduct Authority (the "**FCA**") will be the independent regulator responsible for administration of LIBOR. The FCA's approach towards administration of LIBOR remains to be ascertained. It is not possible to ascertain whether such approach would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such approach could have an adverse impact on the value of the Notes and/or Certificates and any payments linked to LIBOR thereunder.

Fluctuations in the value or the method of calculation of LIBOR could potentially result in (a) the contractual interest rates on the Mortgage Loans being lower than that required by the Issuer in order to

meet its commitments under the Notes and/or Certificates and its other obligations and (b) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes and/or Certificates.

If the Sterling Reserve Reference Rate is not available there can be no guarantee that the Issuer shall be able to appoint one or more Reference Banks to provide quotations in order to determine the Sterling Reserve Reference Rate in respect of the Notes. If the Sterling Reserve Reference Rate is unavailable and the Issuer is unable to appoint one or more Reference Banks to provide quotations, the Sterling Reserve Reference Rate in respect of such Interest Payment Date will be determined to be the most recent Sterling Reserve Reference Rate that was determined by reference to the Sterling Screen Rate or through deposit rate quotations provided by one or more major banks. To the extent interest amounts in respect of the Notes are determined by reference to a previously calculated Sterling Reserve Reference Rate, Noteholders may be adversely affected. In such circumstances, neither the Agent Bank nor the Trustee shall have any obligation to determine a Note Rate on any other basis.

Ratings confirmation in relation to the Notes in respect of certain actions

The terms of certain Transaction Documents require S&P and DBRS to confirm that certain action proposed to be taken by the Issuer and/or the Trustee will not have an adverse effect on the then current rating of the Notes (a "**Ratings Confirmation**").

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Trustee will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (a) is permitted by the terms of the Transaction Documents or (b) is in the best interests of, or not prejudicial to, the Noteholders. While each of the Secured Creditors (including the holders of Notes), the Issuer or the Trustee (as applicable) are entitled to have regard to the fact that S&P and DBRS have confirmed that the then current rating of the relevant Class of Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on S&P or DBRS to the Secured Creditors (including the holders of Notes), the Issuer, the Trustee or any other person or create any legal relationship between either of S&P and DBRS and the Secured Creditors (including the holders of Notes), the Issuer, the Trustee or any other person whether by way of contract or otherwise.

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

S&P has indicated that it will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

Risks Associated with Rising Mortgage Rates

The mortgage rate payable under the Bank of England Base Rate-Linked Mortgage Loans is calculated by reference to the Bank of England base rate. The Mortgage Rate payable under the LIBOR Linked Mortgage Loans is calculated by reference to the London inter bank offered rate ("**LIBOR**"). Both the Bank of England base rate and LIBOR may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under the Bank of England Base Rate-Linked Mortgage Loans as a result of an increase in the Bank of England base rate or under the LIBOR Linked Mortgage Loans as a result of an increase in LIBOR.

Limited Liquidity

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of various reasons including (i) payments being made late by Borrowers after the end of the relevant

Calculation Period, (ii) contractual interest rates of the Mortgage Loans being lower than required by the Issuer in order to meet its commitments to pay interest on the Notes, and (iii) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes. This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by the provision of liquidity from alternative sources as described in the section entitled "*Credit Enhancement and Liquidity Support*".

Absence of secondary market; Lack of liquidity in the secondary market may adversely affect the market value of the Notes

There is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, there is no indication that a secondary market in the Notes will be established. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

Moreover, at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing limited liquidity. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facility are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

It should also be noted that the market for the Notes is likely to be affected by any restructurings of sovereign debt by countries in the Eurozone. In particular, at the date of this Prospectus, certain governments are in discussions with other countries in the Eurozone and the International Monetary Fund and are in the process of establishing and implementing austerity programmes. It is unclear what the outcome of these discussions will be. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

Economic Conditions in the Eurozone

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) have recently intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the Eurozone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more member states or institutions and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents and/or any borrower in respect of the Mortgage Loans. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Scottish Independence

A referendum is planned in Scotland in September 2014 in relation to a proposal for independence from the United Kingdom. If the result of the referendum is a vote in favour of independence, there can be no assurance that Scotland will be permitted or will choose to continue to use Sterling as its lawful currency. If this is the case, the Portfolio would be subject to currency risk in relation to the non-Sterling loans which would be included in the Portfolio.

Significant Investor

Merrill Lynch International, will, on the Closing Date, purchase all the Notes and may retain or sell some or all of the Notes in the secondary market at variable prices (which may, in turn, affect the liquidity and price of the Notes and/or Certificates in the secondary market). Merrill Lynch International may sell the Notes in individually negotiated transactions at variable prices in the secondary market. In retaining some or all of the Notes, Merrill Lynch International may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions.

Kilimanjaro, will, on the Closing Date, be issued all of the Certificates as partial consideration for the sale of the Mortgage Portfolio. Merrill Lynch International, or an affiliate thereof, will acquire the Revenue Residual Certificates on or about the Closing Date.

Therefore significant concentrations of holding of Notes and Revenue Residual Certificates of a given Class in one investor will occur. Please refer to the section entitled "Subscription and Sale" for further information.

Risks Related to the Mortgage Loans

Limitation of Liability of Beneficial Title Seller and the Legal Title Holders

None of the Arrangers, the Lead Manager, the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their Related Security and will rely instead on, *inter alia*, the warranties given by the Beneficial Title Seller in relation to the Mortgage Loans to the Issuer in the Mortgage Sale Agreement (the "**Asset Warranties**"). The Beneficial Title Seller was not the originator of any of the Mortgage Loans and has purchased the related Mortgage Loans under a mortgage sale agreement and accordingly the Beneficial Title Seller does not have direct knowledge as to whether certain Asset Warranties are correct or not and therefore such Asset Warranties are being given merely to allow the Issuer to require the Beneficial Title Seller to repurchase the relevant Mortgage Loan (subject to certain conditions being met) in case of a Relevant Breach of an Asset Warranty.

The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement and save as described below) of the Issuer in respect of a Relevant Breach of an Asset Warranty in relation to a Mortgage Loan shall be the requirement that the Beneficial Title Seller repurchase any Mortgage Loan which is the subject of the Relevant Breach.

There can be no assurance that the Beneficial Title Seller will honour or have the financial resources to honour such obligations under the Mortgage Sale Agreement or the obligation to repurchase or purchase (as the case may be) Mortgage Loans pursuant to the terms of the Mortgage Sale Agreement.

The Transaction Parties and the Noteholders will agree in the Transaction Documents for the obligations of the Beneficial Title Seller towards any of them to be limited in recourse to the assets of the Beneficial Title Seller and to other limitations to the obligations of the Beneficial Title Seller under the Transaction Documents. Please see below the section entitled "*Limited Recourse and non-petition in relation to the Beneficial Title Seller*".

The Beneficial Title Seller is a special purpose entity whose assets will consist solely of the Principal Residual Certificates (payments in respect of which are subject to the Payments Priorities and which the Beneficial Title Seller will covenant not to sell), a right to receive the Beneficial Title Seller Fee, contractual rights under the Servicing Agreement and the agreement under which it purchased the Mortgage Portfolio, any Beneficial Title Seller Available Amounts and, at closing, the Revenue Residual Certificates. As such, the Beneficial Title Seller may not financially or otherwise be in the position to honour the obligation to repurchase Mortgage Loans under the Mortgage Sale Agreement where there is a Relevant Breach of the Asset Warranties. See "*Absence of secondary market; Lack of liquidity in the secondary market may adversely affect the market value of the Notes*". Further, even if the Beneficial Title Seller is financially in the position to repurchase such Mortgage Loans, there can be no assurance that the Beneficial Title Seller will honour such obligations to repurchase (including in a situation where the relevant Legal Title Holder agrees to grant a request from a Borrower or makes an offer for a Further Advance). Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Beneficial Title Seller and neither the Issuer nor the Trustee will have recourse to any other

person (including, without limitation, to the Arrangers, the Lead Manager, the Trustee or the Legal Title Holders) in the event that the Beneficial Title Seller, for whatever reason, fails to meet such obligations.

The Beneficial Title Seller is only liable to repurchase a Mortgage Loan to the extent that it sold such beneficial title to the related Mortgage Loan to the Issuer.

Limited Recourse and non-petition in relation to the Beneficial Title Seller

The Transaction Parties and the Noteholders will agree in the Transaction Documents for the obligations of the Beneficial Title Seller towards any of them to be limited in recourse to the aggregate Beneficial Title Seller Available Amounts, and, upon the Beneficial Title Seller giving written notice to the Transaction Parties that it has determined in its sole opinion, that there is no reasonable likelihood of there being any further realisations in respect of the assets in excess of the Beneficial Title Seller Available Amounts, which would be available to pay unpaid amounts outstanding under the Transaction Documents, neither the Transaction Party nor the Noteholders shall have any further claim against the Beneficial Title Seller in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full. The Transaction Parties and the Noteholders will also agree not to initiate proceedings against the Beneficial Title Seller until the date falling two years and one day after the Final Discharge Date (including, for the avoidance of doubt, initiating or joining any person in initiating an Insolvency Event or the appointment of an Insolvency Official in relation to the Beneficial Title Seller). No Transaction Party shall have any recourse against nor shall any personal liability attach to any shareholder, officer, agent, employee or director of the Beneficial Title Seller in his capacity as such, by any proceedings or otherwise, in respect of any obligation, covenant, undertaking or agreement of the Beneficial Title Seller contained in any Transaction Document.

Claims will be paid from the Beneficial Title Seller Available Amounts from time to time by the Beneficial Title Seller as and when received and, in the event multiple claims are made against the Beneficial Title Seller on the same day, those claims will be paid *pro rata* and *pari passu*.

"Beneficial Title Seller Account" means the account of the Beneficial Title Seller held at Citibank, N.A., London Branch.

"Beneficial Title Seller Available Amounts" means the amounts standing to the credit of the Beneficial Title Seller Account *less* the sum of (i) an amount equal to the any accrued or expected corporate and operating fees in that accounting year and (ii) a profit amount of £1,200 for that accounting year.

Knowledge of matters referred to in Asset Warranties

Although the Beneficial Title Seller will give certain warranties in respect of the related Mortgage Loans sold by it, the Beneficial Title Seller was not the originator of any of the Mortgage Loans and has purchased the related Mortgage Loans under a mortgage sale agreement containing limited warranties in respect of the Mortgage Loans and a repurchase obligation on the seller of the Mortgage Loans following certain breaches of such warranties which is limited in time and expires on the date falling on or about 2 years from the Closing Date. Accordingly the Beneficial Title Seller does not have direct knowledge as to whether certain Asset Warranties (including, *inter alia*, the Asset Warranties which relate to the origination process) are correct or not or (where a warranty is qualified by reference to the awareness of the Beneficial Title Seller) it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. To the extent that an Asset Warranty is not expressed to be limited by reference to the awareness of the Beneficial Title Seller, the Beneficial Title Seller will nevertheless be liable to repurchase a Mortgage Loan in relation to which there has been a Relevant Breach of warranty, however, the Beneficial Title Seller's obligation to repurchase Mortgage Loans in case of a Relevant Breach of an Asset Warranty is limited in time and expires on the date falling 5 years from the Closing Date.

The warranties which were made to the Beneficial Title Seller when purchasing the beneficial title to Mortgage Loans originated by Close Brothers Limited, Paragon Mortgages Limited and Edeus Mortgage Creators Limited were limited. In particular, no warranties were given as to the origination history of these Mortgage Loans and whether this was conducted in accordance with applicable lending criteria, applicable regulation and legislation or applicable market standards. The absence of a warranty or inclusion of a limitation in respect of a warranty in respect of a particular fact or matter may result in the Beneficial Title Seller being unable to require a Mortgage Loan to be repurchased by the seller thereof or other recourse being taken against the seller thereof if such fact or matter proves not to have been the

case. This may result in the Beneficial Title Seller having reduced or insufficient funds from which to repurchase Mortgage Loans following a breach of warranty pursuant to the Mortgage Sale Agreement, which may in turn result in the Issuer having reduced amounts from which to satisfy its obligations under the Notes.

Claims against third parties

The Beneficial Title Seller has assigned its causes and rights of actions against solicitors, qualified and licensed conveyancers and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable. However the Beneficial Title Seller was not the originator of the related Mortgage Loan, and the said rights may therefore not have been effectually assigned to it by the relevant Originator or seller of the Mortgage Loan. The Issuer may therefore not have any direct rights against any solicitors, qualified and licensed conveyancers or valuers who, when acting for the relevant Originator in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Beneficial Title Seller has undertaken, where appropriate, to either instigate action against such solicitor, qualified and licensed conveyancer or valuer or to request that the relevant Originator takes such action, provided that the Issuer first indemnifies the Beneficial Title Seller for the costs of taking such action, and subject to any limitations or conditions contained in the relevant documentation under which the Beneficial Title Seller acquired title to the related Mortgage Loan.

Enforcement

In relation to enforcement generally, even assuming that the Properties provide adequate security for the Mortgage Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery of the Mortgage Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee or, in Scotland, heritable creditor, will need to obtain possession. In England, Wales and Northern Ireland, there are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice) and secondly, by applying for, obtaining and enforcing a court order. In relation to Scottish Mortgage Loans, see the section entitled "*Scottish Mortgage Loans*".

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

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

The courts in Scotland had, until December 2001, considerably less discretion than those in England and Wales and Northern Ireland to modify or postpone the mortgagee's rights of enforcement but as a result of legislative changes in Scotland the position is now broadly equivalent in each jurisdiction (and references in this Prospectus to a "mortgagee" or "mortgagees" are to be read as "heritable creditor" or "heritable creditors" (being the Scottish equivalent of mortgagees) in relation to Scottish Mortgages). For more detail see the section entitled "*Scottish Mortgage Loans*".

Proceedings for the repossession and/or sale of the relevant property are generally initiated between three and four months after the first default of a scheduled monthly payment.

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

See also in respect of enforcement under Buy-To Let Mortgage Loans "*Risk of Losses Associated with Non Owner Occupied Properties*".

Collection of amounts due under Mortgage Loans

The collection of amounts due under the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally vary in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (including factors which may not affect real estate values) may have an impact on the ability of the Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

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

Risks of Losses Associated with Declining Property Values

The Security for the Notes consists of the Charged Property and may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. The recent downturn in the United Kingdom economy has a negative effect on the housing market. Although the performance of the residential property market in the United Kingdom has stabilised and improved, further declines could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if the Security is required to be enforced.

Prospective investors should be aware that, other than the valuation of Properties undertaken as at origination, no other full revaluation of any Property to a similar standard to that undertaken as at origination has been undertaken by any Legal Title Holder, the Beneficial Title Seller, the Issuer, the Trustee or any other person in respect of the transactions described in this document.

Lending Criteria

The Mortgage Portfolio will include Mortgage Loans to Borrowers who may previously have been subject to a county court judgment or the Scottish equivalent, an individual voluntary arrangement or bankruptcy order, are self-employed or otherwise considered by banks and building societies to be non-prime borrowers (such borrowers, "**Non-Conforming Borrowers**"). Mortgage Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

Other than as specified therein, the Mortgage Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Mortgage Portfolio and the Mortgage Loans*" below. Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigating the risks in lending to Non-Conforming Borrowers.

There can be no assurance that these underwriting standards were applied in all cases or that Mortgage Loans originated under different criteria have not been included in the Mortgage Portfolio.

The lending criteria relating to the Mortgage Loans in respect of which Close Brothers Limited and Paragon Mortgages Limited are Originators are not available. There can therefore be no assurance as to the underwriting standard which were applied in those cases nor as to whether such lending criteria were complied with.

Risk of Losses Associated with high LTV Mortgage Loans

As of the Cut-Off Date, approximately 4.09 per cent. of the Mortgage Loans by value have a current loan to value ratio (being the current balance made divided by original valuation) in excess of 95 per cent. Mortgage Loans with higher loan to value ratios typically experience higher rates of delinquency, write offs, enforcement and bankruptcy than mortgage loans with lower loan to value ratios.

Risks relating to Right To Buy Loans

Properties sold under the "Right To Buy" legislation are sold by the local authority or other social landlord at a discount to market value calculated in accordance with the relevant "Right To Buy" legislation. In general, a purchaser must repay a proportion of the discount received or the resale price if he or she sells the property within three years.

Under the "Right To Buy" legislation the local authority or other social landlord as vendor obtains a statutory charge (or, in the case of a property in Scotland, a standard security) over the property in respect of the contingent liability of the purchaser under the scheme to repay the resale share. In most circumstances, and unless certain requirements are met (including the relevant local authority or other social landlord issuing a deed of postponement or entering into a ranking agreement postponing its statutory charge or standard security to that of the mortgage lender and in the case of English Mortgage Loans the mortgage lenders being approved lending institutions under the Housing Act 1985 and the Housing Act 1996 and, in the case of Scottish Mortgage Loans, a recognised lending institution under the Housing (Scotland) Act 1987), the statutory charge or standard security will rank ahead of the security granted in favour of the Mortgage Lender.

The Beneficial Title Seller will warrant in the Mortgage Sale Agreement in relation to each Right To Buy Loan that:

- (a) the Originators were at the time of origination of such Right to Buy Loan an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing Act 1986 or, as applicable, a recognised lending institution within the meaning given to that expression in the Housing (Scotland) Act 1987;
- (b) so far as the Originators are aware, the original advance was made to the person exercising the right to buy;
- (c) the original advance was made principally for the purposes of enabling the recipient thereof to purchase and/or (in Scotland) improve the relevant Property; and
- (d) none of the Mortgage Loans are the subject of a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Property.

Risk of Losses Associated with Interest Only Mortgage Loans

As of the Cut-Off Date, approximately 83.59 per cent. of the Mortgage Loans by value constitute Interest Only Mortgage Loans. Interest Only Mortgage Loans are originated with a requirement that the Borrower pay scheduled interest payments only and, as such, there is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the Principal Outstanding Balance. The ability of such Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower's ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies (the "**Policies**"). None of the Originators required, at the time of origination of the Mortgage Loans that such Policies were established and none of the Legal Title Holders or the Beneficial Title Seller has required, nor has it required that any person which sold Mortgage Loans to any of them, represent that it required, that such Policies be established with respect to any Interest Only Mortgage Loans nor has any Legal Title Holder or the Beneficial Title Seller required

that the benefit of any such Policies be assigned to any of them. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition and payment history of the Borrower, tax laws and general economic conditions at that time. In recent times, mortgage lenders have maintained stricter conditions to the advancing of mortgage loans.

Risk of Losses Associated with Non-Owner Occupied Properties

As of the Cut-Off Date, approximately 35.91 per cent. of the Mortgage Loans by value are secured by non owner occupied freehold or leasehold properties or (if located in Scotland) the heritable or long lease property charged as security for the repayment of a Mortgage Loan (each a "**Property**") (such Mortgage Loans, "**Buy to Let Mortgage Loans**"). These Properties are generally rented to tenants by the relevant Borrowers.

As such, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales, Northern Ireland and Scotland, and in particular, the condition of the private rental market within the various regional areas in England and Wales, Northern Ireland and Scotland where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

There can be no guarantee that each Property will be tenanted throughout the life of the Mortgage Loan, that the rental income achievable from the tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Mortgage Loan during the life of such Mortgage Loan, that the tenancies will be on market terms, that a tenant will always be able to pay their rent and that a Borrower will always respect the terms of such tenancy relating to the maintenance of the relevant Property. The obligations of a Borrower to make payments under a Mortgage Loan are without regard to whether the relevant Property is let and without regard to the amount of rent received from the relevant tenant however these factors may affect the Borrower's ability to satisfy its obligations under the Mortgage Loans.

Upon enforcement of a Buy to Let Mortgage Loan in respect of a related Property, which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the relevant Property as an investment property with one or more sitting tenants, it may affect the amount which may be realised in the sale. However, because the terms of most tenancies are for up to a maximum of twelve months, a tenanted property will often be vacated sooner than an owner occupied property. Additionally, enforcement procedures in relation to Mortgages over such non-owner occupied Properties may, amongst other things, include the ability of the mortgagee to appoint a receiver of rent (although not in relation to Properties located in Scotland), in which case such a receiver has the right to collect rents payable in respect of such Property.

However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgage) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Mortgaged Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage Loan. Under Scots law, a receiver cannot be appointed under a standard security, and the only enforcement which may be carried out is a full enforcement of the charge.

Risk of Losses Associated with Arrears Loans

Some Borrowers may have breached payment or non-payment obligations under the Mortgage Loans during the period since they were originated and consequently some Mortgage Loans may be in arrears on the Closing Date. While the Issuer will receive a degree of comfort by virtue of the Asset Warranties, mortgage loans in arrears may experience higher rates of delinquency, write offs, enforcements and bankruptcy than mortgage loans without such arrears or breaches.

Risk of Losses Associated with Self Certified Loans

As of the Cut-Off Date, approximately 56.43 per cent. of the Mortgage Loans by value constitute mortgage loans in relation to which income and employment details of the Borrower are not substantiated

by supporting documentation. The rate of delinquencies, write offs, enforcements and losses on such mortgage loans may be higher from those in respect of mortgage loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Geographic Concentration of Properties

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally.

There are concentrations of Properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See the section entitled "*Characteristics of the Provisional Mortgage Pool*".

Realisation of Charged Property and Liquidity Risk

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

Servicing of the Mortgage Loans and Reliance on Back-Up Servicer and other Third Parties

If the appointment of the Servicer is terminated under the Servicing Agreement, it would be necessary for the Issuer (with the consent of the Trustee) to appoint the Back-Up Servicer as replacement servicer in accordance with the Back-Up Servicing Agreement or a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, **provided that** such appointment is on such terms as required by the Servicing Agreement and the Back-Up Servicing Agreement and (in the case of a resignation of the Servicer under the Servicing Agreement only) the then current ratings of the Notes are not adversely affected thereby. The ability of the Back-Up Servicer or a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Back-Up Servicer will be able to perform its duties under the Back-Up Servicing Agreement or that the Issuer will be able to appoint a suitable substitute servicer and the Trustee has no obligation to act as servicer in such event. See the section entitled "*Servicing of the Mortgage Portfolio*".

The Servicer has the ability under the Servicing Agreement to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer will remain responsible for the performance of such obligations under the Servicing Agreement. See the section entitled "*Servicing of the Mortgage Portfolio – Sub-Contracting by the Servicer*". On the Closing Date services in respect of certain Mortgage Loans will be delegated to Homeloan Management Limited and Paragon Finance PLC.

The Servicer does not have (and will not have, as applicable) any obligation to advance any payments to the Issuer that Borrowers fail to make in a timely fashion.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Cash Manager under the Cash Management Agreement, the Transaction Account Bank under the Transaction Account Agreement, the Principal Paying Agent, the Agent Bank and the Registrar under the Agency Agreement and the Corporate Services Provider under the Corporate Services Agreement have all agreed to provide services with respect to the Notes. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Title of the Issuer

Legal title to all of the Mortgage Loans and (subject to registration or recording at Her Majesty's Land Registry in England and Wales (the "**Land Registry**"), the Land Registry or the Registry of Deeds in Northern Ireland (together, the "**Land Registers of Northern Ireland**") or the Registers of Scotland) their related Mortgages is vested in the Legal Title Holders.

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described in the section entitled "*Assignment of the Mortgage Loans and Related Security*". Prior to the Issuer obtaining legal title to the Mortgage Loans and Mortgages, a bona fide purchaser from a Legal Title Holder for value of any of such Mortgage Loans without notice of any of the interests of the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by a Legal Title Holder of its contractual obligations or fraud, gross negligence or mistake on the part of a Legal Title Holder or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against a Legal Title Holder. Such rights may include the rights of set off which arise in relation to transactions made between certain Borrowers and a Legal Title Holder and the right of the relevant Borrowers to redeem their Mortgage Loans by repaying the relevant Mortgage Loan directly to a Legal Title Holder. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans. In respect of Scottish Mortgage Loans, references in this Prospectus to 'set-off' are to be read as analogous rights in Scotland.

Until the Issuer obtains legal title to the Mortgage Loans and their related Mortgages, the sale of the English Mortgage Loans, the Northern Irish Mortgage Loans and their related Mortgages will take effect in equity only. The sale of Scottish Mortgage Loans and their related Mortgages will take effect as a contractual sale only on the Closing Date. The transfer of such Scottish Mortgage Loans and their related Mortgages from the Beneficial Title Seller to the Issuer will be given effect by the Scottish Declaration of Trust (as described in the section entitled "*Assignment of the Mortgage Loans and Related Security*") by which the beneficial interest in such Scottish Mortgage Loans and their related Mortgages will be transferred in favour of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described in the paragraph above (namely, the Issuer's interest in the property held on trust may become subject to the interests of bona fide third party purchasers who have completed title to the relevant property). Similarly, prior to notice of the trust being given to a Borrower, there is a risk that the Borrower may exercise certain rights of set off against a Legal Title Holder.

In all cases, this means that in order for legal title to be transferred to the Issuer, transfers, conveyances, assignments and assignations would have to be registered or recorded at the Land Registry, the Land Registers of Northern Ireland or the Registers of Scotland, as the case may be, and notice would have to be given to Borrowers of the transfer.

General Regulatory Considerations

No assurance can be given that any relevant regulatory authority will not in the future take action or that future adverse regulatory developments will not arise with regard to the mortgage market in the United Kingdom generally, the non-conforming mortgage loan market or specifically in relation to the Legal Title Holders. Any such action or developments may have a material adverse effect on the Mortgage Loans, the Legal Title Holders, the Issuer, the Servicer or the Back-Up Servicer and their respective businesses and operations. In particular, the cost of compliance with any such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Transaction Documents.

Mortgages Regulated under FSMA

In the United Kingdom, regulation of residential mortgage business by the FSA under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the "**Mortgage Regulation Date**"). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation and permission from the FCA (known before 1 April 2013 as the FSA).

A credit agreement is a "**Regulated Mortgage Contract**" under FSMA if, at the time it is entered into on or after the Mortgage Regulation Date (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection

with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The Servicer holds authorisation and permission to administer Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not require authorisation to carry on the regulated activity of administering Regulated Mortgage Contracts because the Mortgage Loans are administered pursuant to the Servicing Agreement by the Servicer, which has the required authorisation and permission. If the Servicing Agreement terminates, however, mortgage administration will be carried out by the Back-Up Servicer or a replacement servicer who has the required authorisation and permission to administer Regulated Mortgage Contracts.

Given that the Issuer will not itself be an authorised person under FSMA, in the event that an agreement for a Mortgage Loan is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an entity such as the Servicer or a replacement servicer (as appropriate) having the required authorisation and permission.

Any credit agreement intended to be a Regulated Mortgage Contract under FSMA might instead be wholly or partly regulated by the Consumer Credit Act 1974 (the "CCA") or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

The Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB"), which sets out the rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, the mortgage loan will be unenforceable against the relevant borrower except with the approval of a court. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under FSMA (including the rules in MCOB), and may set off the amount of the claim (or exercise analogous rights in Scotland) against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such set-off in relation to a loan in the Mortgage Portfolio may adversely affect the Issuer's ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA. Certain regulations made in 2005 and 2008 under FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after the Mortgage Regulation Date and credit agreements made before the Mortgage Regulation Date but subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date and constitutes a separate Regulated Mortgage Contract. Furthermore, a court order under Section 126 of the CCA will still be necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or be treated as such.

Credit agreements that were entered into before the Mortgage Regulation Date, but are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of "Regulated Mortgage Contract".

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of

Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the relevant borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA has indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the new rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Mortgage Loans. No assurance can be made that any such actions will not impact adversely on the Issuer's ability to make payments on the Notes, although the impact of this will depend on the number of Mortgage Loans which involve a Borrower who experiences payment difficulties.

Proposed changes to United Kingdom mortgage regulation

In January 2011, HM Treasury announced proposals to enhance consumer protection in the mortgage market. Regulations have been drafted to provide for consumer protection when a mortgage book is sold by a regulated mortgage lender to an unregulated entity. In this regard, it is proposed that the definition of the regulated activity of administering a regulated mortgage contract will be expanded so that any entity which exercises specified rights in relation to regulated mortgage contracts, such as changing in interest rates or taking action to repossess a property against a borrower, will be required to be authorised and regulated under the FSMA.

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, inter alia, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally come into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing.

Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with the requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these new rules.

Given that all of the Mortgage Loans will have been entered into prior to 26 April 2014, these new rules will only apply to a Mortgage Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Mortgage Loan generally. However, to the extent that the new rules do apply to any of the Mortgage Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Mortgage Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory framework, may adversely affect the Loans, the Legal Title Holders and/or the Servicer and their respective businesses and operations.

Changes to the UK regulatory structure

The way in which providers of credit and related companies are licensed was recently changed in the United Kingdom. The Financial Services Act 2012, which received royal assent in December 2012,

contains provisions which (among other things) on 1 April 2013 replaced the FSA with the Prudential Regulation Authority (the "**PRA**"), which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business ensuring that business across financial services and markets is conducted in a way which advances the interests of all users and participants. The FCA has power to render unenforceable contracts made in contravention of its product intervention rules, and formalises cooperation between the FCA and the Financial Ombudsman Service, particularly where issues identified potentially have wider implications.

The Financial Services Act 2012 also contains provisions enabling the transfer of regulation of credit agreements regulated by the CCA from the Office of Fair Trading (the "**OFT**") to the FCA. The relevant secondary legislation was enacted in 2013 and 2014 and the transfer was effected on 1 April 2014.

At such an early stage it is not certain what effect this change in regulatory structure will have on the Mortgage Loans, the Legal Title Holders, and the Issuer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Notes when due.

Consumer Credit Regime

As noted above, any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

On 1 April 2014, responsibility for the regulation of consumer credit was transferred from the OFT to the FCA. As part of this transfer, the CCA licensing provisions have been repealed and replaced by corresponding provisions in the FSMA framework. The majority of the current conduct of business rules in the CCA will remain, with a small number being transferred into the FSMA framework. This means that from 1 April 2014 credit agreements previously regulated by the CCA have become subject to both the CCA and the FSMA (and its associated secondary legislation and the FCA's Handbook).

A credit agreement is regulated by the CCA where: (a) the Borrower is or includes an "individual" as defined in the CCA; (b) the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with the requirements as to licensing or authorisation of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements then, to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the FCA or the court, if the lender or broker did not hold the required licence or authorisation at the relevant time; (b) totally, for agreements entered into before 6 April 2007, if the form to be signed by the borrower was not signed by the borrower personally or omits or misstates a "prescribed term"; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

A court order under section 126 of the CCA is necessary to enforce a land mortgage securing a loan or further advance to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such an application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under section 75 of the CCA, in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA. From 1 April 2014, such rules include rules in the FCA's

Consumer Credit sourcebook ("**CONC**"). The borrower may set off the amount of the claim against the lender under section 75 of the CCA, or for contravention of CONC, against the amount owing by the borrower under the loan or under any other loan that the borrower has taken with the lender. Any such set-off in relation to a Loan in the Portfolio may adversely affect the Issuer's ability to make payments on the Notes.

The CCA 2006

The Consumer Credit Act 2006 (the "**CCA 2006**"), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008. For example, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA, whether or not they are regulated under the CCA. The new test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee (such as the Legal Title Holders, the Beneficial Title Seller and the Issuer).

In applying the "unfair relationship" test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FCA "Principles for Businesses" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary. It is unclear how the "unfair relationship" test will be interpreted by the courts. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below). See the section entitled "*Unfair Terms in Consumer Contracts Regulations 1994 and 1999*" below.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements and except for certain buy-to-let loans made before 31 October 2008.

Currently, to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies from 11 June 2010.

EU Initiatives on Mortgage Credit

On 31 March 2011, the European Commission published a proposal for a Directive on credit agreements relating to residential immovable property for consumers. The proposed Directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside the Consumer Credit Directive (Directive 2008/48/EC). The proposed Directive does not apply to credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The proposed Directive requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower and a right of the borrower to make early repayment of the credit agreement. The proposed Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

On 23 May 2012, the Presidency of the Council of the European Union announced its compromise proposal for the general approach to its negotiations with the European Parliament on the proposed Directive. On 10 December 2013, the European Parliament at first reading adopted the text of the proposed Directive and on 12 December 2013 Council of the EU published a note stating that the Parliament agreed text reflected what have previously been agreed between the Parliament and the European Commission. It is currently proposed that Member States will be required to implement the Directive into national law within two years after it enters into force.

Until the proposed Directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is too early to tell what effect the Directive and the implementation of the directive into UK law would have on the Legal Title Holders, the Issuer and/or the Servicer and their respective businesses and operations.

Repossessions policy

A new protocol for mortgage re-possession cases in England and Wales came into force on 19 November 2008 and a new protocol for mortgage repossession cases in Northern Ireland came into force on 5 November 2009 (together, the "**Pre-Action Protocols**") which set out the steps that judges will expect any lender to take before starting a claim. In response to this, a number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three (or, in the case of some lenders, six) months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. In addition, the Mortgage Repossession (Protection of Tenants etc) Act 2010 (the "**Repossession Act 2010**") came into force in England and Wales in October, 2010. The Repossession Act 2010 introduces new powers for courts hearing a mortgage repossession case where the property is occupied by unauthorised tenants, including powers to delay a repossession order and suspend a warrant of eviction on application by an unauthorised tenant.

As noted above, amendments to Chapter 13 of MCOB, which came into force on 25 June 2010 prevent, in relation to Regulated Mortgage Contracts: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term or a product switch and (b) automatically capitalising a payment shortfall. Formerly, these were the subject of non-binding guidance only.

The Pre-Action Protocols and MCOB requirements for mortgage possession cases and the Repossession Act 2010 may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and a lower payments on the Notes.

Scottish Mortgage Loans

In relation to Mortgage Loans secured over Properties situated in Scotland ("**Scottish Mortgage Loans**"), these are secured over the relevant Properties by way of standard security (equivalent to a legal charge in England and Wales), being the only means of creating a fixed charge or security over heritable property (i.e. land and buildings thereon) in Scotland. The beneficial interest in the Scottish Mortgage Loans (together with the security thereof) will be transferred to the Issuer pursuant to the Scottish Declaration of Trust. In respect of Scottish Mortgage Loans, references herein to a "mortgage" and a "mortgagee" are to be read as references to such a standard security and the heritable creditor thereunder, respectively and references herein to "beneficial title" are to be read as references to the beneficial interest of the Issuer under the Scottish Declaration of Trust.

The enforcement of standard securities is principally governed by the Conveyancing & Feudal Reform (Scotland) Act 1970 (the "**1970 Act**") as amended by the Home Owner & Debtor Protection (Scotland) Act 2010 (the "**2010 Act**"), which was passed by the Scottish Parliament and the relevant provisions of which came into effect on 30 September 2010. While, as in England and Wales, it is in principle possible for a lender to enforce without making application to the court if the borrower voluntarily vacates the property, the statutory requirements imposed on the lender in such cases are onerous and as a consequence court proceedings are in practice almost invariably required.

As a preliminary step the lender must in all cases serve a "calling up notice" requiring repayment of the principal debt and all interest due, with which the borrower has two months to comply. Once the two

months' notice has expired without payment the lender may apply to the court for a decree against the borrower enabling the lender to exercise the relevant enforcement remedies, being principally the sale of the property or entering into possession.

Court application can only be made when certain pre-action requirements imposed by the 2010 Act have been met. These requirements are similar to those of the Pre-Action Protocols applicable in England and Wales and require the lender to provide the borrower with various information and to make reasonable efforts to agree repayment proposals with the borrower. In particular, a court application cannot proceed while the borrower is taking steps which are likely to result in repayment of the debt within a reasonable time. The court will not grant decree unless satisfied that the lender has complied with the pre-action requirements and that it is reasonable in the circumstances to do so (and the 2010 Act specifies various factors to be taken into account by the court in assessing reasonableness in this context).

A key difference between the Scottish and English provisions is that in Scotland the lender's application may be contested by an "Entitled Resident" as well as by, and on the same grounds as, the borrower. The definition of "Entitled Resident" is complex but essentially includes anyone resident in the secured property who is or has been a spouse, civil partner or co-habitant of the borrower (but does not include tenants or members of the borrower's family).

The court decree once granted entitles the lender if necessary to evict the borrower and to proceed either to sell the property or itself take possession of it. Sale may be by private bargain or public auction and the lender is under a duty to advertise the sale and to take steps to ensure that the sale price is the best which can reasonably be obtained.

The requirements imposed by the 1970 Act, as amended by the 2010 Act, may restrict the ability of a Legal Title Holder as heritable creditor of the Scottish Mortgages to exercise its enforcement remedies and this could affect the ability of the Issuer to make payments under the Notes.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made on or after 1 July, 1995 and affect all or almost all of the Mortgage Loans.

The UTCCR provide that a consumer (which would include a Borrower under all or almost all of the Mortgage Loans) may challenge a standard term in an agreement on the basis that it is "**unfair**" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

The UTCCR will not affect terms which define the main subject matter of the contract, such as the Borrower's obligation to repay the principal (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing mortgage exit administration fees. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

The lead enforcement body for the UTCCR was (until 1 April 2014) the OFT, and is the Competition and Markets Authority (the "**CMA**") from 1 April 2014. The qualifying body in relation to regulated mortgage contracts and mortgage loans originated by lenders authorised under the FSMA was the FSA before 1 April 2013, and is the FCA from 1 April 2013. The lead enforcement body was and is responsible for enforcing the UTCCR in relation to other mortgage loans.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in Borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a Borrower exits the mortgage. The FSA issued a

follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it would use its powers under the 1999 Regulations.

In January 2012, the previous regulator, the FSA published finalised guidance entitled "*Unfair contract terms: improving standards in consumer contracts*" and "*Statement on using Switching Terms in mortgage contracts under the Unfair Terms in Consumer Contracts Regulations 1999*". Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer. Even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013 and 1 April 2014, the guidance issued by the FSA and the OFT remains strongly influential until amendments or new guidance is announced by the FCA. It remains to be seen if the FCA may adopt a more stringent approach towards such regulation than that previously adopted by the FSA and the OFT.

Whilst the CMA and FCA have powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Mortgage Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments under the Notes.

The guidance issued by the previous regulators, FSA and OFT, has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR, will not have a material adverse effect on the Legal Title Holders, the Issuer and their respective businesses and operations.

In March 2013, the Law Commission and the Scottish Law Commission issued advice on unfair terms in consumer contracts to the Department for Business, Innovation and Skills of the United Kingdom which recommended several areas of legislative reform to the UTCCR including exemptions, requirements of transparency and prominence and the indicative unfair terms list.

In June 2013, the draft Consumer Rights Bill (the "**Draft Bill**") was published. Part 2 of the Draft Bill deals with unfair terms and generally follows the Commission's 2013 proposals. The new rules merge the consumer rules under the Unfair Contract Terms Act 1977 with the UTCCR. The Draft Bill adopts the Commission's 2013 proposal that price and subject matter terms should only be exempt from the fairness test if they are transparent and prominent. To be transparent, a term must be in plain, intelligible language, readily available to the consumer and, if in writing, legible. To be prominent, a term must be presented in a way that the average consumer would be aware of the term. In addition, all terms of consumer contracts and consumer notices must be transparent. In light of EU case law on the underlying Council Directive 93/13/EEC (the "**Unfair Terms Directive**"), there is also an express duty on the courts to consider the fairness of a term, even if this is not raised by a consumer, where the court has sufficient, legal and factual material before it to do so. The Draft Bill was presented to Parliament in January 2014 and the UK Government hopes that the Draft Bill will become law in mid-2014, but there is no certainty as to such a timetable.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and the Council adopted a Directive on unfair business-to-consumer commercial practices (the Unfair Practices Directive). Generally the Unfair Practices Directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the Directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The Unfair Practices Directive is implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**"), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence. Draft amendments to the CPUTR propose to give consumers a right to redress for prohibited practices, including a right to unwind agreements.

In addition, the FSA (and from 1 April 2013, the FCA) has taken the Unfair Practices Directive into account in reviewing its relevant rules, such as MCOB. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 (formerly these were matters of non-binding guidance) prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a Product Transfer, and (b) automatically capitalising a payment shortfall.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into law in the UK and any further harmonisation will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A regulated mortgage contract under FSMA, if made by a UK originator from an establishment in the UK, will not be cancellable under these regulations. Any other credit agreement will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of the prescribed information. Some of the Mortgage Loans may have been originated on the basis of distance marketing and are therefore subject to the requirements and risks set out in this paragraph.

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

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower's sending notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is to be treated as never having had effect for the cancelled agreement.

If a significant portion of the Mortgage Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of those amounts, affecting the Issuer's ability to make payments on the Notes.

Financial Ombudsman Service

Under FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, the "**CML Code**" issued by the Council of Mortgage Lenders occurring before the Mortgage Regulation Date may be dealt with by the Financial Ombudsman Service. Complaints brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict any future decision of the Ombudsman and how such decision may have an adverse effect on the Mortgage Loans, the Issuer, the Servicer and their respective businesses and operations and such decision may affect the ability of the Issuer to make payments to Noteholders.

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity of the Notes

The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 20 per cent.

Implementation of the Basel III framework may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Lead Manager, the Beneficial Title Seller or any Legal Title Holder makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Closing Date or at any time in the future.

In particular, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or

originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor.

Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. In particular, in the context of the requirements which apply in respect of EU regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments may result in changes to the corresponding interpretation materials which apply in respect of such requirements. No assurance can be provided that any such changes will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine (i) whether the transaction complies with any relevant requirements, and (ii) the sufficiency of the information described in this Prospectus and in any investor reports provided in relation to the transaction for the purposes of complying with any relevant requirements and none of the Issuer, the Trustee, the Cash Manager, the Beneficial Title Seller, any Legal Title Holder nor the Lead Manager or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes or that the transaction complies with any relevant requirements.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Potential effects of any additional regulatory changes

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the United Kingdom generally, the non-conforming mortgage loan market or specifically in relation to the Legal Title Holders. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Legal Title Holders, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

Help to Buy Scheme not applicable to Loans in the Portfolio

In March 2013, the UK Government announced the "**Help to Buy**" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. No shared equity loans are included in the Portfolio. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013 (each of the loans under the scheme, a Help to Buy Loan). Equivalent Help to Buy schemes were introduced in Scotland by the Scottish Government. The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Schemes.

Tax Considerations

UK Special Regime for the Taxation of Securitisation Companies

The Taxation of Securitisation Companies Regulations (the "**Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash

profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer considers that it will be taxed under the special taxation regime for which provision is made by the Regulations. Investors should note, however, that the Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Regulations including whether any particular company falls within the new regime. Investors should note that if the Issuer did not fall to be taxed under the new regime then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to Noteholders.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such a person for, an individual resident in, or certain limited types of entities established in, that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

If a payment by the Issuer in respect of the Notes or Certificates were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes or Certificates as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive (if there is any such Member State).

U.S. Foreign Account Tax Compliance Act ("FATCA") withholding may affect payments on the Notes

In all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems while the Notes and Certificates are in global form and held within the clearing systems. 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 also may 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 their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes and Certificates are discharged once the Principal Paying Agent has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

Withholding Tax under the Instruments

In the event that withholding taxes are imposed in respect of payments due in respect of the Instruments, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts received as a result of the imposition of such withholding taxes.

Legal Considerations

Change of Law

The structure of the transaction as described in this Prospectus and, among other things, the issue of the Notes and the ratings which are to be assigned to the Notes are based on English, Northern Irish and Scots law, tax, accounting, regulatory and administrative practice in effect as at the date hereof as it affects the parties to the transaction and the Mortgage Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date hereof nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Insolvency Act 2000

The Insolvency Act 2000 (the "**IA 2000**") has amended the Insolvency Act 1986 with effect from 1 January 2003 so as to allow certain "small companies", as part of the company voluntary arrangement procedure, 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 for Trade and Industry may, by order, extend or reduce the duration of either period).

The IA 2000 defines a "small company" by reference to whether the company meets certain tests contained in section 247(3) of the Companies Act 1985, 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 for Trade and Industry may, by regulations, 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 not 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, which were made on 25 July 2002 and came into force on 1

January 2003. 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 Security 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.

Liquidation Expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

On this basis and as a result of the changes described above, in a winding up of the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Security Deed may be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the holders of the Notes will not be adversely affected by such a reduction in floating charge realisations.

The Enterprise Act 2002

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

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involve indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in this Prospectus, the Security Deed) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

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

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced (other than in a limited number of circumstances), 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 or the administrator) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court or the administrator). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the administrator 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 not 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.

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

The Enterprise Act also removes the Crown's preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured parties take the benefits of this change (section 252) (although certain debts, including contributions to occupational and state pension schemes, retain preferential status and are payable in priority to debts owed to floating chargeholders). Under this latter provision the unsecured parties will have recourse to the floating charge assets up to a fixed amount (the "**prescribed part**") in priority to the holder of the floating charge concerned. The prescribed part will be 50 per cent. of the first £10,000 of net floating charge assets; then 20 per cent. of the remaining net floating charge assets until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realisations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not.

Insolvency Legislation in Northern Ireland

The Insolvency Act 2000 and the corporate insolvency provisions of the Enterprise Act 2002 do not apply in Northern Ireland. The current law is contained in the Insolvency (Northern Ireland) Order 1989 (the "**1989 Order**") as amended by the Insolvency (Northern Ireland) Order 2002. The 1989 Order is further amended by the provisions of the Insolvency (Northern Ireland) Order 2005 (the "**2005 Order**") which came into force on 27 March 2006. The 2005 Order implemented in Northern Ireland corporate insolvency provisions which are identical to those introduced by the provisions of the Enterprise Act 2002 in England, Wales and Scotland. The changes introduced in England, Wales and Scotland by the Insolvency Act 2000 in relation to small companies are mirrored in the Insolvency (Northern Ireland) Order 2002.

Fixed Charges over Accounts May Take Effect under English Law and Northern Irish Law as Floating Charges

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

The law in England and Wales and in Northern Ireland relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law and Northern Irish law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "fix" over those assets (although it should be noted that there is no equivalent concept of re-characterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. See the paragraph entitled "*The Enterprise Act 2002*" above.

The Trustee is Not Obligated to Act in Certain Circumstances

In relation to the undertaking to be given by the Beneficial Title Seller to the Issuer and the Trustee on behalf of the Noteholders in the Mortgage Sale to hold the Principal Residual Certificates, the Trustee shall not be under any obligation to monitor the compliance by the Beneficial Title Seller with such undertaking or to investigate any matter which is the subject of such undertaking and shall not be under any obligation to take any action in relation to non-compliance with such undertaking unless and until the Trustee has received actual written notice of the same from any Transaction Party, in which event the only obligation of the Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the First Voting Class of outstanding Notes.

The Issuer believes that the risks described above are the principal risks for the Noteholders inherent in the transaction, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above stated risk factors are exhaustive. The Issuer believes that the structural elements described elsewhere in this Prospectus go to mitigate a number of these risks for the Noteholders, nevertheless the Issuer cannot give any assurance that those will be sufficient to ensure timely payment of interest, principal or any other amounts on or in connection with the Notes to Noteholders.

MORTGAGE PORTFOLIO AND SERVICING

See the sections entitled "*The Mortgage Portfolio and the Mortgage Loans*", "*Characteristics of the Provisional Mortgage Portfolio*", "*Assignment of the Mortgage Loans and Related Security*" and "*Servicing of the Mortgage Portfolio*" and the Risk Factors Section (in particular "*Limitation of Sellers' Liability*", "*Limited Recourse and non-petition in relation to the Beneficial Title Seller*" and "*Knowledge of matters referred to in Asset Warranties*") for further detail in respect of the characteristics of the Mortgage Portfolio and the sale and the servicing arrangements in respect of the Mortgage Portfolio.

Sale of Portfolio

The Mortgage Portfolio will consist of the Mortgage Loans, the Related Security and all monies derived therefrom from time to time as at the Cut-Off Date, which will be sold to the Issuer on the Closing Date.

Each Mortgage Loan and Related Security, other than the Scottish Mortgage Loans, Northern Irish Mortgage Loans, Scottish Related Security and Northern Irish Related Security, is governed by English law. The Scottish Mortgage Loans and Scottish Related Security are governed by Scots law. The Northern Irish Mortgage Loans and Northern Irish Related Security are governed by Northern Irish law.

The Mortgage Portfolio comprises Mortgage Loans originated by the Mortgages PLC Group, Wave Lending Limited, Paragon Mortgages Limited, Close Brothers Limited and Edeus Mortgage Creators Limited (in Liquidation).

See the sections entitled "*The Mortgage Portfolio and the Mortgage Loans*" and "*Assignment of the Mortgage Loans and Related Security*".

Features of Mortgage Loans

Certain features of the Mortgage Loans as at the Cut-Off Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in "*Characteristics of the Provisional Mortgage Portfolio*".

Type of Borrower	Non-Conforming
Self-certified Mortgage Loans	Yes – approximately 56.43 per cent.
First time buyer Mortgage Loans	Yes – approximately 12.13 per cent.
Right to buy Mortgage Loans	Yes – approximately 0.71 per cent.
Buy-to-let Mortgage Loans	Yes – approximately 35.91 per cent.
Number of Mortgage Loans	3,812 (subject to removals due to repossession or redemption)
Average / Weighted average	
Current Balance	£510,020,445
Weighted Average Original Balance / Original Valuation	81.46 per cent.
Weighted Average Current Balance / Original Valuation	79.34 per cent.
Weighted Average Seasoning	6.92 years
Weighted Average Remaining Term	14.6 years

Consideration

The consideration payable by the Issuer to the Beneficial Title Seller in respect of the sale of the Mortgage Portfolio shall be approximately £472,717,545.08 plus deferred consideration consisting of the residual payments in respect of the

Mortgage Portfolio pursuant to the applicable Payments Priorities being represented by the Principal Residual Certificates and the Revenue Residual Certificates issued by the Issuer to the Beneficial Title Seller on the Closing Date.

Warranties

The Beneficial Title Seller will make certain Asset Warranties regarding the Mortgage Loans and Related Security to the Issuer on the Closing Date.

In addition to warranties in respect of the legal nature of the Mortgage Loans and their Related Security (e.g. the valid, binding and enforceable nature of the relevant Mortgage Loan and the related Mortgage), the Asset Warranties will include warranties as to the following:

- first ranking security in respect of Properties located in England, Wales, Northern Ireland and Scotland; and
- Permitted Product Type which includes buy-to-let, self certified, first time buyer and right to buy Mortgage Loans.

See the section entitled "*Assignment of the Mortgage Loans and Related Security*" for further details.

Repurchase of the Mortgage Loans and Related Security

The Issuer shall sell and the Beneficial Title Seller shall repurchase the relevant Mortgage Loans and their Related Security in each of the following circumstances:

- following a Relevant Breach of an Asset Warranty (which is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller fails to remedy within the applicable grace period); and
- a Legal Title Holder determines that it will accept a request from a Borrower for, or a Legal Title Holder determines that it will make an offer to a Borrower of, a Further Advance following the repurchase of the related Mortgage Loan and its Related Security,

subject always to certain limited recourse and non-petition provisions.

Under the Mortgage Sale Agreement, the Beneficial Title Seller shall have the ability to elect to repurchase from the Issuer any Mortgage Loan following completion of any Enforcement Procedures in relation to such Mortgage Loan (a "**Shortfall Account**").

The obligation to repurchase following a Relevant Breach of an Asset Warranty is limited in time and expires on the date falling 5 years from the Closing Date.

Consideration for repurchase:

Where the Beneficial Title Seller is required to repurchase any Mortgage Loan, the consideration payable by the Beneficial Title Seller in respect thereof shall be equal to the aggregate of the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest and any arrears interest in relation to that Mortgage Loan up to but excluding the date of repurchase multiplied by 94.5468% (the "**Discount Percentage**") plus an amount equal to the Issuer's reasonable and properly incurred costs or any other reasonable expenditure properly incurred in relation to such repurchase. Please also see the Risk Factors Section (in particular "*Limitation of Sellers' Liability*", "*Limited Recourse and non-petition in relation to the Beneficial Title Seller*" and "*Knowledge of matters referred to in Asset Warranties*").

The consideration payable by the Beneficial Title Seller in relation to any Shortfall Account shall be deferred consideration in an amount equal to the net recoveries (if any) made in respect of the related Mortgage Loan and its Related Security (less any fees, costs and expenses (including any servicer success fee

and any fee charged in respect of management time) incurred in connection with the making of such recoveries or incurred in connection with the repurchase).

Purchase of Mortgage Portfolio by Portfolio Option Holder:

The Portfolio Option Holder may require the Issuer to sell the Mortgage Portfolio and its Related Security to the Portfolio Option Holder on any Interest Payment Date on or after the Optional Redemption Date (the "**Portfolio Purchase**").

Consideration for purchase by Portfolio Option Holder:

The purchase price payable by the Portfolio Option Holder in respect of the Portfolio Purchase shall be an amount which is not less than the aggregate Principal Amount Outstanding under the Notes calculated as at the completion date of such Portfolio Purchase (the "**Portfolio Purchase Completion Date**") plus £10,000 to be paid in relation to the Principal Residual Certificates plus an amount not less than the amount required to satisfy items (a) to (e), (g), (i), (k) and (m) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Portfolio Purchase Completion Date. For the avoidance of doubt the price payable by the Portfolio Option Holder in respect of the Portfolio Purchase may be greater than the aggregate Principal Amount Outstanding under the Notes calculated as at the Portfolio Purchase Completion Date.

Perfection Events:

Transfer of the legal title to the relevant Mortgage Loans and Related Security will be perfected if certain specified perfection events occur, which will include insolvency of a Legal Title Holder, an Enforcement Notice being issued, termination of the appointment of the Servicer, the Security or any material part thereof (in the opinion of the Trustee) being in jeopardy or as a result of a requirement of law or regulation.

Prior to the completion of the transfer of legal title to the relevant Mortgage Loans and Related Security to the Issuer (or a nominee of the Issuer), the Issuer will hold only the equitable title or (in relation to Scottish Mortgage Loans) beneficial title to those Mortgage Loans and the Related Security and will therefore be subject to certain risks as set out in the risk factor entitled "*Title of the Issuer*" in the Risk Factors section.

Servicing of the Mortgage Portfolio:

The Servicer will be appointed by the Issuer to service the Mortgage Portfolio on a day-to-day basis. The appointment of the Servicer may be terminated by the Issuer (with the prior written consent of the Trustee) or, following service of an Enforcement Notice copied to the Servicer, by the Trustee, upon the occurrence of certain events, including: a default by the Servicer (subject to applicable grace periods), the occurrence of a Perfection Event, the occurrence of certain insolvency or similar events in respect of the Servicer or an Enforcement Notice being served by the Trustee and the continuation of the appointment of the Servicer is, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

The Servicer may also resign upon giving 12 months' notice.

Any termination or resignation will not take effect until the Back-Up Servicer or a replacement servicer has been appointed.

In the absence of a Servicer Termination Event, Noteholders have no right to instruct the Trustee to terminate the appointment of the Servicer. Once a Servicer Termination Event has occurred, Noteholders may, by Extraordinary Resolution, instruct the Trustee to terminate the appointment of the Servicer.

See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

Back-Up Servicer:

Pursuant to the Back-Up Servicing Agreement the Back-Up Servicer will agree to provide back-up services in respect of the Mortgage Portfolio. Following termination of the appointment of the Servicer (save in the event of termination following resignation of the Servicer in accordance with the terms of the Servicing Agreement, where it may be the Back-Up Servicer or a substitute servicer that performs the duties of the Servicer), the Back-Up Servicer will replace the Servicer and perform the duties of the Servicer as set out in the Servicing Agreement in accordance with the terms of the Back-Up Servicing Agreement.

See the section entitled "*Servicing of the Mortgage Portfolio*" for further details.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES AND CERTIFICATES

See the sections entitled "Terms and Conditions of the Notes", "Terms and Conditions of the Certificates" and "Early Redemption of Notes and Cancellation of Certificates" for further detail in respect of the terms of the Notes and Certificates.

FULL CAPITAL STRUCTURE OF THE INSTRUMENTS

	Class A1 Notes	Class B1 Notes	Class C1 Notes	Class D1 Notes	Class E1 Notes	Principal Residual Certificates	Revenue Residual Certificates
Currency	£	£	£	£	£	£	£
Initial Principal Amount Outstanding	338,150,000	56,100,000	44,880,000	18,360,000	27,029,000	N/A	N/A
Note Credit Enhancement	subordination of the Class B1 Notes, the Class C1 Notes, the Class D1 Notes, the Class E1 Notes and the Principal Residual Certificates and excess spread	subordination of the Class C1 Notes, the Class D1 Notes, the Class E1 Notes and the Principal Residual Certificates and excess spread	subordination of the Class D1 Notes, the Class E1 Notes, the Principal Residual Certificates and excess spread	subordination of the Class E1 Notes, the Principal Residual Certificates and excess spread	subordination of the Principal Residual Certificates and excess spread	N/A	N/A
Reserve Credit Enhancement	Principal Reserve Fund	Principal Reserve Fund	Principal Reserve Fund	Principal Reserve Fund	Principal Reserve Fund	N/A	N/A
Liquidity Support	Principal Reserve Fund, Class A1 Reserve Fund, Class B1 Reserve Fund and excess spread	Principal Reserve Fund, Class B1 Reserve Fund and excess spread	Principal Reserve Fund and excess spread	Principal Reserve Fund and excess spread	Principal Reserve Fund and excess spread	N/A	Excess spread
Issue Price	99.449 per cent.	99.065 per cent.	98.844 per cent.	98.171 per cent.	97.082 per cent.	N/A	N/A
Interest Reference Rate / Calculation Basis for Certificate Payments	1 month GBP LIBOR (except in the case of the first Interest Payment Date where it will be a linear interpolation of 1 month and 2 month GBP LIBOR)	1 month GBP LIBOR (except in the case of the first Interest Payment Date where it will be a linear interpolation of 1 month and 2 month GBP LIBOR)	1 month GBP LIBOR (except in the case of the first Interest Payment Date where it will be a linear interpolation of 1 month and 2 month GBP LIBOR)	1 month GBP LIBOR (except in the case of the first Interest Payment Date where it will be a linear interpolation of 1 month and 2 month GBP LIBOR)	1 month GBP LIBOR (except in the case of the first Interest Payment Date where it will be a linear interpolation of 1 month and 2 month GBP LIBOR)	N/A (certain residual payments)	N/A (certain residual payments)

	<u>Class A1 Notes</u>	<u>Class B1 Notes</u>	<u>Class C1 Notes</u>	<u>Class D1 Notes</u>	<u>Class E1 Notes</u>	<u>Principal Residual Certificates</u>	<u>Revenue Residual Certificates</u>
Relevant Margin/ Step-Up Margin	0.90 per cent. per annum /1.35 per cent. per annum	1.10per cent. per annum /1.65 per cent. per annum	1.50 per cent. per annum /2.25 per cent. per annum	1.80 per cent. per annum /2.70 per cent. per annum	2.30 per cent. per annum /3.45 per cent. per annum	N/A	N/A
Interest Accrual Method	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	ACT/365 (fixed)	N/A	N/A
Interest Determination Date	Interest Payment Date	Interest Payment Date	Interest Payment Date	Interest Payment Date	Interest Payment Date	N/A	N/A
Payment Dates	Interest is payable monthly in arrears on the 15th day of each month	Interest is payable monthly in arrears on the 15th day of each month	Interest is payable monthly in arrears on the 15th day of each month	Interest is payable monthly in arrears on the 15th day of each month	Interest is payable on the 15th day of each month	Certificate Payments are payable on the 15th day of each month	Certificate Payments are payable on the 15th day of each month
Business Day Convention	Modified following	Modified following	Modified following	Modified following	Modified following	Modified following	Modified following
First Interest Payment Date/first payment date for Certificate Payments	Interest Payment Date falling in June 2014						
Optional Redemption Date	15 May 2019	15 May 2019	15 May 2019	15 May 2019	15 May 2019	N/A	N/A
First Interest Period	The period from the Closing Date to the First Interest Payment Date					N/A	N/A
Pre-Enforcement Redemption Profile	Sequential pass-through amortisation of the Notes on each Interest Payment Date to the extent of Available Principal Funds subject to and in accordance with the relevant Payments Priorities.					N/A	N/A
Portfolio Call	If the Portfolio Purchase is exercised later than 10 Business Days prior to the next Interest Payment Date to occur after the exercise date in respect of the Portfolio Option, the Notes will be redeemed on the Interest Payment Date immediately following that Interest Payment Date.					N/A	N/A
Post-Enforcement Redemption Profile	Sequential pass-through amortisation of the Notes in accordance with the Post-Enforcement Payments Priorities.					N/A	N/A
Final Maturity Date	Interest Payment Date falling in October 2050					N/A	N/A
Form of the	Registered	Registered	Registered	Registered	Registered	Registered	Registered

	<u>Class A1 Notes</u>	<u>Class B1 Notes</u>	<u>Class C1 Notes</u>	<u>Class D1 Notes</u>	<u>Class E1 Notes</u>	<u>Principal Residual Certificates</u>	<u>Revenue Residual Certificates</u>
Instruments							
Application for Listing	Main Securities Market of the Irish Stock Exchange	Main Securities Market of the Irish Stock Exchange	Main Securities Market of the Irish Stock Exchange	Main Securities Market of the Irish Stock Exchange	Main Securities Market of the Irish Stock Exchange	N/A	N/A
ISIN	XS1063509225	XS1063509654	XS1063509811	XS1063510157	XS1063512443	XS1066041184	XS1066041853
Common Code	106350922	106350965	106350981	106351015	106351244	106604118	106604185
Clearance/Settlement	Euroclear/Clearstream, Luxembourg	Euroclear Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream Luxembourg
Minimum Denomination	£100,000 and £1,000 increments	£100,000 and £1,000 increments	£100,000 and £1,000 increments	£100,000 and £1,000 increments	£100,000 and £1,000 increments	N/A	N/A
Retained Amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rating of Notes on Issue (S&P / DBRS)	AAA (sf) / AAA(sf)	AA (sf) / AA(sf)	A (sf)/ A(low)(sf)	BBB (sf) / BBB(low)(sf)	BB (sf) / B(sf)	N/A	N/A

The Principal Residual Certificates represent the right to receive principal after the Notes have been repaid in full, up to an amount equal to £25,501,445.13 in accordance with the Pre-Enforcement Principal Payments Priorities and the Post-Enforcement Payments Priorities.

The Revenue Residual Certificates represent the right to receive certain residual payments in accordance with the Pre-Enforcement Revenue Payments Priorities and the Post-Enforcement Payments Priorities.

Each of the Certificates will be issued to the Beneficial Title Seller as partial consideration for the Issuer's purchase of the Mortgage Portfolio.

Ranking

The Notes and Certificates within each Class will each rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and (if applicable) principal at all times.

Payment of principal on the Class A1 Notes will at all times rank in priority to payments of principal on the Class B1 Notes, payments of principal on the Class B1 Notes will at all times rank in priority to payments of principal on the Class C1 Notes, payments of principal on the Class C1 Notes will at all times rank in priority to payments of principal on the Class D1 Notes, payments of principal on the Class D1 Notes will rank in priority to payments of principal on the Class E1 Notes and payments of principal on the Class E1 Notes will rank in priority to payments on the Principal Residual Certificates.

Payments of interest on the Class A1 Notes will at all times rank in priority to payments of interest on the Class B1 Notes, payments of interest on the Class B1 Notes will at all times rank in priority to payments of interest on the Class C1 Notes, payments of interest on the Class C1 Notes will at all times rank in priority to payments of interest on the Class D1 Notes and payments of interest on the Class D1 Notes will at all times rank in priority to payments of interest on the Class E1 Notes, in each case in accordance with the Pre-Enforcement Revenue Payments Priorities.

The Principal Residual Certificate Holders will be entitled to receive whatever funds are remaining (up to the amount of £25,501,445.13) after all payments ranking senior to them in the Pre-Enforcement Principal Payments Priorities or, as the case may be, the Post-Enforcement Payments Priorities have been made.

The Revenue Residual Certificate Holders will be entitled to receive whatever funds are remaining after all payments ranking senior to them in the Pre-Enforcement Revenue Payments Priorities or, as the case may be, the Post-Enforcement Payments Priorities have been made.

Security

The Notes and Certificates are secured and will share the Security with the other Secured Amounts of the Issuer as set out in the Security Deed. The security granted by the Issuer includes:

- (a) a charge by way of first fixed charge (subject to the subsisting rights of redemption of the relevant Borrowers) over the Benefit of the Issuer in the Mortgage Loans (other than the Scottish Mortgage Loans) and their Related Security comprised in the Mortgage Portfolio;
- (b) an assignment of rights held by the Issuer against certain third parties and insurers;
- (c) a charge by way of first fixed charge over the benefit of the Transaction Account, any bank or other accounts in which the Issuer may at any time have or acquire any Benefit and (to the extent of its interest) all monies now or in the future standing to the credit of or accrued or accruing on such accounts;
- (d) an absolute assignment of the Benefit under each Transaction Document to which the Issuer is a party;
- (e) an assignation in security of the Issuer's beneficial interest as beneficiary under the Scottish Declaration of Trust; and
- (f) a first floating charge over the whole of its undertaking and all its property, assets, rights and revenues, whatsoever and wheresoever present and future (other than its uncalled capital) and extending over all of its property, assets, rights or revenues as are situated in

Scotland or governed by Scots law (provided that such floating charge shall be postponed to any valid fixed charges created by or pursuant to the Security Deed which remain outstanding from time to time).

Some of the other Secured Amounts rank senior to the Issuer's obligations under the Notes and Certificates in respect of the allocation of proceeds as set out in the Post-Enforcement Payments Priorities.

See also the following risk factor under "*Risk Factors – Fixed charges may take effect under English law and Northern Irish Law as floating charges*".

Interest Provisions

See "*Full Capital Structure of the Notes*" as set out above.

Interest Deferral

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on each Class of Notes other than the Most Senior Class, this payment shall be deferred and such non-payment shall not constitute an Event of Default. Any amounts of deferred interest will accrue interest described in Note Condition 8 (*Interest*) and payment of any such additional interest will also be deferrable and will itself accrue interest.

Subject to the paragraph below, payment of the shortfall representing deferred interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, **provided that** the payment of such shortfall shall not be deferred beyond the Final Maturity Date or any other date on which the relevant Notes fall to be redeemed in full, as described in Note Condition 8.10 (*Interest Deferred*). On such date, any amount which has not by then been paid in full shall become due and payable.

Gross-up

None of the Issuer or any Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes or Certificates on account of taxes.

Redemption

The Notes are subject to the following mandatory redemption events:

- upon the exercise by the Portfolio Option Holder of a Portfolio Purchase;
- mandatory redemption in whole on the Final Maturity Date, as fully set out in Note Condition 9 (*Final Redemption, Mandatory Redemption in part and Cancellation*); and
- mandatory redemption in part on any Interest Payment Date as fully set out in Note Condition 9 (*Final Redemption, Mandatory Redemption in part and Cancellation*).

Any Note redeemed in full pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Notes to be redeemed, in each case up to (but excluding) the date of redemption.

Events of Default

As fully set out in Note Condition 13 (*Event of Default*), which includes (and where relevant will be subject to the applicable grace period):

- non-payment of interest and/or principal, subject to interest deferral;
- breach of contractual obligations by the Issuer under the Primary Transaction Documents or of the Notes;

- unlawfulness; and
- Insolvency Events in relation to the Issuer.

Enforcement

If an Event of Default has occurred and is continuing, the Trustee may, and for so long as any Notes remain outstanding shall, if so requested: (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the First Voting Class then outstanding; or (b) by an Extraordinary Resolution of the Noteholders of the First Voting Class then outstanding deliver an Enforcement Notice to the Issuer and institute such proceedings as may be required in order to enforce the Security in accordance with the Trust Documents. The Trustee shall not: (i) be obliged to deliver an Enforcement Notice unless it has certified in writing that the occurrence of an Event of Default as a result of a breach of contractual obligations by the Issuer under the Primary Transaction Documents or of the Notes or a breach by the Issuer of any Issuer Warranty is in its opinion materially prejudicial to the interests of the First Voting Class; or (ii) be obliged to deliver an Enforcement Notice, unless it shall have been fully indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

Limited Recourse

The Notes are limited recourse obligations of the Issuer and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Note Condition 10 (*Limited Recourse*).

The Certificate Holders are only entitled to funds which are available to the Issuer in accordance with the Payments Priorities and therefore the Certificates are limited recourse obligations of the Issuer.

Non petition

The Noteholders and the Certificate Holders shall not be entitled to take any steps (otherwise than in accordance with the Trust Deed, the Note Conditions and the Certificate Conditions):

- to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security other than when expressly permitted to do so under the Note Conditions or Certificate Conditions; or
- to take or join any person in any steps against the Issuer to obtain payment of any amount due from the Issuer to it; or
- until the date falling two years after the Final Discharge Date, to initiate or join in initiating any proceeding in relation to an Insolvency Event in relation to the Issuer; or
- to take or join in taking of any steps or proceedings which would result in any of the Payments Priorities not being observed.

Governing Law

English law as to the Notes, the Certificates and the Trust Deed. English, Northern Irish and Scots law as to the Security Deed.

RIGHTS OF NOTEHOLDERS AND CERTIFICATE HOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

See the sections entitled "Terms and Conditions of the Notes" and "Terms and Conditions of the Certificates" for further detail in respect of the rights of Noteholders and Certificate Holders, conditions for exercising such rights and relationship with other Secured Creditors.

Prior to an Event of Default Noteholders holding no less than 10 per cent. of the Principal Amount Outstanding of the outstanding Notes of a particular Class are entitled to request the Trustee to convene a Noteholders' Meeting of such Class. Noteholders can also participate in a Noteholders' Meeting convened by the Issuer or Trustee to consider any matter affecting their interests.

However (unless the Issuer has an obligation to take such action under the relevant Primary Transaction Documents (whether as a result of a direction given by the Trustee or otherwise), so long as no Event of Default has occurred and is continuing), the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Trustee.

Following an Event of Default Following the occurrence of an Event of Default which is continuing, Noteholders of the First Voting Class then outstanding may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the First Voting Class or if they pass an Extraordinary Resolution, direct the Trustee (provided it has been indemnified and/or secured and/or prefunded to its satisfaction) to deliver an Enforcement Notice to the Issuer stating that all Classes of Notes are immediately due and repayable at their Principal Amount Outstanding.

Noteholders Meeting provisions	<i>Initial meeting</i>		<i>Adjourned meeting</i>	
	Notice period:	21 clear days		14 clear days
	Quorum for meetings on Extraordinary Resolutions:	Two or more persons holding a majority of the Principal Amount Outstanding of the relevant Class of Notes (other than a Reserved Matter, which requires 75 per cent. of the Principal Amount Outstanding of the relevant affected Class of Notes)		Any holding (other than a Reserved Matter, which requires 10 per cent. of the Principal Amount Outstanding of the relevant affected Class of Notes)
	Required majority:	75 per cent. of votes cast for matters requiring Extraordinary Resolution		
	Written Resolution:	100 per cent. of the Principal Amount Outstanding of the relevant Class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution		

Matters requiring Extraordinary Resolution The following matters (including but not limited to):

- Reserved Matter;
- modification of the Note Conditions;
- substitution of the Issuer;

- waiving a breach of covenants by the Issuer;
- in certain circumstances after a Servicer Termination Event, the identity of a replacement Servicer;
- in the case of the First Voting Class then outstanding, giving of a direction to the Trustee to deliver an Enforcement Notice;
- in case of the First Voting Class, removal of the Trustee and approval of the successor trustee;
- in case of the First Voting Class, approval of the terms of a merger, reorganisation or amalgamation; and
- in case of the First Voting Class then outstanding, giving of a direction to the Trustee to refrain from exercising any powers conferred upon it by Note Condition 17.2 (*Waiver*).

Relationship between Classes of Noteholders and Classes of Certificate Holders

Subject to the Provisions for Meetings of Noteholders and the Provisions for Meetings of Certificate Holders governing a Reserved Matter, a resolution of Noteholders of the First Voting Class then outstanding shall be binding on all other holders of Notes and all holders of Certificates and the Trustee shall not take into account any resolutions to the contrary passed by such other Noteholders or Certificate Holders.

A Reserved Matter requires an Extraordinary Resolution of all relevant affected Classes of Notes and relevant affected Certificates remaining outstanding.

Beneficial Title Seller as Noteholder or Certificate Holder

For the purpose of, *inter alia*, the right to attend and vote at any Meeting of Noteholders, the right to resolve by Extraordinary Resolution in writing and certain rights to direct, the relevant Notes or Certificates must be "outstanding". Those Notes or Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller shall (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Notes or Certificates of a particular Class are held by the Beneficial Title Seller (the "**relevant Class** ") and no other Classes exist that rank junior or *pari passu* to the relevant Class, the relevant Class will be deemed to remain outstanding.

Relationship between Noteholders, Certificate Holders and other Secured Creditors

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Certificate Holders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders only in the exercise of its discretion. So long as any Certificates are outstanding and there is a conflict between the interests of the Certificate Holders and the other Secured Creditors (except the Noteholders), the Trustee will take into account the interests of the Certificate Holders only in the exercise of its discretion.

Provision of Information to the Noteholders and Certificate Holders

The Cash Manager will publish an investor report on a monthly basis containing information in relation to the Notes and the Certificates including, but not limited to, (i) amounts paid by the Issuer pursuant to the Payments Priorities, (ii) to the extent provided by the Servicer, required counterparty information to the extent the Servicer has such information, and (iii) the Beneficial Title Seller's continued holding of the Principal Residual Certificates, such holding as confirmed in the BTS Certificate, in the case of (ii) and (iii) as determined solely by the Servicer or Beneficial Title Seller (as the case may be).

For the avoidance of doubt, the Cash Manager:

- (a) in respect (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of

such information; and

- (b) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a certificate in writing from the Beneficial Title Seller (and upon which certificate the Cash Manager shall be entitled to rely without further enquiry and without any liability for so relying), that the Beneficial Title Seller (x) continues to hold the Principal Residual Certificates, and (y) has not sold, hedged or otherwise mitigated its credit risk under or associated with the Principal Residual Certificates in compliance with applicable law, (the "**BTS Certificate**"). The Cash Manager shall rely on such BTS Certificate until otherwise notified in writing by the Beneficial Title Seller. Compliance by the Beneficial Title Seller with any matters set out in the BTS Certificate shall not be monitored by the Cash Manager or the Trustee.

**Communication with
Noteholders and
Certificate Holders**

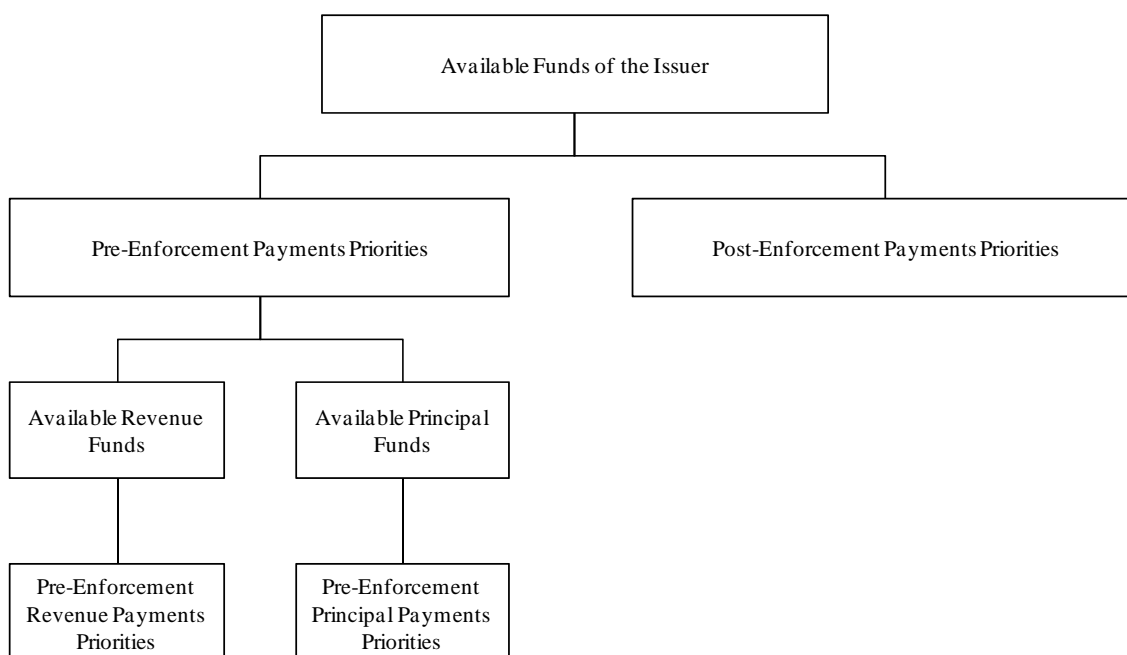
Any notice to be given by the Issuer or the Trustee to Noteholders and Certificate Holders shall be given in the following manner:

- so long as the Notes or Certificates are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; and
- (in respect of Notes only) so long as the relevant Notes are listed on a recognised stock exchange, by delivery to them in accordance with the notice requirements of such stock exchange; or
- by publication on the Relevant Screen.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders and/or Certificate Holders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and (in the case of the Notes) to the requirements of the stock exchange (if any) on which the Notes are then listed and **provided that** notice of such other method is given to the Noteholders and/or Certificate Holders in such manner as the Trustee shall require.

CREDIT STRUCTURE AND CASHFLOW

See the sections entitled "Cashflows" and "Credit Enhancement and Liquidity Support" for further detail in respect of the credit structure and cash flow of the transaction



Available Funds of the Issuer:

The Issuer will use Available Revenue Funds and Available Principal Funds for the purposes of making interest and principal payments under the Notes and Certificates and the other Primary Transaction Documents.

"**Available Revenue Funds**" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) any interest earned during such Calculation Period on amounts in the Transaction Account; and
- (c) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts,

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period on a day other than an Interest Payment Date in accordance with the Cash Management Agreement.

"**Available Principal Funds**" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:
 - (i) the Principal Receipts received by the Issuer during the related Calculation Period; and
 - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on the immediately following Interest Payment Date; and
- (b) the amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period on a day other than an Interest Payment Date pursuant to the terms of the Cash

Management Agreement.

Summary of Payments Priorities

Below is a summary of the relevant payments priorities. Full details of the payments priorities are set out in the section entitled "*Cash Flow*".

Pre-Enforcement Revenue Payments Priorities:		Pre-Enforcement Principal Payments Priorities:		Post-Enforcement Payments Priorities:	
1.	Trustee Liabilities and Trustee Fees	1.	Revenue Addition Amount	1.	Receiver Liabilities
2.	Third Party Expenses	2.	Note Principal Payment in respect of Class A1 Notes	2.	Trustee Liabilities
3.	Payments due in respect of:	3.	Note Principal Payment in respect of Class B1 Notes	3.	Remuneration due to the Receiver
(i)	Agents' Liabilities;	4.	Note Principal Payment in respect of Class C1 Notes	4.	Trustee Fees
(ii)	Agents' Fees;	5.	Note Principal Payment in respect of the Class D1 Notes;	5.	Seller Collection Account Bank Liabilities, Transaction Account Bank Fees and Transaction Account Bank Liabilities

(iii)	Servicer Liabilities;	6.	Note Principal Payment in respect of the Class E1 Notes;	6.	Agents' Liabilities, Agents' Fees, Cash Manager Liabilities, Cash Manager Fees, Corporate Services Provider Liabilities, Corporate Services Provider Fees, Servicer Liabilities, Servicer Fees, Back-Up Servicer Fees, Back-Up Servicer Liabilities, fees and expenses of a Successor Servicer, amounts payable to a Legal Title Holder under the Transaction Documents
		7.	Note Principal Payment in respect of the Principal Residual Certificates		
		8.	Residual Principal Allocation Amount		
(iv)	Servicer Fees;			7.	Interest on the Class A1 Notes
(v)	Back-Up Servicer Liabilities;			8.	Principal on the Class A1 Notes
(vi)	Back-Up Servicer Fees;			9.	Interest on the Class B1 Notes
(vii)	Cash Manager Liabilities;			10.	Principal on the Class B1 Notes
(viii)	Cash Manager Fees;			11.	Interest on the Class C1 Notes
(ix)	Transaction Account Bank Fees;			12.	Principal on the Class C1 Notes
(x)	Corporate Services Provider Liabilities;			13.	Interest on the Class D1 Notes
(xi)	Corporate Service Provider Fees			14.	Principal on the Class D1 Notes
				15.	Interest on the Class E1 Notes
(xii)	Beneficial Title Seller Fee;			16.	Principal on the Class E1 Notes
(xiii)	Seller Collection Account Bank Liabilities;			17.	Principal on the Principal Residual

		Certificates
4.	Required Profit Amount	18. Required Profit Amount
5.	Interest amount on Class A1 Notes	19. Payments, if any, on Revenue Residual Certificates
6.	An amount equal to the Class A1 Revenue Reallocation Amount to be recorded as a credit entry in the Class A1 Principal Deficiency Ledger and a credit entry in the Principal Ledger	
7.	Interest amount on Class B1 Notes	
8.	An amount equal to the Class B1 Revenue Reallocation Amount to be recorded as a credit entry in the Class B1 Principal Deficiency Ledger and a credit entry in the Principal Ledger	
9.	Interest amount on Class C1 Notes	
10.	An amount equal to the Class C1 Revenue Reallocation Amount to be recorded as a credit entry in the Class C1 Principal Deficiency Ledger and a credit entry in the	

	Principal Ledger	
11.	Interest Amount on the Class D1 Notes	
12.	An amount equal to the Class D1 Revenue Reallocation Amount to be recorded as a credit entry in the Class D1 Principal Deficiency Ledger and a credit entry in the Principal Ledger	
13.	Interest amount of the Class E1 Notes	
14.	An amount equal to the Class E1 Revenue Reallocation Amount to be recorded as a credit entry in the Class E1 Principal Deficiency Ledger and a credit entry in the Principal Ledger	
15.	If applicable, to credit Principal Reserve Fund up to the Reserve Fund Required Amount	
16.	Payment to holders of Revenue Residual Certificates	

General Credit Structure

The general credit structure of the transaction includes the following elements:

(a) ***Credit Support:***

- *Principal Reserve Fund:* Principal Reserve Fund, funded (i) on the Closing Date in an amount equal to 1 per cent. of the Principal Amount Outstanding under the Notes on the Closing Date by the Issuer through the proceeds of the issuance of the Notes, (ii) on each Interest Payment Date prior to the Principal Reserve Fund Step-

Down Date from Available Revenue Receipts up to an amount equal to 2.1% of the Principal Amount Outstanding of the Notes on the Closing Date (the "**Initial Principal Reserve Fund Required Amount**") and (iii) on each Interest Payment Date following the Principal Reserve Fund Step-Down Date from Available Revenue Receipts up to an amount equal to the "**Stepped-Down Principal Reserve Fund Required Amount**" being (A) where the Principal Reserve Fund Step-Down Conditions are met, 4% of the Principal Amount Outstanding of the Notes on the relevant Interest Payment Date; and (B) where the Principal Reserve Fund Step-Down Conditions are not met, the Principal Reserve Fund Required Amount as at the immediately preceding Interest Payment Date. May be applied to reduce the debit balance on the Class A1 Principal Deficiency Ledger, the Class B1 Principal Deficiency Ledger, the Class C1 Principal Deficiency Ledger the Class D1 Principal Deficiency Ledger and the Class E1 Principal Deficiency Ledger to zero.

- *Revenue Reallocation Amounts:* Available Revenue Funds may be applied as Available Principal Funds to the extent of any Notes Principal Deficiency.
- *Redemption of Notes and payments under the Certificates:* following the redemption of the Notes and payment of an amount equal to £25,501,445.13 on the Principal Residual Certificates, Residual Principal Allocation Amounts will be credited to the Revenue Ledger and applied to the Pre-Enforcement Revenue Payments Priorities to pay the amounts in respect of the Revenue Residual Certificates (after satisfaction of the Issuer's obligations ranking higher in the Pre-Enforcement Revenue Payments Priorities).

See the section entitled "*Credit Enhancement and Liquidity Support*".

(b) ***Liquidity Support:***

Principal Reserve Fund: Principal Reserve Fund, funded (i) on the Closing Date in an amount equal to 1 per cent. of the Principal Amount Outstanding under the Notes on the Closing Date by the Issuer through the proceeds of the issuance of the Notes, (ii) on each Interest Payment Date prior to the Principal Reserve Fund Step-Down Date from Available Revenue Receipts up to an amount equal to 2.1% of the Principal Amount Outstanding of the Notes on the Closing Date (the "**Initial Principal Reserve Fund Required Amount**") and (iii) on each Interest Payment Date following the Principal Reserve Fund Step-Down Date from Available Revenue Receipts up to an amount equal to the "**Stepped-Down Principal Reserve Fund Required Amount**" being (A) where the Principal Reserve Fund Step-Down Conditions are met, 4% of the Principal Amount Outstanding of the Notes on the relevant Interest Payment Date; and (B) where the Principal Reserve Fund Step-Down Conditions are not met, the Principal Reserve Fund Required Amount as at the immediately preceding Interest Payment Date. May be applied, if certain cumulative default triggers are satisfied, to satisfy any deficiency of funds for the payment of fees or interest on the Notes.

Class A1 Reserve Fund: The Class A1 Reserve Fund funded on the Closing Date in an amount equal to £2,500,000 (being approximately 0.52 per cent. of the Principal Amount Outstanding of the Notes by the Issuer through the proceeds of the Issuance of the Notes, until the Interest Payment Date falling in May 2019.

Class B1 Reserve Fund: The Class B1 Reserve Fund funded on the Closing Date in an amount equal to £1,500,000 (being approximately 0.31 per cent. of the Principal Amount Outstanding of the Notes by the Issuer through the proceeds of the Issuance of the Notes, until the Interest Payment Date falling in May 2019.

See the section entitled "*Credit Enhancement and Liquidity Support*".

**Bank Accounts
and Cash
Management**

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Portfolio are received by the Legal Title Holders in the Seller Collection Accounts. Interest payments and principal repayments are collected throughout the month.

All monies standing to the credit of the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) above the minimum balance which may be required by the Seller Collection Account Bank in relation to the relevant account holder's obligations under the Direct Debiting Scheme during a Calculation Period other than certain excluded amounts (as to which see "*Cash Management – Seller Collection Accounts*") will be transferred from the Seller Collection Accounts to the Transaction Account by the Seller Collection Account Bank at close of business on each Business Day during a Calculation Period. Arrangements in respect of the Paragon Serviced Loans Collection Account are set out under "*Servicing of the Mortgage Portfolio*".

The Seller Collection Account Bank shall be entitled at any time to deduct from the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to the Borrowers under the Mortgage Portfolio, or to pay amounts due or owing to the Seller Collection Account Bank.

The Cash Manager shall instruct the Transaction Account Bank to make payments pursuant to the Cash Management Agreement.

TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Seller Collection Account Bank	<p>The unguaranteed and unsubordinated debt obligations of the Seller Collection Account Bank cease to be rated at least:</p> <p>(a) BBB (long-term) and A-2 (short term) by S&P and BBB (long-term) and R-1(low) (short term) by DBRS; or</p> <p>(b) if no S&P short-term rating is available, BBB+ (long-term) by S&P, or</p> <p>(c) if no DBRS short –term rating is available, BBB high (long term) by DBRS;</p> <p>or such ratings as are otherwise acceptable to S&P and DBRS from time to time to maintain the then current rating of the Notes.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled "<i>Cash Management</i>".</p>	<ul style="list-style-type: none"> • Replacement of Seller Collection Account Bank
Transaction Account Bank	<p>The unguaranteed and unsubordinated debt obligations of the Transaction Account Bank cease to be rated at least:</p> <p>(a) A (long-term) and A-1 (short term) by S&P and A (long term) and R-1(low) (short term) by DBRS; or</p> <p>(b) if no S&P short-term rating is available, A+ (long-term) by S&P; or</p> <p>(c) if no DBRS short –term rating is available, A (long term) by DBRS,</p> <p>or such ratings as are otherwise acceptable to S&P and DBRS from time to time to maintain the then current rating of the Notes.</p> <p>The consequences of the relevant required rating being breached are set out in more detail in the section entitled "<i>Cash Management</i>".</p>	<ul style="list-style-type: none"> • Replacement of the Transaction Account Bank

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> • an Enforcement Notice is served; • perfection is required by an order of a court or by a change in law occurring after the Closing Date or by a regulatory authority; • the Security or any material part thereof (in the opinion of the Trustee) is in jeopardy; • termination of the appointment of the Servicer; • certain insolvency events in respect of the Legal Title Holders. 	<p>A number of events will occur, including Borrowers being notified of the sale to the Issuer (or a nominee of the Issuer) and legal title to the Mortgage Portfolio will be transferred to the Issuer (or a nominee of the Issuer) by way of registration or recording in the Land Registry or the Registers of Scotland.</p>
Servicer Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> • an Enforcement Notice is served and the continuation of the appointment of the Servicer is, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; • the occurrence of a Perfection Event; • illegality; • default by the Servicer (subject to applicable grace periods); and • certain insolvency or similar events in respect of the Servicer. 	<p>Termination of appointment of Servicer.</p>
Cash Manager Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> • failure to make a payment; or • non-compliance with any other covenants or obligations; • unlawfulness in respect of the 	<p>Termination of appointment of Cash Manager.</p>

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>Cash Manager;</p> <ul style="list-style-type: none"> Force Majeure for a period of more than 60 days; or an Insolvency Event or similar events in respect of the Cash Manager. 	

FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees to Servicer	Annual fee of 25 basis points multiplied by the Principal Outstanding Balance of the Mortgage Loans and certain activity related fees and expenses (in each case, exclusive of VAT, if any).	Ahead of all outstanding Notes and Certificates	Monthly, calculated on a <i>pro rata</i> basis
Back-up servicing fees to Back-Up Servicer	Annual fee of £25,000 (exclusive of VAT, if any).	Ahead of all outstanding Notes and Certificates	On the Closing Date and annually thereafter, on the Interest Payment Date closest to the anniversary of the Closing Date
Beneficial Title Seller Fee	Annual fee of 5 basis points multiplied by the Principal Outstanding Balance of the Mortgage Loans (inclusive of VAT)	Ahead of all outstanding Notes and Certificates	Monthly, calculated on a <i>pro rata</i> basis
Cash Management Fee	Annual fee agreed between the Issuer and the Cash Manager in a fee letter on or about the Closing Date.	Ahead of all outstanding Notes and Certificates	Monthly, calculated on a <i>pro rata</i> basis
Other fees and expenses of the Issuer	Estimated at £155,000 each year (inclusive of VAT)	Ahead of all outstanding Notes and Certificates	Monthly, calculated on a <i>pro rata</i> basis

REGULATORY DISCLOSURE

Article 405 of the Capital Requirements Regulation

Pursuant to Article 405 of Regulation (EU) 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**") an EU credit institution shall be exposed to the credit risk of a securitisation position only if the originator, sponsor or original lender has explicitly disclosed to the EU credit institution that it will retain, on an ongoing basis, a material net economic interest which, in any event, shall not be less than 5%. Similar requirements in respect of alternative investment fund managers are imposed pursuant to Article 51 of Commission Delegated Regulation (EU) No 231/2013 as it is interpreted on the date hereof (the "**AIFM Regulation**").

The Beneficial Title Seller will, until maturity of the Notes, hold the Principal Residual Certificates which: (i) are the lowest ranking Instrument in the Pre-Enforcement Principal Payments Priorities and (ii) are entitled to receive Principal Receipts of up to a maximum amount of £25,501,445.13 upon redemption in full of the Notes (subject to the Payments Priorities), such amount being no less than 5% of the Principal Outstanding Balance of all the Mortgage Loans in the Mortgage Portfolio.

The Trustee shall have the benefit of certain exculpatory protections contained in the Trust Deed in relation to the compliance of the Beneficial Title Seller with such undertaking. For more information please refer to the Risk Factor entitled "*The Trustee is Not Obligated to Act in Certain Circumstances*".

See the sections entitled "*Regulatory Disclosure*" and "*Regulatory Initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

The Beneficial Title Seller has given an undertaking that it will hold the Principal Residual Certificates until the maturity of the Notes, subject always to any requirement of law.

The Cash Manager will publish an investor report on a monthly basis containing information in relation to the Notes and the Certificates including, but not limited to, (i) amounts paid by the Issuer pursuant to the Payments Priorities, (ii) to the extent provided by the Servicer, required counterparty information to the extent the Servicer has such information, and (iii) the Beneficial Title Seller's continued holding of the Principal Residual Certificates, such holding as confirmed in the BTS Certificate, in the case of (ii) and (iii) as determined solely by the Servicer or Beneficial Title Seller (as the case may be).

For the avoidance of doubt, the Cash Manager:

- (a) in respect (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of such information; and
- (b) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a BTS Certificate from the Beneficial Title Seller. The Cash Manager shall rely on such BTS Certificate until otherwise notified in writing by the Beneficial Title Seller. Compliance by the Beneficial Title Seller with any matters set out in the BTS Certificate shall not be monitored by the Cash Manager or the Trustee.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Part 5 of the CRR (including Article 405) and none of the Issuer, the Trustee, the Cash Manager, the Beneficial Title Seller, the Arrangers the Lead Manager or the Transaction Parties make any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes or that the transaction complies with any relevant requirements.

CRA Regulation

The credit ratings included or referred to in this Prospectus have been issued by S&P and DBRS.

S&P is a credit rating agency established in the European Community and registered under the CRA Regulation.

DBRS is a credit rating agency established in the European Community and registered under the CRA Regulation.

Information Regarding the Policies and Procedures of the Originators and Legal Title Holders

Investors should note that the Originators and the Legal Title Holders have (or have had, as applicable) internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation, which broadly include: (a) in respect of the Originators and the Legal Title Holders, criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (see "*The Mortgage Portfolio and the Mortgage Loans – Characteristics of the Mortgage Loans*"); (b) in respect of the Legal Title Holders, systems in place to administer and monitor the various credit-risk bearing portfolios and exposures (the Mortgage Loans will be serviced in line with the usual servicing procedures of the Servicer - see "*Servicing of the Mortgage Portfolio*"); (c) in respect of the Legal Title Holders, diversification of credit portfolios corresponding to the Originator's target market and overall credit strategy (see "*Characteristics of the Provisional Mortgage Portfolio*"); and (d) in respect of the Legal Title Holders, policies and procedures in relation to risk mitigation techniques (see "*The Mortgage Portfolio and the Mortgage Loans*").

DESCRIPTION OF THE BENEFICIAL TITLE SELLER

Kilimanjaro AM Limited was incorporated in England and Wales as a private limited company under the Companies Act 2006 on 2 April 2012 with registered number 08015474. The registered office of Kilimanjaro AM Limited is at 4th floor, 40 Dukes Place, London EC3A 7NH, telephone number +44(0)20 3367 8200. Kilimanjaro AM Limited has an authorised share capital of £100. One fully paid up share of £1.00 has been issued and is held by Stormharbour Partners LP. There are no other equity interests in Kilimanjaro AM Limited that are outstanding.

Kilimanjaro AM Limited has been established as a special purpose vehicle for the purpose of holding the equitable title to the Mortgage Loans prior to the sale thereof to the Issuer and will be mostly passive. The Beneficial Title Seller's assets will consist solely of the Principal Residual Certificates (payments in respect of which are subject to the Payments Priorities and which the Beneficial Title Seller will covenant not to sell), a right to receive the Beneficial Title Seller Fee, contractual rights under the Servicing Agreement and the agreement under which it purchased the Mortgage Portfolio, any Beneficial Title Seller Available Amounts and, at closing, the Revenue Residual Certificates. Each Transaction Party and each Noteholder will be required to agree and acknowledge that (i) until the date falling two years and one day after the Final Discharge Date none of the Transaction Parties and the Noteholders nor any person on their behalf shall initiate or join any person in initiating an Insolvency Event or the appointment of an Insolvency Official in relation to Kilimanjaro; (ii) notwithstanding any other provision of any Transaction Document, all obligations of Kilimanjaro to the Transaction Parties and the Noteholders, are limited in recourse as set out in the Transaction Documents; and (iii) they shall have no recourse whatsoever against nor shall any personal liability attach to any shareholder, officer, agent, employee or director of Kilimanjaro in his capacity as such, by any Proceedings or otherwise, in respect of any obligation, covenant, or agreement of Kilimanjaro contained in the Transaction Documents. Kilimanjaro AM Limited has no subsidiaries. None of the Legal Title Holders or the Originators owns, directly or indirectly, any of the share capital of Kilimanjaro AM Limited.

Since its incorporation, Kilimanjaro AM Limited has not engaged in any material activities other than those incidental to the acquisition of the beneficial title in the Mortgage Loans, the matters contemplated or disclosed in this Prospectus, the authorisation of the other Primary Transaction Documents referred to in this Prospectus to which it is a party and other matters which are incidental or ancillary to those activities. Kilimanjaro AM Limited has no employees. As at the date of this Prospectus Kilimanjaro AM Limited has prepared no financial statements other than forms AA02 in relation to dormant company accounts.

The rights of Kilimanjaro AM Limited's shareholders are contained in the articles of association and Kilimanjaro AM Limited will be managed in accordance with the provisions of the articles of association and English law.

DESCRIPTION OF THE LEGAL TITLE HOLDERS

Wave Lending Limited is a private limited company incorporated under the laws of England and Wales under company number 03312246 on 4 February 1997 for the purpose of originating residential mortgage loans to borrowers in England and Wales, Northern Ireland and Scotland. Wave Lending Limited is regulated and authorised by the Financial Conduct Authority under registration number 305391. The registered office of Wave Lending Limited is at 2 King Edward Street, London EC1A 1HQ.

Mortgages 1 Limited, Mortgages 2 Limited, Mortgages 3 Limited, Mortgages 4 Limited, Mortgages 5 Limited, Mortgages 6 Limited and Mortgages 7 Limited (together, the "**Mortgages Limited Companies**") are each special purpose companies established solely for the purpose of advancing or acquiring residential mortgage loans to borrowers. Each of these companies are indirect wholly owned subsidiaries of Majestic Acquisition Limited, which is a wholly owned subsidiary of Merrill Lynch International Bank Limited. Mortgage Holdings Limited, an investment holding company, is the direct parent of each of these companies.

Each of the Mortgages Limited Companies advanced or acquired residential mortgage loans to borrowers in England, Wales, Northern Ireland and Scotland. Each of the Mortgages Limited Companies retains legal title to the loans they originated, but have each sold the beneficial interest in such loans to Merrill Lynch International Bank Limited pursuant to purchase agreements. Consequently, none of the Mortgages Limited Companies hold any assets. The Mortgages Limited Companies no longer originate or acquire new residential mortgage loans.

Each of the Mortgages Limited Companies has its registered address at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. Each of the Mortgages Limited Companies is regulated and authorised by the Financial Conduct Authority.

DESCRIPTION OF THE TRANSACTION ACCOUNT BANK AND THE CASH MANAGER

Citibank, N.A., London Branch

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with foreign company number FC001835 and branch number BR001018.

DESCRIPTION OF THE SELLER COLLECTION ACCOUNT BANK

Barclays Bank PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short-term unsecured obligations of Barclays Bank PLC are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated A by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2012, the Group had total assets of £1,490,747 million (2011: £1,563,402 million), total net loans and advances¹ of £466,627 million (2011: £478,726 million), total deposits² of £462,806 million (2011: £457,161 million), and total shareholders' equity of £62,894 million (2011: £65,170 million) (including non-controlling interests of £2,856 million (2011: £3,092 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2012 was £99 million (2011: £5,974 million) after credit impairment charges and other provisions of £3,596 million (2011: £3,802 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2012.

Based on the Group's unaudited financial information for the six months ended 30 June 2013, the Group had total assets of £1,533 billion, total net loans and advances of £516,949 million, total deposits of £538,624 million, and total shareholders' equity of £59,394 million (including non-controlling interests of £2,620 million). The profit before tax from continuing operations of the Group for the six months ended 30 June 2013 was £1,648 million after credit impairment charges and other provisions of £1,631 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of Barclays Bank PLC for the six months ended 30 June 2013.

¹ Total net loans and advances include balances relating to both bank and customer accounts.
² Total deposits include deposits from bank and customer accounts.

DESCRIPTION OF TRUSTEE

Citicorp Trustee Company Limited ("**Company**") was incorporated on 24 December 1928 under the laws of England and Wales having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

The Company is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

The Company is regulated by the U.K.'s Financial Conduct Authority.

DESCRIPTION OF ORIGINATORS

The Mortgages PLC Group

Mortgages PLC is a public limited company and was incorporated in England and Wales under the Companies Acts 1985 and 1989 on 19 February 1997 having its registered office at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ.

On October 29, 2004, Merrill Lynch International acquired 100% of the shares in Mortgages PLC. Currently, Mortgages PLC is a wholly owned subsidiary of Majestic Acquisitions Limited, which is a wholly owned subsidiary of Merrill Lynch International Bank Limited.

Historically, Mortgages PLC's primary business was to originate (through the Mortgages Limited Companies) and service loans to residential and buy-to-let borrowers in England, Wales, Northern Ireland and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital. Currently, Mortgages PLC's primary activity is the servicing of residential and Buy to Let Mortgage Loans.

Wave Lending Limited

Wave Lending Limited is a private limited company incorporated under the laws of England and Wales under company number 03312246 on 4 February 1997 for the purpose of originating residential mortgage loans and Buy to Let Mortgage Loans to borrowers in England and Wales, Northern Ireland and Scotland. Wave Lending Limited no longer originates or acquires new residential mortgage loans. Wave Lending Limited is regulated and authorised by the Financial Conduct Authority under registration number 305391.

The registered office of Wave Lending Limited is at 2 King Edward Street, London EC1A 1HQ.

Edeus Mortgage Creators Limited (in liquidation)

Edeus Mortgage Creators Limited (in liquidation) (formerly Oakwood Home Credit Mortgages Limited) is a private limited company incorporated on 23 February 2006 under the laws of England and Wales (registration number 05720173). Edeus Mortgage Creators Limited (in liquidation) was placed into liquidation on 27 May 2010 having previously carried on the business of loan origination in the United Kingdom.

The registered office of Edeus Mortgage Creators Limited (in liquidation) is at c/o KPMG LLP, One Snowhill, Queensway, Birmingham B4 6GH.

Paragon

Paragon Mortgages Limited is a private limited company incorporated under the laws of England and Wales under company number 2337854 on 24 January 1989. Paragon Mortgages Limited originated residential mortgage loans and Buy to Let Mortgage Loans to borrowers in England and Wales, Northern Ireland and Scotland.

The registered office of Paragon Mortgages Limited is St Catherine's Court, Herbert Road Solihull West Midlands B91 3QU.

Close Brothers

Close Brothers Limited is a private limited company incorporated under the laws of England and Wales under company number 00195626 on 9 February 1924. Under the trading name of Close Mortgages, Close Brothers originated residential mortgage loans and Buy to Let Mortgage Loans to borrowers in England and Wales, Northern Ireland and Scotland.

The registered office of Close Brothers Limited is 10 Crown Place London EC2A 4FT.

DESCRIPTION OF THE SERVICER

Servicer

Mortgages PLC is a public limited company and was incorporated in England and Wales under the Companies Acts 1985 and 1989 on 19 February 1997 having its registered office at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ.

On October 29, 2004, Merrill Lynch International acquired 100% of the shares in Mortgages PLC. Currently, Mortgages PLC is a wholly owned subsidiary of Majestic Acquisitions Limited, which is a wholly owned subsidiary of Merrill Lynch International Bank Limited.

Mortgages PLC's primary business is to service loans to borrowers in England, Wales, Northern Ireland and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital. The servicing of the Mortgage Portfolio (except for the Paragon Serviced Loans) will be delegated to Homeloan Management Limited on or about the Closing Date and Paragon Finance PLC will continue to service the Paragon Serviced Loans as a delegate of the Servicer.

DESCRIPTION OF THE BACK-UP SERVICER

Homeloan Management Limited ("**HML**") is a private limited company registered in England and Wales under number 2214839. HML (a wholly-owned subsidiary of Skipton Building Society, which is itself regulated by the FCA) has been appointed as the Back-up Servicer pursuant to the Back-up Servicer Agreement and pursuant to which HML is responsible for the provision of certain mortgage settlement and related administration services.

HML is the largest third party residential mortgage servicer in the United Kingdom. HML is currently servicing over £36 billion of mortgage assets for over 30 leading financial institutions.

The registered office and principal place of business of HML are The Bailey, Skipton, North Yorkshire BD23 1DN and Gateway House, Gargrave Road, Skipton, North Yorkshire BD23 2HL respectively. HML has a residential primary servicer rating of RPS1- by Fitch Ratings Limited and S&P's Primary Servicer rating of Above Average with a Positive Outlook.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 7 March 2014 with registered number 08929208. The registered office of the Issuer is at Fifth Floor, 100 Wood Street, London EC2V 7EX, telephone number +44(0)20 7606 5451. The Issuer's issued share capital comprises 50,000 ordinary shares of £1.00 each, of which 1 ordinary share is fully paid up and 49,999 ordinary shares are 25 per cent. paid up, all of which are beneficially owned by Law Debenture Intermediary Corporation p.l.c., in its capacity as trustee pursuant to a declaration of trust dated 2 May 2014 which is a resident of the United Kingdom. There are no other equity interests in the Issuer that are outstanding.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities and will be mostly passive. The Issuer has no subsidiaries. The Beneficial Title Seller does not own, directly or indirectly, any of the share capital of the Issuer.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 2006, the authorisation and issue of the Notes and the Certificates, the matters contemplated in this Prospectus, the authorisation of the other Primary Transaction Documents referred to in this Prospectus or in connection with the issue of the Notes and the Certificates and other matters which are incidental or ancillary to those activities. The Issuer has no employees. As at the date of this Prospectus no financial statements have been prepared by the Issuer.

There is no intention to accumulate surplus cash in the Issuer except in the circumstances set out in the section entitled "*Security for the Issuer's Obligations*".

Directors and Secretary

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

Name	Business Address	Principal Activities/Business Occupation
Ian Kenneth Bowden	Fifth floor 100 Wood Street London EC2V 7EX	Director
L.D.C. Securitisation Director No. 3 Limited	Fifth floor 100 Wood Street London EC2V 7EX	Acting as corporate directors of special purpose companies
L.D.C. Securitisation Director No. 4 Limited	Fifth floor 100 Wood Street London EC2V 7EX	Acting as corporate directors of special purpose companies

All of the directors of the Issuer are citizens and residents of the United Kingdom. The affairs of L.D.C. Securitisation Director No. 3 Limited and L.D.C. Securitisation Director No. 4 Limited are represented by their directors Ian Kenneth Bowden and Law Debenture Securitisation Services Limited. The directors of Law Debenture Securitisation Services Limited are Denyse Monique Anderson, Julian Robert Mason - Jebb, and Richard David Rance, each of whose business address is Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as directors of The Law Debenture Trust Corporation p.l.c. Each of Ms Anderson and Messrs Mason Jebb and Rance is a citizen and resident of the United Kingdom.

No potential conflicts of interest exist between the directors of the Issuer and their duties to the Issuer and their private interests and other duties

The company secretary of the Issuer is:

Name	Business Address
Law Debenture Corporate Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX

The company secretary of the Issuer is not a director of the Issuer.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider.

The Issuer's activities will principally comprise the issue of the Notes and the Certificates, the entering into of all documents relating to such issue and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

Capitalisation and Borrowings

The following table shows the unaudited capitalisation and borrowings of the Issuer as at 12 May 2014 adjusted for the issue of Notes:

	£
Share Capital	
Issued Share Capital	
50,000 issued ordinary shares of £1 each, (2 fully paid and 49,998 one-quarter paid).....	
	12,500.00
	£
Borrowings	
Class A1 Notes	338,150,000.00
Class B1 Notes.....	56,100,000.00
Class C1 Notes.....	44,880,000.00
Class D1 Notes	18,360,000.00
Class E1 Notes	27,029,000.00
Principal Residual Certificates	25,501,445.13
	£510,020,445.13

As at 12 May 2014, save as disclosed in this Prospectus, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

The current financial period of the Issuer will end on 31 December 2014.

Issuer profit

Pursuant to the Pre-Enforcement Revenue Payments Priorities, Available Revenue Funds are to be applied on each Interest Payment Date in an amount of £19,000 spread across the Interest Payment Dates occurring in the first accounting year of the Issuer following the Closing Date and £100 on each Interest Payment Date for each subsequent accounting year (the "**Required Profit Amount**") for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any Required Profit Amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

THE MORTGAGE PORTFOLIO AND THE MORTGAGE LOANS

Introduction

The following is a description of some characteristics of the Mortgage Loans and includes details of Mortgage Loan types, the underwriting process, lending criteria and selected statistical information.

The Beneficial Title Seller has identified a portfolio of mortgage loans (the "**Provisional Mortgage Portfolio**") to assign and transfer to the Issuer.

The portfolio of mortgage loans which the Beneficial Title Seller will transfer the beneficial title to on the Closing Date (the "**Mortgage Portfolio**") may differ from the Provisional Mortgage Portfolio due to any redemptions of mortgage loans occurring, enforcement procedures being completed or repurchases by the persons who sold the relevant Mortgage Loan to the Beneficial Title Seller, in each case during the period between 31 March 2014 (the "**Cut-Off Date**") and the Closing Date. As at the Cut-Off Date, the Provisional Mortgage Portfolio had the characteristics shown below. See "*Characteristics of the Provisional Mortgage Portfolio*".

The Provisional Mortgage Portfolio comprises mortgage loans (legal title to which is held by the Legal Title Holders) acquired by the Beneficial Title Seller (as to beneficial title) from Merrill Lynch International Bank Limited on 2 May 2014.

The Originators

The Provisional Mortgage Portfolio comprises Mortgage Loans originated by the following Originators:

- | | | |
|----|---|--|
| 1. | Originator | Mortgages PLC Group |
| | Percentage of Provisional Mortgage Portfolio: | 43.98 per cent. |
| 2. | Originator | Wave Lending Limited |
| | Percentage of Provisional Mortgage Portfolio: | 27.99 per cent. |
| 3. | Originator | Edeus Mortgage Creators Limited (in liquidation) |
| | Percentage of Provisional Mortgage Portfolio: | 22.68 per cent. |
| 4. | Originator | Close Brothers Limited |
| | Percentage of Provisional Mortgage Portfolio: | 3.85 per cent. |
| 5. | Originator | Paragon Mortgages Limited |
| | Percentage of Provisional Mortgage Portfolio: | 1.5 per cent. |

Characteristics of the Mortgage Loans

Repayment Terms

The Mortgage Loans have different repayment methods, as described as follows:

- (a) *Repayment:* a Mortgage Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan (a "**Repayment Mortgage Loan**") the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.
- (b) *Interest Only:* a Mortgage Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Mortgage Loan (an "**Interest Only Mortgage Loan**") with the entire principal amount being payable only upon the relevant maturity date. As the principal

amount associated with an Interest Only Mortgage Loan is repayable only upon the maturity of the Mortgage Loan, a life insurance or endowment policy or other repayment vehicle may have been taken out by a Borrower as a means of repayment of the Mortgage Loan. However, the relevant Originator will not have required the Borrower to provide evidence as to the existence of any such policies (to the extent that such a policy was required as a condition of the related Mortgage Loan) and such policies are not charged by way of collateral security.

- (c) *Part Repayment and Part Interest Only*: a Mortgage Loan under the terms of which the mortgage loan is effectively separated (at the option of the Borrower) into two principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal. Monthly payments in respect of such mortgage loans (each, a "**Part and Part Mortgage Loan**") are comprised of the interest due on both portions of the Mortgage Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal.

Of the Mortgage Loans in the Provisional Mortgage Portfolio, approximately 14.93 per cent. by balance are Repayment Mortgage Loans, approximately 83.59 per cent. by value are Interest Only Mortgage Loans and approximately 1.49 per cent. by value are Part and Part Mortgage Loans.

Interest Rate Setting for Mortgage Loans

The applicable rate of interest accruing under each Mortgage Loan is referred to as the "Mortgage Rate". The Provisional Mortgage Portfolio consists of:

- (i) LIBOR Linked Mortgage Loans;
- (ii) Bank of England Base Rate Linked Mortgage Loans; and
- (iii) SVR Mortgage Loans.

The Provisional Mortgage Portfolio consists of approximately (i) 1.8 per cent. by Principal Outstanding Balance of Mortgage Loans which are 3m GBP LIBOR linked Mortgage Loans (the "**LIBOR Linked Mortgage Loans**") where the applicable Mortgage Rate is calculated by reference to LIBOR; (ii) 92.25 per cent. by Principal Outstanding Balance of the Mortgage Loans which are Bank of England base rate linked mortgage loans (the "**Bank of England Base Rate Linked Mortgage Loans**") where the applicable Mortgage Rate is calculated by reference to the Bank of England base rate plus a fixed margin expressed as a percentage over the Bank of England base rate and (iii) 5.96 per cent. by Principal Outstanding Balance of the Mortgage Loans which are subject to each Legal Title Holder's prevailing published standard variable rate which is currently set at Bank of England base rate plus a fixed margin ("**SVR**") from time to time ("**SVR Mortgage Loans**").

For Close Brothers Limited, LIBOR for the LIBOR Linked Mortgage Loans is determined as at 12:00 on the penultimate day of each month in each quarter in relation to the Mortgage Loans by the Servicer on behalf of the Issuer. LIBOR as established on such date shall be effective as of the 1st of each month in each year.

For Edeus Mortgages Creators Limited, the LIBOR for the LIBOR Linked Mortgage Loans is determined as at the date of the MPC meeting held in relation to the Mortgage Loans by the Servicer on behalf of the Issuer. LIBOR, as established at such meeting, shall be effective as of the 1st day of the following month.

The Servicer will be obliged to effect a change to the Mortgage Rate payable by Borrowers as a result of a change in the Bank of England base rate (such change becoming effective on the Mortgage Payment Date after the Borrower has been given notice of such change). The Mortgage Rate payable by such Borrowers is linked to the applicable Bank of England base rate (subject to any applicable fixed rate period having expired and generally subject to the Mortgage Documents of the relevant Bank of England Base Rate Linked Mortgage Loan).

Right to Buy Mortgage Loans

The Mortgage Portfolio includes right to buy mortgage loans ("**Right to Buy Mortgage Loans**"), each being a mortgage loan entered into by a Borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which

are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgages) (as applicable) or the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001) (in the case of Scottish Mortgages) or the Housing (Northern Ireland) Order 1983 (as amended by the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003) (in the case of Northern Irish Mortgages).

Mortgage Payment Dates

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans contained in the relevant Mortgage Documents. The Mortgage Loans have payment dates throughout the month.

Mortgage Early Repayment Charges

The Mortgage Loans may be prepaid in full or in part at any time and early redemption will generally take place in certain circumstances. The Borrowers may voluntarily redeem the Mortgage Loan when, for example, re-mortgaging or selling the underlying property or the Mortgage Loan may be redeemed as a result of enforcement proceedings following default by the Borrowers in making scheduled payments. In particular, an early redemption payment will be charged to a Borrower in connection with any repayment if the Mortgage Loan is prepaid within the first few years of its term. The level of early repayment charges depends upon the terms of the relevant Mortgage Loan but is typically on a decreasing sliding scale over the first two to five years. Early redemption payments, once received by the Issuer, constitute Revenue Receipts and will be distributed, prior to the delivery of an Enforcement Notice, in accordance with the Pre-Enforcement Revenue Payments Priorities.

Since the Mortgage Loans were originated more than five years ago, it is unlikely that any prepayment fee will be due on the Mortgage Loans.

Mortgages PLC Lending Criteria

The following lending criteria (the "**M Lending Criteria**") is a summary consolidating each of the lending criteria applied in relation to the Mortgage Loans originated by the Mortgages PLC Group. Capitalised terms used in this section are used in respect of the M Lending Criteria only, unless the context otherwise requires. Each of the Mortgage Loans originated by the Mortgages PLC Group were originated in accordance with these Lending Criteria, save in cases where the Mortgages PLC exercised its discretion to lend outside these Lending Criteria, in accordance with its relevant internal policies and procedures at the time, and subject to approval by the relevant underwriter.

Security

- (a) Each Mortgage Loan must be secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term) in England or Wales (the "**English Property**") or secured by a first ranking standard security, (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 35 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") or secured by a first legal mortgage (which can also be called a charge in cases of title registered in the Land Registry of Northern Ireland) (a "**Northern Irish Mortgage**") over a freehold or long leasehold residential property (at least 35 years longer than the mortgage term) located in Northern Ireland (a "**Northern Irish Property**") (the Northern Irish Property the Scottish Property and the English Property are collectively defined as the "**Property**" or the "**Properties**")
- (b) Only Property intended for use as the owner's principal place of residence or let under (i) an assured shorthold tenancy (in relation to an English Mortgage Loan), (ii) a private tenancy within the meaning of the Private Tenancies (Northern Ireland) Order 2000 on terms equivalent to assured shorthold (in relation to a Northern Irish Mortgage Loan) or (iii) short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to a Scottish Mortgage Loan), in each case with a term of six or twelve months is acceptable, and, if a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice must have been given to the relevant tenant in accordance with Section 32 of that Act.

- (c) Properties under 10 years old will have the benefit of an NHBC warranty, Foundation 15, architect's certificate, Zurich New Building certificate or Premier Guarantee warranty.
- (d) The following are examples of types of property which are deemed unacceptable as security unless the prior written consent of the lender has been obtained:
 - (i) Freehold flats and maisonettes (other than in Scotland);
 - (ii) Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985 or unfit for human habitation under the Housing (Northern Ireland) Order 1981 or the Housing (Scotland) Act 1987;
 - (iii) Properties containing mundic block materials;
 - (iv) All pre-cast concrete construction;
 - (v) Concrete construction (except in-situ poured concrete);
 - (vi) Properties with high alumina cement construction;
 - (vii) Properties of Cleveland Shale Construction;
 - (viii) Steel frame Construction pre 1990;
 - (ix) Properties with agricultural restrictions;
 - (x) Properties of 100 per cent. timber construction; and
 - (xi) Prefabricated buildings.
- (e) Each Property offered as security will have been valued either (i) by a qualified surveyor (MRICS/RICS/FRICS/Tech RICS qualification) chosen from a panel of valuation firms approved by the lender or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans.
- (f) At the time of completion, the relevant Property must have been insured under a buildings insurance policy with the interest of the lender noted on the insurance schedule. Buildings insurance must be arranged with a reputable insurance company agreed to by the lender in an amount not less than the full reinstatement value determined at or around the time the related Mortgage Loan was made.

Mortgage Loan Amount

A mortgage loan will not exceed £1,000,000 or £1,500,000 in aggregate for Buy to Let Mortgage Loans at any time during the life of the mortgage loan.

Loan to Value

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the Mortgage Loan (exclusive of any arrangement fee which may be added to the Mortgage Loan) (the "**Maximum LTV**") by the valuation of the Property at origination of the Mortgage Loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each mortgage loan at the date of the advance must be no more than 95 per cent.

Term

No mortgage loan may have a term of less than 5 years or more than 40 years.

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the mortgage loan for residential loans and 21 years of age in respect of Buy to Let Mortgage Loans.

- (b) A maximum number of four Borrowers are allowed to be parties to a mortgage loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) Search supplied by credit reference agency;
 - (ii) Confirmation of voters roll entries;
 - (iii) References from current employers or payslips;
 - (iv) Accountant's certificate;
 - (v) References from current and/or previous lenders;
 - (vi) Bank statements; and
 - (vii) References from current and previous landlords.
- (d) Applications where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a bankruptcy order (or its Scottish equivalent) ("**BO**") or individual voluntary arrangement (or its Scottish equivalent) ("**IVA**") are acceptable under the Lending Criteria. Explanations for CCJs, Court Decrees and arrears are not required; however, explanations for bankruptcy and IVAs will have been obtained from the Borrower in writing. Generally, a CCJ will have been ignored if it (i) was registered not less than two years before the Borrower's application for a mortgage loan, (ii) was satisfied before the Borrower's application for a mortgage loan or (iii) related to a sum of not more than £100.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge (or its Scottish equivalent) unless the bankruptcy had been discharged for more than 3 years. Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate. If the Borrower was previously subject to an IVA before making an application for a mortgage loan, confirmation will have been obtained that the IVA had expired or a reference obtained from the trustee in bankruptcy confirming satisfactory conduct for at least the 6 months prior to application.

"Borrower" means, in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage Documents together with the individual or individuals (if any) from time to time assuming an obligation to repay such mortgage loan or any part of it.

Income and Affordability

Owner Occupied Mortgage Loans

Depending on the mortgage loan type, owner occupied mortgage loans are tested by reference to income multiples and affordability. An application must have a minimum single applicant income of £10,000 and a minimum joint applicant income of £15,000.

Income Multiples and Debt Ratio Based Affordability

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers, pensions, investments and rental income, and other monies approved by the lender.
- (b) The principal amount of any mortgage loans advanced will not exceed the higher of 3.50 times the assessed income of the primary borrower plus one times the assessed income of any additional borrower(s), or 3.00 times the combined assessed incomes of the primary and secondary Borrower and, if necessary, one times the assessed income of any third or fourth Borrower.

- (c) Certain of the owner occupied Mortgage Loans comprising the Provisional Mortgage Portfolio may have been approved using a debt ratio based affordability test. The test provides for up to 45 per cent of an applicant's gross annual income (including the relevant mortgage loan payment) to be required to meet existing financial commitments including child maintenance and alimony, hire purchase commitments, other loans, credit card debts, CCJs and IVAs. If the percentage exceeds 50 per cent., then the application will normally be declined; however, the relevant Originator may have approved such applications on a case-by-case basis.

Updated/Affordability

Mortgages PLC introduced a new method of assessing borrower affordability using a model that took account of the following factors:

- (a) Income as given
- (b) Less Income Tax and National Insurance calculated by MPLC using HMRC standard data
- (c) Giving Net Income
- (d) Expenditure
- (e) New Mortgage payment always at repayment levels plus an interest rate loading of 1%
- (f) Monthly payments due on all other credit as identified via a full credit search
- (h) Other household expenditure using an independent calculation based on the number of individuals with the household
- (i) Giving Total Expenditure
- (j) If there was a surplus of £50 or more the affordability test was passed.
- (k) Income Multiples within the updated affordability model
- (l) The maximum income multiples for full status applications were 5.2 for single and 5.1 for joint.
- (m) For self certification the multiples were reduced to 4.25 for single and 4 for joint.
- (n) The model was introduced, as a pilot scheme in January 2005, then rolled out to full status loans throughout 2005 , and then finally to self certified loans in April 2007. There was discretion to use the calculator on a self certified basis for some months prior to this.

Buy to Let Mortgage Loans

Depending on the date of origination of the loan, one of the following rental assessment calculations would have been used:

- (a) 130% of the monthly payment on the revert rate on an interest only basis;
- (b) 100% of the monthly payment on the revert rate on the repayment type chosen;
- (c) 120% of the monthly payment on the initial rate on an interest only basis.

The Borrowers' credit and employment history will have been assessed with the aid of one or more of the following:

- (i) Search supplied by credit reference agency;
- (ii) Confirmation of voters roll entries or proof of residence;
- (iii) References from current and/or previous lenders;
- (iv) Bank statements; and

- (v) References from current and previous landlords.

Solicitors/Title Insurance Providers

Any firm of solicitors acting on behalf of the lender on the making of each mortgage loan must have (i) at least two practising partners (if the firm is a partnership) and (ii) be registered with the relevant Law Society. The Title Insurance Provider in relation to the Mortgage Loans is London & European Title Insurance Services Limited.

Further advance

The Beneficial Title Seller will be required to repurchase Mortgage Loans and their Related Security where a Legal Title Holder has determined that it will accept a request from a Borrower for or that the Servicer or a Legal Title Holder has determined that it will issue an offer of Further Advance.

Porting

All mortgages are portable and can be transferred to a new property if required subject to a satisfactory valuation of that property.

Edeus Mortgage Creators Limited (in liquidation) Lending Criteria

The following lending criteria (the "**Edeus Lending Criteria**") are a summary of the Edeus Lending Criteria that were applied (subject to such deviation made in accordance with the standard of a prudent residential mortgage lender) in respect of the Mortgage Loans originated by Edeus Mortgage Creators Limited (in liquidation) in the Mortgage Portfolio. Capitalised terms used in this section are used in respect of the Edeus Lending Criteria only, unless the context otherwise requires.

General Lending Principles

- (a) All mortgage loans other than self-funding buy-to-let mortgage loans (excluding to first time buyers) must pass affordability. The income multiples applied cannot exceed five times the gross income of the two highest income earners.
- (b) Income
 - (i) Employed applicants - the annual income may comprise; basic salary (including shift allowance), large town allowance, mortgage subsidy, car allowance, regular or guaranteed overtime/bonus/commission.
 - (ii) Self-employed applicants - annual income will be assessed from the accounting information supplied. Provided the income is steadily increasing the income taken will generally be the net profit from the latest year's accounts.
 - (iii) Pension – personal, occupational, disability or state pension can be included.
 - (iv) Rental / Investment Income – income from rental property (once any mortgages have been deducted) and investments may be included.
 - (v) Mortgage Loan Term - Each mortgage loan must have an initial term of between 5 and 40 years.
 - (vi) Borrowers
 - (1) Borrowers must have been at least 18 years of age and no older than 65 years of age if employed or 70 years of age if self-employed prior to completion of the Mortgage Loan.
 - (2) A maximum number of 4 Borrowers are allowed for each Mortgage Loan.
 - (vii) Residential History - A three year residential address history is required in all cases.

Property

- (a) All property must comprise a single residential dwelling unit, i.e. shared living accommodation/kitchen/bathroom etc. However, if both the application and the property are of suitable quality, a "granny annexe" may be considered suitable, subject to valuers comments.
- (b) New built property will have the benefit of a NHBC, Zurich, premier guarantee or Building Life Plans. Properties built less than 10 years ago without standard certification must be referred to the valuer for their comments as to saleability etc.
- (c) The following types of Property are usually deemed unacceptable:
 - (i) Studio Flats.
 - (ii) Properties designated as defective under Part XVI Housing Act 1985 or Pre-Cast Reinforced Concrete (PRC) property (irrespective of whether repaired under a licensed repair scheme).
 - (iii) Properties constructed with high-alumina cement, Timber framed property with no brick skin or 100% steel or timber framed property.
 - (iv) Property where material environmental hazards are present.
 - (v) Any property of Modern Method of Construction (MMC) a POD type construction where units are built off site, craned onto site and secured and serviced connected etc, then external clad.
 - (vi) Any property containing Mundic concrete that does not have an "A" classification.
 - (vii) Freehold flats and maisonettes. However applications may be acceptable where the applicant owns/will own the freehold and a long lease(s) is granted to the other units. If any doubt exists refer to a senior underwriter.
 - (viii) Property where commercial usage exceeds 20%. The commercial element should not extend to light engineering, manufacturing, livestock, rearing or caring for domestic animals.
 - (ix) Any property deemed unsuitable security by the valuer.
 - (x) Any property deemed in multiple occupation (HMO).
 - (xi) Any property where there is on-going movement/monitoring is required.
 - (xii) Ex-local authority flats or maisonettes.
 - (xiii) Mobile homes & houseboats.
 - (xiv) Grade I listed buildings.
 - (xv) Property whose saleability may be adversely affected by local planning or by an unsatisfactory mining search.
- (d) Suitable buildings insurance should be in place at completion (remortgage) or at exchange (purchase) and will be a condition of the offer that the solicitor must address.

Validation

- (a) Mortgage Conduct - Twelve months satisfactory mortgage conduct may be required under certain circumstances.
- (b) Bank statements - Three months consecutive bank statements may be required to assess an applicant's financial status.

- (c) Employment - a minimum of 12 months employment history for all employed applicants.
- (d) Self-employment - Where accounts are required, two years accounting information should be inspected and income derived. An accountant's certificate may also be acceptable depending on mortgage loan size.
- (e) For all re-mortgages we must establish the amount of capital being raised and its purpose. We must also ensure that independent legal advice is sought.

Lettings Requirements

- (a) Rental cover - Rental cover is calculated on an interest-only basis at the pay-rate of the product selected.
- (b) Letting Criteria - The property may be let under a single Assured Shorthold Tenancy or a contractual tenancy.
- (c) Multiple lets are unacceptable.

Porting

- (a) Six months is allowed from redemption of one mortgage loan to the completion of the new mortgage loan if the early repayment charge is to be refunded.
- (b) Porting and topping up - The new mortgage loan is taken on the same terms as the current mortgage loan with regards to the product available.

Mortgage Loan Amount

- (a) Mortgage Loans must be at least £25,001. Mortgage Loans will not exceed £10,000,000 at any time during the life of the Mortgage Loan.
- (b) Minimum property value of £40,000 or £75,000 in London postcode districts.
- (c) Must have been resident in UK for last twelve months.

Wave Lending Limited Lending Criteria

The following criteria, subject to limited exceptions, (the "**Wave Lending Criteria**") will have been applied in respect of the Mortgage Loans comprised in the Mortgage Portfolio originated by Wave Lending Limited. Capitalised terms used in this section are used in respect of the Wave Lending Criteria only, unless the context otherwise requires.

Security

- (a) Each Mortgage Loan (other than Right to Buy Loans (as defined below)) must be secured by a first charge by way of legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (at least 25 years longer than the mortgage term and at least 50 years at the date of application) in England or Wales (the "**English Property**") or secured by a first ranking standard security (a "**Scottish Mortgage**") over residential property held on heritable tenure and located in Scotland (a "**Scottish Property**") or secured by a first legal mortgage (which can also be called a charge in cases of title registered in the Land Registry of Northern Ireland) (a "**Northern Irish Mortgage**") over a freehold or long leasehold residential property (at least 99 years at the date of application) located in Northern Ireland (a "**Northern Irish Property**") (the Northern Irish Property the Scottish Property and the English Property are collectively defined as the "**Property**" or the "**Properties**").
- (b) Only Property of acceptable construction intended for use wholly or partly as a principal place of residence or let (in relation to English Property) under an assured shorthold tenancy or (in relation to Scottish Property) a short assured tenancy and (in relation to English Property, Scottish Property and Northern Irish Property) under a tenancy agreement which would be

acceptable to a Prudent Residential Mortgage Lender, is acceptable. A Property which may be let as a holiday letting is not acceptable.

- (c) Properties under 10 years old will have the benefit of a NHBC or architect's certificate, Foundation 15, Premier Guarantee or Zurich New Building Certificate or BLP Certificate.
- (d) The following types of Property are deemed unacceptable as security:
 - (i) Freehold flats and maisonettes (other than residential flats and maisonettes (which are not ex local authority) held on heritable tenure and located in Scotland;
 - (ii) Properties designated as defective under the Housing Defects Act 1984, the Housing Act 1985, the Housing (Scotland) Act 1987 or the Housing (Northern Ireland) Order 1986;
 - (iii) Ex-local authority flats and maisonettes (except where the Property has been individually considered by an appropriate higher mandate holder);
 - (iv) Properties with restrictions as to occupancy;
 - (v) Steel frame construction unless built after 1987;
 - (vi) Prefabricated buildings;
 - (vii) Properties underpinned within the last ten years (such properties may be acceptable upon receipt of guarantees, etc.);
 - (viii) Properties with shared ownership/equity where the Borrower or Borrowers own less than 100 per cent. of the Property;
 - (ix) Flying freehold (elements of flying freehold can be considered providing the relevant valuer confirms that the flying freehold is less than 15 per cent. of the total property);
- (e) Each Property offered as security will have been valued by a Royal Institution of Chartered Surveyors qualified surveyors chosen from a panel of valuation firms approved by the relevant Originator.
- (f) At the time of completion, the relevant Property must have been insured under a Third Party Policy unless such property is insured under the terms of the lease.
- (g) Life cover is not required for Mortgage Loans.

Mortgage Loan Amount

The Mortgage Loan at the time of completion must be at least £25,000 (or, for credit agreements made before 1 May 1998, over the financial limit then in force under the Consumer Credit Act). The initial Mortgage Loan will not exceed £2,800,000 (including Further Advances).

Loan to Value

- (a) The Loan to Value Ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the Mortgage Loan by the lower of the valuation of the Property or the purchase price of the Property.
- (b) On the date of the initial advance and/or, as the case may be, any Retention is made to the Borrower, the LTV of a Mortgage Loan must be no more than 90 per cent. (exclusive of any arrangement fee which may be added to the Mortgage Loan).
- (c) There has been no revaluation of any of the properties for the purposes of the issue of the Notes and the valuations quoted are as at the date of the original initial mortgage loan origination or the date of any Further Advance made prior to the Closing Date.

Term

Each Mortgage Loan must have an initial term of a maximum of 40 years subject to full repayment by the Borrower's 75th birthday, except in the case of Buy to Let where the Mortgage Loan has been considered by an appropriate higher mandate holder and/or there being at least 25 years left on a lease at the end of the term in the case of leasehold security.

Borrowers

- (a) Borrowers must be individuals, and have been at least 18 years of age at the time of application.
- (b) A maximum number of four Borrowers are allowed to be parties to a Mortgage Loan although only two incomes will be used for affordability on residential properties.
- (c) The Borrowers' credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) Search supplied by credit reference agency;
 - (ii) Confirmation of voters roll entries or proof of residency;
 - (iii) Reference from current employers;
 - (iv) Accountants certificate;
 - (v) Reference from current lenders;
 - (vi) Reference from current landlords;
 - (vii) Last three months pay slips and P60; and/or
 - (viii) Such other verification methods by fax and telephone.
- (d) Where satisfaction of a CCJ is a condition precedent to the making of the Mortgage Loan, a certificate of satisfaction must have been provided or confirmation of satisfaction is shown on the relevant credit reference search.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA must have provided a confirmation of satisfactory conduct of the IVA where appropriate.
- (f) Explanations for CCJs, BOs, IVAs and arrears may be requested by the relevant Originator where it considers that this is appropriate.
- (g) Occupiers of the relevant Property aged 17 or over at the date of implementation of the Mortgage Loan must complete a Deed of Consent. This requirement does not apply under Scottish law.

Income

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self employed Borrowers (holding at least 25 per cent. of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of the relevant Originator.
- (b) Since its launch, Wave Lending Limited has operated a scheme where mortgage loans (other than Buy to Let Mortgage Loans) are based on affordability and not income multiples (the "**Affordability Loan Product**"). Affordability is determined through the use of a calculator that takes account of fixed liabilities, current taxation and cost of living as well as applying an interest

rate stress test. This allows flexibility in the borrowing capability of the net income and does not restrict the mortgage loan amount to standard multiples.

- (c) In respect of Buy to Let Rental and Earned Loans - SOLO, the principal amount advanced will not exceed three and one-half times the assessed income of the Borrower or if more than one Borrower, three times the Assessed Income (as defined below) of the primary Borrower plus one times the Assessed Income of any second, third or fourth Borrower(s), or two and three quarter times the combined Assessed Incomes of the primary and secondary Borrowers. In order to calculate the assessed income of any Borrower the following amounts will be deducted from the sum of an applicant's income and gross rental payments (as assessed by the valuer): (i) 7.50 per cent. of any existing residential mortgage balance; (ii) an amount equal to 12 times 5 per cent. of any credit card balances; and (iii) an amount equal to 12 months payments under any hire-purchase arrangements or outstanding mortgage loans of the Borrower (such calculation giving the "**Assessed Income**" of the Borrower). Where there is more than one Borrower, such deductions are taken from the income of the Borrower with the highest income.
- (d) In respect of Buy to Let Rental Income Only Loans, that the rental payment received by the Borrower in respect of the relevant Property is at least 100 per cent. of the Borrower's monthly interest payments under the Mortgage Loan on or around application of the Mortgage Loan.
- (e) In respect of Buy to Let Rental and Earned Loans – Multi, the principal amount advanced will not exceed:

$$\frac{[A-B-C] + [D + E] - [F+G+H+I]}{J+1.25 \text{ per cent.}} \text{ LESS } [K+L+M]$$

Where:

A = annual income x 35 per cent.

B = any monthly loan payments x 12.

C = any credit card debt x 1 per cent. x 12.

D = monthly rental income of existing Buy to Let property x 12.

E = monthly rental income of the new Buy to Let property x 12.

F = any agent costs with respect to the new Buy to Let Property consisting of total annual rent x 10 per cent.

G = any insurance costs with respect to the new Buy to Let Property consisting of the property figure x 0.33 per cent.

H = any maintenance costs with respect to the new Buy to Let Property consisting of the property figure x 0.5 per cent.

I = the average void weeks consisting of the total annual rent x 3.6/52.

J = Bank of England base rate.

K = any residential mortgage balance.

L = existing Buy to Let mortgage exposure.

M = new Buy to Let mortgage exposure.

Solicitors

The firm of solicitors acting on behalf of Wave Lending Limited on the making of each Mortgage Loan must have at least two practising partners. Licensed conveyancers are not acceptable.

Further Advances

The Beneficial Title Seller will be required to repurchase Mortgage Loans and their Related Security where a Legal Title Holder has determined that it will accept a request from a Borrower for or that the Servicer or a Legal Title Holder has determined that it will issue an offer a Further Advance to a Borrower.

Buy to Let Mortgage Loans

Mortgage Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties ("**Buy to Let Mortgage Loans**") are governed by the Lending Policy for Rented Residential property which includes the same, or at times, stricter lending criteria than the Wave Lending Criteria, including:

- (a) that the maximum LTV of each Mortgage Loan is 90 per cent. (exclusive of any arrangement fee which may be added to the Mortgage Loan);
- (b) that the rental payment assessed by the valuer in respect of the relevant Property is at least 100 per cent. of the Borrower's monthly interest payments under the Mortgage Loan on or around application of the Mortgage Loan;
- (c) a more limited adverse credit history on the Borrower;
- (d) that the Mortgage Loan amount is no greater than three and one-half times the Assessed Income of the Borrower or if more than one Borrower, three times the Assessed Income of the primary Borrower plus one times the Assessed Income of any second, third or fourth Borrower (s), or two and three quarter times the combined Assessed Income of the primary and secondary Borrowers; and
- (e) that the principal amount advanced will not exceed:

$$\frac{[A-B-C] + [D + E] - [F+G+H+I]}{J+1.25 \text{ per cent.}} \text{ LESS } [K+L+M]$$

Where:

A = annual income x 35 per cent.

B = any monthly loan payments x 12

C = any credit card debt x 1 per cent. x 12

D = monthly rental income of existing Buy to Let property x 12

E = monthly rental income of the new Buy to Let property x 12

F = any agent costs with respect to the new Buy to Let Property consisting of total annual rent x 10 per cent.

G = any insurance costs with respect to the new Buy to Let Property consisting of the property figure x 0.33 per cent.

H = any maintenance costs with respect to the new Buy to Let Property consisting of the property figure x 0.5 per cent.

I = the average void weeks consisting of the total annual rent x 3.6/52

J = Bank of England base rate

K = any residential mortgage balance

L = existing Buy-to- Let mortgage exposure

M = new Buy to Let mortgage exposure

Wave Lending Limited may take into account only the projected rental income, as confirmed by the valuer, on the rented property when considering whether to make a Buy to Let Mortgage Loan to a Borrower ("**Buy to Let – rental income**") or may take into account both the projected rental income, as confirmed by the valuer, on the rented property as well as the surplus income of the Borrower which will be available to make repayments on the rented property ("**Buy to Let – rental and earned SOLO and MULTI**").

Let to Buy Loans

Wave Lending Limited may offer loans which are made to homeowners who wish to let their existing residential property to third parties and buy another property elsewhere ("**Let to Buy Loans**"). The terms of the Let to Buy Loans are governed by the Lending Policy for Owner Occupied Property. The Originator does not take security over the existing residential property but may take into account the surplus projected rental income on the rented property (after repayments of the existing loan) when considering whether to make a Let to Buy Loan to a Borrower.

Non-Conformity to Lending Criteria

69 Mortgage Loans in the Mortgage Portfolio, for one of more reasons, do not comply with the relevant Originator's Lending Criteria. Any representations and warranties given to the Issuer in respect of the compliance of such Mortgage Loans with the Lending Criteria will expressly exclude such identified areas of non-compliance and, accordingly, the failure of such Mortgage Loans to comply with Lending Criteria by reason of such identified areas of non-compliance will not be capable of constituting a Relevant Breach giving rise to an obligation on the Beneficial Title Seller to repurchase such Mortgage Loans from the Issuer. This will, however, be without prejudice to the Issuer's rights to require the Beneficial Title Seller to repurchase such Mortgage Loans for any other breach of Asset Warranty constituting a Relevant Breach.

General provisions applicable to the Mortgage Loans

Changes to Lending Criteria and Mortgage Documents

Subject to obtaining any relevant consents, the Legal Title Holders as lender of record in respect of the Mortgage Loans and Mortgages or the Servicer on behalf of the Legal Title Holders may vary the M Lending Criteria, the Edeus Lending Criteria or the Wave Lending Criteria (each, as relevant, the "**Lending Criteria**") or the basis on which consents or approvals are given to Borrowers from time to time and the Servicer may vary the service specification and in doing so it must act as a Prudent Residential Mortgage Lender.

Valuation

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in this section entitled "*The Mortgage Portfolio and the Mortgage Loans*"), no revaluation of any Property has been undertaken by the Beneficial Title Seller, the Legal Title Holders, the Issuer, the Servicer, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original mortgage loan origination.

Enforcement Procedures

The Servicer has established procedures to adhere to when managing mortgage loans that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be

experiencing, agreeing payment plans with the related Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures as from time to time varied in accordance with the practice of a Prudent Residential Mortgage Lender as dictated by the Servicer will continue to be applied in respect of arrears arising on the mortgage loans. In this context, the Enforcement Procedures will be operated by the Servicer.

CHARACTERISTICS OF THE PROVISIONAL MORTGAGE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Mortgage Portfolio of £510,020,445 as at the Cut-Off Date and is described further in the section entitled "*The Mortgage Portfolio and the Mortgage Loans - Introduction*" above.

The information contained in this section has not been updated to reflect any decrease in the size of the Mortgage Portfolio from that of the Provisional Mortgage Portfolio.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Cut-Off Date. "**Current Balance**" has the same meaning as "Principal Outstanding Balance". Columns may not add up to the total due to rounding.

As at the Cut-Off Date, the Provisional Mortgage Portfolio had the following characteristics:

Summary Statistics

Cut-off Date	31/03/2014
Current Balance (£)	510,020,445
Total Original Balance (£)	533,291,759
Number of Loans	3,812
Average Loan Balance (£)	133,793
WA OLTV (%)	81.46
WA CLTV (%)	79.34
WA Indexed CLTV (%)*	89.6
WAC (%)	2.95
WA Margin Over Basis (%)	2.32
BBR Loans (%)	92.25
LIBOR Loans (%)	1.8
SVR Loans (%)	5.96
IO (%)	83.59
BTL (%)	35.91
WA Seasoning (Years)	6.92
WA Remaining Term (Years)	14.60
Current Loans (%)	91.46
30-60 Days in Arrears (%)	3.57
60-90 Days in Arrears (%)	1.76
90+ Arrears (%)	3.21
Self Certified (%)	56.43
Remortgage (%)	44.38
Right to Buy (%)	0.71
Bankruptcy / IVA (%)	2.91

* Indexation based on Halifax 2013 Q4 Non Seasonally Adjusted Regional House Price Indices

Originator

Originator	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
MPLC.....	224,308,681.43	43.98	2,019	52.96
WAVE.....	142,756,177.65	27.99	885	23.22
EDEUS.....	115,651,971.24	22.68	693	18.18
Close Brothers.....	19,630,169.00	3.85	132	3.46
Paragon.....	7,673,445.81	1.50	83	2.18
Total:	510,020,445.13	100	3,812	100

Current Balance (£)

Current Balance (£)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
0.00 - 49,999.99	12,537,900.07	2.46	384	10.07
50,000.00 - 99,999.99	81,893,253.35	16.06	1,072	28.12
100,000.00 - 149,999.99	136,507,386.06	26.77	1,098	28.80
150,000.00 - 199,999.99	113,591,427.73	22.27	660	17.31
200,000.00 - 249,999.99	71,572,543.05	14.03	327	8.58
250,000.00 - 299,999.99	39,897,937.40	7.82	147	3.86
300,000.00 - 349,999.99	13,669,966.93	2.68	43	1.13
350,000.00 - 399,999.99	12,598,796.16	2.47	34	0.89
400,000.00 - 449,999.99	6,326,051.49	1.24	15	0.39
450,000.00 - 499,999.99	2,849,423.24	0.56	6	0.16
500,000.00 - 549,999.99	4,109,757.76	0.81	8	0.21
550,000.00 - 599,999.99	1,717,742.72	0.34	3	0.08
600,000.00 >=	12,748,259.17	2.50	15	0.39
Total:	510,020,445.13	100	3,812	100

Product Index Type

Product Index Type	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
BBR	470,478,561.27	92.25	3,329	87.33
SVR	30,375,850.24	5.96	386	10.13
3M GBP LIBOR	9,166,033.62	1.80	97	2.54
Total:	510,020,445.13	100	3,812	100

Current Margin Over Basis (%)

Current Margin Over Basis (%)*	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans (%)
<= 0.49	2,807,097.73	0.55	25	0.66
0.50 - 0.99	11,406,600.88	2.24	95	2.49
1.00 - 1.49	31,260,078.06	6.13	219	5.75
1.50 - 1.99	162,865,022.25	31.93	1,079	28.31
2.00 - 2.49	143,592,542.71	28.15	1,134	29.75
2.50 - 2.99	55,688,482.58	10.92	415	10.89
3.00 - 3.49	47,728,960.05	9.36	399	10.47
3.50 - 3.99	44,739,882.30	8.77	365	9.58
4.00 >=	9,931,778.57	1.95	81	2.12
Total:	510,020,445.13	100	3,812	100

* Margin over relevant index: BBR, LIBOR or SVR

Current Interest Rate (%)

Current Interest Rate (%)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 1.99	31,181,369.63	6.11	187	4.91
2.00 - 2.49	153,592,723.67	30.12	963	25.26
2.50 - 2.99	140,818,568.06	27.61	1,078	28.28
3.00 - 3.49	58,710,735.66	11.51	436	11.44
3.50 - 3.99	54,766,036.43	10.74	467	12.25
4.00 - 4.49	53,592,241.74	10.51	478	12.54
4.50 - 4.99	13,591,532.72	2.66	146	3.83
5.00 >=	3,767,237.22	0.74	57	1.50
Total:	510,020,445.13	100	3,812	100

Origination Year

Origination Year	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 2004	28,635,919.54	5.61	387	10.15
2005	10,000,131.22	1.96	84	2.20
2006	57,306,972.60	11.24	451	11.83
2007	379,560,113.72	74.42	2,594	68.05
2008	22,005,825.61	4.31	187	4.91
2009	1,168,660.15	0.23	10	0.26
2010 >=	11,342,822.29	2.22	99	2.60
Total:	510,020,445.13	100	3,812	100

Seasoning (Years)

Seasoning (years)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 5.99	18,363,564.01	3.60	166	4.35
6.00 - 6.99	366,154,723.27	71.79	2,518	66.05
7.00 - 7.99	80,784,289.44	15.84	602	15.79
8.00 - 8.99	15,070,699.22	2.95	133	3.49
9.00 - 9.99	1,951,769.93	0.38	13	0.34
10.00 >=	27,695,399.26	5.43	380	9.97
Total:	510,020,445.13	100	3,812	100

Remaining Term (Years)

Remaining Terms (years)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 4.99	42,551,676.50	8.34	307	8.05
5.00 - 9.99	73,720,035.92	14.45	572	15.01
10.00 - 14.99	133,339,702.90	26.14	1,027	26.94
15.00 - 19.99	208,959,448.73	40.97	1,507	39.53
20.00 - 24.99	37,727,616.82	7.40	285	7.48
25.00 >=	13,721,964.26	2.69	114	2.99
Total:	510,020,445.13	100	3,812	100

Repayment Type

Repayment Type	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
Interest Only	426,309,865.53	83.59	2,813	73.79
Capital and Interest	76,120,985.63	14.93	931	24.42
Part & Part	7,589,593.97	1.49	68	1.78
Total:	510,020,445.13	100	3,812	100

Months in Arrears

Months in Arrears	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
0-30 Days	466,480,394.60	91.46	3,480	91.29
30-60 Days	18,194,828.27	3.57	142	3.73
60-90 Days	8,963,593.24	1.76	65	1.71
90+ Days	16,381,629.02	3.21	125	3.28
Total:	510,020,445.13	100	3,812	100

Original LTV (%)

Original LTV (%)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 50.00.....	16,120,470.76	3.16	209	5.48
50.01 - 55.00.....	9,740,395.37	1.91	103	2.70
55.01 - 60.00.....	11,744,533.39	2.30	128	3.36
60.01 - 65.00.....	19,271,109.60	3.78	172	4.51
65.01 - 70.00.....	29,284,016.79	5.74	244	6.40
70.01 - 75.00.....	31,594,756.83	6.19	261	6.85
75.01 - 80.00.....	45,556,935.12	8.93	324	8.50
80.01 - 85.00.....	59,860,588.32	11.74	444	11.65
85.01 - 90.00.....	111,385,907.06	21.84	731	19.18
90.01 - 95.00.....	167,251,221.66	32.79	1,139	29.88
95.01 >=.....	8,210,510.23	1.61	57	1.50
Total:	510,020,445.13	100	3,812	100

Current LTV (%)

Current LTV (%)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 50.00.....	30,940,371.33	6.07	461	12.09
50.01 - 55.00.....	13,528,493.23	2.65	153	4.01
55.01 - 60.00.....	14,986,991.46	2.94	160	4.20
60.01 - 65.00.....	23,724,242.06	4.65	200	5.25
65.01 - 70.00.....	26,830,803.47	5.26	215	5.64
70.01 - 75.00.....	35,230,305.45	6.91	256	6.72
75.01 - 80.00.....	48,441,552.57	9.50	305	8.00
80.01 - 85.00.....	57,550,910.65	11.28	380	9.97
85.01 - 90.00.....	102,750,083.41	20.15	660	17.31
90.01 - 95.00.....	135,176,972.37	26.50	887	23.27
95.01 >=.....	20,859,719.13	4.09	135	3.54
Total:	510,020,445.13	100	3,812	100

Indexed CLTV

Indexed CLTV (%)	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
<= 60.00.....	53,822,537.58	10.55	695	18.23
60.01 - 65.00.....	16,836,407.65	3.30	142	3.73
65.01 - 70.00.....	16,372,765.20	3.21	133	3.49
70.01 - 75.00.....	30,592,146.45	6.00	199	5.22
75.01 - 80.00.....	31,956,759.96	6.27	214	5.61
80.01 - 85.00.....	37,064,242.10	7.27	250	6.56
85.01 - 90.00.....	50,531,431.47	9.91	313	8.21
90.01 - 95.00.....	59,330,722.44	11.63	354	9.29
95.01 - 100.00.....	60,117,105.91	11.79	380	9.97
100.01 - 105.00.....	50,918,636.00	9.98	364	9.55
105.01 - 110.00.....	56,222,364.72	11.02	418	10.97
110.01 - 115.00.....	19,428,016.26	3.81	168	4.41
115.01 - 120.00.....	6,564,657.34	1.29	56	1.47
120.01 >=.....	20,262,652.05	3.97	126	3.31
Total:	510,020,445.13	100	3,812	100

Original Valuation Type

Original Valuation Type	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
Full Surveyor	507,335,930.82	99.47	3,792	99.48
AVM	2,684,514.31	0.53	20	0.52
Total:	510,020,445.13	100	3,812	100

Right To Buy

Right To Buy	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
N	506,417,203.84	99.29	3,750	98.37
Y	3,603,241.29	0.71	62	1.63
Total:	510,020,445.13	100	3,812	100

Property Occupancy Status

Property Occupancy Status	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
OWN	326,858,965.52	64.09	2,542	66.68
BTL	183,161,479.61	35.91	1,270	33.32
Total:	510,020,445.13	100	3,812	100

Income verification

Income verification	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
Self Certified	287,799,054.72	56.43	1,957	51.34
Full Status	222,107,925.04	43.55	1,854	48.64
Missing Data	113,465.37	0.02	1	0.03
Total:	510,020,445.13	100	3,812	100

Self Employed

Self Employed	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
N	280,055,601.04	54.91	2,339	61.36
Y	229,964,844.09	45.09	1,473	38.64
Total:	510,020,445.13	100	3,812	100

First Time Buyer

First Time Buyer	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
N	448,151,320.79	87.87	3,344	87.72
Y	61,869,124.34	12.13	468	12.28
Total:	510,020,445.13	100	3,812	100

Region

Region	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
East Anglia	12,841,817.89	2.52	102	2.68
East Midlands	24,226,700.56	4.75	206	5.40
London	112,893,900.19	22.14	531	13.93
North	23,117,248.60	4.53	251	6.58
North West	68,643,927.19	13.46	586	15.37
Northern Ireland	31,567,950.90	6.19	285	7.48
Scotland	29,020,671.12	5.69	315	8.26
South East	76,008,005.75	14.9	472	12.38
South West	31,474,725.94	6.17	200	5.25
Wales	15,328,829.80	3.01	141	3.70
West Midlands	40,909,382.94	8.02	328	8.60
Yorks and Humber	43,987,284.25	8.62	395	10.36
Total:	510,020,445.13	100	3,812	100

No. of County Court Judgements (CCJs)

No. of CCJs	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
0	469,071,024.86	91.97	3,440	90.24
1	27,169,037.00	5.33	246	6.45
2	8,568,960.06	1.68	76	1.99
>2	5,211,423.21	1.02	50	1.31
Total:	510,020,445.13	100	3,812	100

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)

Prior Bankruptcy or IVA	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
N	495,203,200.07	97.09	3,684	96.64
Y	14,817,245.06	2.91	128	3.36
Total:	510,020,445.13	100	3,812	100

Loan Purpose

Loan Purpose	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
House Purchase.....	283,684,964.90	55.62	2,057	53.96
Remortgage	226,335,480.23	44.38	1,755	46.04
Total:	510,020,445.13	100	3,812	100

Tenure

Tenure	Current Balance (£)	Current Balance (%)	No. Loans	No. Loans %
Freehold	332,356,167.76	65.17	2,478	65.01
Leasehold	148,792,910.17	29.17	1,020	26.76
Freehold (Scotland)	28,871,367.20	5.66	314	8.24
Total:	510,020,445.13	100	3,812	100

ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

The Legal Title Holders will have legal title to, and the Beneficial Title Seller will have the beneficial interest in (or a contractual right thereto), each Mortgage Loan and its related Mortgage on the Closing Date.

The Servicer is required under the terms of the Servicing Agreement to ensure the safe custody of the title deeds.

Under the Mortgage Sale Agreement to be entered into between the Beneficial Title Seller, the Legal Title Holders, the Trustee, the Issuer and the Servicer, the Beneficial Title Seller and each Legal Title Holder will agree to sell, transfer and assign the Mortgage Portfolio, comprising the Mortgage Loans together with all Related Security, to the Issuer on the Closing Date. In addition to providing for the sale, transfer, assignment and assignation of the Mortgage Portfolio, the Mortgage Sale Agreement also sets out or provides for, *inter alia*, the following:

- (a) the representations and warranties to be given by the Beneficial Title Seller, including the warranties in relation to the Mortgage Loans and the Related Security and the repurchase of the relevant Mortgage Loan and Related Security in case of a Relevant Breach of a warranty which has not been remedied within applicable grace periods. No such representations or warranties are given by any Legal Title Holder;
- (b) the repurchase by the Beneficial Title Seller of Mortgage Loans together with their Related Security where a Legal Title Holder has determined that it shall accept a request from a Borrower for, or a Legal Title Holder has determined that it will issue an offer of, a Further Advance in respect of the related Mortgage Loan following the repurchase of the relevant Mortgage Loan and the Related Security;
- (c) the repurchase by the Beneficial Title Seller of Mortgage Loans together with their Related Security where the Issuer has determined there has been a breach of the Asset Warranties, subject to certain limitations as set out in "*Asset Warranties and Relevant Breach of Asset Warranties*" below;
- (d) the repurchase by the Beneficial Title Seller of the Shortfall Accounts at its request;
- (e) an undertaking by each Legal Title Holder that it will not accept a request from a Borrower for, or issue an offer of, a Further Advance prior to the repurchase of a Mortgage Loan by the Beneficial Title Seller;
- (f) the parties to the Mortgage Sale Agreement (including the Issuer and the Trustee) will agree with and acknowledge that (i) until the date falling two years and one day after the Final Discharge Date none of them nor any person on their behalf shall initiate or join any person in initiating an Insolvency Event or the appointment of an Insolvency Official in relation to the Beneficial Title Seller; (ii) notwithstanding any other provision of any Transaction Document, all obligations of the Beneficial Title Seller to the Transaction Parties and the Noteholders, are limited in recourse as set out in the Transaction Documents (which excludes recourse to amounts needed to pay for expenses of the Beneficial Title Purchaser and its retained profit amount) (and, upon the Beneficial Title Seller giving written notice to the Transaction Parties that it has determined in its sole opinion, that there is no reasonable likelihood of there being any further realisations in respect of the assets of the Beneficial Title Seller, which would be available to pay unpaid amounts outstanding under the Transaction Documents, neither the Transaction Parties nor the Noteholders shall have any further claim against the Beneficial Title Seller in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full); and (iii) they shall have no recourse whatsoever against nor shall any personal liability attach to any shareholder, officer, agent, employee or director of the Beneficial Title Seller in his capacity as such, by any proceedings or otherwise, in respect of any obligation, covenant, or agreement of the Beneficial Title Seller contained in the Transaction Documents;
- (g) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer;

- (h) the circumstances where the Issuer will pay and indemnify the Beneficial Title Purchaser where costs and expenses are incurred by it or payable to third parties on or before the Cut-Off Date;
- (i) the circumstances where the Issuer will reimburse Merrill Lynch International Bank Limited or any Legal Title Holder for any costs such party incurs in relation to providing assistance to the Beneficial Title Seller in relation to certain litigation or other matters in respect of the perfection of the Mortgage Loans and their Related Security;
- (j) the circumstances where the Issuer will pay for any costs, fees and expenses that the Beneficial Title Seller is required to compensate Merrill Lynch International Bank Limited or any Legal Title Holder for; and
- (k) certain representations, warranties and undertakings to be provided by (i) the Issuer to the Beneficial Title Seller and each Legal Title Holder, (ii) the Beneficial Title Seller to the Issuer and the Trustee, and (iii) each Legal Title Holder to the Issuer and the Trustee..

Consideration

The Beneficial Title Seller will contract to sell, transfer and assign to the Issuer on the Closing Date a portfolio of United Kingdom residential mortgage loans (the "**Mortgage Loans**") and their associated mortgages or (in Scotland) standard securities (the "**Mortgages**" and, together with the other security for the Mortgage Loans, the "**Related Security**") and all monies derived therefrom from time to time (collectively referred to herein as the "**Mortgage Portfolio**") and certain other assignable rights. In respect of Mortgage Loans which have the benefit of security over real estate located in England and Wales ("**English Mortgage Loans**"), the assignment will be an assignment which takes effect in equity only. In respect of Mortgage Loans which have the benefit of security over real estate located in Scotland ("**Scottish Mortgage Loans**") and their associated Mortgages (the "**Scottish Mortgages**" and together with the other security for the Scottish Mortgage Loans, the "**Scottish Related Security**"), the Mortgage Sale Agreement provides for the transfer of the beneficial interest in such Mortgage Loans and their Related Security to be effected by a declaration of trust (the "**Scottish Declaration of Trust**") by each relevant Legal Title Holder in favour of the Issuer. In respect of Mortgage Loans which have the benefit of security over real estate located in Northern Ireland (the "**Northern Irish Mortgage Loans**") and their associated Mortgages (the "**Northern Irish Related Security**"), the Mortgage Sale Agreement provides for the transfer and assignment of beneficial interest in such Mortgage Loans and their Related Security, which takes effect in equity only. In each case, the transfer of legal title to the Mortgage Loans and their Related Security may not occur or, if it does occur, will not occur until a later date, as described further in the section entitled "*Transfer of legal title to the Issuer*" below.

The consideration payable by the Issuer to the Beneficial Title Seller for the Mortgage Portfolio on the Closing Date will consist of an amount of approximately £472,717,545.08 plus deferred consideration consisting of the residual payments in respect of the Mortgage Portfolio pursuant to the applicable Payments Priorities being represented by the Principal Residual Certificates and the Revenue Residual Certificates issued by the Issuer to the Beneficial Title Seller on the Closing Date. All amounts received in relation to the Mortgage Portfolio on and after the Cut-Off Date shall be for the account of the Issuer and each Legal Title Holder and the Beneficial Title Seller will undertake to forward any such amount received to the Issuer and hold such amounts on trust for the Issuer until such time.

Asset Warranties and Relevant Breach of Asset Warranties

The Mortgage Sale Agreement contains the asset warranties (the "**Asset Warranties**") given by the Beneficial Title Seller in relation to the Mortgage Loans. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer or the Trustee each of whom is relying entirely upon the Asset Warranties. The Beneficial Title Seller was not the originator of any of the Mortgage Loans and has purchased the related Mortgage Loans under a mortgage sale agreement containing separate limited warranties in respect of the Mortgage Loans and a repurchase obligation on the seller of the Mortgage Loans following certain breaches of such warranties which is limited in time and expires on the date falling on or about 2 years from the Closing Date. Accordingly, the Beneficial Title Seller does not have direct knowledge as to whether certain Asset Warranties are correct or not and therefore such Asset Warranties are being given merely to allow the Issuer to require the Beneficial Title Seller to repurchase the relevant Mortgage Loan in case of a Relevant Breach of an Asset Warranty. The Beneficial Title

Seller's obligation to repurchase Mortgage Loans in case of a Relevant Breach of an Asset Warranty is limited in time and expires on the date falling 5 years from the Closing Date. Please also see the Risk Factors Section (in particular "*Limitation of Sellers' Liability*", "*Limited Recourse and non-petition in relation to the Beneficial Title Seller*" and "*Knowledge of matters referred to in Asset Warranties*").

If, upon the occurrence of a Relevant Breach of an Asset Warranty under the Mortgage Sale Agreement, such Relevant Breach is either not capable of remedy or, if capable of remedy, the Beneficial Title Seller has failed to remedy such material breach within the applicable grace period starting from when the Beneficial Title Seller becomes aware of the same, the Beneficial Title Seller will be required to repurchase the relevant Mortgage Loan as set out in the paragraph "*Repurchase by Beneficial Title Seller*" below.

Investors should note that certain of the Mortgage Loans were acquired by Merrill Lynch International Bank Limited, before being transferred to the Beneficial Title Seller, from one originator while that Originator was in administration. Accordingly, under the terms of the mortgage sale agreement under which such purchase was made, that Originator made no warranties in respect of the Mortgage Loans. In turn, warranties made by Merrill Lynch International Bank Limited to the Beneficial Title Seller when transferring to it the beneficial title to the Mortgage Loans were extremely limited.

"Relevant Breach" means, in relation to a Mortgage Loan, a breach of an Asset Warranty which, in the reasonable opinion of the Trustee (as the Trustee shall be directed by the First Voting Class), materially adversely affects either:

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

The Issuer has no recourse against the Originators for any breach of a representation or warranty given by an Originator to Merrill Lynch International Bank Limited or any previous purchaser under the relevant original mortgage sale agreement. The sole remedy provided for in the Mortgage Sale Agreement (subject to the relevant cure period as set out in the Mortgage Sale Agreement) of the Issuer in respect of a Relevant Breach of an Asset Warranty in relation to a Mortgage Loan shall be the requirement that the Beneficial Title Seller repurchase, within the applicable time limit, any Mortgage Loan which is the subject of the Relevant Breach. The Beneficial Title Seller is a special purpose entity with limited assets and has the benefit of certain limited recourse and non-petition provisions agreed with the Issuer.

The following are certain of the Asset Warranties (or extracts or summaries of certain warranties) given by the Beneficial Title Seller in relation to the Mortgage Loans and the Related Security in favour of the Issuer under the Mortgage Sale Agreement on the Closing Date:

- (a) Each Mortgage Loan constitutes a legal, valid and binding obligation of the relevant Borrower enforceable in accordance with its terms (except that (1) enforceability may be limited by the bankruptcy or insolvency of the Borrower or by the application of the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**UTCCR**"), the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**") or the Consumer Credit Act 1974 (the "**CCA**") and (2) no warranty is given in relation to any obligation of the Borrower to pay prepayment charges, mortgage administration exit fees or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than, in relation to any prepayment charges);
- (b) Immediately prior to the transfer of the Mortgage Loans under the Mortgage Sale Agreement, the Beneficial Title Seller was the absolute beneficial owner of all of such Mortgage Loans and the related Mortgages and the Related Security to be sold to the Issuer thereunder at the Closing Date, and the Beneficial Title Seller has not assigned (whether by way of absolute assignment or

assignment or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any of the Mortgage Loans or their related Mortgages, the Related Security or any of the property, rights, title, interest or benefit to be sold, transferred or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to the Mortgage Sale Agreement;

- (c) Subject to, in relation to a Right to Buy Loan, any charge or security which may arise in favour of the relevant local authority or the Northern Ireland Housing Executive or any relevant housing association or other competent public authority, each Mortgage Loan is secured by a valid and subsisting first legal mortgage (or, (i) in Scotland, first ranking standard security or (ii) in Northern Ireland, first legal mortgage or charge) over the Property to which it relates (subject to completion of any registration or recording requirements at the Land Registry, the Land Registers of Northern Ireland or the Registers of Scotland (as applicable) and (in those cases) there is nothing to prevent that registration or recording being effected);
- (d) No lien or right of set off or counterclaim has been created or arisen between the Borrower and any Seller which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan;
- (e) Each Legal Title Holder holds or will hold, upon completion of any pending applications for registration or recording of that Legal Title Holder as legal title holder of any Mortgages at the Land Registry or the Land Registers of Northern Ireland or heritable creditor at the Registers of Scotland (as applicable), legal title to all Mortgage Loans and related Mortgages and the Related Security;
- (f) Each Property is a residential property located in England, Wales, Northern Ireland or Scotland;
- (g) Other than the Mortgage Loans in respect of which Edeus Mortgage Creators, Paragon Mortgages Limited and Close Brothers Limited are Originators, each Mortgage Loan and its related Mortgage has been made on materially the same terms as are set out in the Standard Documentation;
- (h) At the time of origination of the relevant Mortgage Loan, a valuation of the relevant Property was undertaken by (i) a valuer approved by the relevant Originator, or (ii) applying Hometrack Data System Limited's automated valuation model;
- (i) Other than when acting as a Prudent Residential Mortgage Lender, neither the Beneficial Title Seller nor a Legal Title Holder has, in writing, waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan or its related Mortgage, other than in relation to any payment default in respect of those Mortgage Loans;
- (j) So far as the Beneficial Title Seller is aware, no Borrower is or has, since the date of origination of the relevant Mortgage Loan, been in material breach of any obligation owed in relation to that Mortgage Loan and/or its related Mortgage (other than in relation to any payment default in respect of those Mortgage Loans);
- (k) So far as the Beneficial Title Seller is aware, each Borrower is a natural legal person and was aged 18 years or older at the date that he or she executed the relevant Mortgage and no Borrower is or has been within the 12 months preceding the date of the Mortgage Sale Agreement, an employee or director of the relevant Originator;
- (l) The amount of each Mortgage Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of any Legal Title Holder to make any Further Advance;
- (m) Each Mortgage Loan was originated in, is denominated in, and all amounts in respect of such Mortgage Loan are payable in, sterling;
- (n) So far as the Beneficial Title Seller is aware, in relation to each Mortgage over a Property in England, Wales and Northern Ireland, the Borrower has a good and marketable title to the relevant Property, in relation to each Scottish Mortgage, the Borrower has a valid and marketable title to the relevant Property and the relevant Property has been registered or recorded or is in the

course of registration with such title as would be acceptable to a Prudent Residential Mortgage Lender;

- (o) All the Mortgage Loans in respect of Properties located in (i) England and Wales are governed by English law, (ii) Scotland are governed by Scots law and (iii) Northern Ireland are governed by Northern Irish law;
- (p) Except in the case of a Mortgage Loan which is the subject of a policy of insurance in respect of title (howsoever described) to a relevant Property ("**Title Insurance Policy**") issued by a provider of such policies, at the date of origination of each Mortgage Loan, the relevant Originator received from its solicitors a certificate of title or report on title to the relevant Property addressed to such Originator. The certificate of title or report on title disclosed nothing which would, if applicable, after further investigation, cause a Prudent Residential Mortgage Lender to decline to proceed with the Mortgage Loan on the proposed terms;
- (q) The terms of the Standard Documentation require a buildings insurance policy to be taken out by the Borrower (a "**Borrower Buildings Policy**");
- (r) Neither the relevant Originator nor any other person who has held title in any Mortgage Loan has waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan and the related Mortgage;
- (s) Except for documents which have been submitted with an application for a Mortgage or Related Security and such application is still pending, the customer file, the deed constituting the relevant Mortgage and any documents of title to the relevant Property are held by or to the order of the Beneficial Title Seller and/or the relevant Legal Title Holder;
- (t) In relation to each Right to Buy Loan:
 - (i) the Originators were at the time of origination of such Right to Buy Loan an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing Act 1986 or, as applicable, a recognised lending institution within the meaning given to that expression in the Housing (Scotland) Act 1987 (as applicable), or in Northern Ireland a person complying with any analogous provisions of Northern Irish law;
 - (ii) so far as the Originators are aware, the original advance was made to the person exercising the right to buy;
 - (iii) the original advance was made principally for the purposes of enabling the recipient thereof to purchase and/or (in Scotland) improve the relevant Property; and
 - (iv) none of the Mortgage Loans are the subject of a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Property;
- (u) In respect of Buy to Let Mortgage Loans, the Originators required that Borrowers permit only assured shorthold tenancies within the meaning of the Housing Act 1988 or, in Northern Ireland, tenancies on terms equivalent to assured shorthold tenancies or short assured tenancies within the meaning of the Housing (Scotland) Act 1988 to apply to the relevant Properties and neither the Originators nor the Beneficial Title Seller have waived this requirement in respect of any Borrower or Property;
- (v) No agreement for a Mortgage Loan is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA) and no circumstances exist which are capable of making the relationship between the relevant Seller and the customer unfair under section 140A of the CCA. In relation to any Mortgage Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Beneficial Title Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Mortgage Loan (as applicable);

- (w) So far as the Beneficial Title Seller is aware, no Legal Title Holder has received written notice of any litigation or claim calling into question in any material way the legal and/or beneficial title to any Mortgage Loan and the related Mortgage or Related Security of the relevant Legal Title Holder or their ability to fully and effectively enforce the same;
- (x) To the extent that any Mortgage Loan and related Mortgage is subject to the UTCCR, no action whether formal or informal has been taken by the Office of Fair Trading, the FCA or a "qualifying body" as defined in the UTCCR, against the Beneficial Title Seller or any Legal Title Holder pursuant to the UTCCR or otherwise which might restrict or prevent the use in any Mortgage Loan and related Mortgage of any material term or the enforcement of such terms;
- (y) So far as the Beneficial Title Seller is aware, the identity of the Borrower was verified at origination and so far as the Relevant Persons are aware there is no evidence of any fraud (and for these purposes, "**Relevant Persons**" means the Operations Director of Mortgages PLC at the relevant time);
- (z) Interest on each Mortgage Loan is charged in accordance with the provisions of the Mortgage Loan and its related Mortgage and is payable monthly in arrear or monthly in advance;
- (aa) Other than the Beneficial Title Seller selling a Mortgage Loan, the only third party having an interest in such Mortgage Loan, the related Mortgages and other rights granted to or held for the Beneficial Title Seller and being the subject of the Mortgage Sale Agreement is each Legal Title Holder in its capacity as bare trustee (or as trustee under a Scottish Declaration of Trust) of the legal title to the Mortgage Loans and Mortgages;
- (bb) The information relating to the Mortgage Loans as set out in the annexure to the Mortgage Sale Agreement is, to the best of the Beneficial Title Seller's knowledge, information and belief, true and accurate;
- (cc) All Mortgage Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an equitable or beneficial transfer of the Mortgage Loans and Related Security;
- (dd) At least one full scheduled payment has been made by the relevant Borrower in respect of each Mortgage Loan;
- (ee) Each Mortgage Loan has a term ending no later than 2050; and
- (ff) No Related Security or Ancillary Right in respect of a Mortgage Loan is stock or a marketable security (as such terms are defined for the purposes of section 122 of the Stamp Act 1891), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003).

Repurchase by Beneficial Title Seller

The Beneficial Title Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (including any accrued interest and arrears interest thereon) together with its Related Security if such Mortgage Loan or its Related Security does not comply (subject to certain provisions as to materiality) on the Closing Date with the Asset Warranties given by the Beneficial Title Seller under the Mortgage Sale Agreement and such breach is not remedied within the applicable grace period starting from when the Beneficial Title Seller becomes aware of such breach and provides a written notice in relation to such breach to the Issuer and the Trustee.

The Beneficial Title Seller will have no other liability for a breach of an Asset Warranty other than the obligation to repurchase.

The Beneficial Title Seller is a limited recourse and non petition vehicle (see "*Description of the Beneficial Title Seller*") and so recourse against it for non compliance with this provision of the Mortgage Sale Agreement is limited.

In the Servicing Agreement the Servicer has agreed to notify the Issuer and the Trustee of any event which may reasonably give rise to an obligation of the Beneficial Title Seller to repurchase any Mortgage Loan as soon as it becomes aware of such event.

In addition, the Beneficial Title Seller will be required to repurchase Mortgage Loans and their Related Security where the relevant Legal Title Holder has determined that it will accept a request from a Borrower for that Legal Title Holder has determined that it will issue an offer of (i) any advance of further money under the relevant Mortgage Documents (such advance, a "**Further Advance**"), following the repurchase of the relevant Mortgage Loan and the Related Security.

The price payable by the Beneficial Title Seller upon the repurchase of any Mortgage Loan and its Related Security (the "**Repurchase Price**") will be the aggregate of the Principal Outstanding Balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid interest and arrears interest in relation to that Mortgage Loan up to but excluding the date of repurchase multiplied by the Discount Percentage plus an amount equal to the Issuer's reasonable and properly incurred costs or any other reasonable expenditure properly incurred in relation to such repurchase.

The Beneficial Title Seller has limited cash and other assets from which to pay the Repurchase Price (such cash and other assets comprising the Principal Residual Certificates (payments in respect of which are subject to the Payments Priorities and which the Beneficial Title Seller will covenant not to sell), a right to receive the Beneficial Title Seller Fee, contractual rights under the Servicing Agreement and the agreement under which it purchased the Mortgage Portfolio, any Beneficial Title Seller Available Amounts and, at closing, the Revenue Residual Certificates). As such, the Beneficial Title Seller may not financially or otherwise be in the position to honour the obligation to repurchase Mortgage Loans under the Mortgage Sale Agreement where there is a Relevant Breach of the Asset Warranties, including, but not limited to, as a result of the warranties that the Beneficial Title Seller receives under the mortgage sale agreement with Merrill Lynch International Bank Limited differing in time and scope. Please see the risk factors "*Limitation of Liability of Beneficial Title Seller and the Legal Title Holders*" and "*Limited Recourse and non-petition in relation to the Beneficial Title Seller*".

Transfer of legal title to the Issuer

In relation to Mortgages of registered land in England, Wales and Northern Ireland, or over any land in Scotland, beneficial title in respect of which will be transferred to the Issuer on the Closing Date, until such time as transfers and assignments of such Mortgages have been completed and registered or recorded at the Land Registry, the Land Registers of Northern Ireland or the Registers of Scotland, the sale and transfer to the Issuer will take effect in equity and transfer beneficial title only or, in the case of the Scottish Mortgages, the relevant Legal Title Holders will hold the beneficial interests therein under the Scottish Declaration of Trust. In the case of Mortgages of unregistered land in England, Wales and Northern Ireland, in order for legal title to pass to the Issuer, conveyances of the relevant mortgages would have to be completed in favour of the Issuer. In the case of mortgages of unregistered land in Northern Ireland, in order for legal title to pass to the Issuer, conveyance and assignments of the relevant Mortgages would have to be completed in favour of the Issuer. As a result, legal title to the Mortgage Loans and their Related Security will remain with the relevant Legal Title Holder until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers or (in relation to Scottish Mortgage Loans and their Related Security) the execution and registration or recording (as applicable) of assignments by a Legal Title Holder in favour of the Issuer together with notification of the assignment to the Borrowers.

Under the Mortgage Sale Agreement, no Legal Title Holder, the Beneficial Title Seller nor the Issuer will require the execution and completion of such transfers, assignments assignments and conveyances in favour of the Issuer or the registration or recording of such transfers or service of notice on Borrowers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security (including, where appropriate, their registration or recording), except in the limited circumstances described below.

Transfer upon Perfection Event

Each Legal Title Holder shall be obliged to give notice of assignment or, as applicable, assignment of the Mortgage Loans to the Borrowers following the occurrence of a Perfection Event and receipt of a written notice from the Issuer or the Trustee. The execution of transfers or assignments of legal title to the

Mortgage Loans and their Related Security to the Issuer (or a nominee of the Issuer) (together with the relevant notices to the Borrowers) will be required to be completed by the Legal Title Holders within 25 Business Days of receipt of written notice from the Issuer or the Trustee upon the occurrence of any of the following (each a "**Perfection Event**"):

- (a) the delivery of an Enforcement Notice by the Trustee;
- (b) the termination of the appointment of the Servicer as servicer of the Mortgage Portfolio under the Servicing Agreement;
- (c) any Legal Title Holder being required, by an order of a court of competent jurisdiction, or by a change in law occurring after the Closing Date, or by a regulatory authority, to perfect the transfer of legal title to the Mortgage Loans and Related Security in favour of the Issuer;
- (d) the Security or any material part (in the opinion of the Trustee) of the Security being in jeopardy and it being necessary to perfect the transfer of legal title to the Mortgage Loans and their Related Security in favour of the Issuer in order to materially reduce such jeopardy; or
- (e) the occurrence of an Insolvency Event in relation to a Legal Title Holder.

The Issuer shall, following the occurrence of a Perfection Event, register or record any transfer or assignation of the legal title to a Mortgage at the Land Registry, the Land Registers of Northern Ireland or the Registers of Scotland as soon as possible following receipt (or execution by the Issuer) of such transfer or assignation and shall respond expeditiously to all requisitions raised by the Land Registry, the Land Registers of Northern Ireland or the Registers of Scotland.

Each of the Legal Title Holders and the Beneficial Title Seller will undertake to the Issuer and the Trustee to grant security powers of attorney to the Issuer and the Trustee to allow them to affect certain matters under the Mortgage Sale Agreement.

Third Party Interest

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

Limited recourse against solicitors and valuers

The Issuer may not have any direct rights (under general law or in contract) against any solicitors, licensed or qualified conveyancers or valuers who, when acting for an Originator in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Beneficial Title Seller has, to the extent assignable, and to the extent it has been validly assigned to it, assigned its causes and rights of actions against third parties to the Issuer pursuant to the Mortgage Sale Agreement. To the extent that such causes and rights of actions against solicitors, licensed or qualified conveyancers and valuers prove to be unassignable or that the assignment or, as applicable, assignation, is not binding on the relevant solicitors, licensed or qualified conveyancers or valuers or that the relevant solicitors or valuers do not owe a duty of care to the Issuer, the Beneficial Title Seller has undertaken to indemnify the Issuer for any losses incurred by it as a result of any negligence or breach of contract by a solicitor, licensed or qualified conveyancers or valuer. Notwithstanding this, no Legal Title Holder nor the Beneficial Title Seller is required to pay the Issuer any more than received by it from the Originators, a solicitor, licensed or qualified conveyancer or a valuer as a result of taking any such action.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligation arising out of or in connection to the Mortgage Sale Agreement will be governed by and construed in accordance with English law although terms thereof particular to Scots law shall be construed in accordance with Scots law and any terms or provisions thereof relating to Northern Irish Mortgage Loans and/or Northern Irish Related Security shall be governed by and construed in accordance with Northern Irish law.

SERVICING OF THE MORTGAGE PORTFOLIO

Mortgage Loan Servicing

The Servicer and the Services

The Servicer will be appointed by the Issuer under the terms of the Servicing Agreement as its agent to service the Mortgage Loans which constitute part of the Mortgage Portfolio.

The duties of the Servicer include, *inter alia*:

- (a) keep records and books of account for the Client in relation to the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio;
- (b) maintaining the Mortgage Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage Loan and sending each Borrower an account statement every twelve months;
- (c) collecting payments of interest and/or interest and principal as agreed between the Borrower and the Legal Title Holders (each a "**Monthly Subscription**") due on the Mortgage Loans. Other than in respect of Paragon Serviced Loans (as to which see "*Paragon Finance PLC Collections*" below), the Monthly Subscriptions are deposited into the Seller Collection Accounts and held on trust by the Legal Title Holders pursuant to the Seller Collection Account Agreement and Declaration of Trust for the Issuer as beneficiary and are swept by the Seller Collection Account Bank on a daily basis to the Transaction Account (subject to maintaining a minimum balance as may be required by the Seller Collection Account Bank in relation to the relevant account holder's obligations under the Direct Debit Scheme and deducting certain excluded amounts, as to which see "*Cash Management – Seller Collection Accounts*");
- (d) notifying Borrowers of changes in their Monthly Subscriptions and any other matter or thing which the applicable Mortgage Documents require to be notified to the Borrowers (in the manner and at the time required by the relevant Mortgage Documents);
- (e) dealing with the administrative aspects of the redemption of a Mortgage Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release or discharge of the Mortgage to the relevant Borrower and the relevant Land Registry or Registers of Scotland filings upon receipt of amounts required to pay the Mortgage Loan;
- (f) holding or procuring the holding of title deeds relating to the relevant Properties in safe custody;
- (g) setting the interest rate for the Mortgage Loans;
- (h) provide a redemption statement upon the request of a relevant Borrower or the relevant Borrower's solicitor, licensed conveyancer or qualified conveyancer;
- (i) dealing with enquiries and requests from Borrowers;
- (j) commencing and proceeding with professional negligence claims, insurance claims and claims against third parties;
- (k) take all steps which would be reasonable to expect a Prudent Residential Mortgage Lender to take to recover all sums due to the Issuer including, without limitation, by the institution of legal proceedings and/or the enforcement of any Mortgage Loan or its Related Security comprised in the Mortgage Portfolio;
- (l) preparing a report by no later than 12.00 (noon) on the day falling five Business Days prior to each Interest Payment Date about all the Mortgage Loans in the Mortgage Portfolio in respect of the Calculation Period ending on the immediately preceding Calculation Date;
- (m) perform all other functions imposed on it pursuant to any other Transaction Documents to which it is a party;

- (n) assisting the Cash Manager in the preparation and delivery of the Monthly Investor Report (required pursuant to the terms of the Cash Management Agreement) on or about each Interest Payment Date and provide the Cash Manager with any required counterparty information (to the extent the Servicer has such information) which the Servicer determines is necessary to include in any reports to be provided for the purposes of Article 409 of Regulation (EU) No 575/2013 and Article 53 of Regulation (EU) No 231/2013;
- (o) provide such information in relation to the Mortgage Loans and the Mortgage Portfolio (and in such format) as may reasonably be requested by the Rating Agencies;
- (p) during the period of 15 Business Days after the Accounting Reference Date of the Issuer (being 31 December each year), provide such information to the Issuer as may reasonably be requested by the Issuer and is within its possession to enable the Issuer to prepare its annual accounts, in such format as may reasonably be required by the Issuer; and
- (q) take all other action and do all other things which it would be reasonable to expect a Prudent Residential Mortgage Lender to do in administering its loans and their related security.

Termination of appointment

The appointment of the Servicer may be terminated by the Issuer (with the prior consent of the Trustee) or, following the service of an Enforcement Notice copied to the Servicer, by the Trustee, on the happening of certain events of default, including non-performance of its obligations under the Servicing Agreement (subject to applicable grace periods) or if certain insolvency or similar events occur in relation to the Servicer or if, following the service of an Enforcement Notice in relation to the Notes or the Certificates, if the continuation of the appointment of the Servicer is, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (iii) by the Servicer upon 12 months' written notice to the Beneficial Title Seller, the Issuer, the Trustee and the Legal Title Holders. If the appointment of the Servicer is terminated under the Servicing Agreement, it would be necessary for the Issuer and the Legal Title Holders to appoint the Back-Up Servicer in accordance with the Back-Up Servicing Agreement or to appoint a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, **provided that** (in the case of a resignation only) such appointment is on such terms as required by the Servicing Agreement and the Back-Up Servicing Agreement and the then current ratings of the Notes are not adversely affected thereby, unless otherwise agreed by an Extraordinary Resolution of the Noteholders. The Servicer is not released from its obligations under the Servicing Agreement until the Back-Up Servicer or a substitute servicer has been appointed or, in case of a resignation of the Servicer at its request, the Issuer and the Trustee have provided their written consent to such termination. The ability of the Back-Up Servicer or a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. The Trustee has no obligation to act as servicer upon any such termination. For further details see the risk factor entitled "*Servicing of the Mortgage Loans and Reliance on Third Parties*".

A substitute servicer will have a business establishment (for the purposes of Section 9 of VATA) in the United Kingdom which is either its sole business establishment (with no other fixed establishment anywhere else in the world) or is its business (or other fixed) establishment which is most directly concerned with the services it supplies under such substitute servicing agreement.

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

Information and Reporting by the Servicer

Pursuant to the Servicing Agreement, the Servicer is responsible for keeping and maintaining records, on a Mortgage Loan by Mortgage Loan basis, for the purposes of identifying at any time any amount due by a Borrower, any amount paid by a Borrower and the principal balance and (if different) the total balance for the time being and from time to time outstanding on a Borrower's account.

The Servicer shall, for each Calculation Period, report to the Cash Manager by no later than 12.00 (noon). 5 Business Days prior to the related Interest Payment Date as to such principal and total balances of the Mortgage Loans and related reconciliations and other information which is required by the Cash Manager for the purposes of it preparing the Monthly Investor Report.

Fees and Expenses of the Servicer

The Servicer is entitled to an annual fee for its mortgage settlement and related administration services under the Servicing Agreement of an amount equal to 25 basis points multiplied by the Principal Outstanding Balance of the Mortgage Loans comprising the Mortgage Portfolio as at the opening of business on the first day of each Calculation Period and certain activity related fees (in each case, exclusive of VAT), which shall be paid by the Issuer on a monthly basis.

The Servicer shall be reimbursed for all out-of-pocket costs, expenses and charges, together with any amounts of VAT due thereon properly incurred by the Servicer in the performance of its obligations under the Servicing Agreement.

The Cash Manager shall (on behalf of the Issuer) apply monies credited to the Transaction Account towards satisfaction of the Servicer Fees and any Servicer Liabilities, which shall be payable on each Interest Payment Date, in accordance with the Pre-Enforcement Revenue Payments Priorities.

Sub-Contracting by the Servicer

The Servicer is permitted in specified circumstances and subject to certain conditions with the prior written consent of the Issuer and the Trustee, to sub-contract or delegate its obligations under the Servicing Agreement and intends to do so, to HML on or about the Closing Date.

Paragon Finance PLC will also be a delegate of the Servicer pursuant to an administration agreement between it, Mortgages 2 Limited, Mortgages PLC and Paragon Mortgages Limited dated 14 August 2001 (the "**Paragon Administration Agreement**"). Mortgages PLC is a party to the Paragon Administration Agreement as an agent of Mortgages 2 Limited.

Paragon Finance PLC Collections

Paragon Finance PLC (the "**Paragon Delegate Servicer**") will be a delegate of the Servicer in respect of 83 Loans in the Mortgage Portfolio which constitute, as of the Closing Date, 1.5% of the Mortgage Portfolio (the "**Paragon Serviced Loans**").

The Paragon Delegate Servicer is obliged, pursuant to the Paragon Administration Agreement, to credit all payments received by it in respect of the Paragon Serviced Loans to an account of Mortgages 2 Limited (the "**Paragon Serviced Loans Collection Account**") as soon as practicable after receipt. If the Paragon Delegate Servicer receives any monies in respect of the Paragon Serviced Loans it will hold such money on trust for Mortgages 2 Limited or Mortgages PLC until such monies are paid into the Paragon Serviced Loans Collection Account.

The Paragon Delegate Servicer has authority to make withdrawals from the Paragon Serviced Loans Collection Account on behalf of Mortgages 2 Limited. Withdrawals which the Paragon Delegate Servicer is authorised to make include, among others:

- (a) amounts (other than Further Advances) which may from time to time be due to Borrowers under the Paragon Serviced Loans;
- (b) amounts received from Borrowers for the express purposes of payment to a third party for the provision of a service;
- (c) amounts to make certain authorised investments;
- (d) amounts to make Further Advances to Borrowers under the Paragon Serviced Loans; and
- (e) amounts due to the Paragon Delegate Servicer in respect of certain out of pocket expenses.

Once a month the amounts standing to the credit of the Paragon Serviced Loans Collection Account (other than amounts which the Paragon Delegate Servicer may consider necessary to make payments in the subsequent month under (a), (b) or (e) above or in respect of any direct debit operating scheme) shall be withdrawn and applied in the following order of priority:

- (a) first, in respect of any amounts due to the Paragon Delegate Servicer under the Paragon Administration Agreement including, but not limited to, certain fees and insurance commissions;
- (b) second, amounts due from Mortgages 2 Limited to Paragon Mortgages Limited under a mortgage sale agreement dated 14 August 2001; and
- (c) third, in such amounts and to such account as Mortgages PLC may direct (as agent of Mortgages 2 Limited).

Following the Closing Date, Mortgages PLC shall (with the consent of Mortgages 2 Limited) direct that all amounts in respect of which it is capable of giving such direction shall be withdrawn from the Paragon Serviced Loans Collection Account and paid into the Transaction Account.

Back-Up Servicer

The Issuer will appoint the Back-Up Servicer pursuant to the Back-Up Servicing Agreement. Upon the termination of the appointment of the Servicer, the Issuer will take such steps as are required under the Back-Up Servicing Agreement to require the Back-Up Servicer (or, in the event of termination following resignation of the Servicer in accordance with the terms of the Servicing Agreement, the Back-Up Servicer or a substitute servicer that satisfies the conditions set forth in the Servicing Agreement) to administer the Mortgage Loans.

Enforcement Procedures

The Servicer has established procedures that the Servicer is required to adhere to for managing Mortgage Loans that are in arrears. In relation to any default by a Borrower under or in connection with a Mortgage Loan or its Related Security comprised in the Mortgage Portfolio, the Servicer will comply with the Enforcement Procedures or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, take such action as is not materially prejudicial to the interest of the Issuer.

Beneficial Title Seller

The Issuer will pay a fee (the "**Beneficial Title Seller Fee**") to the Beneficial Title Seller as consideration for the sale of the Mortgage Loans which will be used, in part, to cover the Beneficial Title Seller's ongoing operating costs and expenses in an amount equal to 0.05 per cent. per annum of the Principal Outstanding Balance of the Mortgage Portfolio. Such fee shall be inclusive of VAT.

Governing Law

Each of the Servicing Agreement and the Back-Up Servicing Agreement and any non-contractual obligations arising out of or in connection with the Servicing Agreement and the Back-Up Servicing Agreement shall be governed by English law.

CASH MANAGEMENT

On the Closing Date, the Issuer will appoint Citibank, N.A., London Branch as the cash manager (the "**Cash Manager**") to provide cash management services to the Issuer pursuant to a cash management agreement (the "**Cash Management Agreement**").

Cash Management Services

The primary obligation of the Cash Manager is to effect the transfer of monies between the relevant parties and accounts. The Cash Manager's duties will include, but are not limited to:

- (a) determining no later than the Cash Manager Determination Date the amount of the Available Revenue Funds and, the amount of the Available Principal Funds and the amounts to be paid in respect of each item in the Pre-Enforcement Payments Priorities;
- (b) applying Available Revenue Funds and Available Principal Funds in accordance with the order of payments set forth in the relevant Payments Priorities;
- (c) maintaining the Principal Ledger, the Revenue Ledger, the Principal Reserve Fund Ledger, the Class A1 Reserve Fund Ledger, the Class B1 Reserve Fund Ledger, the Issuer Profit Ledger and the Notes Principal Deficiency Ledger and the Principal Residual Certificates Deficiency Ledger; and
- (d) preparing the monthly investor report in accordance with the Cash Management Agreement (the "**Monthly Investor Report**") including, but not limited to, (i) information on amounts paid by the Issuer pursuant to the Payments Priorities and (ii) to the extent provided by the Servicer, required counterparty information to the extent the Servicer has such information, and (iii) the Beneficial Title Seller's holding of the Principal Residual Certificates, such holding as confirmed in the BTS Certificate, in the case of (ii) and (iii) as determined solely by the Servicer or the Beneficial Title Seller as the case may be. For the avoidance of doubt, the Cash Manager
 - (y) in respect of (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of such information; and
 - (z) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a BTS Certificate. The Cash Manager shall rely on such BTS Certificate until otherwise notified in writing by the Beneficial Title Seller. Compliance by the Beneficial Title Seller with any matters set out in the BTS Certificate shall not be monitored by the Cash Manager or the Trustee.

Fees and expenses of the Cash Manager

The Cash Manager is entitled to charge an annual fee for its services under the Cash Management Agreement of an amount agreed between the Issuer and the Cash Manager in a fee letter dated on or about the Closing Date.

Seller Collection Accounts

Each Seller Collection Account (other than the Paragon Serviced Loans Collection Account) is a bank account held by a Legal Title Holder at the Seller Collection Account Bank, to which the Servicer directs Principal Collections and Revenue Collections. Other than in respect of the Paragon Serviced Loans Collection Account, on the Closing Date, the relevant Legal Title Holders will provide the Seller Collection Account Bank with a new account mandate authorising the Servicer to transfer moneys from the Seller Collection Accounts from time to time (to the extent that the Seller Collection Account Bank does not undertake such task automatically). Pursuant to the Servicing Agreement, the Servicer will be obliged to procure that the Seller Collection Account Bank transfers at close of business on each Business Day during a Calculation Period all amounts standing to the credit of the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) that derive from or relate to the Mortgage Loans in the Mortgage Portfolio to the Transaction Account, but excluding:

- (a) any amounts to be deducted from the Seller Collection Accounts by the Servicer in accordance with the Servicing Agreement from time to time during a Calculation Period and applied in

making payment of certain monies which properly belong to third parties to the persons entitled thereto (including, but not limited to, amounts under a direct debit or a cheque which are to be repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account);

- (b) any amount payable by the Issuer and/or the Legal Title Holder to the Borrower under the terms of the relevant Mortgage Documents or by operation of law; and
- (c) any amount necessary to pay any amount due or owing to the Seller Collection Account Bank,

and, pursuant to the Seller Collection Account Agreement and Declaration of Trust, the Seller Collection Account Bank will be obliged to effect such transfers upon instruction from the Servicer.

The Servicer will (with the consent of Mortgages 2 Limited as set out in the Servicing Agreement) exercise its rights under the Paragon Administration Agreement to direct net Collections received by Mortgages 2 Limited in respect of the Paragon Serviced Loans to be paid to the Transaction Account as and when it is able to do so.

Direct Debit Minimum Balance

The Servicer is required to maintain such balance as may be required by the Seller Collection Account Bank in the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) at all times to satisfy its obligations arising by reason of the operation of the rules of the Direct Debiting Scheme relating to Borrowers under the Mortgage Portfolio.

Share Capital Account

The paid up share capital of the Issuer is deposited by the shareholder of the Issuer on a bank account held in the name of the Issuer at HSBC Bank PLC.

Transaction Account

General

Transaction Account

Pursuant to the Transaction Account Agreement, the Issuer will maintain the Transaction Account. The Issuer may, with the prior written consent of the Trustee, open additional or replacement bank accounts on terms as agreed between the parties at the time.

Interest shall accrue on the daily credit balance of the Transaction Account. The Transaction Account is subject to a guaranteed investment contract, under which, the Transaction Account Bank has agreed to pay such rate as agreed from time to time in respect of sums in the Transaction. All interest credited to the Transaction Account from time to time will be credited to the Transaction Account.

Ledgers

The Cash Manager shall maintain the ledgers as described below in "*Cash Flows – Ledgers and Available Amounts*" in respect of amounts standing to the credit of the Transaction Account.

Ratings of Seller Collection Account Bank and Transaction Account Bank

If at any time the Transaction Account Bank ceases to be an Eligible Institution, the Transaction Account Bank shall, within 10 (ten) Business Days of becoming aware of such circumstance, give notice of such event to the Issuer (and the Issuer will give notice to the Noteholders) and to the Trustee. The Transaction Account Bank shall, for a period of 14 calendar days from the date on which it has ceased to be an Eligible Institution, use commercially reasonable efforts to assist the Issuer, in identifying a replacement transaction account bank which is an Eligible Institution but if it is unable to identify such a replacement within such time period, the Transaction Account Bank shall have no liability or further obligation to any person.

The Issuer, shall, within 30 (thirty) calendar days from becoming aware that the Transaction Account Bank has ceased to be an Eligible Institution, replace the Transaction Account Bank with an entity which

is an Eligible Institution and, as a result, procure that the Transaction Account Bank transfers the amounts standing to the credit of the Transaction Account to that entity and procure that such entity establishes arrangements substantially similar to those contained in the Transaction Account Agreement. The Transaction Account Bank shall provide the Cash Manager and the Issuer with any assistance reasonably requested of it in order to effect such a transfer of banking arrangements.

If at any time the Seller Collection Account Bank ceases to be an Eligible Institution, the Servicer, shall, within 10 (ten) Business Days of being notified or otherwise becoming aware of such circumstance, give notice of such event to the Issuer (and the Issuer shall notify the Noteholders), the Cash Manager and to the Trustee.

The Servicer shall, within 30 (thirty) calendar days of being notified or otherwise becoming aware that the Seller Collection Account Bank has ceased to be an Eligible Institution, procure that such bank is replaced with an entity which is an Eligible Institution and, as a result, procure that the Seller Collection Accounts are transferred to an entity which is an Eligible Institution and transfer the amounts standing to the credit of the Seller Collection Accounts which relate to the Mortgage Loans comprised in the Mortgage Portfolio to that bank.

"Eligible Institution" means:

- (a) in respect of the Transaction Account Bank, any depository institution, the short-term unsecured and unsubordinated debt obligation of which are rated at least A-1 by S&P and R-1(low) by DBRS and the long-term unsecured and unsubordinated debt obligation of which are rated at least A by S&P and A by DBRS or if no S&P or DBRS short-term rating is available the long-term unsecured and unsubordinated debt obligation of which are rated at least A+ by S&P and A by DBRS,
- (b) in respect of the Seller Collection Account Bank, any depository institution, the short-term unsecured and unsubordinated debt obligation of which are rated at least A-2 by S&P and A low by DBRS and the long-term unsecured and unsubordinated debt obligation of which are rated at least BBB by S&P and BBB by DBRS or if no S&P or DBRS short-term rating is available the long-term unsecured and unsubordinated debt obligation of which are rated at least BBB+ by S&P and BBB high by DBRS,

or such other rating or ratings as may be agreed by S&P and DBRS from time to time as would maintain the then current rating of the Notes by S&P and DBRS.

Resignation of Cash Manager

The Cash Manager may resign only on giving not less than 60 days' prior notice in writing to the Issuer (with a copy to the Trustee and the Transaction Account Bank) **provided that** (i) a successor cash manager acceptable to the Trustee has been appointed and a new cash management agreement is entered into on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer and (ii) each Rating Agency has been notified in writing of such resignation and intended appointment.

Termination of Appointment of Cash Manager

The Issuer may (prior to the delivery of an Enforcement Notice and with the prior written consent of the Trustee), or the Trustee (after the delivery of an Enforcement Notice) may itself upon written notice to the Cash Manager with a copy to the Transaction Account Bank, the Issuer and the Trustee (as applicable), terminate the Cash Manager's rights and obligations immediately if any of the following events occur:

- (a) either (i) default is made by the Cash Manager in instructing the payment on the due date of any payment required to be made under the Cash Management Agreement (other than a payment required to be made on the relevant Interest Payment Date in accordance with the applicable Payments Priorities) and such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of the default and receipt by the Cash Manager of written notice from the Issuer requiring the default to be remedied or (ii) any default is made by the Cash Manager in the performance of its obligations to effect payments on the relevant Interest Payment Date in accordance with the applicable Payments Priorities;

- (b) without prejudice to paragraph (a) above:
- (i) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement;
 - (ii) any representation or warranty made by the Cash Manager pursuant to Clause 7 (*Representations and Warranties*) of the Cash Management Agreement proves to be untrue, incomplete or inaccurate; or
 - (iii) any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, incomplete or inaccurate,
- and (if such default is capable of remedy) such default continues unremedied for a period of twenty Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, after service of an Enforcement Notice, the Trustee, requiring the same to be remedied;
- (c) it is or will become unlawful for the Cash Manager to perform or comply with any of its obligations under the Cash Management Agreement;
 - (d) if the Cash Manager is prevented or severely hindered from complying with its obligations under the Cash Management Agreement as a result of a Force Majeure Event; or
 - (e) any Insolvency Event occurs in relation to the Cash Manager.

Upon termination of the appointment of the Cash Manager and the delivery of a notice of termination to the Cash Manager, the Issuer will use its reasonable endeavours to appoint a substitute cash manager (and give notice of such intended appointment to each Rating Agency). Any such substitute cash manager will be required to enter into an agreement on substantially the same terms as the Cash Management Agreement or on such terms as are satisfactory to the Trustee and the Issuer.

If the appointment of the Cash Manager is terminated or the Cash Manager resigns, the Cash Manager must (save as prohibited by any Requirement of Law or any Regulatory Direction) deliver its books of account relating to the Notes and the Certificates to the Issuer or as the Issuer (or, after service of an Enforcement Notice, the Trustee) shall direct. The Cash Management Agreement will terminate automatically on the Interest Payment Date following the Realisation of Charged Property.

Governing Law

The Cash Management Agreement and any non-contractual obligations arising out of or in relation to the Cash Management Agreement will be governed by English law.

CASHFLOWS – LEDGERS AND AVAILABLE AMOUNTS

Ledgers

The Cash Manager shall maintain the following ledgers in respect of amounts standing to the credit of the Transaction Account:

(a) ***The Issuer Profit Ledger***

The Issuer Profit Ledger shall have credited to it the amount available for doing so in under item (d) of the Pre-Enforcement revenue Payments Priorities and shall have debited from it all amounts applied in the satisfaction of the Issuer's income tax obligations and for payment to the shareholders of the Issuer by way of dividend.

(b) ***The Revenue Ledger***

(i) The following amounts shall be credited to the Revenue Ledger:

- (A) all Revenue Receipts;
- (B) any interest earned on amounts in the Transaction Account; and
- (C) on any Interest Payment Date, any amount of Residual Principal Allocation Amounts.

(ii) The following amounts shall be debited from the Revenue Ledger:

- (A) on each Business Day, the amounts specified in "*Payments on Business Days other than Interest Payment Dates*" below; and
- (B) on each Interest Payment Date, the entire balance thereof, which shall be applied in accordance with the Pre-Enforcement Revenue Payments Priorities.

(c) ***The Principal Ledger***

(i) The following amounts shall be credited to the Principal Ledger:

- (A) all Principal Receipts; and
- (B) on an Interest Payment Date, the Revenue Reallocation Amount (if any).

(ii) The following amounts shall be debited from the Principal Ledger:

- (A) on each Business Day, the amounts specified in "*Payments on Business Days other than Interest Payment Dates*" below; and
- (B) on each Interest Payment Date, the entire balance thereof, which shall be applied in accordance with the Pre-Enforcement Principal Payments Priorities.

(iii) In the event of shortfalls in the payment of certain fees and (if certain tests are met) interest on the Notes, the Revenue Addition Amount, which is the first item of the Pre-Enforcement Principal Payments Priorities will be available for application in accordance with the Revenue Addition Amount Payments Priorities.

"Revenue Addition Amounts" means, on an Interest Payment Date, an amount equal to the lesser of (A) and (B) where:

- (A) the amount available at item (a) of the Pre-Enforcement Principal Payments Priorities; and
- (B) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:

- (x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:
 - (i) (a) to (e);
 - (ii) if Cumulative Default Ratio 1 is met, (g);
 - (iii) if Cumulative Default Ratio 2 is met, (i);
 - (iv) if Cumulative Default Ratio 3 is met, (k); and
 - (v) if Cumulative Default Ratio 4 is met, (m); and
- (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing but excluding any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing.

(d) ***The Class A1 Reserve Fund Ledger***

- (i) £2,500,000 shall be credited to the Class A1 Reserve Fund Ledger on the Closing Date.
- (ii) The following amounts shall be debited from the Class A1 Reserve Fund Ledger:
 - (A) on each Interest Payment Date, an amount equal to the Class A1 Reserve Fund Drawing, if any, which shall be applied in accordance with the Class A1 Reserve Fund Drawing Payments Priorities; and
 - (B) upon the Class A1 Reserve Step-Down Conditions being met, the entire balance (the "**Class A1 Reserve Fund Step-Down Amount**"), which shall be applied in accordance with the Class A1 Reserve Fund Drawing Payments Priorities.

"Class A1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class A1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class A1 Reserve Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds, any Principal Reserve Fund Drawing, any Revenue Addition Amounts and any Class B1 Reserve Fund Drawing but excluding any Class A1 Reserve Fund Drawing.

"Class A1 Reserve Step-Down Conditions" means the condition that the relevant Interest Payment Date falls on or after the day falling 60 months after the Closing Date.

(e) ***The Class B1 Reserve Fund Ledger***

- (i) £1,500,000 shall be credited to the Class B1 Reserve Fund Ledger on the Closing Date.
- (ii) The following amounts shall be debited from the Class B1 Reserve Fund Ledger:
 - (A) on each Interest Payment Date, an amount equal to the Class B1 Reserve Fund Drawing, if any, which shall be applied in accordance with the Class B1 Reserve Fund Drawing Payments Priorities; and
 - (B) upon the Class B1 Reserve Step-Down Conditions being met, the entire balance (the "**Class B1 Reserve Fund Step-Down Amount**"), which shall be applied in accordance with the Class B1 Reserve Fund Drawing Payments Priorities.

"Class B1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class B1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class B1 Reserve Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) and, if Cumulative Default Ratio 1 is met, (g) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds, any Principal Reserve Fund Drawing and any Revenue Addition Amounts but excluding any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing.

"Class B1 Reserve Step-Down Conditions" means the condition that the relevant Interest Payment Date falls on or after the day falling 60 months after the Closing Date.

(f) ***The Principal Reserve Fund Ledger***

- (i) The following amounts shall be credited to the Principal Reserve Fund Ledger:
 - (A) on the Closing Date, £4,845,390;
 - (B) on each Interest Payment Date, the amount available under item (o) of the Pre-Enforcement Revenue Payments Priorities.
- (ii) The following amounts shall be debited from the Principal Reserve Fund Ledger:
 - (A) on each Interest Payment Date, an amount equal to the Principal Reserve Fund Drawing, if any, which shall be applied in accordance with the Principal Reserve Fund Drawing Payments Priorities; and
 - (B) on each Interest Payment Date following the satisfaction of the Principal Reserve Fund Step-Down Conditions, the Principal Reserve Fund Step-Down Amount, which shall be applied in accordance with the Principal Reserve Fund Drawing Payments Priorities.

"Principal Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Principal Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Principal Reserve Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:
 - (i) (a) to (f), (h), (j), (l) and (n);
 - (ii) if Cumulative Default Ratio 1 is met, (g);
 - (iii) if Cumulative Default Ratio 2 is met, (i);
 - (iv) if Cumulative Default Ratio 3 is met, (k); and
 - (v) if Cumulative Default Ratio 4 is met, (m); and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds but excluding any Principal Reserve Fund Drawing, any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing;

"Principal Reserve Fund Step-Down Amount" means the lesser of:

- (a) in relation to:
 - (i) each Interest Payment Date falling prior to the Principal Reserve Fund Step-Down Date, zero;
 - (ii) the first Interest Payment Date falling on or after the Principal Reserve Fund Step-Down Date where the Principal Reserve Fund Step-Down Conditions are met (the **"First Principal Reserve Fund Step-Down Trigger Date"**), the amount standing to the credit of the Principal Reserve Fund Ledger on the immediately preceding Interest Payment Date less the Stepped-Down Principal Reserve Fund Required Amount as at that Interest Payment Date (provided that if such amount is a negative number, the Principal Reserve Fund Step-Down Amount on such Interest Payment Date will be zero);
 - (iii) each Interest Payment Date falling after the First Principal Reserve Fund Step-Down Trigger Date where the Principal Reserve Fund Step-Down Conditions are met, the amount standing to the credit of the Principal Reserve Fund Ledger as at the immediately preceding Interest Payment Date less the Principal Reserve Fund Required Amount as at such Interest Payment Date (provided that if such amount is a negative number, the Principal Reserve Fund Step-Down Amount on such Interest Payment Date will be zero); and
 - (iv) each Interest Payment Date falling after the First Principal Reserve Fund Step-Down Trigger Date where the Principal Reserve Fund Step-Down Conditions are not met, zero; and
- (b) the amount standing to the credit of the Principal Reserve Fund Ledger,

provided that, on any Interest Payment Date following the redemption in full of the Notes (for the avoidance of doubt, including any Interest Payment Date on which the Portfolio Option is exercised), the Principal Reserve Fund Step-Down Amount shall be equal to the amount standing to the credit of the Principal Reserve Fund Ledger.

(g) ***The Notes Principal Deficiency Ledger***

- (i) A notes principal deficiency ledger (the "**Notes Principal Deficiency Ledger**"), comprising 5 sub-ledgers, one relating to the Class E1 Notes (the "**Class E1 Principal Deficiency Ledger**"), one relating to the Class D1 Notes (the "**Class D1 Principal Deficiency Ledger**"), one relating to the Class C1 Notes (the "**Class C1 Principal Deficiency Ledger**"), one relating to the Class B1 Notes (the "**Class B1 Principal Deficiency Ledger**") and one relating to the Class A1 Notes (the "**Class A1 Principal Deficiency Ledger**"), will be established on the Closing Date.
- (ii) For each Calculation Date, the Servicer will determine the Notes Principal Deficiency.

"**Notes Principal Deficiency**" means, on a Calculation Date, an amount equal to the greater of zero and the following amount:

 - (A) the Principal Amount Outstanding of the Notes on that Calculation Date; *minus*
 - (B) the following amount:
 - (1) the Principal Outstanding Balance of the Mortgage Portfolio on that Cut-Off Date; *minus*
 - (2) the Principal Receipts received since (and including) the Cut-Off Date to (but excluding) that Calculation Date.
- (iii) An amount equal to (i) the Notes Principal Deficiency on a Calculation Date *less* (ii) the amount which was credited to the Notes Principal Deficiency Ledger immediately prior to such Calculation Date, will be recorded as a debit to the Notes Principal Deficiency Ledger as follows:
 - (A) *first*, to the Class E1 Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class E1 Notes;
 - (B) *second*, to the Class D1 Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class D1 Notes;
 - (C) *third*, to the Class C1 Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class C1 Notes;
 - (D) *fourth*, to the Class B1 Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class B1 Notes; and
 - (E) *fifth*, to the Class A1 Principal Deficiency Ledger up to a maximum of the Principal Amount Outstanding of the Class A1 Notes.
- (iv) On each Interest Payment Date, the following amounts will be credited the following sub-ledgers of the Notes Principal Deficiency Ledger:
 - (A) to the Class A1 Principal Deficiency Ledger, the amounts applied pursuant to item (f) of the Pre-Enforcement Revenue Payments Priorities and item (f) of the Principal Reserve Fund Drawing Payments Priorities;
 - (B) to the Class B1 Principal Deficiency Ledger, the amounts applied pursuant to item (h) of the Pre-Enforcement Revenue Payments Priorities and item (h) of the Principal Reserve Fund Drawing Payments Priorities;

- (C) to the Class C1 Principal Deficiency Ledger, the amounts applied pursuant to item (j) of the Pre-Enforcement Revenue Payments Priorities and item (j) of the Principal Reserve Fund Drawing Payments Priorities;
 - (D) to the Class D1 Principal Deficiency Ledger, the amounts applied pursuant to item (l) of the Pre-Enforcement Revenue Payments Priorities and item (l) of the Principal Reserve Fund Drawing Payments Priorities; and
 - (E) to the Class E1 Principal Deficiency Ledger, the amounts applied pursuant to item (n) of the Pre-Enforcement Revenue Payments Priorities and item (n) of the Principal Reserve Fund Drawing Payments Priorities.
- (v) Amounts credited to the Notes Principal Deficiency Ledger are Revenue Reallocation Amounts (and will be credited to the Principal Ledger) and will constitute Available Principal Funds which will be applied in or towards redemption of the Notes in accordance with the Pre-Enforcement Principal Payments Priorities on each Interest Payment Date.
- (h) ***The Principal Residual Certificates Deficiency Ledger***
- (i) The debit balance from time to time on the Principal Residual Certificates Deficiency Ledger shall be equal to the lower of:
 - (A) £25,501,445.13; and
 - (B) the result of the following calculation:
 - (1) the Principal Amount Outstanding of the Notes on the relevant Calculation Date; *plus*
 - (2) £25,501,445.13; *minus*
 - (3) the total amount paid in respect of the Principal Residual Certificates prior to that Calculation Date; *minus*
 - (4) the following amount:
 - (a) the Principal Outstanding Balance of the Mortgage Portfolio on the Cut-Off Date; *minus*
 - (b) the Principal Receipts received since (and including) the Cut-Off Date to (but excluding) that Calculation Date.

Available Revenue Funds and Available Principal Funds

Available Revenue Funds

Available Revenue Funds will be applied in accordance with the Pre-Enforcement Revenue Payments Priorities.

"**Available Revenue Funds**" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) any interest earned during such Calculation Period on amounts in the Transaction Account; and
- (c) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts,

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period on a day other than an Interest Payment Date in accordance with the Cash Management Agreement (as set-out in "*Payments on Business Days other than Interest Payment Dates*" below);

Available Principal Funds

Available Principal Funds will be applied in accordance with the Pre-Enforcement Principal Payments Priorities

"Available Principal Funds" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:
 - (i) the Principal Receipts received by the Issuer during the related Calculation Period; and
 - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on the immediately following Interest Payment Date; and
- (b) the amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period on a day other than an Interest Payment Date pursuant to the terms of the Cash Management Agreement (as set-out in "*Payments on Business Days other than Interest Payment Dates*" below).

CASHFLOWS – PAYMENTS PRIORITIES

Payments on Business Days other than Interest Payment Dates

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Revenue Ledger of the amounts due and payable by the Issuer on such Business Day in relation to the following matters in the amounts required (**provided that** payments to be made from and including a Cash Manager Determination Date to and including the following Interest Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls) (but in no order of priority):

- (a) any amount payable by the Issuer and/or the Legal Title Holders to the Borrower under the terms of the Mortgage Documents or by operation of law (but subject to any right to refuse or withhold payment of such amount or any right of set off that has arisen by reason of such Borrower's breach of the terms of such Mortgage Documents) (a "**Borrower Repayment Amount**") of a revenue nature, to be paid into the Seller Collection Accounts;
- (b) any tax payment and any amount due in respect of VAT at the rate applicable from time to time;
- (c) any Third Party Expenses; and
- (d) any amount necessary to be paid to the Seller Collection Accounts to remedy an overdraft in relation to the Seller Collection Accounts caused by a payment from the Seller Collection Accounts by the Seller Collection Account Bank to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Loans, or to pay any amounts due or owing to the Seller Collection Account Bank.

On each Business Day during a Calculation Period (other than an Interest Payment Date) prior to delivery of an Enforcement Notice, the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account and recorded in the Principal Ledger of the amounts due and payable by the Issuer on such Business Day (but in no order of priority) in relation to any Borrower Repayment Amount of a principal nature, such amount to be paid to the Seller Collection Accounts (**provided that** payments to be made from and including a Cash Manager Determination Date to and including the following Interest Payment Date shall only be made from amounts paid into the Transaction Account during the Calculation Period in which that payment falls).

On the Closing Date the Cash Manager shall, on behalf of the Issuer, effect payment from monies in the Transaction Account of the purchase price for the Mortgage Loans payable to the Beneficial Title Seller.

"Direct Debit" means a written instruction of a Borrower authorising its bank to honour a request of a Legal Title Holder to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the relevant Legal Title Holder; and

"Direct Debiting Scheme" means the system for the manual or automated debiting of bank accounts by Direct Debit operated in accordance with the principal rules of certain members of the Association for Payment Clearing Services.

Pre-Enforcement Revenue Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Revenue Funds 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 Revenue Payments Priorities**"):

- (a) in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any Liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with interest payable in accordance with the terms of the Trust Deed ("**Trustee Liabilities**"); and

- (ii) the fees payable by the Issuer to the Trustee in accordance with Clause 26 (*Remuneration*) of the Trust Deed, together with any interest payable thereon pursuant to the Trust Deed ("**Trustee Fees**");
- (b) to the extent such amounts have not already been paid on a Business Day other than an Interest Payment Date in accordance with the terms of the Cash Management Agreement, in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Primary Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (d) below) ("**Third Party Expenses**");
- (c) in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any Liabilities due and payable by the Issuer to the Agents in accordance with the terms of the Agency Agreement, in each case together with interest as provided in the Agency Agreement (the "**Agents' Liabilities**");
 - (ii) the fees payable to the Principal Paying Agent for the account of the Agents in accordance with the terms of the Agency Agreement (the "**Agents' Fees**");
 - (iii) any Liabilities due and payable by the Issuer to the Servicer in accordance with the terms of the Servicing Agreement together with interest payable in accordance with the terms of the Servicing Agreement (the "**Servicer Liabilities**");
 - (iv) the fees payable by the Issuer to the Servicer in accordance with the terms of the Servicing Agreement (the "**Servicer Fees**");
 - (v) any Liabilities properly and reasonably incurred by or on behalf of the Back-Up Servicer in connection with the performance of the Back-Up Servicer's functions under the Back-Up Servicing Agreement (the "**Back-Up Servicer Liabilities**");
 - (vi) the fees payable by the Issuer to the Back-Up Servicer in accordance with the Back-Up Servicing Agreement (the "**Back-Up Servicer Fees**");
 - (vii) any Liabilities due and payable by the Issuer to the Cash Manager in accordance with the terms of the Cash Management Agreement (the "**Cash Manager Liabilities**");
 - (viii) the fees payable to the Cash Manager in accordance with the terms of the Cash Management Agreement (the "**Cash Manager Fees**");
 - (ix) any Liabilities due and payable by the Issuer to the Transaction Account Bank in accordance with the terms of the Transaction Account Agreement (the "**Transaction Account Bank Liabilities**");
 - (x) the fees, costs and expenses of the Transaction Account Bank for the operation of the Transaction Account as determined in accordance the terms of the Transaction Account Agreement (the "**Transaction Account Bank Fees**");
 - (xi) any Liabilities due and payable by the Issuer to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement (the "**Corporate Services Provider Liabilities**");
 - (xii) the fees payable to the Corporate Services Provider and the Share Trustee in accordance with the terms of the Corporate Services Agreement (the "**Corporate Services Provider Fees**");
 - (xiii) the fees payable to the Beneficial Title Seller in accordance with a fee letter dated on or about the Closing Date (the "**Beneficial Title Seller Fee**");
 - (xiv) to the Seller Collection Account Bank, any Liabilities, if any, due and payable by the Issuer to the Seller Collection Account Bank in accordance with the terms of the Seller

Collection Account Agreement and Declaration of Trust (the "**Seller Collection Account Bank Liabilities**"); and

- (xv) any amounts payable to a Legal Title Holder pursuant to the Transaction Documents,
- (d) to credit an amount to the Issuer Profit Ledger up to an amount for the relevant accounting year of the Issuer equal to the Required Profit Amount for that accounting year;
- (e) any Interest Amount due and payable in respect of the Class A1 Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (f) to record a credit entry in the Class A1 Principal Deficiency Ledger in an amount equal to the Class A1 Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (g) any Interest Amount due and payable in respect of the Class B1 Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (h) to record a credit entry in the Class B1 Principal Deficiency Ledger in an amount equal to the Class B1 Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (i) any Interest Amount due and payable in respect of the Class C1 Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (j) to record a credit entry in the Class C1 Principal Deficiency Ledger in an amount equal to the Class C1 Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (k) any Interest Amount due and payable in respect of the Class D1 Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (l) to record a credit entry in the Class D1 Principal Deficiency Ledger in an amount equal to the Class D1 Revenue Reallocation Amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount in the Principal Ledger;
- (m) any Interest Amount due and payable in respect of the Class E1 Notes on such Interest Payment Date to the relevant Entitled Persons (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (n) to record a credit entry in the Class E1 Principal Deficiency Ledger in an amount equal to the Class E1 Revenue Reallocation amount (if any) determined as at the related Calculation Date and to record a credit entry of such amount on the Principal Ledger;
- (o) to credit the Principal Reserve Fund Ledger in an amount necessary to bring the credit balance of the Principal Reserve Fund Ledger up to the Principal Reserve Fund Required Amount; and
- (p) any excess amounts in payment *pro rata* and *pari passu* to the holders of the Revenue Residual Certificates.

"**Entitled Persons**" means, in relation to payments of interest or principal in respect of a Class of Notes or Certificates, the Noteholders or Certificate Holders of the relevant Class and/or, to the extent that the Principal Paying Agent and/or the Paying Agents have properly paid any such amounts to the Noteholders or Certificate Holders of such Class and not been paid by the Issuer pursuant to Clause 7 (*Payments to Principal Paying Agent*) of the Agency Agreement, the Principal Paying Agent for itself and/or the Paying Agents.

Principal Reserve Fund Drawing Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, after application of the Available Revenue Funds, apply from the Transaction Account an amount equal to the Principal Reserve Fund Drawing 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 "**Principal Reserve Fund Drawing Payments Priorities**"):

- (a) the amount specified in item (a) of the Pre-Enforcement Revenue Payments Priorities;
- (b) the amount specified in item (b) of the Pre-Enforcement Revenue Payments Priorities;
- (c) the amount specified in item (c) of the Pre-Enforcement Revenue Payments Priorities;
- (d) the amount specified in item (d) of the Pre-Enforcement Revenue Payments Priorities;
- (e) the amount specified in item (e) of the Pre-Enforcement Revenue Payments Priorities;
- (f) the amount specified in item (f) of the Pre-Enforcement Revenue Payments Priorities;
- (g) the amount specified in item (g) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 1 is met;
- (h) the amount specified in item (h) of the Pre-Enforcement Revenue Payments Priorities;
- (i) the amount specified in item (i) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 2 is met;
- (j) the amount specified in item (j) of the Pre-Enforcement Revenue Payments Priorities;
- (k) the amount specified in item (k) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 3 is met;
- (l) the amount specified in item (l) of the Pre-Enforcement Revenue Payments Priorities;
- (m) the amount specified in item (m) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 4 is met;
- (n) the amount specified in item (n) of the Pre-Enforcement Revenue Payments Priorities; and
- (o) on the Interest Payment Date following the satisfaction of the Principal Reserve Fund Step-Down Conditions, any excess amounts in payment to the holders of the Revenue Residual Certificates.

Revenue Addition Amount Payments Priorities

On an Interest Payment Date where there is a Revenue Addition Amount, it shall be applied, after application of the Available Revenue Funds and any Principal Reserve Fund Drawing, 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 "**Revenue Addition Amount Payments Priorities**"):

- (a) the amount specified in item (a) of the Pre-Enforcement Revenue Payments Priorities;
- (b) the amount specified in item (b) of the Pre-Enforcement Revenue Payments Priorities;
- (c) the amount specified in item (c) of the Pre-Enforcement Revenue Payments Priorities;
- (d) the amount specified in item (d) of the Pre-Enforcement Revenue Payments Priorities;
- (e) the amount specified in item (e) of the Pre-Enforcement Revenue Payments Priorities;
- (f) the amount specified in item (g) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 1 is met;

- (g) the amount specified in item (i) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 2 is met;
- (h) the amount specified in item (k) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 3 is met; and
- (i) the amount specified in item (m) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 4 is met.

Class B1 Reserve Fund Drawing Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, after application of the Available Revenue Funds, any Principal Reserve Fund Drawing and any Revenue Addition Amounts, apply from the Transaction Account an amount equal to the Class B1 Reserve Fund Drawing 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 "**Class B1 Reserve Fund Drawing Payments Priorities**"):

- (a) the amount specified in item (a) of the Pre-Enforcement Revenue Payments Priorities;
- (b) the amount specified in item (b) of the Pre-Enforcement Revenue Payments Priorities;
- (c) the amount specified in item (c) of the Pre-Enforcement Revenue Payments Priorities;
- (d) the amount specified in item (d) of the Pre-Enforcement Revenue Payments Priorities;
- (e) the amount specified in item (e) of the Pre-Enforcement Revenue Payments Priorities;
- (f) the amount specified in item (g) of the Pre-Enforcement Revenue Payments Priorities but only, for the avoidance of doubt, if Cumulative Default Ratio 1 is met; and
- (g) on the Interest Payment Date following the satisfaction of the Class B1 Reserve Fund Step-Down Conditions, any excess amounts in payment to the holders of the Revenue Residual Certificates.

Class A1 Reserve Fund Drawing Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, after application of the Available Revenue Funds, any Class B1 Reserve Fund Drawing, any Principal Reserve Fund Drawing and any Revenue Addition Amounts, apply from the Transaction Account an amount equal to the Class A1 Reserve Fund Drawing 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 "**Class A1 Reserve Fund Drawing Payments Priorities**"):

- (a) the amount specified in item (a) of the Pre-Enforcement Revenue Payments Priorities;
- (b) the amount specified in item (b) of the Pre-Enforcement Revenue Payments Priorities;
- (c) the amount specified in item (c) of the Pre-Enforcement Revenue Payments Priorities;
- (d) the amount specified in item (d) of the Pre-Enforcement Revenue Payments Priorities;
- (e) the amount specified in item (e) of the Pre-Enforcement Revenue Payments Priorities; and
- (f) on the Interest Payment Date following the satisfaction of the Class A1 Reserve Fund Step-Down Conditions, any excess amounts in payment to the holders of the Revenue Residual Certificates.

Pre-Enforcement Principal Payments Priorities

Prior to the service of an Enforcement Notice by the Trustee to the Issuer, the Cash Manager (on behalf of the Issuer) shall, on each Interest Payment Date, apply Available Principal Funds 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 Principal Payments Priorities**"):

- (a) any Revenue Addition Amount, such amount to be applied in accordance with the Revenue Addition Amount Payments Priorities; and
- (b) any Note Principal Payment due and payable in respect of the Class A1 Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (c) any Note Principal Payment due and payable in respect of the Class B1 Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (d) any Note Principal Payment due and payable in respect of the Class C1 Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (e) any Note Principal Payment due and payable in respect of the Class D1 Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (f) any Note Principal Payment due and payable in respect of the Claim E1 Notes to the relevant Entitled Persons (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (g) any excess amounts, *pro rata* and *pari passu*, to the holders of the Principal Residual Certificates until the total amount paid on the Principal Residual Certificates since the date of their issue is £25,501,445.13; and
- (h) any Residual Principal Allocation Amount, such amount to be recorded as a credit entry in the Revenue Ledger.

Post-Enforcement Payments Priorities

After an Enforcement Notice is delivered by the Trustee, all monies held in the Transaction Account (other than all monies received or recovered by the Trustee which do not constitute Trust Proceeds) shall be paid to the persons entitled to such monies and the Trust Proceeds (except that Borrower Repayment Amounts shall be paid to the Seller Collection Accounts and not to Borrowers directly) (after deduction of all costs and expenses incurred by the Trustee in obtaining receipt or recovery of the Trust Proceeds) shall be held by the Trustee upon trust to be applied in payment, in the amounts required, each in the following order of priority (the "**Post-Enforcement Payments Priorities**"):

- (a) to any Receiver, the Receiver Liabilities;
- (b) to the Trustee, the Trustee Liabilities;
- (c) to any Receiver, all remuneration due to the Receiver in accordance with the terms of his appointment on or prior to the date of payment;
- (d) to the Trustee, all amounts of Trustee Fees due on or prior to the date of payment;
- (e) *pro rata* and *pari passu*:
 - (i) to the Seller Collection Account Bank, any Seller Collection Account Bank Liabilities; and
 - (ii) to the Transaction Account Bank, any Transaction Account Bank Fees and any Transaction Account Bank Liabilities;
- (f) *pro rata* and *pari passu*:
 - (i) to the Agents, the Agents' Fees due on or prior to the date of payment and the Agents' Liabilities;
 - (ii) to the Cash Manager, the Cash Manager Liabilities and the Cash Manager Fees;

- (iii) to the Corporate Services Provider, the Corporate Services Provider Liabilities and the Corporate Services Provider Fees;
- (iv) to the Servicer, the Servicer Fees due on or prior to the date of payment and the Servicer Liabilities;
- (v) to the Back-Up Servicer, any unpaid Back-Up Servicer Fees and/or Back-Up Servicer Liabilities;
- (vi) fees (other than commitment fees) and expenses accrued due and payable to a successor Servicer (after it has taken over as Servicer) agreed by the Issuer with the successor Servicer in relation to the successor Servicer's obligations under the replacement Servicing Agreement; and
- (vii) any amounts payable to a Legal Title Holder pursuant to the Transaction Documents;
- (g) all amounts of interest due in respect of the Class A1 Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (h) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class A1 Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (i) to the relevant Entitled Persons, all amounts of interest due but unpaid in respect of the Class B1 Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (j) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class B1 Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (k) to the relevant Entitled Persons, all amounts of interest due but unpaid in respect of the Class C1 Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (l) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class C1 Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (m) to the relevant Entitled Persons, all amounts of interest due but unpaid in respect of the Class D1 Notes (*pro rata* according to the amount of such interest due to be paid to each such Entitled Person);
- (n) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class D1 Notes (*pro rata* according to the amount of such principal due to be paid to each such Entitled Person);
- (o) to the relevant Entitled Persons, all amounts of interest due but unpaid in respect of the Class E1 Notes (*pro rata* according to the amount if such interest due to be paid to such Entitled Person);
- (p) to the relevant Entitled Persons, all amounts of principal due but unpaid in respect of the Class E1 Notes (*pro rata* according to the amount of such principal due to be paid to such Entitled Person);
- (q) any excess amounts, *pro rata* and *pari passu*, to the holders of the Principal Residual Certificates until the total amount paid on the Principal Residual Certificates since the date of their issue is £25,501,445.13;
- (r) to the Issuer, the Required Profit Amount; and

- (s) to the holders of the Revenue Residual Certificates, any and all amounts in respect of the Revenue Residual Certificates (*pro rata* according to the amount due to be paid to each such holder of the Revenue Residual Certificates).

"Trust Proceeds" means all recoveries, receipts and benefits received by the Trustee by virtue of the Trust Property save for monies or other assets which it is entitled to retain for its own account or which are earmarked for receipt by a third party other than as part of the Trust Property; and

"Trust Property" means the Covenant to Pay, the Issuer Covenants, the Beneficial Title Seller Covenants, the Issuer Warranties, the Beneficial Title Seller Warranties, the Security and all proceeds of the Security.

"Beneficial Title Seller Covenants" means the covenants of the Beneficial Title Seller set out in Schedule 5 (*Beneficial Title Seller's Covenants*) of the Incorporated Terms Memorandum;

"Beneficial Title Seller Warranties" means the warranties of the Beneficial Title Seller set out in Schedule 6 (*Beneficial Title Seller's Representations and Warranties*) of the Incorporated Terms Memorandum;

CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

The Notes and the Certificates are obligations of the Issuer only and will not be the obligations of, or the responsibility of, or guaranteed by, any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments by the relevant Classes of the Noteholders, as follows:

- (a) Payment of interest and principal on the Notes on each Interest Payment Date in sequential order to the Classes of Notes.
- (b) Shortfalls in the amounts available to pay fees and interest on the Notes on any Interest Payment Date may be reduced or eliminated by applying amounts standing to the credit of the Principal Reserve Fund Ledger, by applying Revenue Addition Amounts and by applying certain amounts standing to the credit of the Class A1 Reserve Fund (in relation to any Interest Amount due and payable in respect of the Class A1 Notes and any amounts to be paid in priority to such amounts in accordance with the Pre-Enforcement Revenue Payments Priority) and by applying certain amounts standing to the credit of the Class B1 Reserve Fund (in relation to any Interest Amount due and payable in respect of the Class A1 Notes, the Class B1 Notes and any amounts (other than Class A1 Revenue Reallocation Amounts) to be paid in priority to any Interest Amount due and payable in respect of the Class B1 Notes in accordance with the Pre-Enforcement Revenue Payments Priority).
- (c) Principal Losses will be allocated to Principal Residual Certificates Deficiency Ledger. Notes Deficiency Amounts will be allocated to the sub-ledgers of the Principal Deficiency Ledger, first to the Class E1 Principal Deficiency Ledger in respect of the Class E1 Notes, then to the Class D1 Principal Deficiency Ledger in respect of the Class D1 Notes, then to the Class C1 Principal Deficiency Ledger in respect of the Class C1 Notes, then to the Class B1 Principal Deficiency Ledger in respect of the Class B1 Notes and then to the Class A1 Principal Deficiency Ledger in respect of the Class A1 Notes.
- (d) Available Revenue Funds will be applied to replenish the Principal Reserve Fund.
- (e) Following redemption of the Notes and payment of an amount equal to £25,501,445.13 on the Principal Residual Certificates, Residual Principal Allocation Amounts may be applied pursuant to the Pre-Enforcement Revenue Payments Priorities which, subject to Available Revenue Funds, permits amounts to be paid in respect of the Revenue Residual Certificates.

Each of these factors and certain other factors relating to credit enhancement and/or liquidity support are considered in more detail below.

Payments under the Notes in sequential order

Payments of interest on the Classes of Notes will be paid in sequential order.

Overcollateralisation

On the basis of the Issuer's performance expectations for the Mortgage Loans it is anticipated that, during the life of the Notes, the interest to be paid by Borrowers on the Mortgage Loans will be sufficient so that the Available Revenue Funds will be available to pay the amounts payable under items (a) to (m) of the Pre-Enforcement Revenue Payments Priorities. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio (as to which, see the section entitled "*Credit Enhancement and Liquidity Support*") and the performance of the Mortgage Portfolio.

Liquidity support provided by use of Principal Reserve Fund, Available Principal Funds, Class A1 Reserve Fund and Class B1 Reserve Fund

On the Business Day falling 3 Business Days prior to the related Interest Payment Date, the Cash Manager will, to the extent such information is available to it, determine whether there will be a Principal Reserve Fund Drawing, any Revenue Addition Amounts, a Class A1 Reserve Fund Drawing and/or a Class B1 Reserve Fund Drawing.

Please see "*Cash Flows – Ledgers and Available Amounts*" above.

Notes Principal Deficiency and Principal Losses

For each Calculation Date, the Servicer will determine the amount of Notes Principal Deficiency and Principal Losses on the Mortgage Portfolio. Please see "*Cash Flows – Ledgers and Available Amounts*" above.

Revenue Residual Certificate Holders paid with Residual Principal Allocation Amount

Following the redemption of the Notes and the Principal Residual Certificates, any Residual Principal Allocation Amount shall be credited to the Revenue Ledger and applied, as Available Revenue Funds, to the Pre-Enforcement Revenue Payments Priorities. Accordingly any such funds remaining, after payment of any expenses due and payable and set out in the Pre-Enforcement Revenue Payment Priorities and any other senior costs in the Pre-Enforcement Revenue Payment Priorities will be paid to the holders of the Revenue Residual Certificates.

In the Security Deed the Beneficial Title Seller will undertake to hold the Principal Residual Certificates until maturity of the Notes, subject always to any requirement of law. The Trustee shall have the benefit of certain exculpatory protections contained in the Trust Deed in relation to the compliance of the Beneficial Title Seller with such undertaking.

The Cash Manager will publish an investor report on a monthly basis containing information in relation to the Notes and the Certificates including, but not limited to, (i) amounts paid by the Issuer pursuant to the Payments Priorities, (ii) to the extent provided by the Servicer, required counterparty information to the extent the Servicer has such information, and (iii) the Beneficial Title Seller's continued holding of the Principal Residual Certificates, such holding as confirmed in the BTS Certificate, in the case of (ii) and (iii) as determined solely by the Servicer or Beneficial Title Seller (as the case may be).

For the avoidance of doubt, the Cash Manager:

- (a) in respect (ii) and (iii), shall have no input on and shall not be required to, review or check the adequacy, accuracy or completeness of such information; and
- (b) in respect of (iii), shall only be required to include such information to the extent that the Cash Manager has received a BTS Certificate. The Cash Manager shall rely on such BTS Certificate until otherwise notified in writing by the Beneficial Title Seller. Compliance by the Beneficial Title Seller with any matters set out in the BTS Certificate shall not be monitored by the Cash Manager or the Trustee.

MATURITY AND PREPAYMENT CONSIDERATIONS

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

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

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

- (a) there are no arrears or enforcements;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) there is no debit balance on any of the sub-ledgers with respect to the Notes of the Principal Deficiency Ledger on any Interest Payment Date;
- (d) neither the Legal Title Holders nor the Beneficial Title Seller are in breach of the terms of the Mortgage Sale Agreement;
- (e) no Mortgage Loan is repurchased by any of the Legal Title Holders or Beneficial Title Seller;
- (f) no Further Advances or Ports are made in respect of the Mortgage Portfolio;
- (g) SVR is equal to 2.65 per cent;
- (h) 1-month LIBOR is equal to 0.49 per cent.;
- (i) in the case of tables stating "With Early Redemption on optional redemption date", the Notes are redeemed at their Principal Amount Outstanding on the optional redemption date;
- (j) the Notes will be redeemed in accordance with the Note Conditions;
- (k) no Security has been enforced;
- (l) the assets of the Issuer are not sold by the Issuer;
- (m) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (n) the Mortgages are fully performing until the Final Maturity Date;
- (o) the Mortgage Portfolio will be purchased on the Closing Date and is derived from the Provisional Mortgage Portfolio, which has the characteristics defined below;
- (p) the Bank of England base rate is equal to 0.5 per cent.;
- (q) the amortisation of any repayment Mortgage Loan and any part and part Mortgage Loan is calculated as an annuity loan;
- (r) all Mortgage Loans which are not repayment Mortgage Loans or part and part Mortgage Loans are assumed to be interest only Mortgage Loans;
- (s) 3-month LIBOR is equal to 0.52 per cent;
- (t) the collateral cut off date is 31-March-2014;

- (u) the closing date is 13-May-2014;
- (v) the first interest payment date is 16-June-2014; and
- (w) the optional redemption date is 15-May-2019.

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

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

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives and principal payment windows of each Class of Notes. These average lives have been calculated on a 30/360 fixed basis:

With Early Redemption on the optional redemption date

Class\CPR	Base Case	2.50%	5.00%	7.50%	10.00%
A1	3.87 Jun14 - May19	4.15 Jun14 - May19	3.75 Jun14 - May19	3.36 Jun14 - May19	3.01 Jun14 - May19
B1	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19
C1	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19
D1	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19
E1	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19	5.00 May19 - May19

Base Case: 3.5% for 24 months, from collateral cut off date, stepping to 5.5% thereafter.

Without any Early Redemption

Class\CPR	Base Case	2.50%	5.00%	7.50%	10.00%
A1	5.57 Jun14 - May26	7.31 Jun14 - Dec27	5.45 Jun14 - Aug26	4.21 Jun14 - Nov23	3.40 Jun14 - Jun22
B1	13.03 May26 - Jan28	15.52 Dec27 - Oct31	13.15 Aug26 - Mat28	11.07 Nov23 - Jan26	9.07 Jun22 - Oct24
C1	15.46 Jan28 - Sep31	18.01 Oct31 - Sep32	15.77 Mar28 - Dec31	13.47 Jan27 - Jan29	11.88 Oct24 - Aug27
D1	17.83 Sep31 - Jul32	18.39 Sep32 - Oct32	17.95 Dec31 - Jul32	15.75 Jan29 - Feb31	13.53 Aug27 - May28
E1	18.34 Jul32 - Nov32	18.55 Oct32 - Mar33	18.37 Jul32 - Nov32	17.80 Feb31 - Sep32	15.92 May28 - Feb32

Base Case: 3.5% for 24 months, from collateral cut off date, stepping to 5.5% thereafter.

EARLY REDEMPTION OF NOTES AND CANCELLATION OF CERTIFICATES

Portfolio Option

The Issuer will, by the Portfolio Option Deed, grant to the Portfolio Option Holder, Merrill Lynch International, the option (the "**Portfolio Option**") to require the Issuer to (a) sell to the Portfolio Option Holder the beneficial title to all Mortgage Loans and Related Security in the Mortgage Portfolio and (b) transfer to the Portfolio Option Holder the right to have the legal title to the Mortgage Portfolio and Related Security in the Mortgage Portfolio transferred to it.

The Portfolio Option Holder may deliver a notice to the Issuer (with a copy to the Trustee and the Cash Manager) that it intends to exercise the Portfolio Option at any time on or after the Optional Redemption Date (the "**Exercise Notice** ") which shall contain details of the proposed completion date for the exercise of the option (the "**Portfolio Purchase Completion Date** "), which shall be the Business Day falling 5 Business Days prior to the next Interest Payment Date to occur after the delivery of the Exercise Notice, provided that, if the Exercise Notice is delivered later than 10 Business Days prior to the next Interest Payment Date, the Portfolio Purchase Completion Date shall occur on the Business Day falling 5 Business Days prior to the second Interest Payment Date to occur after the date of Exercise Notice. Following receipt of the Exercise Notice, the Cash Manager, on behalf of the Issuer, shall send to the Portfolio Option Holder a notice signed by the Issuer specifying the Portfolio Option Purchase Price (as described below) (a "**Counter Notice**"). If the Portfolio Option Holder agrees (on behalf of itself and any additional potential purchasers) to the Portfolio Option Purchase Price as set out in the Counter Notice, it will send an acceptance notice to the Issuer, the Trustee, the Cash Manager and the Principal Paying Agent confirming that the purchase shall take place on the Portfolio Purchase Completion Date.

The purchase price for the Mortgage Portfolio under the Portfolio Option shall be an amount which is equal to the aggregate Principal Amount Outstanding under the Notes calculated as at the Portfolio Purchase Completion Date plus £10,000 to be paid in relation to the Principal Residual Certificates *plus* an amount equal to the amount required to satisfy items (a) to (e), (g), (i), (k) and (m) of the Pre-Enforcement Revenue Payments Priorities on the Interest Payment Date immediately following the Portfolio Purchase Completion Date (the "**Portfolio Option Purchase Price**"). The Portfolio Option Purchase Price may be paid by the Portfolio Option Holder alone or by the Portfolio Option Holder together with other potential purchasers.

The Portfolio Option is fully transferable.

Redemption of Notes and Cancellation of Certificates

Upon sale of the Mortgage Portfolio, that part of the purchase price constituting Revenue Receipts shall be applied in accordance with the Pre-Enforcement Revenue Payments Priorities on the relevant Interest Payment Date. That part of the purchase price constituting Principal Receipts shall be applied in accordance with the Pre-Enforcement Principal Payments Priorities on the relevant Interest Payment Date and will result in the Notes being sequentially redeemed in full in accordance with the Pre-Enforcement Principal Payments Priorities.

Upon the occurrence of a Portfolio Purchase, the Principal Reserve Fund Required Amount shall be reduced to zero and the entire credit balance of Principal Reserve Fund shall constitute Available Revenue Funds and be applied to repay the Notes.

Following redemption of the Notes and the redemption of the Principal Residual Certificates in accordance with the provisions thereof applying following the sale of the Mortgage Portfolio in accordance with the Portfolio Option, the Residual Principal Allocation Amount will be credited to the Revenue Ledger and may be applied, together with Revenue Receipts in payment of Certificate Payments on the Revenue Residual Certificates in accordance with the Pre-Enforcement Revenue Payments Priorities.

Following the redemption of all of the Notes in full and the Principal Residual Certificates in accordance with the provisions thereof applying following the sale of the Mortgage Portfolio in accordance with the Portfolio Option and the payment of any Residual Principal Allocation Amounts with respect to the Revenue Residual Certificates, the Certificates will be cancelled and will no longer constitute a claim against the Issuer.

SECURITY FOR THE ISSUER'S OBLIGATIONS

Security Deed

As continuing security for the payment or discharge of the Secured Amounts, the Issuer will grant the following security to be held by the Trustee for itself and on trust for the benefit of the other Secured Creditors (which definition includes the Noteholders and the Certificate Holders):

- (a) a charge by way of first fixed charge (subject to the subsisting rights of redemption of the relevant Borrowers) over the Benefit of the Issuer in the Mortgage Loans (other than the Scottish Mortgage Loans) and their Related Security comprised in the Mortgage Portfolio;
- (b) an assignment of rights held by the Issuer against certain third parties and insurers;
- (c) a charge by way of first fixed charge over the benefit of the Transaction Account, any bank or other accounts in which the Issuer may at any time have or acquire any Benefit and (to the extent of its interest) all monies now or in the future standing to the credit of or accrued or accruing on such accounts;
- (d) an absolute assignment of the Benefit under each Transaction Document to which the Issuer is a party;
- (e) an assignation in security of the Issuer's beneficial interest as beneficiary under the Scottish Declaration of Trust; and
- (f) a first floating charge over the whole of its undertaking and all its property, assets, rights and revenues, whatsoever and wheresoever present and future (other than its uncalled capital) and extending over all of its property, assets, rights or revenues as are situated in Scotland or governed by Scots law (provided that such floating charge shall be postponed to any valid fixed charges created by or pursuant to the Security Deed which remain outstanding from time to time).

Seller Collection Accounts Declaration of Trust

The Seller Collection Accounts are the bank accounts held by the Legal Title Holders, with (other than in the case of the Paragon Serviced Loans Collection Account) the Seller Collection Account Bank and are the bank accounts to which the Servicer directs payment of Principal Collections and Revenue Collections. The Legal Title Holders will, on or about the Closing Date, declare a trust over the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) in favour of the Issuer pursuant to the Seller Collection Accounts Declaration of Trust.

Post-Enforcement Payments Priorities

The Security Deed sets out the order of priority for the application of cash following the service of an Enforcement Notice by or on behalf of the Trustee (or a receiver of the Issuer appointed by the Trustee pursuant to the Security Deed). This order of priority is described in the section entitled "*Cashflows*".

Enforcement

The Security shall only become enforceable on the service of an Enforcement Notice pursuant to Note Condition 13 (*Events of Default*) or Certificate Condition 13 (*Events of Default*). The Security Deed will set out the procedures by which the Trustee may take steps to enforce the Security.

Governing Law

The Security Deed and any non-contractual obligation arising out of or in relation to the Security Deed will be governed by English law although provisions thereof and security documents supplemental thereto which relate to Scottish Mortgage Loans shall be governed by and construed in accordance with Scots law and any terms or provisions relating to Northern Irish Mortgage Loans and/or Northern Irish Related Security shall be governed by and construed in accordance with Northern Irish law.

THE TRUST DEED

The Issuer and the Trustee will enter into a Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes and Certificates of each Class. Under the Trust Deed, the Issuer will covenant to the Trustee to pay all amounts due under the Notes and the Certificates. The Trustee will hold the benefit of the Issuer's covenant to pay on trust for the Noteholders and the Certificate Holders.

Conflicts / Relationship with Noteholders and Certificate Holders

The Trust Deed will provide that, except where expressly provided otherwise, where the Trustee is required to have regard to the interests of the Noteholders, the Trustee shall have regard to the interests of all the Noteholders equally as a Class, **provided that** to the extent of any conflict between the interests between any Classes of Noteholders, the Trustee shall have regard only to the interests of the holders of the First Voting Class.

The Trust Deed contains provisions limiting the powers of:

- (a) the Class B1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A1 Noteholders;
- (b) the Class C1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A1 Noteholders and/or the Class B1 Noteholders;
- (c) the Class D1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A1 Noteholders and/or the Class B1 Noteholders and/or the Class C1 Noteholders;
- (d) the Class E1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A1 Noteholders and/or the Class B1 Noteholders and/or the Class C1 Noteholders and/or the Class D1 Noteholders;
- (e) the Revenue Residual Certificate Holders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Class A1 Noteholders and/or the Class B1 Noteholders and/or the Class C1 Noteholders and/or the Class D1 Noteholders and/or the Class E1 Noteholders; and
- (f) the Principal Residual Certificate Holders to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the Noteholders of any Class and/or the Revenue Residual Certificate Holders.

Except with regard to Reserved Matters, the Trust Deed imposes no such limitations on the powers of:

- (a) the Class A1 Noteholders, the exercise of which will be binding on the Class B1 Noteholders, the Class C1 Noteholders, the Class D1 Noteholders, the Class E1 Noteholders, the Residual Certificate Holders and the Principal Certificate Holders;
- (b) where there are no Class A1 Notes outstanding, the Class B1 Noteholders, the exercise of which will be binding on the Class C1 Noteholders, the Class D1 Noteholders, the Class E1 Noteholders, the Revenue Residual Certificate Holders and the Principal Residual Certificate Holders;
- (c) where there are no Class A1 Notes and/or Class B1 Notes outstanding, the Class C1 Noteholders, the exercise of which will be binding on the Class D1 Noteholders, the Class E1 Noteholders, the Revenue Residual Certificate Holders and the Principal Residual Certificate Holders;
- (d) where there are no Class A1 Notes, Class B1 Notes and/or Class C1 Notes outstanding, the Class D1 Noteholders, the exercise of which will be binding on the Class E1 Noteholders, the Revenue Residual Certificate Holders and the Principal Residual Certificate Holders;

- (e) where there are no Class A1 Notes, Class B1 Notes, Class C1 Notes and/or Class D1 Notes outstanding, the Class E1 Noteholders, the exercise of which will be binding on the Revenue Residual Certificate Holders and the Principal Residual Certificate Holders; and
- (f) where there are no Notes outstanding, the Revenue Residual Certificate Holders the exercise of which will be binding on the Principal Residual Certificate Holders.

The Trustee shall not be bound to take any action in relation to the Notes, the Certificates or the Primary Transaction Documents, including delivering an Enforcement Notice, unless it has been directed to do so either by an Extraordinary Resolution of the holders of the First Voting Class then outstanding or in writing by the holders of more than 25 per cent. of the Principal Amount Outstanding of the First Voting Class then outstanding.

The Trustee is not obliged to take any action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all liabilities, proceedings, claims, demands, costs, charges and expenses to which it may thereby become liable or which may be incurred by it in connection therewith.

Modification and waiver

The Trust Deed provides that, without the consent or sanction of the Noteholders or the Certificate Holders or any of the other Secured Creditors, the Trustee may at any time and from time to time:

- (a) agree with the Issuer and any other relevant parties in making any modification to the Note Conditions, the Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provision of the Trust Documents referred to in the definition of Reserved Matter), the Notes, the Certificates, any Instrument or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the First Voting Class:
- (b) agree with the Issuer and any other relevant parties in making any modification to the Note Conditions, the Certificate Conditions, the Trust Documents, the Notes, the Certificates, any Instrument or the other Transaction Documents in relation to which its consent is required which in the opinion of the Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or
- (c) in its sole discretion concur with the Issuer or any other relevant parties in authorising or waiving any breach or proposed breach of the covenants, undertakings or provisions contained in the Trust Documents, the Instruments or any other Transaction Documents, if in the opinion of the Trustee, the interests of the holders of the First Voting Class will not be materially prejudiced thereby; and
- (d) in its sole discretion determine that any Event of Default or Potential Event of Default shall not be treated as such if, in the Trustee's sole opinion, the interests of the First Voting Class will not be materially prejudiced thereby,

provided always that the Trustee shall not exercise any powers under paragraphs (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the First Voting Class then outstanding (but no such direction or request (a) shall affect any modification, waiver, authorisation or determination previously given or made or (b) shall require or authorise the Trustee to authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each relevant affected Class of outstanding Notes and Certificates other than the Principal Residual Certificates (unless the Principal Residual Certificates are the only Notes then outstanding) has, by Extraordinary Resolution, so authorised its exercise).

Unless the Trustee otherwise agrees, the Issuer shall cause any such modification, waiver, authorisation or determination to be notified to the Noteholders, the Certificate Holders and the other Secured Creditors and the Rating Agencies in accordance with the Notices Condition for the Notes and the Certificates and the Transaction Documents as soon as practicable thereafter.

Fees and expenses

The Issuer will reimburse the Trustee for all costs and expenses incurred in acting as Trustee. In addition, the Issuer shall pay to the Trustee a fee of such amount and on such dates as will be agreed from time to time by the Trustee and the Issuer.

Retirement and removal

The Trustee may retire after giving not less than 60 calendar days' notice in writing to the Issuer. The First Voting Class then outstanding may by an Extraordinary Resolution remove the Trustee.

The retirement or removal of the Trustee shall not become effective unless there remains a trustee under the Trust Deed (being a trust corporation) in office after such retirement or removal and the Issuer will covenant in the Trust Deed to use its reasonable endeavours to procure the appointment of a new Trustee after the resignation or removal of the existing Trustee. If the Issuer has failed to appoint a replacement Trustee prior to the expiry of the notice period given by the Trustee, the outgoing Trustee will be entitled to nominate a successor. Each Rating Agency shall be notified of such appointment.

Governing Law

The Trust Deed and any non-contractual obligation arising out of or in relation to the Trust Deed will be governed by English law.

DESCRIPTION OF THE GLOBAL NOTES

General

Each Class of Notes shall be represented by a global note certificate (each a "**Global Note**") (a) in the case of the Class A1 Notes, in the principal amount of £338,150,000, (b) in the case of the Class B1 Notes, in the principal amount of £56,100,000, (c) in the case of the Class C1 Notes, in the principal amount of £44,880,000, (d) in the case of the Class D1 Notes, in the principal amount of £18,360,000 and (e) in the case of the Class E1 Notes, in the principal amount of £27,029,000. Each Global Note will be deposited on or around the Closing Date with a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and together with Euroclear, the "**Clearing Systems**").

The Notes are intended upon issue to be deposited with a common safekeeper on behalf of one of the ICSDs.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used. The Notes are intended to be held in a manner which would allow Eurosystem eligibility.

Upon confirmation by the common safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record beneficial interests in the Global Notes attributable thereto (the "**Book-Entry Interests**").

Book-Entry Interests in respect of the Notes are recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arrangers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, it will be considered the sole Noteholder of the Notes represented by that Global Note for all purposes under the Trust Deed. Except as set forth under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise

any rights and obligations of a holder of Notes under the Trust Deed. See "*Description of the Global Notes – Action in Respect of the Global Notes and the Book-Entry Interests*", below.

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

Unless and until Book-Entry Interests are exchanged for Registered Definitive Notes, the Notes held by the Common Safekeeper may not be transferred except as a whole by that Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Note will hold Book-Entry Interests in the Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Issuance of Registered Definitive Notes

Each of the Global Notes will become exchangeable in whole, but not in part, for Registered Definitive Notes in denominations of £100,000, or above £100,000 in increments of £1,000 at the request of the holder of Book-entry Interest in the Global Note, if either of the following events occur:

- (a) Euroclear or Clearstream, Luxembourg closes for business for a continuous period of 14 days or announce the intention permanently to cease business without a successor to act as a Clearing System with respect to the Notes; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee.

Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to

exchange such Registered Definitive Note for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" below and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination.

Payments on Global Notes

All payments in respect of each Global Note will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Safekeeper or its nominee, as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees, in respect of Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent by the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date and the identity of the Noteholders shall be determined as at the close of business on the Record Date. The Issuer expects that payments by Participants and Indirect Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arrangers, the Trustee, the Paying Agents, the Agent Bank or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's, or an Indirect Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's or an Indirect Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge

between their two systems across which their respective account holders may settle trades with each other.

- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

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

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Note (or portion thereof) relating thereto. For any redemptions of a Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Note Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section entitled "*Description of the Global Notes – General*" above).

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

Not later than 10 days after receipt by the Issuer of any notice in respect of the Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding

the requested consent, waiver or other action in respect of the Book-Entry Interests or the Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "*Description of the Global Notes – General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Notes or the Book-Entry Interests or will publish the same on a Relevant Screen and will publish the same in any other way as the rules of the Stock Exchange require (see also Note Condition 22 (*Notices*)).

Meetings of Noteholders

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

DESCRIPTION OF THE GLOBAL CERTIFICATES

General

Each of the Principal Residual Certificates and the Revenue Residual Certificates, as at the Closing Date, will be represented by a Global Certificate. The Global Certificates will be registered on or around the Closing Date in the name of a nominee for a common depositary (the "**Common Depositary**") for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Certificates, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Certificates ("**Book-Entry Interests**") representing beneficial interests in the Certificates attributable thereto.

Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Certificate underlying the Book-Entry Interests, it will be considered the sole Certificate Holder of the Certificates represented by that Global Certificate for all purposes under the Trust Deed. Except as set forth under "*Description of the Global Certificate – Issuance of Definitive Certificates*", below, Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Certificates under the Trust Deed. See "*Description of the Global Certificate – Action in Respect of the Global Certificate and the Book-Entry Interests*", below.

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

Unless and until Book-Entry Interests are exchanged for Definitive Certificates, the Certificates held by the nominee for the Common Depositary may not be transferred except as a whole by that nominee for

the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Certificate will hold Book-Entry Interests in the Certificates relating thereto. Investors may hold their Book-Entry Interests in respect of a Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Issuance of Definitive Certificates

Each Global Certificate will become exchangeable in whole, but not in part, for Definitive Certificates at the request of the holder of the relevant Global Certificate if the following event occurs:

- (a) Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a Clearing System with respect to the Certificates.

Any Definitive Certificates issued in exchange for Book-Entry Interests in the Global Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for Book-Entry Interests in a Global Certificate will not be entitled to exchange such Definitive Certificate for Book-Entry Interests in such Global Certificate. Any Certificates issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" below and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Certificate.

Payments on Global Certificates

All payments in respect of each Global Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee, as the registered holder thereof with respect to the Global Certificate.

Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent by the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Certificates. The Record Date in respect of the Certificates shall be as at the close of

business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants and Indirect Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arrangers, the Lead Manager, the Paying Agents, the Agent Bank or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's or an Indirect Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's or an Indirect Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

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

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section entitled "*Description of the Global Certificate – General*" above).

Action in Respect of the Global Certificate and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the Certificates or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Certificates, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Certificates and (c) a statement as to the

manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Certificates in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "*Description of the Global Certificate – General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Certificates.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Certificates or the Book-Entry Interests and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Certificate Condition 22 (*Notices*)).

Meetings of Certificate Holders

The holder of the Global Certificate will be deemed to be two persons for the purpose of forming a quorum at a meeting of Certificate Holders.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed (subject to completion and amendment). If the Notes were to be represented by Definitive Notes, the Note Conditions set out on the reverse of each of such Definitive Notes would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (each as defined below).

1. General

- 1.1 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Security Deed.
- 1.2 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Note Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.
- 1.4 The Noteholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Primary Transaction Documents.
- 1.5 Copies of the Primary Transaction Documents (excluding any schedules containing personal information) are available for inspection by Noteholders during normal business hours at the registered office of the Issuer, the initial registered office of which is set out below.

2. Definitions

- 2.1 In these Note Conditions, the following defined terms have the meanings set out below:

"**Account Details**" means the details of each of the Accounts which are set out in Schedule 8 (*Account Details*) of the Incorporated Terms Memorandum;

"**Accounts**" means, together or in combination, the Seller Collection Accounts and the Transaction Account, each an "**Account**";

"**Affiliate**" means in relation to any person, a holding company, subsidiary or fellow subsidiary of such person or body corporate in which such party is substantially interested;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Citibank, N.A., London Branch in its capacity as agent bank in accordance with the terms of the Agency Agreement;

"**Agents**" means the Agent Bank, the Paying Agents and the Registrar and "**Agent**" means any one of them;

"**Ancillary Rights**" means in relation to a Right, all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right;

"**Arrangers**" means StormHarbour Securities LLP and Merrill Lynch International;

"**Assigned Policies**" means the Individual Building Policies, the Contingency Policy and the Title Indemnity Policies;

"**Available Principal Funds**" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:

- (i) the Principal Receipts received by the Issuer during the related Calculation Period; and
 - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on the immediately following Interest Payment Date; and
- (b) the amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period on a day other than an Interest Payment Date pursuant to the terms of the Cash Management Agreement;

"Available Revenue Funds" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) any interest earned during such Calculation Period on amounts in the Transaction Account; and
- (c) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts,

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period on a day other than an Interest Payment Date in accordance with the Cash Management Agreement;

"Back-Up Servicer" means Homeloan Management Limited in its capacity as back-up servicer in accordance with the terms of and to the extent required by the Back-Up Servicing Agreement;

"Back-Up Servicing Agreement" means a back-up servicing agreement to be entered into between, among others, the Issuer, the Trustee and the Back-Up Servicer on or about the Closing Date;

"Bank of America Merrill Lynch" means Merrill Lynch International;

"Beneficial Title Seller" means Kilimanjaro AM Limited;

"Benefit" in respect of any asset, agreement, property or right (each a **"Right"** for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its

Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach;

"Borrower" means, in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage Documents together with the individual or individuals (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it;

"Breach of Duty" means a wilful default, fraud or gross negligence;

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London;

"Calculation Date" means in relation to an Interest Payment Date, the last calendar day of the previous month and in relation to any Interest Payment Date, the **"related Calculation Date"** means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

"Calculation Period" means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from the Cut-Off Date) to (but excluding) the next Calculation Date (or, in respect of the first Calculation Period, the Calculation Date immediately preceding the First Interest Payment Date) and, in relation to an Interest Payment Date, the **"related Calculation Period"** means, unless the context otherwise requires, the Calculation Period ending on the Business Day immediately preceding the related Calculation Date;

"Cash Management Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee;

"Cash Manager" means Citibank, N.A., London Branch in its capacity as cash manager under the Cash Management Agreement;

"Cash Manager Determination Date" means the business day falling three Business Days prior to the related Interest Payment Date;

"Certificate Conditions" means the terms and conditions to be endorsed on the Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Certificate Condition shall be construed accordingly;

"Certificate Payment" means a payment on each Interest Payment Date, subject to the Payments Priorities in relation to the Revenue Residual Certificates and/or the Principal Residual Certificates;

"Certificate Payment Amount" means, for a Certificate of any Class on any date on which amounts are to be applied in accordance with the relevant Payments Priorities, the Certificate Payment for that date, divided by the number of Certificates in that Class;

"Certificate Holders" means the Revenue Residual Certificate Holders and/or the Principal Residual Certificate Holders, as the context requires;

"Certificates" means the Revenue Residual Certificates and/or the Principal Residual Certificates, as the context requires;

"Charged Property" means all the property, rights and assets of the Issuer which is subject to the Security;

"Class A1 Noteholders" means the persons who for the time being are holders of the Class A1 Notes;

"Class A1 Notes" means the £338,150,000 Class A1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class A1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class A1 Reserve Fund" means the credit balance from time to time of the Class A1 Reserve Fund Ledger;

"Class A1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class A1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class A1 Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds, any Principal Reserve Fund Drawing, any Class B1 Reserve Fund Drawing and any Revenue Addition Amounts but excluding any Class A1 Reserve Fund Drawing.

"Class A1 Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Class A1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class A1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (f) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (f);

"Class B1 Noteholders" means the persons who for the time being are holders of the Class B1 Notes;

"Class B1 Notes" means the £56,100,000 Class B1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class B1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class B1 Reserve Fund" means the credit balance from time to time of the Class B1 Reserve Fund Ledger;

"Class B1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class B1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class B1 Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) and, if Cumulative Default Ratio 1 is met, (g) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into

account the Available Revenue Funds, any Principal Reserve Fund Drawing and any Revenue Addition Amounts but excluding any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing.

"Class B1 Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Class B1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class B1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (h) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (h);

"Class C1 Noteholders" means the persons who for the time being are holders of the Class C1 Notes;

"Class C1 Notes" means the £44,880,000 Class C1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class C1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class C1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class C1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class C1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (j) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (j);

"Class D1 Noteholders" means the persons who for the time being are the holders of the Class D1 Notes;

"Class D1 Notes" means the £18,360,000 Class D1 Fixed Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class D1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class D1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (l) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (l);

"Class D1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class D1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class E1 Noteholders" means the persons who for the time being are the holders of the Class E1 Notes;

"Class E1 Notes" means the £27,029,000 Class E1 Fixed Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class E1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class E1 Principal

Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (n) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (n);

"Class E1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class E1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Clearing Systems" means Euroclear Bank SA /NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**");

"Closing Date" means 13 May 2014 or such other date as the Issuer and the Arrangers may agree pursuant to the Subscription Agreement;

"Closing Primary Transaction Documents" means the Agency Agreement, the Back-Up Servicing Agreement, the Cash Management Agreement, the Seller Collection Account Agreement and Declaration of Trust, the Corporate Services Agreement, the Portfolio Option Deed, the Mortgage Sale Agreement, each Scottish Declaration of Trust, the Security Deed, a Scottish Supplemental Charge, the Servicing Agreement, the Security Powers of Attorney, the Transaction Account Agreement, the Incorporated Terms Memorandum and the Trust Deed;

"Contingency Policy" means a contingency policy provided by Legal and General Insurance Limited dated 27 October 2010;

"Corporate Services Agreement" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, the Issuer and the Trustee;

"Corporate Services Provider" means Law Debenture Corporate Services Limited (registered number 03388362), a private limited company incorporated under the laws of England and Wales, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX or such other person or persons for the time being acting as corporate services provider to the Issuer under the Corporate Services Agreement;

"Cumulative Default Ratio 1" is met where Cumulative Defaults represent less than 44.9% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 2" is met where Cumulative Defaults represent less than 34.3% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 3" is met where Cumulative Defaults represent less than 26.6% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 4" is met where Cumulative Defaults represent less than 17.2% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Defaults" means, at any time, the percentage of all Mortgage Loans that have been or are subject to foreclosure or are in Default;

"Cut-Off Date" means 31 March 2014;

"Day Count Fraction" means in respect of an Interest Period, the actual number of days in such period divided by 365;

"DBRS" means DBRS Ratings Limited or any successor to its credit rating business;

"Deed of Consent" means a deed substantially in the form of the relevant pro forma contained in the Standard Documentation whereby the signatory agreed to postpone his interest (if any) in the relevant Property to that created by a Mortgage by declaring that he will not assert any right to an overriding interest by occupation adverse to a mortgagee's rights under such Mortgage;

"Default" means:

- (a) in respect of a Mortgage Loan which is not a Buy to Let Mortgage Loan, that a warrant (or, in Scotland, decree) of possession has been granted; and
- (b) in respect of a Mortgage Loan which is a Buy to Let Mortgage Loan, that a receiver of rent has been appointed or, in Scotland, a decree is granted following the expiry of a calling up notice;

that the related Property is subject to repossession proceedings;

"Deferred Interest" has the meaning given to it in Note Condition 8.10 (*Interest Deferred*);

"Definitive Notes" has the meaning given to it in Note Condition 3.3;

"Edeus Lending Criteria" means the Lending Criteria in respect of which Edeus is the Originator;

"Encumbrance" means:

- (a) a mortgage, Standard Security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"Enforcement Notice" means:

- (a) in relation to the Notes, a notice delivered by the Trustee to the Issuer (with a copy to the Servicer) in accordance with Note Condition 13 (*Events of Default*); or
- (b) in relation to the Certificates, a notice delivered by the Trustee to the Issuer (with a copy to the Servicer) in accordance with Certificate Condition 13 (*Events of Default*);

"Enforcement Procedures" means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his Mortgage Loan or Related Security in accordance with the procedures described in the Service Specification or such other procedures as may be adopted by the Servicer (including early contact with a Borrower in order to find a solution to any financial difficulties the Borrower may be experiencing, agreeing to payment plans and for the avoidance of doubt, in accordance with the procedures that could reasonably be expected of a Prudent Residential Mortgage Lender) and "completion of the Enforcement Procedures" shall be deemed to have occurred in respect of a particular Mortgage Loan and its Related Security when the Servicer has determined that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic;

"Event of Default" means:

- (a) in relation to the Notes, any one of the events specified in Note Condition 13 (*Events of Default*); and
- (b) in relation to the Certificates, any one of the events specified in Certificate Condition 13 (*Events of Default*);

"Exchange Date" means the first day following the expiry of 40 days after the Closing Date;

"Extraordinary Resolution" means:

- (a) in relation to the Notes, a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast; or
- (b) in relation to the Certificates, a resolution passed at a Meeting of Certificate Holders duly convened and held in accordance with the Provisions for Meetings of Certificate Holders by a majority;

"FATCA" means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling in October 2050;

"First Interest Payment Date" means the Interest Payment Date falling in June 2014;

"First Voting Class" means the Class A1 Notes whilst they remain outstanding, thereafter the Class B1 Notes whilst they remain outstanding, thereafter the Class C1 Notes whilst they remain outstanding, thereafter the Class D1 Notes whilst they remain outstanding, thereafter the Class E1 Notes whilst they remain outstanding, thereafter the Revenue Residual Certificates whilst they remain outstanding. Should any Principal Residual Certificates be outstanding when no Revenue Residual Certificates are outstanding, they shall constitute the "First Voting Class";

"Further Advance" means any advance of further money to a Borrower following a request from such Borrower under the relevant Mortgage Documents;

"Global Notes" has the meaning given to it in Note Condition 3.2;

"holder" means, in relation to a Note or a Certificate, the person in whose name such Note or Certificate is for the time being registered in the Register and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

"Incorporated Terms Memorandum" means the document so named which is dated on or about the Closing Date and signed for the purposes of identification by, among others, the Issuer and the Beneficial Title Seller;

"Indirect Participant" means the person that holds the beneficial interest in the Notes or the Certificates (as appropriate) through persons that have accounts with the Clearing Systems;

"Individual Building Policy" means in relation to each Property:

- (a) any buildings insurance policy taken out by a Borrower; or
- (b) (in the case of leasehold Property) any buildings insurance policy taken out by a Borrower, the landlord of a Borrower, a superior landlord or a management company under the lease of such Property;

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Event" in respect of a company means:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or

- (b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or
- (c) a moratorium is declared in respect of any indebtedness of such company; or
- (d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or
- (e) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
 - (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or
 - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment assignment or trust for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
 - (iv) any distress, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (e) above, in any jurisdiction.

"Insolvency Official" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the First Voting Class then outstanding) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Instruments" means the Global Notes, the Registered Definitive Notes, the Global Certificates and the Definitive Certificates and **"Instrument"** means any one of them;

"Instrumentholders" means the persons who for the time being are holders of the Instruments;

"Interest Amount" means:

- (a) in respect of a Note for the Interest Period beginning on the Closing Date, the Note Interest calculated on the Interest Determination Date falling on the Closing Date; and
- (b) in respect of a Note for any subsequent Interest Period, the aggregate of:
 - (i) the Note Interest calculated on the related Interest Determination Date; and

- (ii) the amount of any Deferred Interest in respect of such Note on the preceding Interest Payment Date, together with accrued interest on such arrears in accordance with Note Condition 8.10 (*Interest Deferred*); and
- (c) in relation to a Class for the Interest Period beginning on the Closing Date or any subsequent Interest Period, the aggregate amount calculated in accordance with paragraph (a) or (b) respectively above in respect of such Class for such Interest Period;

"Interest Determination Date" means: each Interest Payment Date or, in the case of the first Interest Period, the Closing Date;

and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

"Interest Payment Date" means the 15th day of each month in each year commencing on the First Interest Payment Date, **provided that** if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day, unless the immediately succeeding Business Day is in the next calendar month, in which case the Interest Payment Date shall be the immediately preceding Business Day;

"Interest Period" means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next Interest Payment Date (or in respect of the first Interest Period, the First Interest Payment Date) and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

"Issuer" means Moorgate Funding 2014-1 Plc, a public limited company incorporated in England and Wales with registered number 08929208 as issuer of the Notes and the Certificates;

"Issuer Covenants" means the covenants of the Issuer set out in Schedule 7 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

"Issuer Jurisdiction" means England and Wales or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Note Condition 21 (*Substitution of Issuer*) and Certificate Condition 21 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"Issuer Profit Ledger" means the ledger in the books of the Issuer so named;

"Issuer Security Power of Attorney" means the power of attorney contained in Clause 25 of the Security Deed;

"Issuer Warranties" means the warranties of the Issuer set out in Schedule 3 (*Issuer's Representations and Warranties*) of the Incorporated Terms Memorandum;

"Lead Manager" means Merrill Lynch International;

"Legal Title Holders" means Mortgages 1 Limited, Mortgages 2 Limited, Mortgages 3 Limited, Mortgages 4 Limited, Mortgages 5 Limited, Mortgages 6 Limited, Mortgages 7 Limited and Wave Lending Limited;

"Legal Title Holder Security Power of Attorney" means each deed so named dated on or about the Closing Date granted by each Legal Title Holder in favour of the Issuer and the Trustee substantially in the form of Schedule 3 of the Mortgage Sale Agreement;

"Lending Criteria" means the example lending criteria contained in Schedule 10 (*Lending Criteria*) of the Mortgage Sale Agreement;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including reasonable legal fees and any Taxes and penalties incurred by that person;

"LIBOR" means London Interbank Offered Rate;

"London & European Title Insurance Policy" means:

- (a) the all-inclusive lenders' title insurance policy (England & Wales (dated January 2007)) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633);
- (b) the all-inclusive lenders' title insurance policy (Northern Ireland (dated January 2007)) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633); and
- (c) the all-inclusive lenders title insurance policy (Scotland) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633);

"Meeting" means a meeting of Noteholders or Certificate Holders of any Class or Classes (whether originally convened or resumed following an adjournment);

"MHA/CPA Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Scottish Property to which it relates;

"Minimum Amount" means one penny;

"Minimum Denomination" means: £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000;

"Mortgage" means in respect of any Mortgage Loan, each first fixed charge by way of legal mortgage, first legal charge or first ranking Standard Security which is sold by the Beneficial Title Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Mortgage Loan, including the Mortgage Documents applicable to it, and, together, the **"Mortgages"**;

"Mortgage Conditions" means, in relation to each Mortgage Loan and the Mortgage relating thereto, the terms and conditions subject to which the Mortgage Loan and Mortgage are made including, for the avoidance of doubt, the terms and conditions incorporated into any letter or letters of offer or agreement to make such Mortgage Loan;

"Mortgage Document" means any agreement (including a Mortgage) in relation to a Mortgage Loan between the relevant lender and a Borrower and **"Mortgage Documents"** means all or some of them as the context may require;

"Mortgage Loan" means a residential mortgage loan (including all advances, any accrued interest and any fees, costs and other amounts owing to any Seller from the Borrower (including all capitalised sums)), secured by the Related Security which is included in the Mortgage Portfolio;

"Mortgage Portfolio" means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Beneficial Title Seller on the Closing Date but excluding (for the avoidance of doubt) any Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller, in each case pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"Mortgage Sale Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Legal Title Holders, the Beneficial Title Seller, the Trustee and the Servicer;

"Mortgages PLC Group" means, collectively, Mortgages PLC and each Legal Title Holder (other than Wave Lending Limited);

"Most Senior Class" means the Class A1 Notes whilst they remain outstanding, thereafter the Class B1 Notes whilst they remain outstanding, thereafter the Class C1 Notes whilst they remain outstanding, thereafter the Class D1 Notes whilst they remain outstanding, thereafter the Class E1 Notes whilst they remain outstanding, thereafter the Principal Residual Certificates whilst they remain outstanding;

"Northern Irish Mortgage Document" means a Mortgage Document entered into in connection with a Northern Irish Mortgage Loan;

"Northern Irish Mortgage Loan" means a Mortgage Loan secured by an Encumbrance over a Northern Irish Property;

"Northern Irish Property" means a Property located in Northern Ireland;

"Northern Irish Receivables" means Receivables arising under a Northern Irish Mortgage Document;

"Note Conditions" means the terms and conditions of the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Note Condition shall be construed accordingly;

"Note Interest" means in respect of a Note of any class, for any Interest Period the amount of interest determined in respect of such Note for such Interest Period by in the case of each Class, (i) multiplying (a) the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by (b) the relevant Note Rate and (ii) multiplying (x) the amount so calculated by (y) the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

"Note Principal Payment" means in respect of any Note on any Interest Payment Date, the principal amount redeemable in respect of such a Note, which shall be a proportion of the amount of Available Principal Funds required as at that Interest Payment Date pursuant to the Pre-Enforcement Principal Payments Priorities to be applied in redemption of the relevant class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

"Note Rate" means:

- (a) in respect of the Class A1 Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus 0.90 per cent. per annum or, after the Optional Redemption Date 1.35 per cent. per annum
- (b) in respect of the Class B1 Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus 1.10 per cent. per annum or, after the Optional Redemption Date 1.65 per cent. per annum
- (c) in respect of the Class C1 Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus 1.50 per cent. per annum or, after the Optional Redemption Date 2.25 per cent. per annum
- (d) in respect of the Class D1 Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus 1.80 per cent. per annum or, after the Optional Redemption Date 2.70 per cent. per annum
- (e) in respect of the Class E1 Notes for each Interest Period, the Reference Rate determined as at the related Interest Determination Date plus 2.30 per cent. per annum or, after the Optional Redemption Date 3.45 per cent. per annum

"Noteholders" means the Class A1 Noteholders, the Class B1 Noteholders, the Class C1 Noteholders, the Class D1 Noteholders and the Class E1 Noteholders or, where the context otherwise requires, the holders of Notes of a particular Class or Classes;

"Notes" means the Class A1 Notes, the Class B1 Notes, the Class C1 Notes, the Class D1 Notes and the Class E1 Notes;

"Notes Principal Deficiency" means, on a Calculation Date, an amount equal to the greater of zero and the following amount:

- (a) the Principal Amount Outstanding of the Notes on that Calculation Date; *minus*
- (b) the following amount:
 - (i) the Principal Outstanding Balance of the Mortgage Portfolio on the Cut-Off Date; *minus*
 - (ii) the Principal Receipts received since (and including) the Cut-Off Date to (but excluding) that Calculation Date.

"Notices Condition" means:

- (a) in relation to the Notes, Note Condition 22 (*Notices*); and
- (b) in relation to the Certificates, Certificate Condition 22 (*Notices*);

"Notices Details" means, in relation to any Agent, the provisions set out in Schedule 9 (*Notices Details*) of the Incorporated Terms Memorandum;

"Operating Procedures" means the operating procedures of the Servicer (as amended, varied or supplemented from time to time in accordance with the Servicing Agreement);

"Optional Redemption Date" means the Interest Payment Date falling in May 2019;

"Originators" means the Mortgages PLC Group, Wave Lending Limited, Close Brothers Limited, Paragon Mortgages Limited and Edeus Mortgage Creators Limited (in liquidation);

"outstanding" means:

- (a) in relation to the Notes, all the Notes other than:
 - (i) those which have been redeemed in full and cancelled in accordance with the Note Conditions;
 - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Note Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Note Conditions;
 - (iii) those which have become void under the Note Conditions;
 - (iv) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Note Conditions; and
 - (v) any Global Note, to the extent that it shall have been exchanged for the related Registered Definitive Notes pursuant to the provisions contained therein and the Note Conditions;

provided that for each of the following purposes, namely:

- (A) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;
- (B) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modification*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 26 (*Appointment of Trustees*) and Clause 27 (*Notice of a New Trustee*) of the Trust Deed and Note Condition 13 (*Events of Default*), Note Condition 14 (*Enforcement*) and Note Condition 16 (*Meetings of Noteholders and Certificate Holders*) and the Provisions for Meetings of Noteholders; and
- (C) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or the Issuer, any holding company or (in the case of the Beneficial Title Seller) subsidiary of the Beneficial Title Seller or the Issuer, as applicable, or any affiliate of the Beneficial Title Seller (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Notes of a particular Class are held by the Beneficial Title Seller, the Issuer, any holding company or (in the case of the Beneficial Title Seller) subsidiary of the Beneficial Title Seller, any holding company of the Issuer or any affiliate of the Beneficial Title Seller (the "**relevant Class of Notes**") and no other Classes of Notes exist that rank junior or *pari passu* to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding; and

- (b) means in relation to the Certificates, all the Certificates other than any Global Certificate, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Certificate Conditions, **provided that** for each of the following purposes, namely:
 - (i) the right to attend and vote at any meeting of Certificate Holders and resolve by Extraordinary Resolution;
 - (ii) the determination of how many and which Certificates are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modification*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 26 (*Appointment of Trustees*) and Clause 27 (*Notice of a New Trustee*) of the Trust Deed and Certificate Condition 13 (*Events of Default*), Certificate Condition 14 (*Enforcement*) and Certificate Condition 16 (*Meetings of Certificate Holders*) and the Provisions for Meetings of Certificate Holders; and
 - (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Certificate Holders or any of them,

those Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or the Issuer, any holding company or subsidiary of the Beneficial Title Seller or the Issuer or any affiliate of the Beneficial Title Seller or the Issuer (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Certificates of a particular Class are held by the Beneficial Title Seller, the Issuer, any holding company or subsidiary of the Beneficial Title Seller, any holding company or subsidiary of the Issuer, any affiliate of the Issuer or any affiliate of the Beneficial Title Seller (the "**relevant Class of Certificates**") and no other Classes of Certificates exist that rank junior or *pari passu* to the relevant Class of Certificates, the relevant Class of Certificates will be deemed to remain outstanding;

"Participant" means an accountholder with Euroclear or Clearstream, Luxembourg;

"Participating Member State" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"Paying Agents" means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes and the Certificates under the Agency Agreement;

"Payments Priorities" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"Portfolio Option" means the option granted to the Portfolio Option Holder documented in the Portfolio Option Deed;

"Portfolio Option Deed" means the portfolio option deed dated on or about the Closing Date, executed by, among others, the Issuer and the Servicer, in favour of the Portfolio Option Holder, from time to time;

"Portfolio Option Holder" means Merrill Lynch International;

"Portfolio Purchase" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by the Portfolio Option Holder;

"Portfolio Purchase Completion Date" means the completion date of the Portfolio Purchase;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of priority of payments from the Transaction Account, set out in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"Pre-Enforcement Principal Payments Priorities" means the provision relating to the order of priority of payments from the Principal Ledger set out in Paragraph 21 (*Payments from Principal Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 16 (*Payments from Revenue Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

"Primary Transaction Documents" means the Signing Transaction Documents, the Closing Primary Transaction Documents and any document designated as such by the Issuer and the Trustee;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to the Notes:
 - (i) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day;
 - (ii) in relation to a Class, the aggregate of the amount in paragraph (i) above in respect of all Notes outstanding in such Class; and
 - (iii) in relation to the Notes outstanding at any time, the aggregate of the amounts in paragraph (i) above in respect of all Notes outstanding, regardless of Class; and
- (b) in relation to the Certificates:
 - (i) in relation to a Class, the number of Certificates outstanding in such Class; and
 - (ii) in relation to the Certificates outstanding at any time, the aggregate of the amounts in paragraph (i) above in respect of all Certificates outstanding, regardless of Class;

"Principal Collections" means all amounts received in respect of Principal Receivables;

"Principal Deficiency Ledger" means the ledger in the books of the Issuer so named;

"Principal Ledger" means the ledger in the books of the Issuer so named;

"Principal Loss" means, in relation to any Mortgage Loan on an Interest Payment Date, the amount (if any) determined in good faith by the Servicer on the related Calculation Date in respect of the related Calculation Period as being the amount of a principal nature due in respect of such Mortgage Loan after the Servicer has completed the Enforcement Procedures;

"Principal Outstanding Balance" means:

- (a) in relation to any Mortgage Loan and on any day, the aggregate, including any arrears, of:
 - (i) the original principal amount advanced to any relevant Borrower pursuant to the related Mortgage Documents; plus
 - (ii) any disbursement, legal expense, fee, charge or premium in respect of such Mortgage Loan; plus
 - (iii) any further advance of principal to such Borrower prior to the Closing Date pursuant to the related Mortgage Documents; minus
 - (iv) any repayments or reduction of the amounts specified in (i) to (iii) (inclusive) above;but after completion of any Enforcement Procedures in relation to a Mortgage Loan, the Principal Outstanding Balance of such Mortgage Loan will be deemed to be zero;
- (b) in relation to the Mortgage Portfolio and any day, the aggregate of the Principal Outstanding Balances in respect of the Mortgage Loans comprised in that Mortgage Portfolio;

"Principal Paying Agent" means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

"Principal Receipts" means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) the amount of all Principal Collections received by the Issuer during such Calculation Period; and
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds or receipts constitute principal;

"Principal Receivables" means, on any day, the principal payments (whether or not yet due) which remain to be paid by the relevant Borrowers under the Mortgage Documents, but excludes all Recoveries and any amounts which have been capitalised after (but not before) the Cut-Off Date which, had they not been capitalised, would have been Revenue Receivables;

"Principal Reserve Fund" means the credit balance from time to time of the Principal Reserve Fund Ledger which, on the Closing Date, will be an amount equal to 1 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (the **"Initial Principal Reserve Fund Required Amount"**) funded from the proceeds of the issuance of the Notes;

"Principal Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Principal Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Principal Reserve Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:
 - (i) (a) to (f), (h), (j), (l) and (n);
 - (ii) if Cumulative Default Ratio 1 is met, (g);
 - (iii) if Cumulative Default Ratio 2 is met, (i);
 - (iv) if Cumulative Default Ratio 3 is met, (k); and
 - (v) if Cumulative Default Ratio 4 is met, (m); and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds but excluding any Principal Reserve Fund Drawing, any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing;

"Principal Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Principal Reserve Fund Step-Down Amount" means the lesser of:

- (a) in relation to:
 - (i) each Interest Payment Date falling prior to the Principal Reserve Fund Step-Down Date, zero;
 - (ii) the first Interest Payment Date falling on or after the Principal Reserve Fund Step-Down Date where the Principal Reserve Fund Step-Down Conditions are met (the **"First Principal Reserve Fund Step-Down Trigger Date"**), the amount standing to the credit of the Principal Reserve Fund Ledger on the immediately preceding Interest Payment Date less the Stepped-Down Principal Reserve Fund Required Amount as at that Interest Payment Date (provided that

if such amount is a negative number, the Principal Reserve Fund Step-Down Amount on such Interest Payment Date will be zero);

- (iii) each Interest Payment Date falling after the First Principal Reserve Fund Step-Down Trigger Date where the Principal Reserve Fund Step-Down Conditions are met, the amount standing to the credit of the Principal Reserve Fund Ledger on the immediately preceding Interest Payment Date less the Principal Reserve Fund Required Amount as at such Interest Payment Date (provided that if such amount is a negative number, the Principal Reserve Fund Step-Down Amount on such Interest Payment Date will be zero); and
- (iv) each Interest Payment Date falling after the First Principal Reserve Fund Step-Down Trigger Date where the Principal Reserve Fund Step-Down Conditions are not met, zero; and

(b) the amount standing to the credit of the Principal Reserve Fund Ledger,

provided that, on any Interest Payment Date following the redemption in full of the Notes (for the avoidance of doubt, including any Interest Payment Date on which the Portfolio Option is exercised), the Principal Reserve Fund Step-Down Amount shall be equal to the amount standing to the credit of the Principal Reserve Fund Ledger.

"Principal Reserve Fund Step-Down Conditions" means the condition that the relevant Interest Payment Date falls on or after the day falling 72 months after the Closing Date.

"Principal Reserve Fund Required Amount" means:

- (a) on the Closing Date, 1% of the Principal Amount Outstanding of the Notes on the Closing Date;
- (b) on each Interest Payment Date from (and including) the Closing Date until (but excluding) the Principal Reserve Fund Step-Down Date, 2.1% of the Principal Amount Outstanding of the Notes on Closing Date (the **"Initial Principal Reserve Fund Required Amount"**);
- (c) on each Interest Payment Date from (and including) the Principal Reserve Fund Step-Down Date:
 - (i) where the Principal Reserve Fund Step-Down Conditions are met, 4% of the Principal Amount Outstanding of the Notes on that Interest Payment Date or, if less, 2.1% of the Principal Amount Outstanding of the Notes on the Closing Date; and
 - (ii) where the Principal Reserve Fund Step-Down Conditions are not met, the Principal Reserve Fund Required Amount as at the immediately preceding Interest Payment Date (the **"Stepped-Down Principal Reserve Fund Required Amount"**).

"Principal Reserve Fund Step-Down Date" means the Interest Payment Date falling in May 2020;

"Principal Residual Certificate Holders" means the persons who for the time being are the holders of the Principal Residual Certificates;

"Principal Residual Certificates" means the 100 principal residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Product Specifications" means the product specifications to the extent available and contained in Schedule 13 (*Product Specifications*) to the Mortgage Sale Agreement;

"Property" means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property or (if located in Scotland) the heritable or long lease property charged as security for the repayment of such Mortgage Loan;

"Prospectus" means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes and the Certificates;

"Provisions for Meetings of Certificate Holders" means the provisions contained in Schedule 8 of the Trust Deed;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 7 of the Trust Deed;

"Prudent Residential Mortgage Administrator" means a reasonably prudent residential mortgage administrator acting in a manner consistent with that of an experienced administrator of residential mortgage loans with borrowers in England, Wales, Northern Ireland and Scotland who include buy-to-let borrowers, the self-employed, independent contractors, temporary employees, borrowers who self-certify their income and people who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders;

"Prudent Residential Mortgage Lender" means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and Scotland who include buy-to-let borrowers, the self-employed, independent contractors, temporary employees, borrowers who self-certify their income and/or those who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders on terms and criteria similar to the Mortgage Conditions and Lending Criteria (excluding for these purposes the Edeus Lending Criteria) and to borrowers with similar credit history as the Borrowers;

"Rating Agency" means S&P and DBRS;

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents;

"Receiver" means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 18 (*Appointment and Removal of Administrators and Receivers*) of the Security Deed;

"Record Date" means in respect of any payment, the opening of business in the place of the Registrar's Specified Office on the fifteenth day prior to the relevant date for payment;

"Recoveries" means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan;

"Reference Banks" means the principal London office of four major banks in the London interbank market selected by the Issuer at the relevant time;

"Reference Rate" means, on any (save for the final) Interest Determination Date the Sterling Reference Rate

"Register" means the register of Noteholders and Certificate Holders kept by the Registrar and which records the identity of each Noteholder and Certificate Holder and the number of Notes and/or Certificates which each Noteholder and Certificate Holder owns;

"Registrar" means the party responsible for maintaining the Register, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement;

"Regular Period" means, in relation to a Day Count Fraction, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls;

"Related Security" means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to) any Deeds of Consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and any life policies, life policy assignments, priority letters, pension policies, guarantees, the Assigned Policies, assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Mortgage Loan;

"Relevant Breach" means, in relation to a Mortgage Loan, a breach of an Asset Warranty which, in the reasonable opinion of the Trustee (as the Trustee shall be directed by the First Voting Class), materially adversely affects either:

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

"Relevant Date" means, in respect of any payment in relation to the Notes or the Certificates, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition;

"Relevant Period" means in relation to an Interest Determination Date, the length in months of the related Interest Period;

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Required Paying Agent" means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its Specified Office in any city where a stock exchange on which the Notes (or any of them) are listed requires there to be a Paying Agent;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes or Certificates of any Class, to change the amount of principal or interest or any other amount due on any date in respect of the Notes or Certificates of any Class to alter the method of calculating the amount of any payment in respect of the Notes or Certificates of any Class on redemption or maturity;

- (b) (except in accordance with Note Condition 21 (*Substitution of Issuer*), Certificate Condition 21 (*Substitution of Issuer*) and Clause 15 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes or Certificates of any Class for, or the conversion of such Notes or Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Certificates are payable ;
- (d) to alter the Payments Priorities or any other amounts in respect of the Notes or the Certificates;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Residual Payment" means:

- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceed the amounts required to satisfy items (a) to (o) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Payments Priorities, the amount by which amounts available for payment in accordance with the Post-Enforcement Payments Priorities exceeds the amounts required to satisfy items (a) to (r) of the Post-Enforcement Payments Priorities on that date;

"Residual Principal Allocation Amount" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which the Available Principal Funds exceed the Note Principal Payment in respect of the Notes and any amount due on the Principal Residual Certificates;

"Revenue Addition Amount" means, on an Interest Payment Date, an amount equal to the lesser of (A) and (B) where:

- (A) the amount available at item (a) of the Pre-Enforcement Principal Payments Priorities; and
- (B) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:
 - (i) (a) to (e);
 - (ii) if Cumulative Default Ratio 1 is met, (g);
 - (iii) if Cumulative Default Ratio 2 is met, (i);
 - (iv) if Cumulative Default Ratio 3 is met, (k); and
 - (v) if Cumulative Default Ratio 4 is met, (m); and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing but excluding any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing;

"Revenue Collections" means all amounts received in respect of Revenue Receivables;

"Revenue Ledger" means the ledger in the books of the Issuer so named;

"Revenue Reallocation Amount" means any of a Class A1 Revenue Reallocation Amount, a Class B1 Revenue Reallocation Amount, a Class C1 Revenue Reallocation Amount, a Class D1 Revenue Reallocation Amount or a Class E1 Revenue Reallocation Amount;

"Revenue Receipts" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Collections received during such Calculation Period;
- (b) any Recoveries received during such Calculation Period; and
- (c) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;

"Revenue Receivables" means all payments (whether or not yet due) which remain to be paid by the relevant Borrower under the relevant Mortgage Documents (whether or not capitalised), other than Principal Receivables and Recoveries;

"Revenue Residual Certificates" means the 100 revenue residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Revenue Residual Certificate Holders" means the persons who for the time being are the holders of the Revenue Residual Certificates;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"Scottish Declaration of Trust" means the declaration of trust granted by each Legal Title Holder in favour of the Issuer substantially in the form set forth in the Schedule 8 of the Mortgage Sale Agreement;

"Scottish Mortgage" means a Standard Security over a Scottish Property securing a Scottish Mortgage Loan and all principal sums, interest, costs and other amounts secured or intended to be secured by that Standard Security;

"Scottish Mortgage Loan" means a Mortgage Loan secured at any time by an Encumbrance over a Scottish Property;

"Scottish Property" means a Property located in Scotland;

"Scottish Supplemental Charge" means each assignation in security governed by Scots law granted by the Issuer in favour of the Trustee pursuant to the Security Deed;

"Screen" means, in relation to Sterling, the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Reuters page LIBOR01 and, in relation to euro, the display as quoted on the Reuters page EURIBOR01; or

- (a) such other page as may replace Reuters page LIBOR01 or, as the case may be, Reuters page EURIBOR01 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

"Secondary Transaction Documents" means the documents set out in section C of annex 1 to the signing and closing memorandum named "Secondary Documents Annex";

"Secured Amounts" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Certificates or the Primary Transaction Documents;

"Secured Creditors" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed;

"Security" means the security created in favour of the Trustee pursuant to the Security Deed;

"Security Deed" means the deed so named dated on or about the Closing Date between the Issuer, the Trustee, the Legal Title Holders and the Beneficial Title Seller (including any security documents supplemental thereto);

"Security Powers of Attorney" means the Issuer Security Power of Attorney and each Legal Title Holder Security Power of Attorney;

"Seller Collection Account Agreement and Declaration of Trust" means the agreement so named including, *inter alia*, the declarations of trust by the Legal Title Holders in favour of the Issuer in relation to the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) dated on or about the Closing Date;

"Seller Collection Account Bank" means Barclays Bank PLC in its capacity as account bank in accordance with the terms of the Seller Collection Account Agreement and Declaration of Trust;

"Seller Collection Accounts" means the Legal Title Holders' accounts so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Seller Collection Account(s);

"Service Specification" means the service specification set out in Schedule 4 (*Service Specification*) to the Servicing Agreement as the same may be amended by the Servicer from time to time in accordance with its terms and the terms of the Servicing Agreement and acting as a Prudent Residential Mortgage Lender;

"Servicer" means Mortgages PLC or any successor duly appointed under the Servicing Agreement and the Transaction Documents provided always that where it is the Back-Up Servicer appointed as a successor, all references to "Prudent Residential Mortgage Lender" shall be construed as references to "Prudent Residential Mortgage Administrator";

"Servicing Agreement" means the agreement so named dated on or about 2 May 2014 between the Issuer, the Beneficial Title Seller, the Servicer, the Legal Title Holders and the Trustee, as amended and restated from time to time;

"Share Trust Deed" means the deed so named dated 2 May 2014 and executed by the Share Trustee;

"Share Trustee" means The Law Debenture Intermediary Corporation plc as share trustee of one share in the Issuer or the trustee or trustees for the time being of the Share Trust Deed;

"Signing Date" means 12 May 2014;

"Signing Transaction Documents" means the Prospectus and the Subscription Agreement;

"Specified Office" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Agency Agreement;

"SPV Criteria" means the criteria established from time to time by each Rating Agency for a single purpose company in the Issuer Jurisdiction;

"**S&P**" means Standard & Poor's Credit Market Services Europe Limited;

"**Standard Documentation**" means the documents set out in Schedule 11 (*Standard Documentation*) to the Mortgage Sale Agreement which have been used by the relevant Originator (other than Edeus Mortgage Creators Limited (in Liquidation), Paragon Mortgages Limited or Close Brothers Limited) from time to time in connection with its activities as lender and on which each Mortgage Loan and its Related Security comprised in the Mortgage Portfolio has been granted or is outstanding, and/or those documents not set out in Schedule 11 (*Standard Documentation*) but which:

- (a) are in the same form as those used by the relevant Originator (other than Edeus Mortgage Creators Limited (in Liquidation), Paragon Mortgages Limited or Close Brothers Limited) but are jointly branded with remote mortgage processors;
- (b) are copies of mortgage application forms which originate from mortgage introducers to the relevant Originator (other than Edeus Mortgage Creators Limited (in Liquidation), Paragon Mortgages Limited or Close Brothers Limited); or
- (c) are special mortgage conditions appropriate for the relevant Product Specification or are not related to a particular Product Specification but are such as would be required by the relevant Originator (other than Edeus Mortgage Creators Limited (in Liquidation), Paragon Mortgages Limited or Close Brothers Limited) in the circumstances of the particular Mortgage Loan,

and, for the purposes of "Standard Documentation", will all be included in such definition PROVIDED THAT for the purposes of Paragraph (g) of Schedule 1 (*Asset Warranties*) to the Mortgage Sale Agreement, the reference to "Standard Documentation" shall mean all the Standard Documentation save for the Lending Criteria;

"**Standard Security**" means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"**Sterling**" and "**£**" denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"**Sterling Reference Rate**" means, on any Interest Determination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Issuer after request of the principal London office of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

"Sterling Reserve Reference Rate" means on any Interest Determination Date if the Agent Bank certifies that it cannot determine a rate in accordance with paragraphs (a) or (b) of the definition of Sterling Reference Rate, or if no major banks have been selected by the Issuer pursuant to the definition of Reference Banks, the Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date;

"Sterling Screen Rate" means:

- (a) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of one month and for a period of two months;
- (b) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period,

in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date;

"Stock Exchange" means the Irish Stock Exchange;

"Subscription Agreement" means the subscription agreement dated on or about the Signing Date between, among others, the Arrangers, the Beneficial Title Seller and the Issuer;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"TARGET2 Settlement Day" means any day on which the TARGET2 system is open for the settlement of payments in euro;

"TARGET2 system" means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"Tax Deduction" means any deduction or withholding on account of Tax;

"Title Indemnity Policy" means, in relation to any Mortgage Loan, the London & European Title Insurance Policy;

"Transaction Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"Transaction Account Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Transaction Account Bank and the Trustee;

"Transaction Account Bank" means Citibank, N.A., London Branch in its capacity as account bank in accordance with the terms of the Transaction Account Agreement;

"Transaction Account Bank Fees" means the fees, costs and expenses of the Transaction Account Bank for the operation of the Transaction Account as determined in accordance with Clause 10 (*Fees and Expenses*) of the Transaction Account Agreement;

"Transaction Account Mandate" means the resolutions, instructions and signature authorities relating to the Transaction Account in the form of the document set out in Schedule 1 of the Transaction Account Agreement;

"Transaction Documents" means the Primary Transaction Documents, the Secondary Transaction Documents and any document designated as such by the Issuer and the Trustee;

"Transaction Party" means any person who is a party to a Primary Transaction Document and **"Transaction Parties"** means some or all of them;

"Treaty" means the Treaty on the Functioning of the European Union;

"Trust Deed" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

"Trust Documents" means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable);

"Trustee" means Citicorp Trustee Company Limited in its capacity as trustee under the Trust Deed;

"VAT" means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere;

"VATA" means the Value Added Tax Act 1994; and

"Written Resolution" means a resolution in writing signed by or on behalf of all holders of Notes or Certificates of the relevant Class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders or the Provisions for the Meetings of Certificate Holders (as the case may be), whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes or the Certificates (as the case may be).

2.2 **Interpretation:** Any reference in the Note Conditions to:

"continuing", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in writing in accordance with the terms of the Note Conditions or, as the case may be, the relevant Primary Transaction Document or which has not been remedied;

a **"Class"** shall be a reference to a class of the Notes or Certificates being the Class A1 Notes, the Class B1 Notes, the Class C1 Notes, the Class D1 Notes, the Class E1 Notes, the Principal Residual Certificates and the Revenue Residual Certificates and **"Classes"** shall be construed accordingly;

"Euroclear" and/or **"Clearstream, Luxembourg"** shall, whenever the context so admits, be deemed to include reference to any additional or alternative clearing system approved by the Issuer and the Trustee in relation to the Notes or the Conditions (as the case may be);

"including" shall be construed as a reference to **"including without limitation"**, so that any list of items or matters appearing after the word **"including"** shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word **"including"**;

"indebtedness" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a **"law"** shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure (whether primary or secondary, made pursuant to primary legislation) of any government, supranational, local government, statutory or regulatory body or court;

a **"month"** shall mean a calendar month;

a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"principal" shall, where applicable, include premium;

"redeem" and **"pay"** shall each include both of the others and **"redeemed"**, **"redeemable"** and **"redemption"** and **"paid"**, **"payable"** and **"payment"** shall be construed accordingly;

a reference to any person defined as a **"Transaction Party"** in the Note Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;

"set-off" includes equivalent or analogous rights under jurisdictions other than England and Wales; and

a **"successor"** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Primary Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 ***Primary Transaction Documents and other agreements:*** Any reference to any document defined as a Primary Transaction Document or any other agreement or document shall be construed as a reference to such Primary Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated, supplemented or replaced.

2.4 ***Statutes and Treaties:*** Any reference to legislation (whether primary legislation or regulations or other secondary legislation made pursuant to primary legislation), a statute or treaty shall be construed as a reference to such legislation, regulations, secondary legislation statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.5 ***Schedules:*** Any Schedule of, or Appendix to, a Primary Transaction Document forms part of such Primary Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Primary Transaction Document. Any reference to a Primary Transaction Document shall include any such Schedule or Appendix.

2.6 ***Headings:*** Note Condition headings are for ease of reference only.

2.7 ***Sections:*** Except as otherwise specified in the Note Conditions, reference in the Note Conditions to:

2.7.1 a **"Section"** shall be construed as a reference to a Section of such Primary Transaction Document;

2.7.2 a **"Part"** shall be construed as a reference to a Part of such Primary Transaction Document;

2.7.3 a **"Schedule"** shall be construed as a reference to a Schedule of such Primary Transaction Document;

2.7.4 a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Primary Transaction Document; and

2.7.5 a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Primary Transaction Document.

2.8 **Number**

In these Note Conditions, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Denomination**

3.1 **Form and Denomination:** The Notes are in fully registered form and serially numbered in the Minimum Denomination for the Notes. Notes in registered form are issued without coupons attached. The expression "**Notes**" means and includes co-ownership under a permanent global note and the expression "**Noteholder**" shall mean and include any person entitled to co-ownership and benefit under a permanent global note.

3.2 **Global Notes:** The Principal Amount Outstanding of the Notes of each Class (or sub-class) initially offered and sold outside the United States to non U.S. Persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented by one or more global notes in fully registered form (each a "**Global Note**") without coupons attached.

3.3 **Definitive Notes:** Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of each Global Note (the "**Definitive Notes**") will be issued in registered form and serially numbered in the circumstances referred to Note Condition 3.4 below.

3.4 **Issue of Definitive Notes:** If, while any Notes are represented by a Global Note:

- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does so cease business and no alternative clearing system satisfactory to the Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee,

the Issuer will issue Definitive Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. Definitive Notes, if issued, will be issued in the applicable Minimum Denomination for the Notes. The Global Note will not be exchangeable for Definitive Notes in any other circumstances.

4. **Title and Transfer**

4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments whether or not any payment is overdue), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person is so registered, the first named of such persons will be treated as the absolute owner of such Note and no person shall be liable for so treating such holder, provided that, so long as the nominee for the Common Safekeeper, for Euroclear and Clearstream, Luxembourg is the registered holder of the relevant

Global Note, Euroclear and Clearstream, Luxembourg, as applicable, will be considered the sole Noteholder for all purposes hereunder.

- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and any entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes, the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests (and any holder of a beneficial interest who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, new Definitive Notes in respect of both the balance transferred and the balance remaining will be issued to each of the transferee and the transferor by or by order of the Registrar (subject to the relevant new Definitive Notes each being issued in an amount equal to the applicable Minimum Denomination for the Notes in accordance with Note Condition 1 above).
- 4.6 Each new Definitive Note to be issued upon a transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note to such address as may be specified in such request.
- 4.7 Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any Tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Note may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

5. **Status and Ranking**

- 5.1 **Status:** The Notes of each Class constitute secured obligations of the Issuer.
- 5.2 **Ranking:** The Notes in each Class will at all times rank without preference or priority *pari passu* and rateably amongst themselves.
- 5.3 **Sole Obligations:** The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.
- 5.4 **Pre-Enforcement Revenue Payments Priorities:** Payments of interest on the Class A1 Notes will at all times rank in priority to payments of interest on the Class B1 Notes, payments of interest on the Class B1 Notes will at all times rank in priority to payments of interest on the Class C1 Notes, payments of interest of the Class C1 Notes will at all times rank in priority to payments of interest on the Class D1 Notes, payments of interest on the Class D1 Notes will at all times rank in priority to payments of interest on the Class E1 Notes and payments of interest

on the Class E1 Notes will at all times rank in priority to payments of Residual Payments to the Revenue Residual Certificate Holders in each case in accordance with the Pre-Enforcement Revenue Payments Priorities.

- 5.5 ***Pre-Enforcement Principal Payments Priorities:*** Payments of principal on the Class A1 Notes will at all times rank in priority to payments of principal on the Class B1 Notes, payments of principal on the Class B1 Notes will at all times rank in priority to payments of principal on the Class C1 Notes, payment of principal on the Class C1 Notes will at all times rank in priority to payments of principal on the Class D1 Notes, payments of principal of the Class D1 Notes will always rank in priority to payments of principal on the Class E1 Notes and payments of principal on the Class E1 Notes will always rank in priority to payments of principal on the Principal Residual Certificates in each case in accordance with the Pre-Enforcement Principal Payments Priorities.

- 5.6 ***Payment Priorities:*** Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Funds and Available Principal Funds in accordance with the Pre-Enforcement Payments Priorities and therefore in accordance with the Post-Enforcement Payments Priorities.

6. **Security**

- 6.1 ***Security:*** The Notes are secured by the Security.

- 6.2 ***Enforceability:*** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Note Condition 13 (*Note Events of Default*) or Certificate Condition 12 (*Certificate Events of Default*) and subject to the matters referred to in, respectively, Note Condition 14 (*Enforcement*) and Certificate Condition 13 (*Enforcement*).

7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee from the Issuer which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

8. **Interest**

- 8.1 ***Accrual of Interest:*** Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date.

- 8.2 ***Cessation of Interest:*** Each Class of Notes shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Note Condition (both before and after judgment) until whichever is the earlier of:

8.2.1 the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

8.2.2 the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

- 8.3 ***Calculation Period of less than 1 year:*** Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

- 8.4 ***Interest Payments:*** Interest on each Note is payable in Sterling in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

- 8.5 ***Calculation of Interest Amount:*** Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate or shall cause the Agent Bank to calculate the Interest Amount payable on each Class of Notes for the related Interest Period.
- 8.6 ***Notification of Note Rate, Interest Amount and Interest Payment Date:*** As soon as practicable after each Interest Determination Date, the Agent Bank will cause:
- 8.6.1 the Note Rate for each Class of Notes for the related Interest Period;
 - 8.6.2 the Interest Amount for each Class of Notes for the related Interest Period; and
 - 8.6.3 the Interest Payment Date next following the related Interest Period,
- to be notified to the Issuer, the Cash Manager, the Trustee, the Paying Agents, the Registrar and, for so long as the relevant Notes are listed on the Stock Exchange, the Stock Exchange.
- 8.7 ***Publication of Note Rate, Interest Amount and Interest Payment Date:*** As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Note Condition 8.6 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rate for each Class of Notes and the Interest Amount for each Class of Notes and the next following Interest Payment Date to be published in accordance with the Notices Condition.
- 8.8 ***Amendments to Publications:*** The Note Rate and the Interest Amount for each Class of Notes may subsequently be recalculated and the Interest Payment Date so published may subsequently be amended by the Issuer without notice in the event of any extension or shortening of the relevant Interest Period. Following any such amendment, notice thereof shall be given to the Issuer, the Trustee, the Cash Manager (if applicable) and the Principal Paying Agent.
- 8.9 ***Determination or Calculation by Trustee:*** If the Issuer or the Agent Bank (as applicable) does not at any time for any reason determine the Note Rate for each Class of Notes or the Interest Amount for each Class of Notes in accordance with this Note Condition, the Trustee may (but without any liability accruing to the Trustee as a result):
- 8.9.1 determine the Note Rate for such Class at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Note Condition), it shall deem fair and reasonable in all the circumstances; and/or
 - 8.9.2 calculate the Interest Amount in respect of any Note of such Class in the manner specified in this Note Condition,
- and any such determination and/or calculation shall be deemed to have been made by the Agent Bank. In each case the Trustee may, at the expense of the Issuer, employ an expert to make the determination and/or calculation and any such determination or calculation shall be deemed to have been made by the Issuer.
- 8.10 ***Interest Deferred:***
- (a) To the extent that funds available to the Issuer to pay Interest Amounts due and payable on any Note other than the Most Senior Class on an Interest Payment Date are insufficient to pay the full amount of such Interest Amounts, payment of the shortfall in respect of such Interest Amounts ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority in accordance with the Payments Priorities and subject to and in accordance with these Note Conditions) to fund the payment of some or all of the Deferred Interest, and will fall due on such Interest Payment Date to the extent of such available funds.
 - (b) Deferred Interest or any other amounts which are due and payable in respect of the Notes and not paid on the relevant Interest Payment Date will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes. Payment of Additional Interest will also be deferred until the first Interest Payment Date after such

Additional Interest is accrued on which funds are available (after allowing for the Issuer's liabilities of a higher priority in accordance with the Payments Priorities) subject to and in accordance with these Note Conditions) to the Issuer to pay some or all of such Additional Interest, to the extent of such available funds.

- (c) Payment of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which the relevant Notes fall to be redeemed in full in accordance with Note Condition 9 (*Final Redemption, Mandatory Redemption in part and Cancellation*). Any amounts of Deferred Interest or Additional Interest which have not then been paid shall thereupon become due and payable in full.

9. **Final Redemption, Mandatory Redemption in part and Cancellation**

9.1 ***Final Redemption:***

Unless previously redeemed and cancelled as provided in this Note Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Maturity Date together with any accrued (and unpaid) interest up to (and including) the Final Maturity Date.

- 9.2 ***Mandatory Redemption in part:*** On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Funds in accordance with the Pre-Enforcement Principal Payments Priorities, which shall include the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Payments Priorities. On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Funds in accordance with the Pre-Enforcement Revenue Payments Priorities.

- 9.3 ***Redemption following sale of the Mortgage Portfolio:*** Upon sale of the Mortgage Portfolio under the Portfolio Option Principal Receipts shall be applied in accordance with the Pre-Enforcement Principal Payments Priorities on the relevant Interest Payment Date and will result in the Notes being redeemed in full in accordance with the Pre-Enforcement Principal Payments Priorities.

- 9.4 ***Calculation of Note Principal Payment and Principal Amount Outstanding:*** Not later than the Cash Manager Determination Date, the Issuer shall calculate (or cause the Cash Manager to calculate) the Note Principal Payment due in respect of each Note of each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date and the Principal Amount Outstanding of each Note in each Class on the Interest Payment Date immediately succeeding such Cash Manager Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Class).

- 9.5 ***Calculations final and binding:*** Each calculation by or on behalf of the Issuer of any Note Principal Payment and the Principal Amount Outstanding of a Note of each Class shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.

- 9.6 ***Trustee to determine amounts in case of Issuer default:*** If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) the Note Principal Payment or the Principal Amount Outstanding in relation to each Class in accordance with this Note Condition, such amounts may be calculated by the Trustee (without any liability accruing to the Trustee as a result) in accordance with this Note Condition (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer.

In each case the Trustee may, at the expense of the Issuer, employ an expert to make the determination and/or calculation and any such determination or calculation shall be deemed to have been made by the Issuer.

- 9.7 ***Notice of Calculation:*** The Issuer will cause each calculation of the Note Principal Payment in respect of each Note of each Class and the Principal Amount Outstanding to be notified immediately after calculation to the Trustee, the Agents and, for so long as the relevant Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each calculation of the Note Principal Payment and the Principal Amount Outstanding in relation to

each Class to be published in accordance with the Notices Condition by not later than three Business Days prior to each Interest Payment Date.

- 9.8 **Notice irrevocable:** Any such notice as is referred to in Note Condition 9.7 (*Notice of Calculation*) shall be irrevocable and the Issuer shall be bound to redeem the Notes to which such notice relates in an amount equal to the Note Principal Payment in respect of each Note calculated in respect of the relevant Interest Payment Date if effected pursuant to Note Condition 9.2 (*Mandatory Redemption in part*).

- 9.9 **Cancellation of redeemed Notes:** All Notes redeemed in full will be cancelled forthwith by the Issuer, and no Global Notes may be reissued or resold.

10. **Limited Recourse**

- 10.1 If at any time following:

10.1.1 the occurrence of either:

- (a) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
- (b) the service of an Enforcement Notice; and

10.1.2 realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payments Priorities, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in Note Condition 10.1.2 above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in Note Condition 10.1.2 above, cease to be due and payable by the Issuer.

11. **Payments**

- 11.1 **Principal and Interest:** Payments of principal and interest shall be made by cheque drawn in Sterling or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

- 11.2 **Record Date:** Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date. The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

- 11.3 **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- 11.4 **Payments on Business Days:** If the due date for payment of any amount in respect of a Note is a day which is not a Business Day, payment shall not be made on such day but on the next succeeding Business Day and no further interest or other payment in respect of any such delay shall be due in respect of such Note.

12. **Taxation**

- 12.1 ***Payments free of Tax:*** All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Issuer Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.
- 12.2 ***No payment of additional amounts:*** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.
- 12.3 ***FATCA:*** Notwithstanding any other provision in these Note Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by the Issuer on account of FATCA, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
- 12.4 ***Taxing Jurisdiction:*** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer Jurisdiction, references in these Note Conditions to the Issuer Jurisdiction shall be construed as references to the Issuer Jurisdiction and/or such other jurisdiction.
- 12.5 ***Tax Deduction not Event of Default:*** Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction, making such deduction shall not constitute an Event of Default.

13. **Note Events of Default**

- 13.1 ***Note Events of Default:*** Subject to the other provisions of this Note Condition, each of the following events shall be treated as a "**Note Event of Default**":
- 13.1.1 ***Non-payment of principal:*** the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment of such principal;
- 13.1.2 ***Non-payment of interest:*** the Issuer fails to pay any Interest Amount in respect of the Most Senior Class within ten days of the due date for payment of such interest. For the avoidance of doubt, any deferral of interest in accordance with Note Condition 8.10 (*Interest Deferred*) shall not constitute an Event of Default;
- 13.1.3 ***Breach of other obligations:*** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or under the Primary Transaction Documents or breaches any of the Issuer Warranties which in the opinion of the Trustee is materially prejudicial to the interests of the Class A1 Noteholders and in the case of (a) and (b), the Trustee considers, such default (a) is incapable of remedy or (b) being a default which is capable of remedy and remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer;
- 13.1.4 ***Insolvency Event:*** an Insolvency Event occurs in relation to the Issuer; or
- 13.1.5 ***Unlawfulness:*** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents.
- 13.2 ***Delivery of Enforcement Notice:*** If a Note Event of Default occurs and is continuing, the Trustee may at its discretion and shall:
- 13.2.1 if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the First Voting Class then outstanding; or

13.2.2 if so directed by an Extraordinary Resolution of the holders of the First Voting Class then outstanding,

deliver an Enforcement Notice to the Issuer (with a copy to the Servicer).

13.3 ***Conditions to delivery of Enforcement Notice:*** Notwithstanding Note Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not:

13.3.1 deliver an Enforcement Notice unless following the occurrence of any of the events mentioned in Note Condition 13.1.3 (*Breach of other obligations*), the Trustee shall have certified in writing that such event is in its opinion materially prejudicial to the interests of the First Voting Class; and

13.3.2 be obliged to deliver an Enforcement Notice, unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.4 ***Consequences of delivery of Enforcement Notice:*** Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued Deferred Interest.

14. **Enforcement**

14.1 ***Proceedings:*** The Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each Class under the other Primary Transaction Documents, but it shall not be bound to do so unless:

14.1.1 so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the First Voting Class then outstanding; or

14.1.2 so directed by an Extraordinary Resolution of the holders of the First Voting Class then outstanding,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 ***Directions to the Trustee:*** If the Trustee shall take any action described in Note Condition 14.1 (*Proceedings*) it may take such action without having regard to the effect of such action on individual Noteholders, Certificate Holders or any other Secured Creditor, **provided that** so long as any of the First Voting Class are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

14.2.1 to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the Classes of Notes listed above such other Class in the definition of First Voting Class; or

14.2.2 (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes listed above such other Class in the definition of First Voting Class.

14.3 ***Restrictions on disposal of Issuer's assets:*** If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

14.3.1 a sufficient amount would be realised to allow payment in full of all amounts owing to the holders of the Notes of each Class relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or

- 14.3.2 the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Note Condition 14.3.2 shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each Class relating thereto after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; and
- 14.3.3 the Trustee shall not be bound to make the determination contained in Note Condition 14.3.2 unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.
- 14.4 **Third Party Rights:** No person shall have any right to enforce any Note Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- 15. **No action by Noteholders or any other Secured Creditor**
- 15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:
 - 15.1.1 otherwise than as expressly permitted by these Note Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security; or
 - 15.1.2 to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors; or
 - 15.1.3 until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
 - 15.1.4 to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.
- 16. **Meetings of Noteholders**
- 16.1 **Convening:** The Trust Deed contains "Provisions for Meetings of Noteholders" for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including, subject to Note Condition 17, the modification of any provision of these Note Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.
- 16.2 **Separate and combined meetings:** The Trust Deed provides that:
 - 16.2.1 an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;
 - 16.2.2 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes shall be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes of Notes as the Trustee shall determine in its absolute discretion; and
 - 16.2.3 an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class and gives rise to any actual or potential conflict of interest

between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

- 16.3 ***Request from Noteholders:*** A meeting of Noteholders of a particular Class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular Class or Classes holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding.

- 16.4 ***Quorum:*** The quorum at any meeting convened to vote on:

- 16.4.1 an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes will be two or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that Class or those Classes or, at any adjourned meeting, two or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such Class or Classes; and
- 16.4.2 an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each Class of Noteholders) will be two or more persons holding or representing in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant effected Class or Classes or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 10 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or Classes,

provided that, for the purposes of paragraphs 16.4.1 and 16.4.2, where all the outstanding Notes of any Class are represented by a Global Note, a single voter appointed in relation thereto or being a holder of the Notes thereby represented shall be deemed to be two voters for the purpose of forming a quorum.

- 16.5 ***Relationship between Classes of Notes and Certificates***

In relation to each Class of Notes and Certificates:

- 16.5.1 no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes or Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes and Certificates then outstanding;
- 16.5.2 no Extraordinary Resolution to approve any matter other than a Reserved Matter of any Class of Notes or Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes and Certificates ranking senior to such Class (to the extent that there are outstanding Notes or Certificates ranking senior to such Class) unless the Trustee considers that none of the holders of each of the other Classes of Notes and/or Certificates ranking senior to such Class would be materially prejudiced by the absence of such sanction; and
- 16.5.3 any resolution passed at a Meeting of Noteholders of one or more Classes of Notes or Certificates duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders or Certificate Holders of such Class or Classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the First Voting Class then outstanding duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and Certificates.
- 16.6 ***Resolutions in writing:*** A Written Resolution shall take effect as if it were an Extraordinary Resolution.

17. **Modification and Waiver**

17.1 **Modification:** The Trustee may, at any time and from time to time, without the consent or sanction of the Noteholders, the Certificate Holders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

17.1.1 any modification to these Note Conditions, the Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes, the Certificates, any Instrument or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the First Voting Class; or

17.1.2 any modification to Trust Documents, the Notes, the Note Conditions, the Certificates, the Certificate Conditions, any Instrument or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

17.2 **Waiver:** In addition, the Trustee may, at any time and from time to time, at its sole discretion without the consent of the Noteholders, the Certificate Holders or any other Secured Creditor, and if in its opinion it would not be materially prejudicial to the interests of the First Voting Class, concur with the Issuer or any other relevant parties in:

(a) authorising or waiving, on any terms and subject to such conditions which it considers appropriate, any breach or proposed breach of any of the covenants or provisions contained in the Trust Documents the Instruments or any of the other Transaction Documents; and

(b) determining that an Event of Default or Potential Event of Default shall not be treated as such for the purposes of the Trust Documents, the Note Conditions, the Certificate Conditions, the Notes, the Certificates or any of the other Transaction Documents.

17.3 **Restriction on power to modify and waive:** The Trustee shall not exercise any powers conferred upon it by Note Condition 17.1 (*Modification*) or Note Condition 17.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the First Voting Class then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the First Voting Class then outstanding, but so that no such direction or request shall (a) affect any modification, authorisation, waiver or determination previously given or made or (b) require or authorise the Trustee to modify or authorise or waive any proposed breach or breach relating to a Reserved Matter unless the holders of each relevant effected Class of outstanding Notes and Certificates has, by Extraordinary Resolution, so authorised its exercise.

17.4 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders, the Certificate Holders and the other Secured Creditors and the Rating Agencies in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

17.5 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Note Condition 17.1 (*Modification*) or Note Condition 17.2 (*Waiver*) shall be binding on the Noteholders, the Certificate Holders and the other Secured Creditors.

18. **Prescription**

18.1 **Principal:** Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the appropriate Relevant Date.

18.2 **Interest:** Claims for interest in respect of Notes, shall become void unless the relevant Notes are presented for payment and surrendered within five years of the appropriate Relevant Date.

19. **Replacement of Global Notes**

If any Global Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Global Notes must be surrendered before replacements will be issued.

20. **Trustee and Agents**

20.1 ***Trustee's right to Indemnity:*** Under the Primary Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

20.2 ***Trustee not responsible for loss or for monitoring:*** The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Primary Transaction Documents.

20.3 ***Regard to Classes of Noteholders:*** In the exercise of its powers, discretions authorities and trusts under these Note Conditions and the Trust Deed, the Trustee will:

20.3.1 have regard to the interests of each Class of Noteholders as a Class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and

20.3.2 have regard only to the holders of the First Voting Class and will not have regard to any Class of Notes listed lower in the definition of First Voting Class nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

20.4 ***Agents solely agents of Issuer:*** In acting under the Agency Agreement and in connection with the Notes, the Paying Agents, Agent Bank and Registrar act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

20.5 ***Initial Paying Agents:*** The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, registrar or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.

20.6 ***Maintenance of Agents:*** The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank which, in the case of any Paying Agent, shall make payments from an office in a member state of the European Union which does not require amounts payable under these Note Conditions to be withheld pursuant to the EU Savings Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

21. **Substitution of Issuer**

21.1 ***Substitution of Issuer:*** The Trustee may, without the consent of the Instrumentholders or any other Secured Creditor, subject to:

21.1.1 the consent of the Issuer; and

- 21.1.2 such further conditions as are specified in the Trust Deed,
- agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Transaction Documents, the Notes, the Certificates and the Secured Amounts.
- 21.2 **Notice of Substitution of Issuer:** Not later than fourteen days after any substitution of the Issuer in accordance with this Note Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders, the Certificate Holders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents and to the Rating Agencies.
- 21.3 **Change of Law:** In the case of a substitution pursuant to this Note Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Primary Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the First Voting Class, **provided that** each Rating Agency is notified.
- 21.4 **No indemnity:** No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.
22. **Notices**
- 22.1 **Valid Notices:** Any notice to Noteholders shall be validly given if such notice is:
- 22.1.1 in respect of Notes represented by Global Notes, sent to the Clearing Systems for delivery to their accountholders; or
- 22.1.2 published on the Relevant Screen; and
- 22.1.3 sent in such other manner as may be required by the Stock Exchange.
- 22.2 **Date of publication:** Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, 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 or on the Relevant Screen.
- 22.3 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then listed and **provided that** notice of such other method is given to the Noteholders in such manner as the Trustee shall require.
23. **Governing Law and Jurisdiction**
- 23.1 **Governing law:** The Trust Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law except that (a) to the extent that the provisions of the Security Deed and any security documents supplemental thereto relate to Scottish Mortgage Loans, such provisions and documents shall be governed by Scots law and (b) to the extent that the provisions of the Security Deed relate to Northern Irish Mortgage Loans such provisions shall be governed by Northern Irish law.
- 23.2 **Jurisdiction:** The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Primary Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Primary Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Primary Transaction Documents may be brought in such Courts.

TERMS AND CONDITIONS OF THE CERTIFICATES

1. General

- 1.1 The Issuer has agreed to issue the Certificates subject to and with the benefit of the terms of the Trust Deed.
- 1.2 The Agency Agreement records certain arrangements in relation to payments in respect of the Certificates.
- 1.3 Certain provisions of these Certificate Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.
- 1.4 The Certificate Holders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Primary Transaction Documents.
- 1.5 Copies of the Primary Transaction Documents (excluding any schedules containing personal information) are available for inspection by Certificate Holders during normal business hours at the registered office of the Issuer, the initial registered office of which is set out below.

2. Definitions

- 2.1 In these Certificate Conditions the following defined terms have the meanings set out below:

"**Account Details**" means the details of each of the Accounts which are set out in Schedule 8 (*Account Details*) of the Incorporated Terms Memorandum;

"**Accounts**" means, together or in combination, the Seller Collection Accounts and the Transaction Account, each an "**Account**";

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Citibank, N.A., London Branch in its capacity as agent bank in accordance with the terms of the Agency Agreement;

"**Agents**" means the Agent Bank, the Paying Agents and the Registrar and "**Agent**" means any one of them;

"**Ancillary Rights**" means in relation to a Right, all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right;

"**Arrangers**" means StormHarbour Securities LLP and Merrill Lynch International;

"**Assigned Policies**" means the the Individual Building Policies, the Contingency Policy and the Title Indemnity Policies;

"**Available Principal Funds**" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to (a) minus (b) where:

- (a) is the aggregate of:
 - (i) the Principal Receipts received by the Issuer during the related Calculation Period; and
 - (ii) the Revenue Reallocation Amount (if any) to be entered as a credit entry on the Principal Ledger on the immediately following Interest Payment Date; and
- (b) the amounts which the Cash Manager may have debited to the Principal Ledger during that Calculation Period on a day other than an Interest Payment Date pursuant to the terms of the Cash Management Agreement;

"Available Revenue Funds" means, in relation to a Calculation Period, the aggregate of:

- (a) all Revenue Receipts received during such Calculation Period;
- (b) any interest earned during such Calculation Period on amounts in the Transaction Account; and
- (c) any amount transferred from the Principal Ledger in respect of Residual Principal Allocation Amounts,

less any amounts which the Cash Manager may have debited to the Revenue Ledger during that Calculation Period on a day other than an Interest Payment Date in accordance with the Cash Management Agreement;

"Back-Up Servicer" means Homeloan Management Limited in its capacity as back-up servicer in accordance with the terms of and to the extent required by the Back-Up Servicing Agreement;

"Back-Up Servicing Agreement" means a back-up servicing agreement to be entered into between, among others, the Issuer, the Trustee and the Back-Up Servicer on or about the Closing Date;

"Beneficial Title Seller" means Kilimanjaro AM Limited;

"Borrower" means, in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage Documents together with the individual or individuals (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it;

"Breach of Duty" means a wilful default, fraud or gross negligence;

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London;

"Calculation Date" means in relation to an Interest Payment Date, the last calendar day of the previous month and in relation to any Interest Payment Date, the **"related Calculation Date"** means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

"Calculation Period" means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from the Cut-Off Date) to (but excluding) the next Calculation Date (or, in respect of the first Calculation Period, the Calculation Date immediately preceding the First Interest Payment Date) and, in relation to an Interest Payment Date, the **"related Calculation Period"** means, unless the context otherwise requires, the Calculation Period ending on the Business Day immediately preceding the related Calculation Date;

"Cash Management Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager and the Trustee;

"Cash Manager" means Citibank, N.A., London Branch in its capacity as cash manager under the Cash Management Agreement;

"Certificate Conditions" means the terms and conditions to be endorsed on the Certificates in, or substantially in, the form set out in Schedule 6 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Certificate Condition shall be construed accordingly;

"Certificate Payment" means a payment on each Interest Payment Date, subject to the Payments Priorities in relation to the Revenue Residual Certificates and/or the Principal Residual Certificates;

"Certificate Payment Amount" means, for a Certificate of any Class on any date on which amounts are to be applied in accordance with the relevant Payments Priorities, the Certificate Payment for that date, divided by the number of Certificates in that Class;

"Certificate Holders" means the Revenue Residual Certificate Holders and/or the Principal Residual Certificate Holders, as the context requires;

"Certificates" means the Revenue Residual Certificates and/or the Principal Residual Certificates, as the context requires;

"Charged Property" means all the property, rights and assets of the Issuer which is subject to the Security;

"Class A1 Noteholders" means the persons who for the time being are holders of the Class A1 Notes;

"Class A1 Notes" means the £338,150,000 Class A1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class A1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class A1 Reserve Fund" means the credit balance from time to time of the Class A1 Reserve Fund Ledger;

"Class A1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class A1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class A1 Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds, any Principal Reserve Fund Drawing, any Class B1 Reserve Fund Drawing and any Revenue Addition Amounts but excluding any Class A1 Reserve Fund Drawing.

"Class A1 Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Class A1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class A1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (f) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (f);

"Class B1 Noteholders" means the persons who for the time being are holders of the Class B1 Notes;

"Class B1 Notes" means the £56,100,000 Class B1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class B1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class B1 Reserve Fund" means the credit balance from time to time of the Class B1 Reserve Fund Ledger;

"Class B1 Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Class B1 Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Class B1 Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items (a) to (e) and, if Cumulative Default Ratio 1 is met, (g) of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer; and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds, any Principal Reserve Fund Drawing and any Revenue Addition Amounts but excluding any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing.

"Class B1 Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Class B1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class B1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (h) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (h);

"Class C1 Noteholders" means the persons who for the time being are holders of the Class C1 Notes;

"Class C1 Notes" means the £44,880,000 Class C1 Mortgage Backed Floating Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class C1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class C1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class C1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class C1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (j) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (j);

"Class D1 Noteholders" means the persons who for the time being are the holders of the Class D1 Notes;

"Class D1 Notes" means the £18,360,000 Class D1 Fixed Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class D1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class D1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (l) of the Pre-Enforcement Revenue Payments Priorities taking into account the

Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (l);

"Class D1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class D1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Class E1 Noteholders" means the persons who for the time being are the holders of the Class E1 Notes;

"Class E1 Notes" means the £27,029,000 Class E1 Fixed Rate Notes due 2050 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, represented by a Global Note;

"Class E1 Revenue Reallocation Amount" means in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Cash Management Agreement, being the lesser of (a) the debit balance on the Class E1 Principal Deficiency Ledger as at such Calculation Date and (b) the amount available to the Issuer for the payment of item (n) of the Pre-Enforcement Revenue Payments Priorities taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing which may be applied in payment of item (n);

"Class E1 Principal Deficiency Ledger" means the sub-ledger of the Principal Deficiency Ledger applicable to the Class E1 Notes created in accordance with Paragraph 12.1 (*Notes Principal Deficiency Sub-Ledgers*) of Part 2 of Schedule 1 of the Cash Management Agreement;

"Clearing Systems" means Euroclear Bank SA /NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**");

"Closing Date" means 13 May 2014 or such other date as the Issuer and the Arrangers may agree pursuant to the Subscription Agreement;

"Closing Primary Transaction Documents" means the Agency Agreement, the Back-Up Servicing Agreement, the Cash Management Agreement, the Seller Collection Account Agreement and Declaration of Trust, the Corporate Services Agreement, the Portfolio Option Deed, the Mortgage Sale Agreement, each Scottish Declaration of Trust, the Security Deed, a Scottish Supplemental Charge, the Servicing Agreement, the Security Powers of Attorney, the Transaction Account Agreement, the Incorporated Terms Memorandum and the Trust Deed;

"Contingency Policy" means a contingency policy provided by Legal and General Insurance Limited dated 27 October 2010;

"Corporate Services Agreement" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, the Issuer and the Trustee;

"Corporate Services Provider" means Law Debenture Corporate Services Limited (registered number 03388362), a private limited company incorporated under the laws of England and Wales, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX or such other person or persons for the time being acting as corporate services provider to the Issuer under the Corporate Services Agreement;

"Cumulative Default Ratio 1" is met where Cumulative Defaults represent less than 44.9% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 2" is met where Cumulative Defaults represent less than 34.3% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 3" is met where Cumulative Defaults represent less than 26.6% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Default Ratio 4" is met where Cumulative Defaults represent less than 17.2% of the Principal Amount Outstanding of the Notes on the Closing Date;

"Cumulative Defaults" means, at any time, the percentage of all Mortgage Loans that have been or are subject to foreclosure or are in Default;

"Cut-Off Date" means 31 March 2014;

"Day Count Fraction" means in respect of an Interest Period, the actual number of days in such period divided by 365;

"DBRS" means DBRS Ratings Limited or any successor to its credit rating business;

"Default" in respect of a Mortgage Loan:

- (a) in respect of a Mortgage Loan which is not a Buy to Let Mortgage Loan, that a warrant (or, in Scotland, decree) of possession has been granted; and
- (b) in respect of a Mortgage Loan which is a Buy to Let Mortgage Loan, that a receiver of rent has been appointed or, in Scotland, a decree is granted following the expiry of a calling up notice;

"Deferred Interest" has the meaning given to it in Note Condition 8.10 (*Interest Deferred*);

"Definitive Notes" has the meaning given to it in Note Condition 3.3;

"Edeus Lending Criteria" means the Lending Criteria in respect of which Edeus is the Originator;

"Encumbrance" means:

- (a) a mortgage, Standard Security, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"Enforcement Notice" means:

- (a) in relation to the Notes, a notice delivered by the Trustee to the Issuer (with a copy to the Servicer) in accordance with Note Condition 13 (*Events of Default*); or
- (b) in relation to the Certificates, a notice delivered by the Trustee to the Issuer (with a copy to the Servicer) in accordance with Certificate Condition 13 (*Events of Default*);

"Enforcement Procedures" means the exercise of the rights and remedies against a Borrower or in relation to the security for the Borrower's obligations arising from any default by the Borrower under or in connection with his Mortgage Loan or Related Security in accordance with the procedures described in the Service Specification or such other procedures as may be adopted by the Servicer (including early contact with a Borrower in order to find a solution to any financial difficulties the Borrower may be experiencing, agreeing to payment plans and for the avoidance of doubt, in accordance with the procedures that could reasonably be expected of a Prudent Residential Mortgage Lender) and "completion of the Enforcement Procedures" shall be deemed to have occurred in respect of a particular Mortgage Loan and its Related Security when the Servicer has determined that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic;

"Event of Default" means:

- (a) in relation to the Notes, any one of the events specified in Note Condition 13 (*Events of Default*); and

- (b) in relation to the Certificates, any one of the events specified in Certificate Condition 13 (*Events of Default*);

"Exchange Date" means the first day following the expiry of 40 days after the Closing Date;

"Extraordinary Resolution" means:

- (a) in relation to the Notes, a resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast; or
- (b) in relation to the Certificates, a resolution passed at a Meeting of Certificate Holders duly convened and held in accordance with the Provisions for Meetings of Certificate Holders by a majority;

"FATCA" means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling in October 2050;

"First Interest Payment Date" means the Interest Payment Date falling in June 2014;

"First Voting Class" means the Class A1 Notes whilst they remain outstanding, thereafter the Class B1 Notes whilst they remain outstanding, thereafter the Class C1 Notes whilst they remain outstanding, thereafter the Class D1 Notes whilst they remain outstanding, thereafter the Class E1 Notes whilst they remain outstanding, thereafter the Revenue Residual Certificates whilst they remain outstanding. Should any Principal Residual Certificates be outstanding when no Revenue Residual Certificates are outstanding, they shall constitute the "First Voting Class";

"Global Notes" has the meaning given to it in Note Condition 3.2;

"holder" means, in relation to a Note or a Certificate, the person in whose name such Note or Certificate is for the time being registered in the Register and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

"Incorporated Terms Memorandum" means the document so named which is dated on or about the Closing Date and signed for the purposes of identification by, among others, the Issuer and the Beneficial Title Seller;

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Event" in respect of a company means:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or
- (c) a moratorium is declared in respect of any indebtedness of such company; or
- (d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or

- (e) any corporate action, legal proceedings or other procedure or step is taken in relation to:
- (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
 - (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or
 - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment assignment or trust for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
 - (iv) any distress, diligence, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or
- (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (e) above, in any jurisdiction.

"Insolvency Official" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the First Voting Class then outstanding) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Instruments" means the Global Notes, the Registered Definitive Notes, the Global Certificates and the Definitive Certificates and **"Instrument"** means any one of them;

"Interest Determination Date" means: each Interest Payment Date or, in the case of the first Interest Period, the Closing Date;

and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

"Interest Payment Date" means the 15th day of each month in each year commencing on the First Interest Payment Date, **provided that** if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day, unless the immediately succeeding Business Day is in the next calendar month, in which case the Interest Payment Date shall be the immediately preceding Business Day;

"Interest Period" means each period from (and including) an Interest Payment Date (or in respect of the first Interest Period, from the Closing Date) to (but excluding) the next Interest Payment Date (or in respect of the first Interest Period, the First Interest Payment Date) and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period in which such Interest Determination Date falls or, if such Interest Determination Date does not fall on an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

"Issuer" means Moorgate Funding 2014-1 Plc, a public limited company incorporated in England and Wales with registered number 08929208 as issuer of the Notes and the Certificates;

"Issuer Covenants" means the covenants of the Issuer set out in Schedule 7 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

"Issuer Jurisdiction" means England and Wales or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Note Condition 21 (*Substitution of Issuer*) and Certificate Condition 21 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"Issuer Security Power of Attorney" means the power of attorney contained in Clause 25 of the Security Deed;

"Legal Title Holders" means Mortgages 1 Limited, Mortgages 2 Limited, Mortgages 3 Limited, Mortgages 4 Limited, Mortgages 5 Limited, Mortgages 6 Limited, Mortgages 7 Limited and Wave Lending Limited;

"Legal Title Holder Security Power of Attorney" means each deed so named dated on or about the Closing Date granted by each Legal Title Holder in favour of the Issuer and the Trustee substantially in the form of Schedule 3 of the Mortgage Sale Agreement;

"Lending Criteria" means the example lending criteria contained in Schedule 10 (*Lending Criteria*) of the Mortgage Sale Agreement;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including reasonable legal fees and any Taxes and penalties incurred by that person;

"LIBOR" means London Interbank Offered Rate;

"London & European Title Insurance Policy" means:

- (a) the all-inclusive lenders' title insurance policy (England & Wales (dated January 2007)) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633);
- (b) the all-inclusive lenders' title insurance policy (Northern Ireland (dated January 2007)) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633); and
- (c) the all-inclusive lenders title insurance policy (Scotland) with policy number 11/04 (as supplemented and amended from time to time prior to the date hereof) with London & European Title Insurance Services Limited (company registration number 04459633);

"Meeting" means a meeting of Noteholders or Certificate Holders of any Class or Classes (whether originally convened or resumed following an adjournment);

"MHA/CPA Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Scottish Property to which it relates;

"Mortgage" means in respect of any Mortgage Loan, each first fixed charge by way of legal mortgage, first legal charge or first ranking Standard Security which is sold by the Beneficial Title Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Mortgage Loan, including the Mortgage Documents applicable to it, and, together, the **"Mortgages"**;

"Mortgage Conditions" means, in relation to each Mortgage Loan and the Mortgage relating thereto, the terms and conditions subject to which the Mortgage Loan and Mortgage are made

including, for the avoidance of doubt, the terms and conditions incorporated into any letter or letters of offer or agreement to make such Mortgage Loan;

"Mortgage Document" means any agreement (including a Mortgage) in relation to a Mortgage Loan between the relevant lender and a Borrower and **"Mortgage Documents"** means all or some of them as the context may require;

"Mortgage Loan" means a residential mortgage loan (including all advances, any accrued interest and any fees, costs and other amounts owing to any Seller from the Borrower (including all capitalised sums)), secured by the Related Security which is included in the Mortgage Portfolio;

"Mortgage Portfolio" means the portfolio of Mortgage Loans, the Mortgages, the Related Security and all rights, interest, benefit, income and payments sold to the Issuer by the Beneficial Title Seller on the Closing Date but excluding (for the avoidance of doubt) any Mortgage Loan and its Related Security which is repurchased by the Beneficial Title Seller, in each case pursuant to the Mortgage Sale Agreement and no longer beneficially owned by the Issuer;

"Mortgage Sale Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Legal Title Holders, the Beneficial Title Seller, the Trustee and the Servicer;

"Northern Irish Mortgage Document" means a Mortgage Document entered into in connection with a Northern Irish Mortgage Loan;

"Northern Irish Mortgage Loan" means a Mortgage Loan secured by an Encumbrance over a Northern Irish Property;

"Northern Irish Property" means a Property located in Northern Ireland;

"Note Conditions" means the terms and conditions of the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Note Condition shall be construed accordingly;

"Note Principal Payment" means in respect of any Note on any Interest Payment Date, the principal amount redeemable in respect of such a Note, which shall be a proportion of the amount of Available Principal Funds required as at that Interest Payment Date pursuant to the Pre-Enforcement Principal Payments Priorities to be applied in redemption of the relevant class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

"Noteholders" means the Class A1 Noteholders, the Class B1 Noteholders, the Class C1 Noteholders, the Class D1 Noteholders and the Class E1 Noteholders or, where the context otherwise requires, the holders of Notes of a particular Class or Classes;

"Notes" means the Class A1 Notes, the Class B1 Notes, the Class C1 Notes, the Class D1 Notes and the Class E1 Notes;

"Notices Condition" means:

- (a) in relation to the Notes, Note Condition 22 (*Notices*); and
- (b) in relation to the Certificates, Certificate Condition 22 (*Notices*);

"Notices Details" means, in relation to any Agent, the provisions set out in Schedule 9 (*Notices Details*) of the Incorporated Terms Memorandum;

"outstanding" means:

- (a) in relation to the Notes, all the Notes other than:
 - (i) those which have been redeemed in full and cancelled in accordance with the Note Conditions;
 - (ii) those in respect of which the date for redemption, in accordance with the provisions of the Note Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Note Conditions;
 - (iii) those which have become void under the Note Conditions;
 - (iv) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Note Conditions; and
 - (v) any Global Note, to the extent that it shall have been exchanged for the related Registered Definitive Notes pursuant to the provisions contained therein and the Note Conditions;

provided that for each of the following purposes, namely:

- (A) the right to attend and vote at any meeting of Noteholders and resolve by Extraordinary Resolution;
- (B) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modification*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 26 (*Appointment of Trustees*) and Clause 27 (*Notice of a New Trustee*) of the Trust Deed and Note Condition 13 (*Events of Default*), Note Condition 14 (*Enforcement*) and Note Condition 16 (*Meetings of Noteholders and Certificate Holders*) and the Provisions for Meetings of Noteholders; and
- (C) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or the Issuer, any holding company or (in the case of the Beneficial Title Seller) subsidiary of the Beneficial Title Seller or the Issuer, as applicable, or any affiliate of the Beneficial Title Seller (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Notes of a particular Class are held by the Beneficial Title Seller, the Issuer, any holding company or (in the case of the Beneficial Title Seller) subsidiary of the Beneficial Title Seller, any holding company of the Issuer or any affiliate of the Beneficial Title Seller (the "**relevant Class of Notes**") and no other Classes of Notes exist that rank junior or *pari passu* to the relevant Class of Notes, the relevant Class of Notes will be deemed to remain outstanding; and

- (b) means in relation to the Certificates, all the Certificates other than any Global Certificate, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Certificate Conditions, **provided that** for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Certificate Holders and resolve by Extraordinary Resolution;
- (ii) the determination of how many and which Certificates are for the time being outstanding for the purposes of Clause 13 (*Waiver*), Clause 14 (*Modification*), Clause 17 (*Proceedings and Actions by the Trustee*), Clause 26 (*Appointment of Trustees*) and Clause 27 (*Notice of a New Trustee*) of the Trust Deed and Certificate Condition 13 (*Events of Default*), Certificate Condition 14 (*Enforcement*) and Certificate Condition 16 (*Meetings of Certificate Holders*) and the Provisions for Meetings of Certificate Holders; and
- (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Certificate Holders or any of them,

those Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Beneficial Title Seller or the Issuer, any holding company or subsidiary of the Beneficial Title Seller or the Issuer or any affiliate of the Beneficial Title Seller or the Issuer (unless and until ceasing to be so held) be deemed not to remain outstanding **provided that** if all Certificates of a particular Class are held by the Beneficial Title Seller, the Issuer, any holding company or subsidiary of the Beneficial Title Seller, any holding company or subsidiary of the Issuer, any affiliate of the Issuer or any affiliate of the Beneficial Title Seller (the "**relevant Class of Certificates**") and no other Classes of Certificates exist that rank junior or *pari passu* to the relevant Class of Certificates, the relevant Class of Certificates will be deemed to remain outstanding;

"**Paying Agents**" means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes and the Certificates under the Agency Agreement;

"**Payments Priorities**" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"**Portfolio Option**" means the option granted to the Portfolio Option Holder documented in the Portfolio Option Deed;

"**Portfolio Option Deed**" means the portfolio option deed dated on or about the Closing Date, executed by, among others, the Issuer and the Servicer, in favour of the Portfolio Option Holder, from time to time;

"**Portfolio Option Holder**" means Merrill Lynch International;

"**Portfolio Purchase**" means a purchase of all (but not part) of the Mortgage Loans and their Related Security by the Portfolio Option Holder;

"**Post-Enforcement Payments Priorities**" means the provisions relating to the order of priority of payments from the Transaction Account, set out in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed;

"**Potential Event of Default**" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"**Pre-Enforcement Payments Priorities**" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"**Pre-Enforcement Principal Payments Priorities**" means the provision relating to the order of priority of payments from the Principal Ledger set out in Paragraph 21 (*Payments from Principal Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 16 (*Payments from Revenue Ledger on an Interest Payment Date*) of Part 3 of Schedule 1 of the Cash Management Agreement;

"Primary Transaction Documents" means the Signing Transaction Documents, the Closing Primary Transaction Documents and any document designated as such by the Issuer and the Trustee;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to the Notes:
 - (i) in relation to a Note, the principal amount of that Note on the Closing Date less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and have been paid) on or prior to that day;
 - (ii) in relation to a Class, the aggregate of the amount in paragraph (i) above in respect of all Notes outstanding in such Class; and
 - (iii) in relation to the Notes outstanding at any time, the aggregate of the amounts in paragraph (i) above in respect of all Notes outstanding, regardless of Class; and
- (b) in relation to the Certificates:
 - (i) in relation to a Class, the number of Certificates outstanding in such Class; and
 - (ii) in relation to the Certificates outstanding at any time, the aggregate of the amounts in paragraph (i) above in respect of all Certificates outstanding, regardless of Class;

"Principal Collections" means all amounts received in respect of Principal Receivables;

"Principal Deficiency Ledger" means the ledger in the books of the Issuer so named;

"Principal Ledger" means the ledger in the books of the Issuer so named;

"Principal Paying Agent" means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

"Principal Receipts" means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) the amount of all Principal Collections received by the Issuer during such Calculation Period; and
- (b) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties (including, but not limited to, in relation to professional negligence claims) received by the Issuer during such Calculation Period to the extent such proceeds or receipts constitute principal;

"Principal Receivables" means, on any day, the principal payments (whether or not yet due) which remain to be paid by the relevant Borrowers under the Mortgage Documents, but excludes all Recoveries and any amounts which have been capitalised after (but not before) the Cut-Off Date which, had they not been capitalised, would have been Revenue Receivables;

"Principal Reserve Fund" means the credit balance from time to time of the Principal Reserve Fund Ledger which, on the Closing Date, will be an amount equal to 1 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (the **"Initial Principal Reserve Fund Required Amount"**) funded from the proceeds of the issuance of the Notes;

"Principal Reserve Fund Drawing" means, on an Interest Payment Date, a drawing from the Principal Reserve Fund of an amount equal to the lesser of (1) and (2) where:

- (1) is the balance standing to the credit of the Principal Reserve Fund Ledger; and
- (2) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:
 - (x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:
 - (i) (a) to (f), (h), (j), (l) and (n);
 - (ii) if Cumulative Default Ratio 1 is met, (g);
 - (iii) if Cumulative Default Ratio 2 is met, (i);
 - (iv) if Cumulative Default Ratio 3 is met, (k); and
 - (v) if Cumulative Default Ratio 4 is met, (m); and
 - (y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds but excluding any Principal Reserve Fund Drawing, any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing;

"Principal Reserve Fund Ledger" means the ledger in the books of the Issuer so named;

"Principal Reserve Fund Step-Down Conditions" means the condition that the relevant Interest Payment Date falls after the day falling 72 months after the Closing Date.

"Principal Reserve Fund Required Amount" means:

- (a) on the Closing Date, 1% of the Principal Amount Outstanding of the Notes on the Closing Date;
- (b) on each Interest Payment Date from (and including) the Closing Date until (but excluding) the Principal Reserve Fund Step-Down Date, 2.1% of the Principal Amount Outstanding of the Notes on Closing Date (the **"Initial Principal Reserve Fund Required Amount"**);
- (c) on each Interest Payment Date from (and including) the Principal Reserve Fund Step-Down Date:
 - (i) where the Principal Reserve Fund Step-Down Conditions are met, 4% of the Principal Amount Outstanding of the Notes on that Interest Payment Date or, if less, 2.1% of the Principal Amount Outstanding of the Notes on the Closing Date; and
 - (ii) where the Principal Reserve Fund Step-Down Conditions are not met, the Principal Reserve Fund Required Amount as at the immediately preceding Interest Payment Date (the **"Stepped-Down Principal Reserve Fund Required Amount"**).

"Principal Reserve Fund Step-Down Date" means the Interest Payment Date falling in May 2020;

"Principal Residual Certificate Holders" means the persons who for the time being are the holders of the Principal Residual Certificates;

"Principal Residual Certificates" means the 100 principal residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Property" means, in relation to a Mortgage Loan and its related Mortgage, the freehold or leasehold property or (if located in Scotland) the heritable or long lease property charged as security for the repayment of such Mortgage Loan;

"Prospectus" means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes and the Certificates;

"Provisions for Meetings of Certificate Holders" means the provisions contained in Schedule 8 of the Trust Deed;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 7 of the Trust Deed;

"Prudent Residential Mortgage Administrator" means a reasonably prudent residential mortgage administrator acting in a manner consistent with that of an experienced administrator of residential mortgage loans with borrowers in England, Wales, Northern Ireland and Scotland who include buy-to-let borrowers, the self-employed, independent contractors, temporary employees, borrowers who self-certify their income and people who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders;

"Prudent Residential Mortgage Lender" means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and Scotland who include buy-to-let borrowers, the self-employed, independent contractors, temporary employees, borrowers who self-certify their income and/or those who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders on terms and criteria similar to the Mortgage Conditions and Lending Criteria (excluding for these purposes the Edeus Lending Criteria) and to borrowers with similar credit history as the Borrowers;

"Rating Agency" means S&P and DBRS;

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by a Borrower in accordance with the provisions of the Transaction Documents;

"Receiver" means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 18 (*Appointment and Removal of Administrators and Receivers*) of the Security Deed;

"Record Date" means in respect of any payment, the opening of business in the place of the Registrar's Specified Office on the fifteenth day prior to the relevant date for payment;

"Recoveries" means any payments received in respect of a Mortgage Loan after the Servicer has completed the Enforcement Procedures (including enforcement of security) in respect of such Mortgage Loan;

"Reference Banks" means the principal London office of four major banks in the London interbank market selected by the Issuer at the relevant time;

"Reference Rate" means, on any (save for the final) Interest Determination Date the Sterling Reference Rate

"Register" means the register of Noteholders and Certificate Holders kept by the Registrar and which records the identity of each Noteholder and Certificate Holder and the number of Notes and/or Certificates which each Noteholder and Certificate Holder owns;

"Registrar" means the party responsible for maintaining the Register, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement;

"Related Security" means, in relation to a Mortgage Loan, the Mortgage relating thereto and all other collateral security for, and rights in respect of such Mortgage Loan including (but not limited to) any Deeds of Consent, MHA/CPA Documentation, deeds of postponement, ranking agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan and any life policies, life policy assignments, priority letters, pension policies, guarantees, the Assigned Policies, assignments, searches, indemnities and related documentation and any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Mortgage Loan;

"Relevant Period" means in relation to an Interest Determination Date, the length in months of the related Interest Period;

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest (including, for the avoidance of doubt, the Final Maturity Date) or any other amount in respect of the Notes or Certificates of any Class, to change the amount of principal or interest or any other amount due on any date in respect of the Notes or Certificates of any Class to alter the method of calculating the amount of any payment in respect of the Notes or Certificates of any Class on redemption or maturity;
- (b) (except in accordance with Note Condition 21 (*Substitution of Issuer*), Certificate Condition 21 (*Substitution of Issuer*) and Clause 15 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes or Certificates of any Class for, or the conversion of such Notes or Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes or the Certificates are payable ;
- (d) to alter the Payments Priorities or any other amounts in respect of the Notes or the Certificates;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Residual Payment" means:

- (a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceed the amounts required to satisfy items (a) to (o) of the Pre-Enforcement Revenue Payments Priorities on that Interest Payment Date; and
- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Payments Priorities, the amount by which amounts available for payment in accordance with the Post-Enforcement Payments Priorities exceeds the amounts required to satisfy items (a) to (r) of the Post-Enforcement Payments Priorities on that date;

"Residual Principal Allocation Amount" means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the amount by which the Available

Principal Funds exceed the Note Principal Payment in respect of the Notes and any amount due on the Principal Residual Certificates;

"Revenue Addition Amount" means, on an Interest Payment Date, an amount equal to the lesser of (A) and (B) where:

(A) the amount available at item (a) of the Pre-Enforcement Principal Payments Priorities; and

(B) the greater of (a) zero and (b) the amount equal to (x) minus (y) where:

(x) equals the maximum amount the Issuer would pay in respect of the following items of the Pre-Enforcement Revenue Payments Priorities if sufficient funds were available to the Issuer:

(i) (a) to (e);

(ii) if Cumulative Default Ratio 1 is met, (g);

(iii) if Cumulative Default Ratio 2 is met, (i);

(iv) if Cumulative Default Ratio 3 is met, (k); and

(v) if Cumulative Default Ratio 4 is met, (m); and

(y) equals the amount available to the Issuer to make payments in respect of the items of the Pre-Enforcement Payments Priorities listed in (x) above taking into account the Available Revenue Funds and any Principal Reserve Fund Drawing but excluding any Revenue Addition Amounts, any Class A1 Reserve Fund Drawing and any Class B1 Reserve Fund Drawing;

"Revenue Collections" means all amounts received in respect of Revenue Receivables;

"Revenue Ledger" means the ledger in the books of the Issuer so named;

"Revenue Reallocation Amount" means any of a Class A1 Revenue Reallocation Amount, a Class B1 Revenue Reallocation Amount, a Class C1 Revenue Reallocation Amount, a Class D1 Revenue Reallocation Amount or a Class E1 Revenue Reallocation Amount;

"Revenue Receipts" means, in relation to a Calculation Period, the aggregate of:

(a) all Revenue Collections received during such Calculation Period;

(b) any Recoveries received during such Calculation Period; and

(c) the net proceeds of disposal of any Mortgage Loan or the related Property or any amounts recovered from third parties received by the Issuer during such Calculation Period to the extent such proceeds are not attributable to principal;

"Revenue Receivables" means all payments (whether or not yet due) which remain to be paid by the relevant Borrower under the relevant Mortgage Documents (whether or not capitalised), other than Principal Receivables and Recoveries;

"Revenue Residual Certificates" means the 100 revenue residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof;

"Revenue Residual Certificate Holders" means the persons who for the time being are the holders of the Revenue Residual Certificates;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"Scottish Declaration of Trust" means the declaration of trust granted by each Legal Title Holder in favour of the Issuer substantially in the form set forth in the Schedule 8 of the Mortgage Sale Agreement;

"Scottish Mortgage" means a Standard Security over a Scottish Property securing a Scottish Mortgage Loan and all principal sums, interest, costs and other amounts secured or intended to be secured by that Standard Security;

"Scottish Mortgage Loan" means a Mortgage Loan secured at any time by an Encumbrance over a Scottish Property;

"Scottish Property" means a Property located in Scotland;

"Scottish Supplemental Charge" means each assignment in security governed by Scots law granted by the Issuer in favour of the Trustee pursuant to the Security Deed;

"Screen" means, in relation to Sterling, the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Reuters page LIBOR01 and, in relation to euro, the display as quoted on the Reuters page EURIBOR01; or

- (a) such other page as may replace Reuters page LIBOR01 or, as the case may be, Reuters page EURIBOR01 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

"Secondary Transaction Documents" means the documents set out in section C of annex 1 to the signing and closing memorandum named "Secondary Documents Annex";

"Secured Amounts" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes, the Certificates or the Primary Transaction Documents;

"Secured Creditors" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 16 (*Post-Enforcement Payments Priorities*) of the Security Deed;

"Security" means the security created in favour of the Trustee pursuant to the Security Deed;

"Security Deed" means the deed so named dated on or about the Closing Date between the Issuer, the Trustee, the Legal Title Holders and the Beneficial Title Seller (including any security documents supplemental thereto);

"Security Powers of Attorney" means the Issuer Security Power of Attorney and each Legal Title Holder Security Power of Attorney;

"Seller Collection Account Agreement and Declaration of Trust" means the agreement so named including, *inter alia*, declarations of trust by the Legal Title Holders in favour of the Issuer in relation to the Seller Collection Accounts (other than the Paragon Serviced Loans Collection Account) dated on or about the Closing Date;

"Seller Collection Account Bank" means Barclays Bank PLC in its capacity as account bank in accordance with the terms of the Seller Collection Account Agreement and Declaration of Trust;

"Seller Collection Accounts" means the Legal Title Holders' accounts so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be the Seller Collection Account(s);

"Service Specification" means the service specification set out in Schedule 4 (*Service Specification*) to the Servicing Agreement as the same may be amended by the Servicer from

time to time in accordance with its terms and the terms of the Servicing Agreement and acting as a Prudent Residential Mortgage Lender;

"Servicer" means Mortgages PLC or any successor duly appointed under the Servicing Agreement and the Transaction Documents provided always that where it is the Back-Up Servicer appointed as a successor, all references to "Prudent Residential Mortgage Lender" shall be construed as references to "Prudent Residential Mortgage Administrator";

"Servicing Agreement" means the agreement so named dated on or about 2 May 2014 between the Issuer, the Beneficial Title Seller, the Servicer, the Legal Title Holders and the Trustee, as amended and restated from time to time;

"Share Trust Deed" means the deed so named dated 2 May 2014 and executed by the Share Trustee;

"Share Trustee" means The Law Debenture Intermediary Corporation plc as share trustee of one share in the Issuer or the trustee or trustees for the time being of the Share Trust Deed;

"Signing Date" means 12 May 2014;

"Signing Transaction Documents" means the Prospectus and the Subscription Agreement;

"Specified Office" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Agency Agreement;

"SPV Criteria" means the criteria established from time to time by each Rating Agency for a single purpose company in the Issuer Jurisdiction;

"S&P" means Standard & Poor's Credit Market Services Europe Limited;

"Standard Security" means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"Sterling" and **"£"** denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"Sterling Reference Rate" means, on any Interest Determination Date, the rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Issuer after request of the principal London office of each of the Reference Banks;
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

"Sterling Reserve Reference Rate" means on any Interest Determination Date if the Agent Bank certifies that it cannot determine a rate in accordance with paragraphs (a) or (b) of the definition of Sterling Reference Rate, or if no major banks have been selected by the Issuer pursuant to the definition of Reference Banks, the Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date;

"Sterling Screen Rate" means:

- (a) in relation to the first Interest Determination Date, the linear interpolation (by reference to the first Interest Period) of the offered quotation for Sterling deposits for a period of one month and for a period of two months;
- (b) for any other Interest Determination Dates, the offered quotations for Sterling deposits for the Relevant Period,

in each case, which appears on the Screen as at or about 11:00 a.m. (London time) on that date;

"Subscription Agreement" means the subscription agreement dated on or about the Signing Date between, among others, the Arrangers, the Beneficial Title Seller and the Issuer;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"Tax Deduction" means any deduction or withholding on account of Tax;

"Transaction Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"Transaction Account Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Transaction Account Bank and the Trustee;

"Transaction Account Bank" means Citibank, N.A., London Branch in its capacity as account bank in accordance with the terms of the Transaction Account Agreement;

"Transaction Documents" means the Primary Transaction Documents, the Secondary Transaction Documents and any document designated as such by the Issuer and the Trustee;

"Transaction Party" means any person who is a party to a Primary Transaction Document and **"Transaction Parties"** means some or all of them;

"Trust Deed" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

"Trust Documents" means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with or pursuant to the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable);

"Trustee" means Citicorp Trustee Company Limited in its capacity as trustee under the Trust Deed; and

"Written Resolution" means a resolution in writing signed by or on behalf of all holders of Notes or Certificates of the relevant Class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders or the Provisions for the Meetings of Certificate Holders (as the case may be), whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes or the Certificates (as the case may be).

2.2 **Interpretation:** Any reference in the Certificate Conditions to:

"continuing", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been authorised or waived in writing in accordance with the terms of the Certificate Conditions or, as the case may be, the relevant Primary Transaction Document or which has not been remedied;

a **"Class"** shall be a reference to a class of the Notes or Certificates being the Class A1 Notes, the Class B1 Notes, the Class C1 Notes, the Class D1 Notes, the Class E1 Notes, the Principal Residual Certificates and the Revenue Residual Certificates and **"Classes"** shall be construed accordingly;

"Euroclear" and/or **"Clearstream, Luxembourg"** shall, whenever the context so admits, be deemed to include reference to any additional or alternative clearing system approved by the Issuer and the Trustee in relation to the Notes or the Conditions (as the case may be);

"including" shall be construed as a reference to **"including without limitation"**, so that any list of items or matters appearing after the word **"including"** shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word **"including"**;

"indebtedness" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a **"law"** shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure (whether primary or secondary made pursuant to primary legislation) of any government, supranational, local government, statutory or regulatory body or court;

a **"month"** shall mean a calendar month;

a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"principal" shall, where applicable, include premium;

"redeem" and **"pay"** shall each include both of the others and **"redeemed"**, **"redeemable"** and **"redemption"** and **"paid"**, **"payable"** and **"payment"** shall be construed accordingly;

a reference to any person defined as a **"Transaction Party"** in the Certificate Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;

"set-off" includes equivalent or analogous rights under jurisdictions other than England and Wales; and

a **"successor"** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Primary Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 **Primary Transaction Documents and other agreements:** Any reference to any document defined as a Primary Transaction Document or any other agreement or document shall be

construed as a reference to such Primary Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated, supplemented or replaced.

- 2.4 **Statutes and Treaties:** Any reference to legislation (whether primary legislation or regulations or other secondary legislation made pursuant to primary legislation) a statute or treaty shall be construed as a reference to such legislation, regulations, secondary legislation, statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.
- 2.5 **Schedules:** Any Schedule of, or Appendix to, a Primary Transaction Document forms part of such Primary Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Primary Transaction Document. Any reference to a Primary Transaction Document shall include any such Schedule or Appendix.
- 2.6 **Headings:** Certificate Condition headings are for ease of reference only.
- 2.7 **Sections:** Except as otherwise specified in the Certificate Condition, reference in the Certificate Conditions to:
- 2.7.1 a "**Section**" shall be construed as a reference to a Section of such Primary Transaction Document;
- 2.7.2 a "**Part**" shall be construed as a reference to a Part of such Primary Transaction Document;
- 2.7.3 a "**Schedule**" shall be construed as a reference to a Schedule of such Primary Transaction Document;
- 2.7.4 a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Primary Transaction Document; and
- 2.7.5 a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Primary Transaction Document.
- 2.8 **Number**

In these Certificate Conditions, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Title**

- 3.1 **Form:** The Certificates are in registered form.
- 3.2 **Title:** The person registered in the Register as the holder of any Global Certificate or Definitive Certificate shall (except as otherwise required by law) be deemed treated at all times as its absolute owner by all persons and for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof or, if more than one person is so registered, the first named of such persons will be treated as the absolute owner of the Certificate, and no person shall be liable for so treating such holder provided that, so long as the nominee for the Common Depositary, for Euroclear and Clearstream, Luxembourg is the registered holder of the relevant Global Certificate, Euroclear and Clearstream, Luxembourg, as applicable, will be considered the sole Certificateholder for all purposes hereunder.

- 3.3 **Global Certificate:** Each of the Principal Residual Certificates and the Revenue Residual Certificates is represented by one or more global certificates in fully registered form (each a "**Global Certificate**") and issued outside the United States to non U.S. Persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**").
- 3.4 **Definitive Certificates:** Definitive registered Certificates (the "**Definitive Certificates**") will be issued in registered form and serially numbered in the circumstances referred to Certificate Condition 3.5 below.
- 3.5 **Issue of Definitive Certificates:** If, while any Certificates are represented by a Global Certificate in the case of a Global Certificate which is held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does so cease business and no alternative clearing system satisfactory to the Trustee is available the Issuer will issue Definitive Certificates to Certificate Holders whose accounts with the relevant clearing systems are credited with interests in that Global Certificate in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Certificate will not be exchangeable for Definitive Certificates in any other circumstances.

4. **Title and Transfer**

- 4.1 The person registered in the Register as the holder of any Certificate will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments whether or not any payment is overdue), as the absolute owner of such Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person is so registered, the first named of such persons will be treated as the absolute owner of such Certificate and no person shall be liable for so treating such holder, provided that, so long as the nominee for the Common Depositary, for Euroclear and Clearstream, Luxembourg is the registered holder of the relevant Global Certificate, Euroclear and Clearstream, Luxembourg, as applicable, will be considered the sole Certificate Holder for all purposes hereunder.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Certificates and the particulars of the Certificates held by them and of all transfers and redemptions of the Certificates.
- 4.3 No transfer of a Certificate will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Certificates and any Definitive Certificates and any entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Certificates, the detailed regulations concerning transfers of such Certificates contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Certificates. In no event will the transfer of a beneficial interest in a Global Certificate or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Certificate who so requests (and any holder of a beneficial interest who provides evidence of such holding where the Certificates are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Certificate may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, new Definitive Certificates in respect of both the balance transferred and the balance remaining will be issued to each of the transferee and the transferor by or by order of the Registrar.

- 4.6 Each new Definitive Certificate to be issued upon a transfer of Definitive Certificates will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate to such address as may be specified in such request.
- 4.7 Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any Tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Certificate may require the transfer of such Certificate to be registered during the period of 15 days ending on the due date for any payment on such Certificate.

5. **Status and Ranking**

- 5.1 **Status:** The Certificates constitute secured obligations of the Issuer to make Certificate Payments.
- 5.2 **Ranking:** The Certificates of each Class will at all times rank without preference or priority *pari passu* and rateably amongst themselves.
- 5.3 **Sole Obligations:** The Certificates are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.
- 5.4 **Pre-Enforcement Revenue Payments Priorities:** Payments of interest on the Class A1 Notes will at all times rank in priority to payments of interest on the Class B1 Notes, payments of interest on the Class B1 Notes will at all times rank in priority to payments of interest on the Class C1 Notes, payments of interest of the Class C1 Notes will at all times rank in priority to payments of interest on the Class D1 Notes, payments of interest on the Class D1 Notes will at all times rank in priority to payments of interest on the Class E1 Notes and payments of interest on the Class E1 Notes will at all times rank in priority to payments of Residual Payments to the Revenue Residual Certificate Holders in each case in accordance with the Pre-Enforcement Revenue Payments Priorities.
- 5.5 **Pre-Enforcement Principal Payments Priorities:** Payments of principal on the Class A1 Notes will at all times rank in priority to payments of principal on the Class B1 Notes, payments of principal on the Class B1 Notes will at all times rank in priority to payments of principal on the Class C1 Notes, payment of principal on the Class C1 Notes will at all times rank in priority to payments of principal on the Class D1 Notes, payments of principal of the Class D1 Notes will always rank in priority to payments of principal on the Class E1 Notes and payments of principal on the Class E1 Notes will always rank in priority to payments on the Principal Residual Certificates in each case in accordance with the Pre-Enforcement Principal Payments Priorities.
- 5.6 **Payment Priorities:** Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Funds and Available Principal Funds in accordance with the Pre-Enforcement Payments Priorities and therefore in accordance with the Post-Enforcement Payments Priorities.

6. **Security**

- 6.1 **Security:** The Certificates are secured by the Security.
- 6.2 **Enforceability:** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Note Condition 13 (*Events of Default*), or Certificate Condition 13 (*Events of Default*) and subject to the matters referred to in, respectively, Note Condition 14 (*Enforcement*) and Certificate Condition 14 (*Enforcement*).

7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee from the Issuer which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as

permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Certificates remain outstanding, the Issuer shall comply with the Issuer Covenants.

8. **Certificate Payments**

8.1 ***Right to Certificate Payments:*** Each Certificate bears a *pro rata* entitlement to receive a Certificate Payment.

8.2 ***Payment:*** Certificate Payments are payable in Sterling on each Interest Payment Date commencing on the First Interest Payment Date. Payments of Certificate Payments shall be by cheque drawn in Sterling, or upon application by a Certificate Holder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling maintained by the payee with a bank in London.

8.3 ***Record date:*** Each payment in respect of a Certificate will be made to the person shown as the Certificate Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the Record Date. Where payment in respect of a Certificate is to be made by cheque, the cheque will be mailed to the address shown as the address of the Certificate Holder in the Register at the opening of business on the relevant Record Date. The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Certificate shall be the only person entitled to receive payments in respect of any Certificate represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

8.4 ***Calculation of Certificate Payment Amount:*** Upon or as soon as practicable prior to any Interest Payment Date, the Issuer shall calculate (or shall cause the Cash Manager to calculate) the Certificate Payment Amount payable on each Certificate for the related Interest Payment Date.

8.5 ***Calculations final and binding:***

Each calculation by or on behalf of the Issuer of any Certificate Payment Amount shall (in the absence of any Breach of Duty) be final and binding on all persons.

8.6 ***Notification of Certificate Payment Amount and Interest Payment Date:*** As soon as practicable:

- (a) prior to each Interest Payment Date, the Issuer or, if acting in accordance with Certificate Condition 7.4, the Cash Manager will cause each Certificate Payment Amount for the related Interest Payment Date; and
- (b) after each Interest Determination Date, the Agent Bank will cause the Interest Payment Date next following the related Interest Period,

to be notified to the Issuer, the Cash Manager (as applicable), the Trustee, the Principal Paying Agent.

8.7 ***Notice irrevocable:***

Any such notice as is referred to in Certificate Condition 7.5 (*Notification of Certificate Payment Amount and Interest Payment Date*) shall be irrevocable and the Issuer shall be bound to make Certificate Payments to which such notice relates.

8.8 ***Publication of Certificate Payment Amount and Interest Payment Date:*** As soon as practicable after receiving each notification of the Certificate Payment Amounts and the Interest Payment Date in accordance with Certificate Condition 8.5 (*Notification of Certificate Payment Amount and Interest Payment Date*) the Issuer will cause such Certificate Payment Amount and the next following Interest Payment Date to be published in accordance with the Notices Condition.

8.9 ***Amendments to Publications:*** The Interest Payment Date so published may subsequently be amended by the Issuer without notice in the event that the date for such Interest Payment Date changes in accordance with the definition of such term. Following any such amendment, notice

thereof shall be given to the Issuer, the Trustee, the Cash Manager (if applicable) and the Principal Paying Agent.

- 8.10 **Determination or Calculation by Trustee:** If the Issuer does not at any time for any reason determine the Certificate Payment Amounts in accordance with this Certificate Condition, the Trustee may (but without any liability accruing to the Trustee as a result) calculate the Certificate Payment Amounts in the manner specified in this Certificate Condition and any such determination and/or calculation shall be deemed to have been made by the Issuer. In each case the Trustee may, at the expense of the Issuer, employ an expert to make the determination and/or calculation and any such determination or calculation shall be deemed to have been made by the Issuer.

- 8.11 **Termination of Payments:** Following Realisation of the Charged Property and payment of the proceeds thereof in accordance with the Payments Priorities, no more Certificate Payments will be made by the Issuer.

9. Cancellation

- 9.1 **Limited Entitlement:** The entitlement of the Certificate Holders to receive Certificate Payments is contingent on the Payments Priorities.

- 9.2 **Principal Residual Certificates:** Following payments since their issuance of amounts equal to £25,501,445.13 on the Principal Residual Certificates the Principal Residual Certificates shall be cancelled and will no longer constitute a claim against the Issuer.

- 9.3 **Revenue Residual Certificates:** When no further amounts are (or will be) available for application in respect of the Revenue Residual Certificate pursuant to the Payments Priorities the Revenue Residual Certificates shall be cancelled and will no longer constitute a claim against the Issuer.

- 9.4 **Purchaser by Issuer:** The Issuer shall not purchase any Certificates.

10. Payments

- 10.1 **Payments subject to fiscal laws:** All payments in respect of the Certificates are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Certificates in respect of such payments.

- 10.2 **Payments on business days:** If the due date for payment of any amount in respect of any Certificate is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts shall be due in respect of such Certificate.

11. Limited Recourse

- 11.1 If at any time following:

10.1.1 the occurrence of either:

- (a) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
- (b) the service of an Enforcement Notice; and

10.1.2 realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payments Priorities, to pay in full all amounts then due and payable under any Certificates then the amount remaining to be paid (after such application in full of the amounts first referred to in Certificate Condition 10.1.2 above) under such Class of

Certificates shall, on the day following such application in full of the amounts referred to in Certificate Condition 10.1.2 above, cease to be due and payable by the Issuer.

12. **Taxation**

- 12.1 ***Payments free of Tax:*** All payments in respect of the Certificates by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Issuer Jurisdiction or any political subdivision thereof or any authority therein or thereby having power to tax unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.
- 12.2 ***No payment of additional amounts:*** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Certificate Holders as a result of any such Tax Deduction.
- 12.3 ***FATCA:*** Notwithstanding any other provision in these Certificate Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by the Issuer on account of FATCA, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
- 12.4 ***Taxing Jurisdiction:*** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer Jurisdiction, references in these Certificate Conditions to the Issuer Jurisdiction shall be construed as references to the Issuer Jurisdiction and/or such other jurisdiction.
- 12.5 ***Tax Deduction not Event of Default:*** Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction, making such deduction shall not constitute an Event of Default.

13. **Certificate Events of Default**

- 13.1 ***Certificate Events of Default:*** Subject to the other provisions of this Certificate Condition, each of the following events shall be treated as a "**Certificate Event of Default**":
- (a) ***Non-payment:*** the Issuer fails to pay any Certificate Payment within five days of the due date for payment; or
 - (b) ***Breach of other obligations:*** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Certificates or in respect of the Primary Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or
 - (c) ***Insolvency Event:*** an Insolvency Event occurs in relation to the Issuer; or
 - (d) ***Unlawfulness:*** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Certificates or any of the Transaction Documents.
- 13.2 ***Delivery of Enforcement Notice:*** Following the redemption in full of all Notes, if a Certificate Event of Default occurs and is continuing, the Trustee may at its discretion and shall:
- (a) if so requested in writing by the holders of at least 25 per cent. of the Certificates; or
 - (b) if so directed by an Extraordinary Resolution of the Certificates,
- deliver an Enforcement Notice to the Issuer (with a copy to the Servicer).

13.3 **Conditions to delivery of Enforcement Notice:** Notwithstanding Certificate Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.4 **Consequences of delivery of Enforcement Notice:** Upon the delivery of an Enforcement Notice, amounts shall continue to be paid on the Certificates in accordance with the relevant Payments Priorities.

14. **Enforcement**

14.1 **Proceedings:** The Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Certificates of each Class and under the other Primary Transaction Documents, but it shall not be bound to do so unless:

(a) all Notes have been redeemed in full; and

(b)

(i) so requested in writing by the holders of at least 25 per cent. of the Principal Residual Certificates; or

(ii) so directed by an Extraordinary Resolution of the holders of the Principal Residual Certificates,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 **Directions to the Trustee:** If the Trustee shall take any action described in Certificate Condition 14.1 (*Proceedings*) it may take such action without having regard to the effect of such action on individual Certificate Holders or any other Secured Creditor, **provided that** so long as any Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Certificate Holders unless:

(a) to do so would not, in its opinion, be materially prejudicial to the interests of any Class of Noteholders as a Class; or

(b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of each Class of Noteholders.

14.3 **Third Party Rights:** No person shall have any right to enforce any Certificate Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

15. **No action by Certificate Holders or any other Secured Creditor**

15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Certificate Holder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Certificate Holders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

(a) otherwise than as expressly permitted by these Certificate Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;

(b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Certificate Holders or any other Secured Creditors;

- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

16. **Meetings of Certificate Holders**

16.1 **Convening:** The Trust Deed contains "Provisions for Meetings of Certificate Holders" for convening separate or combined meetings of Certificate Holders of any Class to consider matters relating to the Certificates, including, subject to Certificates Condition 16, the modification of any provision of these Certificate Conditions or the Trust Deed which modifications may be sanctioned by an Extraordinary Resolution.

16.2 **Separate and combined meetings:** The Trust Deed provides that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the Certificates of only one Class shall be transacted at a separate meeting of the Certificate Holders of that Class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the Certificate Holders of more than one Class of Certificates but does not give rise to an actual or potential conflict of interest between the Certificate Holders of one Class of Certificates and the holders of another Class of Certificates shall be transacted either at separate meetings of the Certificate Holders of each such Class or at a single meeting of the Certificate Holders of all such Classes of Certificates as the Trustee shall determine in its absolute discretion; and
- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Certificate Holders of more than one Class and gives rise to any actual or potential conflict of interest between the Certificate Holders of one Class of Certificates and the Certificate Holders of any other Class of Certificates shall be transacted at separate meetings of the Certificate Holders of each such Class.

16.3 **Request from Certificate Holders:** A meeting of Certificate Holders of a particular Class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Certificate Holders of a particular Class holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Certificates of that Class.

16.4 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Certificates will be two or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Certificates in that Class or those Classes or, at any adjourned meeting, two or more persons being or representing Certificate Holders of that Class or those Classes, whatever the Principal Amount Outstanding of the outstanding Certificates so held or represented in such Class or Classes; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each relevant effected Class of Certificate Holders) will be two or more persons holding or representing in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Certificates in the relevant Class or Classes or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 10 per cent. of the Principal Amount Outstanding of the outstanding Certificates in the relevant Class or Classes,

provided that, for the purposes of paragraphs (a) and (b), whenever the outstanding Certificates of any Class are represented by a Global Certificate, a single voter appointed in relation thereto or being a holder of the Certificates thereby represented shall be deemed to be two voters for the purposes of forming a quorum.

16.5 ***Relationship between Classes of Notes and Certificates***

In relation to each Class of Notes and Certificates:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes or Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes and Certificates;
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any Class of Notes or Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes and Certificates ranking senior to such Class (to the extent that there are outstanding Notes or Certificates ranking senior to such Class) unless the Trustee considers that none of the holders of each of the other Classes of Notes and/or Certificates ranking senior to such Class would be materially prejudiced by the absence of such sanction; and
- (c) any resolution passed at a Meeting of Noteholders of one or more Classes of Notes or Certificates duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders or Certificate Holders of such Class or Classes, whether or not present at such Meeting and whether or not voting, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the First Voting Class then outstanding duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and Certificates.

16.6 ***Resolutions in writing:*** A Written Resolution shall take effect as if it were an Extraordinary Resolution.

17. **Modification and Waiver**

17.1 ***Modification:*** The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders, the Certificate Holders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to the Note Conditions, these Certificate Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes, the Certificates, any Instrument or other Transaction Documents or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the First Voting Class; or
- (b) any modification to these Trust Documents, the Notes, the Note Conditions, the Certificates, the Certificate Conditions, any Instrument or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

17.2 ***Waiver:*** In addition, the Trustee may, at any time and from time to time, at its sole discretion without the consent of the Certificate Holders, the Noteholders or any other Secured Creditor and, if in its opinion it would not be materially prejudicial to the interests of the holders of the First Voting Class, concur with the Issuer or any other relevant parties in:

- (a) authorising or waiving, on any terms and subject to such conditions which it considers appropriate, any breach or proposed breach of any of the covenants or provisions contained in the Trust Documents, the Instruments or any of the other Transaction Documents; and
- (b) determining that an Event of Default or Potential Event of Default shall not be treated as such for the purposes of the Trust Documents, the Note Conditions, the Certificate Conditions, the Notes, the Certificates or any of the other Transaction Documents.

- 17.3 **Restriction on power to modify and waive:** The Trustee shall not exercise any powers conferred upon it by Certificate Condition 16.1 (*Modification*) or 17.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the First Voting Class then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the First Voting Class then outstanding, but so that no such direction or request shall (a) affect any modification, authorisation, waiver or determination previously given or made or (b) require or authorise the Trustee to modify or authorise or waive any proposed breach or breach relating to a Reserved Matter unless the holders of each relevant effected Class of outstanding Notes and the holders of the outstanding Certificates has, by Extraordinary Resolution, so authorised its exercise.
- 17.4 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Certificate Holders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.
- 17.5 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Certificate Condition 17.1 (*Modification*) or Certificate Condition 17.2 (*Waiver*) shall be binding on the Noteholders, the Certificate Holders and the other Secured Creditors.
18. **Prescription**
- Claims for Certificate Payments in respect of Certificates shall become void where application for payment is made more than five years from the date on which the final Certificate Payment first became due and payable.
19. **Replacement of Global Certificate, Definitive Certificates**
- If any Global Certificate or Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Global Certificates and Definitive Certificates must be surrendered before replacements will be issued.
20. **Trustee and Agents**
- 20.1 **Trustee's right to Indemnity:** Under the Primary Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Certificate Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 20.2 **Trustee not responsible for loss or for monitoring:** The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Primary Transaction Documents.
- 20.3 **Regard to Classes of Noteholders and to Certificate Holders:** In the exercise of its powers and discretions under these Certificate Conditions and the Trust Deed, the Trustee will:
- (a) have regard to the interests of each Class of Certificate Holders as a Class and will not be responsible for any consequence for individual Certificate Holders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
 - (b) have regard only to the holders of the First Voting Class and will not have regard to any Class of Notes or Certificates listed lower in the definition of First Voting Class nor to the interests of the other Secured Creditors except to ensure the application of the

Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

- 20.4 ***Agents solely agents of Issuer:*** In acting under the Agency Agreement and in connection with the Certificates, the Paying Agents, Agent Bank and Registrar act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificate Holders.
- 20.5 ***Initial Paying Agents:*** The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, registrar or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.
- 20.6 ***Maintenance of Agents:*** The Issuer shall at all times maintain a Paying Agent, a principal paying agent, a registrar and an agent bank which, in the case of any Paying Agent, shall make payments from an office in a member state of the European Union which does not require amounts payable under these Certificate Conditions to be withheld pursuant to the EU Savings Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Certificate Holders in accordance with the Notices Condition.
21. **Substitution of Issuer**
- 21.1 ***Substitution of Issuer:*** The Trustee may, without the consent of the Certificate Holders or any other Secured Creditor, subject to:
- (a) the consent of the Issuer; and
 - (b) such further conditions as are specified in the Trust Deed,
- agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Notes, the Certificates and the Secured Amounts.
- 21.2 ***Notice of Substitution of Issuer:*** Not later than fourteen days after any substitution of the Issuer in accordance with this Certificate Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Certificate Holders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Primary Transaction Documents.
- 21.3 ***Change of Law:*** In the case of a substitution pursuant to this Certificate Condition, the Trustee may in its absolute discretion agree, without the consent of the Certificate Holders or the other Secured Creditors to a change of the law governing the Notes and/or the Certificates and/or any of the Primary Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the First Voting Class, **provided that** (if any Notes remain outstanding) the Rating Agencies are notified.
- 21.4 ***No indemnity:*** No Certificate Holder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Certificate Holders.
22. **Notices**
- 22.1 ***Valid Notices:*** Any notice to Certificate Holders shall be validly given if such notice is either:
- 20.1.1 in respect of Certificates represented by a Global Certificate, sent to the Clearing Systems for delivery to their accountholders; or
 - 20.1.2 published on the Relevant Screen.
- 22.2 ***Date of publication:*** Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, 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 or on the Relevant Screen.

- 22.3 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Certificate Holders or to any Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and **provided that** notice of such other method is given to the Certificate Holders in such manner as the Trustee shall require.

23. **Governing Law and Jurisdiction**

- 23.1 **Governing law:** The Trust Documents and the Certificates and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law except that to the extent that the provisions of the Security Deed and any security documents supplemental thereto relate to Scottish Mortgage Loans, such provisions and documents shall be governed by Scots law and (b) to the extent that the provisions of the Security Deed relate to Northern Irish Mortgage Loans such provisions shall be governed by Northern Irish law.

Jurisdiction: The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Certificates and the Primary Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Certificates or the Primary Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Certificates and/or the Primary Transaction Documents may be brought in such Courts.

USE OF PROCEEDS

The net proceeds from the issue of the Notes after deducting fees, expenses and commissions will be equal approximately £472,717,545.08 and will be used by the Issuer to pay the purchase price for purchase of the Mortgage Portfolio in accordance with the Mortgage Sale Agreement and to fund the Principal Reserve Fund, the Class A1 Reserve Fund and the Class B1 Reserve Fund pursuant to the Cash Management Agreement.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes or Certificates (other than in relation to the comments below concerning stamp duty). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes and the stamp duty position of the Notes and the Certificates. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom withholding tax

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC 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 Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owner of the Notes (or the person for whom the Notes are held), details of the person to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to the authorities in other countries.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such

payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined below.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**interest**" above mean "**interest**" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Note Condition 21 or otherwise and does not consider the tax consequences of any such substitution.

Stamp Duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Notes or the Certificates.

United Kingdom stamp duty may be chargeable on any instruments transferring a Certificate (including where such Certificates are in definitive form) and Certificate Holders are advised to consult with their professional advisors in respect of matters relating to the acquisition and holding of the Certificates.

SUBSCRIPTION AND SALE

Merrill Lynch International (the "**Lead Manager**") has, pursuant to a subscription agreement dated on or about the Signing Date amongst, *inter alios*, the Arrangers, the Beneficial Title Seller and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class A1 Notes at the issue price of 99.449 per cent. of the aggregate principal amount of the Class A1 Notes and the Class B1 Notes at the issue price of 99.065 per cent. of the aggregate principal amount of the Class B1 Notes, the Class C1 Notes at the issue price of 98.844 per cent. of the aggregate principal amount of the Class C1 Notes, the Class D1 Notes at the issue price on 98.171 per cent. of the aggregate principal amount of the Class D1 Notes and the Class E1 Notes at the issue price of 97.082 per cent. of the aggregate principal amount of the class E1 Notes.

The Beneficial Title Seller will, pursuant to the Mortgage Sale Agreement be issued the Certificates as partial consideration for the sale of the Mortgage Portfolio. Please see the section in the Risk Factors entitled "*Certain Material Interests*".

In the Subscription Agreement the Beneficial Title Seller undertakes to hold the Principal Residual Certificates until maturity of the Notes.

The Issuer has agreed to indemnify the Arrangers, the Lead Manager and the Beneficial Title Seller against certain liabilities in connection with the issue of the Notes and to pay certain fees to the Arrangers and the Lead Manager in connection with the issue of the Notes.

Other than admission of the Notes to Main Securities Market, no action will be taken by the Issuer, the Arrangers or any Seller, which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in keeping with the limitations described under "*Transfer Restrictions and Investor Representations*" below. Accordingly, the Notes are being offered and sold by the Lead Manager solely to non-U.S. persons in offshore transactions in reliance on Regulation S. The Lead Manager and the Beneficial Title Seller have agreed that, except as permitted by the Subscription Agreement, it will not offer or sell, respectively, the Class A1 Notes or the other Notes as part of its distribution or at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and, it will have sent to each affiliate or other person (if any) to which it sells Notes during such forty day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Offers and sales of the Notes within the United States or to U.S. persons is further restricted as specified in "*Transfer Restrictions and Investor Representations*" below.

United Kingdom

Each of the Lead Manager and the Beneficial Title Seller has represented to and agreed with the Issuer:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of, the Securities 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 the Securities, from or otherwise involving the United Kingdom.

Each of the Lead Manager and the Beneficial Title Seller has acknowledged that save for the Issuer having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA and having applied for admission of the Securities to the Official List of the Irish Stock Exchange and the admission of the Securities to trading of the Irish Stock Exchange, no further action has been taken by either of the Lead Manager or the Beneficial Title Seller that would, or is intended to, permit a public offering of the Securities, or possession or distribution of the Prospectus or any other offering Material in relation to the Securities, in any country or jurisdiction where such further action for that purpose is required.

Ireland

The Lead Manager and the Beneficial Title Seller have represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 - 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

The Republic of France

Each of the Lead Manager and the Beneficial Title Seller has represented and agreed that in connection with the initial distribution of the Notes it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

General

Each of the Lead Manager and the Beneficial Title Seller has undertaken that it will not, directly or indirectly, offer or sell any Notes or any other Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of, respectively, the Notes and the other Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of, respectively, the Notes and the other Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Lead Manager

The Notes have not been registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements and other requirements described herein. Accordingly, the Lead Manager is offering and selling the Notes solely to non-U.S. persons in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book Entry Interests) by accepting delivery of this prospectus and the Notes will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to or for the account or benefit of a U.S. person (as defined in Regulation S), if such person is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; **provided that** in no event under (ii) or (iii) above may Notes be transferred or resold to or for the account of a US person until (A) at least 40 days after the later of the commencement of the Offering and the Closing Date of the Offering, and (B) such Notes are represented by a global note; **provided further that** the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Lead Manager and its Affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). NEITHER THIS GLOBAL NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED) 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 INTERNAL REVENUE CODE."

Purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on or about 8 May 2014.

Listing of the Notes

It is expected that admission of the Notes to the Official List and trading on its regulated market will be granted on or about 13 May 2014 subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.

The ISE fees for the total expenses in relation to admission to trading will be approximately EUR 6,000.

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 such Notes to trading on the regulated market of the Irish Stock Exchange.

Clearing and settlement

The Notes and the Certificates have been accepted for clearing through Clearstream, Luxembourg and Euroclear under the following ISINs and common codes:

Securities	ISIN	Common Code
Class A1 Notes	XS1063509225	106350922
Class B1 Notes	XS1063509654	106350965
Class C1 Notes	XS1063509811	106350981
Class D1 Notes	XS1063510157	106351015
Class E1 Notes	XS1063512443	106351244
Principal Residual Certificates	XS1066041184	106604118
Revenue Residual Certificates	XS1066041853	106604185

Litigation

The Issuer is not nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 7 March 2014 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.

Accounts

No statutory or non statutory accounts within the meaning of section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as any of the Notes are admitted to trading on the regulated market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.

The Issuer did not trade during the period from its date of incorporation on 7 March 2014 to the date of this Prospectus nor has it received any income nor did it incur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has not commenced operations.

Significant or Material Change

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Transaction Documents.

Since 7 March 2014 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

Charges and Guarantees

Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or given any charges or guarantees.

Reports

The Issuer intends to provide post issuance transaction information in the form of a Monthly Investor Report, which will include information on the loans and payments in arrears and which are prepared by the Cash Manager and will be published by the Cash Manager on www.sf.citidirect.com. The Cash Manager, as agent of the Issuer, will also make available information in relation to each Mortgage Loan and provided to it by the Servicer, which will be accessible via the same website (www.sf.citidirect.com), subject to the terms and conditions set out therein. The content of these websites do not form part of this Prospectus and such reports are not incorporated by reference into this Prospectus.

Underlying Assets

On the Closing Date the assets backing the issue of the Notes when taken together with the interest rate provided for on the Transaction Account pursuant to the Transaction Account Agreement to be entered into by the Issuer on the Closing Date have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had to the characteristics of the Mortgage Portfolio and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under "*Risk Factors*" and "*Cash Management and Liquidity Support*" above.

Documents Available

From the date of this Prospectus, and for so long as any of the Notes are admitted to trading on the Main Securities Market, physical copies of the following documents (excluding any schedule containing personal information) may be inspected at the offices of the Issuer at Fifth Floor, 100 Wood Street, London EC2V 7EX on any week day (excluding Saturdays, Sundays and public holidays):

- (a) Memorandum and Articles of Association of the Issuer;
- (b) this Prospectus;
- (c) prior to the Closing Date, drafts (subject to amendment) and after the Closing Date copies of the following documents:
 - (i) the Incorporated Terms Memorandum;
 - (ii) the Agency Agreement;
 - (iii) the Back-Up Servicing Agreement;
 - (iv) the Cash Management Agreement;
 - (v) the Corporate Services Agreement;
 - (vi) the Portfolio Option Deed;
 - (vii) the Mortgage Sale Agreement;
 - (viii) the Scottish Declaration of Trust;

- (ix) the Security Deed;
- (x) the Security Powers of Attorney;
- (xi) the Seller Collection Account Agreement and Declaration of Trust;
- (xii) the Servicing Agreement;
- (xiii) the Transaction Account Agreement;
- (xiv) the Trust Deed; and
- (xv) the Scottish Supplemental Charge.

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